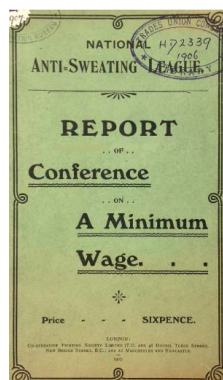


J. A. Hobson
in National Anti-Sweating
League,
*Report of Conference
on A Minimum Wage*
1907



The proceedings were continued with the reading of a paper by Mr. J. A. Hobson, M.A., on the

Influence of a Legal Minimum Wage upon Employment.

Mr. J. A. HOBSON said : Opponents of the legal enforcement of a minimum wage urge the objection that it would cause a reduction in the volume of employment in the sweated industries not compensated by any corresponding increase of employment in other industries ; in a word, that it would aggravate the unemployed problem. The argument runs thus. " By raising artificially the wages you increase the cost of production of the goods ; increased cost of production causes a rise of price ; with a rise of price will come a diminution of sales and a corresponding shrinkage of employment ; large numbers of the very women whose wages you seek to raise will be thrown out of work and earn no wages at all."

Let us examine this argument. First, it does not necessarily happen that a rise of wages causes a rise of cost of production. So far as time wages are concerned, an increase of pay per hour or per day will have some effect in raising the standard of efficiency of labour ; better nourished, more energetic and more cheerful workers give out a larger amount and a better quality of labour power. The economy of higher wages is certainly applicable to the weak, hopeless, dispirited worker in a sweating factory or workshop. To piece wages, too, the same consideration will to some extent apply. The higher legally enforced piece-wage will not necessarily involve a corresponding rise in net cost of production ; for if it enables and induces the workers to turn out more and better work per day, the saving of time and of loss from damaged or rejected goods will compensate in part, at any rate, the rise of piece-rates.

Cost of production, therefore, does not necessarily rise to correspond with a rise of wage. But suppose it does, a higher wage-bill is not necessarily followed by a rise in selling prices and a consequent shrinkage of trade. There are two buffers between a rise of wages and a rise of prices.

Where a trade, screened from the full strain of competition by privilege, limitation of natural resources, combination, or other control of market, is earning a normal rate of profits higher than is necessary to maintain the capital and business enterprise, in a word, where there exists a fund of surplus profit the rise of wages will tend to come out of this fund, and will not cause a rise of prices.

In other words, even under what is termed "the competitive system," a great many industries, a far larger proportion of the total number than is commonly supposed, are able to afford a rise in wages. In the case of most of these "profitable" industries, a rise of wages, whether due to legal enactment or the pressure of workers, will come out of profits, it will not pay the employer to raise prices and restrict his sales.

In examining the rates of sweating wages one is often struck by the wide divergence in rates paid in the same locality for the same sort of work. The difference is not infrequently as much as 50 per cent. Now, if the higher rates leaves the employer or the middleman a sufficient margin of profit, as it must be held to do, there evidently emerges a surplus profit in the cases where the lower rates prevails. A legal minimum wage can absorb this surplus in a rise of wages.

But what about those trades exposed to the full force of cut-throat competition where profits are pared down to a minimum, and the employer earns a small precarious livelihood? Does a rise of wages necessarily cause a rise of prices and a shrinkage of trade and of employment here? On this point one may legitimately appeal to the general tenour of labour legislation in this country, the Factory and Workshop Acts, Public Health, Employers' Liability, and other laws, all of which have had as one of their economic consequences a *tendency* to raise the cost of production in the trades with which they are concerned.

The unenlightened employers who have opposed these measures persistently asserted that the new restrictions or expenses imposed upon their business would destroy their profits, cripple their competition with foreigners and close their mills. The laws were passed, the burdens were imposed, no such disaster as was predicted actually occurred. Why not? Well, partly because the improved safety and sanitation, the shorter hours, and other betterment in the condition of the employés raised the efficiency of labour, but partly also because the fear of reduced profits operated upon the employers as a stimulus to improved economy in the conduct of their business. A rise in the wage-bill or in other expenses led to the invention or adoption of improved machinery, the utilisation of hitherto wasted products, or other improvements either in the technique or in the administration of the business. A trade dependent for its economy upon abundance of cheap, low-grade labour is notoriously an unprogressive trade; an enforced rise of wages will commonly be a spur to progress.

