

Book reviews

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Keith Hancock, *Australian Wage Policy: Infancy and Adolescence*. University of Adelaide Press: Adelaide, SA, Australia, 2013; 731 pp. USD77.00 (also available as a free book in an Ebook PDF edition from <http://www.adelaide.edu.au/press/titles/wage-policy>).

Reviewed by: Russell Lansbury, *University of Sydney, Australia*

This is a magisterial study of the operation of conciliation and arbitration in Australia, at the national level, from the inception of the system in the early 1900s until the Second World War. As the title suggests, the focus is on the determination of wages rather than the settlement of disputes or the myriad of legal issues related to the tribunal system. As the author points out in the introduction to the book, it is not a general history of conciliation and arbitration but ‘it attempts to set the tribunals’ performance in an economic context’ (p. 1).

Keith Hancock has provided an exhaustive and fascinating account of wages policy in just over 700 pages. Despite the sheer volume of detail which is covered by the book, it is remarkably easy to read and is written in clear prose which is accessible to those readers without a background in economics. Perhaps the most significant lesson which emerges from the book is that the issues at the heart of the debate over wage policies remain as relevant today as they were during the first four decades of the Commonwealth of Australia. Keith Hancock and Joe Isaac (to whom the book is dedicated) have played key roles in the Australian system both as presidential members of the federal industrial relations tribunal and as eminent academics in the fields of labour economics and public policy.

The book is divided into five sections. That covering the system’s inception and setting provides an overview of the Australian economy and context of wage setting from 1901 to 1939. Then follow analyses of the Higgins era from 1907 to 1921, the period of ‘caution and restraint’ between 1921 and 1929 and wage policy during the Great Depression and recovery from 1929 to 1939. The book ends with an economic critique of wage regulation covering the whole period. In each of these sections, Hancock draws on transcripts from cases before the tribunal and quotes at length from the various parties making representation on behalf of unions, employers and governments.

The extensive use of transcripts, detailing arguments put by the parties in key cases, brings to life the issues and the people involved. Photographs are reproduced of many individuals who played significant roles during the era covered by the book, and it is intriguing to match their faces with their words. Among the most interesting are Charles Crofts, who was Secretary of the Australian Council of Trade Unions (ACTU) from 1927

to 1943, and Douglas Copland, who was Professor of Economics at the University of Melbourne from 1924 to 1944. Copland became one of the most influential voices in Australian economic debates for several decades and was Commonwealth Prices Commissioner during the Second World War. Crofts laid the foundation for the emergence of the ACTU as a major force in Australian industrial relations. The arguments between Crofts and Copland over wage policy during the Depression years, when they appeared before the tribunal, are vividly portrayed in the book.

Crofts must have been a formidable opponent, and his responses to those advocating wage cuts during the Depression are telling. In response to Copland, during a hearing in 1930, Crofts said, 'I asked him whether I could go to the men who are in work and tell them that if they gave up 10 per cent of their wages, their comrades, who were out of work would be taken back into employment'. He said, 'No'. I asked 'Why?' He said, 'I am not a prophet'. I said, 'You are a professor and you are telling this Court that if they reduce the wages the men out of work will be taken back into industry'. He said, 'Not immediately ...' (p. 496). Later, however, Copland advocated raising wages to stimulate demand as Australia emerged from the Depression.

In the opening chapter of the book, Hancock provides the background to the emergence of the first national approach to wage policies established after federation. He notes that

In the late 19th century, in Australia as in some other countries, the presumption that wages (like other prices) were best left to the interplay of market forces was confronted by a growing body of opinion that market outcomes were intolerable. (p. 2)

The colony of Victoria had established wages boards in 1896 and courts of arbitration by 1900, so the decision by the inaugural Commonwealth Government to establish an arbitration Court in 1904 had a precedent.

The Higgins era, 1907–1921, is examined in close detail, which is not surprising given the historic importance of 'the Harvester Case' over which Henry Bournes Higgins presided. The Harvester judgement, as it became known, established the 'living wage principle' which was widely advocated during the early decades of the 20th century. Higgins later coined the term 'basic wage' which became interchangeable with the 'living wage' and entered the lexicon of Australian industrial relations. Although the Harvester judgement was subject to considerable criticism, particularly as a measure of household needs and as a method of adjusting to rising prices, its influence extended throughout the rest of the century and beyond.

The period from 1921 to 1929 is characterised by Hancock as one of 'caution and restraint'. From 1922 onwards, the federal basic wage was subject to automatic quarterly adjustment with reference to a price index. Prior to this, the basic wage was set award by award either because it was due for renewal or because there was an application made to the Court for award variation. The federal basic wage increased throughout the 1920s and by 1929 was 15% higher than it had been in mid 1922. Then came the stock market crash of 1929 and the fall of the basic wage by 29% between 1929 and 1933. Hancock comments that the most interesting aspect of the period from 1921 to 1929 was

the slight attention paid by the Court to the large increase in real wages that occurred, seemingly fortuitously ... But the reality of the real wage increase seems to have passed unnoticed, seemingly obscured by the Courts adherence to the Harvester standard. (p. 278)

Not surprisingly, the largest section of the book deals with wage policy during the Depression and the economic recovery, covering the period 1929–1939. Hancock notes that the Depression of the 1930s was a ‘decisive episode in Australian history’ not the least because it marked the adoption by the Arbitration Court of a wage policy directed toward a macroeconomic outcome. The Labor Government, which was elected in mid 1929, having strongly defended the arbitration court against the threat of abolition by the previous conservative government, was riven with internal conflict over what policies to adopt in the face of the Great Depression. The government was unable to decide between the advice of mainstream economists, the less orthodox approach advocated by the Treasurer, E. G. Theodore, and the more extreme policies being pursued by Premier Jack Lang in New South Wales (NSW). The federal Labor Government also opposed the Arbitration Court’s strategy of wage reduction.

Hancock provides a detailed account of the long deliberations of the arbitration court over whether to cut wages which resulted in its decision in 1931 to reduce both the basic wage and margins by 10%. In response to this decision, the Labor Government sought to persuade the Court to defer the wage cut for three months to hold discussions with banking authorities. However, the Court asserted its independence from the executive government and went ahead with its decision. The employers had to apply for a reduction clause to be inserted into their awards and the process took place throughout 1931. The Court administered a policy of wage restraint in 1932–1933 but began to relax the policy in 1934 when there were some signs of modest economic recovery. The significance of this period for the role of the Arbitration Court, according to Hancock, is that it underlined its importance as an institution of economic policy. The introduction of the wage cuts was a recognition that the wage levels and employment conditions were constrained by economic circumstances.

An interesting side issue is the intervention of John Maynard Keynes in the wages debate in Australia during the Depression years. Although Keynes never visited Australia, he wrote an article for the *Melbourne Herald* in May 1932, in which he argued that wage cuts were a dubious policy because while they reduced costs, they also reduced purchasing power. The general thrust of the case put by Keynes was that Australia had already taken appropriate action and that it might simply be best to wait for a world recovery, particularly in prices.

While the views of Keynes may only have had a marginal influence, if any, on the deliberations of the Arbitration Court, Hancock provides an interesting perspective on the roles and influence of economists on wages policy during the period from the early 1900s to the Second World War. He comments that ‘wage policy was one topic to which the economists who exerted significant influence over policy before World War II gave their attention’ and notes that ‘Australia was unique in the part that wage policy played in economic discourse’ (p. 697). However, Hancock is critical of the way in which economists of the period interacted with the tribunal and vice versa. In his view,

The economists had a stylised conception of the Federal court – one that exaggerated its control of affairs. The Court's willingness to listen to economists was no doubt due partly to its own lack of economics expertise: it was entirely composed of lawyers. (p. 697)

In his conclusion to the book, Hancock poses the question, 'Did (the Arbitration Court) deliver outcomes that were economically sound?' (p. 709). Hancock's answer is even handed. He notes that the principal concern of the Court, particularly in its early years of operation, was to avert industrial disputation and to impose wages and conditions which were in the capacity of employers to pay. Initially, the Court posed these questions in microeconomic terms, but as decisions about the basic wage became more significant, the Court was required to take a more macroeconomic role in regulating the economy by wage setting.

While the role of the federal arbitral tribunal is now diminished, compared with earlier decades when the industrial relations system was more centralised, the issue of how the wages system in Australia should be regulated continues to be a major subject of economic and political debate. Hancock notes that in the period covered by his book, 'arbitration operated in a world of institutions and economic power wielded by large employers, employers' associations and unions. In such a world, without arbitration, outcomes would have reflected relative industrial strength' (p. 710). He concludes that the Court made a major contribution to Australian society by 'tempering bargaining strength and intruding notions of fairness and policy' (p. 710).

The book provides a positive case for the role which the federal arbitral tribunal played in developing a political culture and an economy which enhanced and protected the living standards of working people and their families in the first four decades of the Commonwealth of Australia. Hopefully, a subsequent volume will trace the development of the wages system through the post-war years to the present time. Many of the issues in this volume are relevant to the current debate about the future of wages policy in Australia in an era when the economic power wielded by unions and employer associations is greatly reduced and the federal tribunal is far less powerful. How the balance between profits for employers and equity for wage earners can be achieved in the future, with the traditional industrial relations institutions so diminished, is an issue still to be resolved. Policy makers and practitioners in industrial relations would do well to read the lessons of history contained in this volume and gain wisdom from past experience.

Thomas Klikauer, *Managerialism: A Critique of an Ideology*. Palgrave Macmillan: Hampshire and New York, 2013; 368 pp.: 9781137334268 (hbk), USD100.00 (hbk)

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This is a dark yet scholarly treatise. The author is widely read in philosophy, management and economics – there are 936 footnotes consuming 67 pages of single-spaced text – but has deliberately tried to keep a low profile, leading the solitary scholarly life and concentrating on writing books that have generated quite a reputation, unknown to most of his university colleagues but acknowledged by no less than Chomsky.