These considerations ought to make it clear that a rise of wages by legal enactment in the sweating trades does not necessarily raise prices and restrict employment.

But we are not justified, I think, in assuming that the economic effects of the legal minimum can always be confined to the stimulation of efficiency of production or the reduction of surplus profits.

It is likely that cases exist where "sweating" is (from the standpoint of the profit-maker, not of the public) a genuinely economical method of production, and that in some sweating trades the enforcement of a legal minimum wage will have the effect of raising prices. Reduced demand for the higher-priced goods and consequent reduction of employment would seem to follow. In trades where some of the work is done in the factory or workshop, and other work is given out, as in many clothing trades, to be executed at a lower rate of wages, a blow will be struck against the employment of outworkers. The economy of sweating being forcibly put down, the work formerly given out will now be done in the workshop or factory. There will be less home work and more factory work. The general effect of this transfer will be good, bringing a larger proportion of the trade under the better conditions of factory or large workshop life. But many of the actual home-workers, being disabled by domestic and other duties from factory work, will lose their employment and be reduced to worse straits than before. Nor will the reduction in this employment necessarily be compensated by the increase of factory employment. For if it really paid to give out the work before, we may assume that it costs more to get it done in the factory which must now provide the work space, light, etc., that were saved by putting out the work.

It seems to me reasonable to hold that in some cases the curtailment or annihilation of sweated home work will mean a rise of price of the goods and that the factory will not gain in employment all that is lost by the home-workers. A net reduction of employment in the trade may result.

Then, again, we are confronted by the familiar scare of foreign competition. Raise the price of sweated goods ever so little, the trade may go abroad, leaving behind the unemployed workers. This objection, of course, raises the wider issue of public policy which underlies the whole attack upon "sweating."

It ignores, however, the fact that our chief competitors are prepared to join us in adopting anti-sweating legislation. But assuming they were not, our duty is plain. From the standpoint of national economy our answer is: let the sweated trade go abroad, mere quantity of employment is not our first concern, it is not the true interest of Great Britain to seek to retain within her borders a degraded parasitic trade, whose presence generates physical and moral disease in our industrial society: public policy demands that no trade shall continue to exist in this country which fails to conform to certain minimum conditions of employment: a sweated industry involves a net economic and social loss to the nation that contains it. It is no argument against the legal suppression of a sweating trade that it will go to Germany. We should reply, so much the worse for

Germany. As to the sweated workers deprived of this low paid work, two things must be said. In the first place the constant flow of cheap foreign workers into our ports who feed the chief "sweating" trades will stop when the "sweaters" who utilise their labour are no longer permitted to do so. In the second place, if a result of a legal minimum wage or of any other measure operating in the public interest is to throw out of employment any body of workers previously employed, it is manifestly the duty of the State to take care of these displaced workers as a part of the public provision for the unemployed now recognised as devolving on the State. To make proper provision for unemployed persons at the public expense is a better, and, in the long run, a cheaper social policy than to allow them to continue to work for sweating wages in unsanitary workrooms, breeding and bringing up a new generation of physical, industrial and moral inefficient.

But though some loss of employment in the sweating trades will follow any effective enforcement of a minimum wage, it is not true that a net reduction of employment for the nation results from this policy. If this were the case, if the result of such a legal regulation were to increase in any measure the volume of unemployment, the objection would be extremely serious. For an increase in the number of the unemployed at the bottom of the industrial ladder would tend to depress, by further excess of competition, the wage in such low-skilled labour markets as are incapable of "legal" regulation, and in general to weaken the power of labour organisation throughout the country.

But to suppose that any reduction of employment in certain special trades, due to the enforcement of a higher wage, could reduce the general aggregate of employment is to ignore the wider unseen but inevitable results of the new policy.

The most general effect of a policy raising the wages in the lowest walks of industry is to increase the amount of the national income which goes as wages to the workers. This is caused partly by raising the efficiency of labour and the productiveness of industry, partly by transferring to wages a portion of the national product which otherwise would have gone in surplus profit to certain sections of the capitalist and employing classes. The workers would be getting an enlarged aggregate amount of wages, and an enlarged proportion of the total income of the nation.

Some millions of pounds, let us say, will be skimmed away from the top of the incomes of the rich possessing classes and added to the wages of the workers, not merely to the workers in sweated trades, but to other workers in higher grades of labour, whose wages will tend to rise as a result of a higher level at the bottom. The effect of this transfer from profits to wages will be to raise and to regularise the demand for commodities. For the surplus profits, which were partly accumulated in excessive capital not required for the maintenance of the ordinary current of production and breeding congestion and commercial depressions, and were partly expended on capricious luxuries, whose fluctuating demand stamped irregularity upon the trades producing them—this surplus

profit transmuted into higher wages will serve to raise the ordinary standard of consumption for the masses of the workers. Now, this raised standard of consumption involves an increased demand for labour in the processes of production.

A rise in the normal standard of consumption of the people means an increase in the sound staple industries engaged in furnishing the necessities and conveniences of life. Not only will an increase in the volume of employment issue as a result of the higher wage level, but hardly less important is the increased stability or regularity of employment caused by exchanging the demand for necessities or conveniences on the part of the workers for the luxurious expenditure of the rich.

An increase of the general purchasing power of the workers, secured by a legal minimum wage, will thus enlarge the volume and regularise the character of employment.

It will exercise one other healing influence, slow but certain. Sweating is a vicious circle, one essential condition of the survival of many sweating trades is the existence of a market for very cheap and very inferior goods. This market is furnished by the prevalence of low-paid labour: the very poor buy these articles because they cannot afford to buy better and more expensive ones. So far as this part of the "sweating" area is concerned a rise in the wages of low-skilled labour, especially in that of women who form the great majority of sweated workers, will be to enable them and to induce them to substitute for the cheapest and worst goods a somewhat dearer and better sort of article. Nobody deliberately chooses to buy the cheapest and worst, but with the poorest it is often a question of necessity; raise the incomes of the poorer workers we raise by slow growth of choice, experience, and custom the quality of their demand: as they refuse to buy goods which can be made by "sweated" workers the sweating trade will shrink by the natural operation of the law of supply and demand.

This, of course, is only applicable to a part of the field of "sweating," but it serves at least to indicate one further contribution which the policy of the minimum wage can make towards the destruction of sweating by operating upon the standard of consumption. (Applause.)

DISCUSSION.

Discussion followed on the papers read by Mr. Money and Mr. Hobson.

In reply to questions, Mr. Hobson said that personally he should not differentiate wages on the ground of sex, but he should on the ground of locality and other conditions. It was impossible to prohibit all home work, but he thought it might be conducted under healthy conditions if properly regulated. In most trades the capital employed was not fully utilised and employed to the best advantage. As long as that was so they might say that there was capital in excess of that fully used.

Mr. BROWNLIE (Woolwich) said that no Labour member would be prepared to defend the proposition that an agricultural labourer in Devon should receive 30s. a week, the same as received by municipal employes in London. Wages must be determined by local conditions. He would point out that the salaries received by Cabinet Ministers and other government officials were not determined by competition.

Mr. CHAPPELL (Cardiff) thought that some blame attached to Trade Unions in this matter.

Mr. CRAIG (Scottish Tailors and Tailoresses) said that the general health of the people was largely dependent upon the tailoring trade, and in his opinion the local authority should be compelled to provide workshop accommodation. County Council contracts were sublet to sweating dens. His association always set its face against outwork.

Miss MARY MACARTHUR (Women's Trade Union League) said that, judging from the debates, the object of the Conference did not seem to be fully understood. The Conference was not called to solve the social problem, but to deal with one small phase of it. The League was formed in order to crystallise the attention and interest aroused in consequence of the Sweating Exhibition. In order to do this, it had been decided to concentrate on one point—a legal minimum wage for sweated industries. It was needful to define what a sweated industry was. It was no doubt true that all trades were sweated industries—(laughter)—so she must say that the object was to deal with the *super-sweated* industries. She must plead guilty to being an idealist and a Socialist, but she did not look upon the Conference as a propaganda meeting. Socialism was, of course, the only ultimate solution—(hear, hear)—and the ideal system was not one in which wages existed at all. At present, however, what they wanted to do was to consider how certain sweated industries could be raised to a standard which would enable the workers to live in decency and comfort. The low wages earned by women in the super-sweated industries were at once the cause and the consequence of their unorganised conditions. A minimum wage would raise such workers to the standard where organisation would be possible: it would help them to help themselves. If they could only secure for women earning 7s. 6d. a week double that amount something would be done. Speaking generally of the minimum wage, they did not want to discuss the amount so much as to affirm the principle. (Applause).

Mr. J. G. WEBSTER (Southwark S.D.F.) thought that the existence of unemployment was the chief cause of sweating. The State itself was one of the principal sweaters, but given State employment in all industries and the State no longer a sweater the question of a minimum wage would no longer arise. Any rise of wages almost always meant a rise of prices. Whenever the wages bill was increased the employers of labour recouped themselves by putting the additional cost upon the commodities sold to the consumer.

Mrs. PHILIP SNOWDEN (Keighley I.L.P.) agreed with the last speaker that it was difficult to separate any particular part of the social programme from the other parts. Not until to-day had she been in favour of a minimum wage because she feared the tendency of a minimum to become a maximum. She was in favour now, and she agreed that the means by which it could be accomplished were the organisation of the Trade Unions and legislation. Experience taught her that if they wanted girls to join Trade Unions they must address them on higher grounds than wages. They must appeal to the best that is in them. They would go forth from the Conference as missionaries to teach others the desirability of supporting a minimum wage, and to spread the doctrine necessary to compel legislation to grant it. In dealing with sweated girl labour there were problems that could never be settled by men alone, and in giving women the vote they would increase the public spirit of women of the better classes, who were largely responsible for the evil, and hasten to the realisation of their ideals and the solution of the problem. (Applause.)

Mr. GALBRAITH (London Society of Compositors) said it was a standing disgrace to the country that so many workers were still outside the ranks of Trade Unionism. It was just those people who had to be helped out of the position in which they had placed themselves entirely through their own fault.

Mr. MILLERCHIP (Wallhall Co-operative Society) said that the factory legislation of the past, instead of decreasing home labour, had tended to increase it in those industries in which machinery was not brought into use. They wanted to make the direct employer responsible for the work he produced, and to place as many obstacles in the way of home-work as possible.

Dr. GUEST (I.L.P.) asked whether it would be in order to select a committee for the purpose of drafting a Bill?

The CHAIRMAN: Practically that is what the League was started for. Sir Charles Dilke's Bill is before the House now. I should not think it wise to appoint a committee from this Conference.

Mr. SHAW (Central S.D.F.) pleaded for clerks as a badly sweated class. Around the Guildhall tens of thousands of men and girls were employed under conditions that would hardly bear description. It was a class that paid the penalty of all respectability—it suffered.

Mr. MORRISON (Hawick Social Reform Society) asked whether it was of much use asking either of the two political parties to help them. Was it not asking sweaters to abolish sweating?

Mr. ENSOR (Poplar Labour Representation Committee) seconded Miss Macarthur's appeal for practical suggestions. In his opinion it was difficult to separate the question of a minimum wage from that of unemployment.

Mr. HOMES (Machine Minders' Society) read a letter from Toronto saying that Trade Unionism was flourishing there; that there was no sweated labour, no unemployment, and no poor rates there. In this country trade societies had since 1866 increased the minimum three or four times, while 66 hours per week had been reduced to 52½ hours.

Mr. HOBSON remarked that he supported the minimum wage because he did not think that in most cases the employer had the power to add the increase of wages to the price of the articles he sold. It would not pay the employer to raise the price and limit the sale of his goods. What effect would the minimum wage have upon the general distribution of wealth? The general tendency would be to increase the proportion of wages out of the total income of the people, and thus strengthen the standard of comfort and increase regular employment. As for the difficulty of dealing with displaced workers, it was, in his view, a matter for State arrangement.
