



## THE DISTINCTION BETWEEN EARNINGS AND INCOME, AND BETWEEN A MINIMUM WAGE AND A DECENT MAINTENANCE: A CHALLENGE

REV. PHILIP H. WICKSTEED, M.A.

WE all of us know the difference between earnings and income, and many of us have repeatedly filled up income tax returns in which we have been required to distinguish between earned and unearned income.

Let us begin, therefore, by recognising this important fact that a vast portion of the income of our country is not currently *earned* at all. It follows that if we are determined that every citizen is to have the means of a full life, we had better not begin by closing our minds against every means of securing that result except a living *wage*. There are other possible sources of income besides earnings, and many of us enjoy them. If insurmountable difficulties, or dangers that we dare not neglect, should stand in the way of the complete solution of the problem of a decent subsistence on the lines of a living *wage*, it does not follow that our aim is unrealisable. Why should not those whose earnings are insufficient for the basis of a human life have, as so many of us have at present, something more than they earn?

Further, I maintain that, as there is no reason, in abstract justice, why a man should not have more than he either does or can earn, so there is no reason why he should always have as much. It may be that he cannot earn all that he ought to have and that we must see to it that he gets more; but it may also be that he can and does earn more than he ought to have, and that we must see to it that some of it is taken from his control to be applied to more important purposes than he would be likely to put it to if left to himself.

The old age pensions on the one hand, and the tax on all earnings of £160 a year and upwards on the other, will show that both these principles are actually recognised and acted upon.

The distinction, then, which I am trying to bring into relief is a distinction between the categories of economics and social obligation. These two cannot be sharply defined, and they react upon each other at every point, but I think it is of the first importance that they should be distinguished in principle and that we should not expect from the existing machinery of the one what can only be accomplished by new machinery devised and worked by the other.

"Wages," then, I take to be a strictly economic term. "Wages" is a term relative not only to the industrial life, but to the industrial life as at present organised. When we speak of a decent "standard of life" we are speaking of a human demand. When we speak of a "wage" we are speaking of a feature of our industrial system; and when we speak of legislation that shall secure to everyone a "living wage" we are speaking of a scheme for securing to every man a decent standard of comfort by forcing his "wage" to rise up to its requirements.

My contention is, that as soon as we clearly understand this, and see what "wages" really are, we shall see that the proposed living wage is intrinsically impossible as a complete solution, and that even if legislation in the direction of raising wages should turn out to be desirable and effective on its own ground, it will still be necessary to supplement it by other instrumentalities; and further that if we attempt to make living wage legislation do what it cannot in its nature do, we shall be sure to aggravate at one end even if we partially relieve at the other the very evils we are seeking to remove.

What, then, is a wage? It is what a man receives from some one else in return for a specific service. The upward limit of a wage, therefore, is that which the man who is to pay it would rather give than forego the service. In other words, the highest wage to which a man's claim can be enforced is the amount which represents his industrial worth to someone

else. If more than that is demanded by or for a man no one will employ him, for everyone will prefer to go without his services rather than pay more for them than they are worth to him.

To enact a living wage, then, as a legal minimum, is to enact that every man's services shall be, and hereby are, worth as much in the shape of bread and cheese, clothes, houseroom, and so forth, as shall enable him to live a full human life—or if not that he shall receive no wage at all.

If it be urged that the man's claim is based not on the precise equivalence of what he puts into the general stock to what he takes out of it, but on the fact that society is an organism, that all wealth is a social product, that it is impossible on any philosophical basis to disentangle the precise addition made by each individual to the complex resultant, and that the distribution of wealth must follow social laws, I may either admit the plea in its entirety, or may demur to so sweeping a statement, or may deny it altogether; but in any case it has taken us out of the economic region in which alone "wage" is a proper term; and I must not trust the machinery of wage-earning and paying to do work on a plane which it cannot reach. I am no longer talking of making a wage adequate as a support for human life, but of supplementing its inadequacy, or superseding its action altogether, by another set of agencies and considerations belonging to another sphere.

Two conclusions must now be obvious: first, that we can neither assume nor enact an equation between what a man is industrially worth to some actual or potential employer (his wage) and what he needs in order to live a full human life (his decent maintenance), and second, that if we collectively, as a social organism, declare that every man has a right to a decent maintenance and demand that he shall have it, it is ourselves collectively against whom that right is to be asserted, and it is to ourselves that we must address the demand.

And this brings me to another distinction, corresponding to that between wages and maintenance, a distinction particularly germane to us as representing the Churches of our land. When we are shocked by the poverty and misery in the midst

of a Christian land, and we hear the Lord, saying "Whom shall I send, and who will go for us?" there is surely a very recognisable difference between answering "There is he (the employer), send him," and "Here am I (the taxpayer) send me." The first answer may be a very good one as far as it goes, but if it is to be taken as absolving us from the second it would be better given outside than inside the temple.

But here I must make a digression to meet the objection, often urged and often obscurely felt, that if there were no choice but to pay such and such a wage the employer would perforce pay it. This is not so. There is always the choice of going without the service in question; and this choice will be made if more is demanded for the service than it is worth to the employer. We middle-class people know very well what we should do if domestic servants' wages were doubled. Some of us would go without servants, and some would keep one or two instead of two or three or four; and we should modify our ways of living accordingly. This might be an excellent thing; but if it came about by law, because servants' wages were regarded as inadequate, then whatever good results might follow, it certainly would not in itself improve the position of the servants we ceased to employ; and astonished legislators would begin to see that there was something wrong in the formula, "People must have servants. They can't do without them. And if they can't get them for less than £50 a year they will have to pay it." So will it be if an attempt is made to solve the problem of poverty, in the mass, by simply decreeing that no one shall pay less than a living wage for any service he receives. Employers in the mass do not employ men for fun. They employ them because the men are as necessary to fructify their capital and directive ability, as their capital and directive ability are to fructify the labour of the men; and if the wage demanded by a man represents more than the equivalent of his fructifying effect upon the other factors of production, he will not be employed.

But to provide a firm basis for this portion of our inquiry we must drive piles into a quagmire of unsound thinking that underlies all our habitual language and feeling on economic

subjects. We doubt whether it is possible to fix on any scientific principle the relation of wages to the other categories of distribution because we see that an output of human energy is a thing totally unlike a machine or tool, for instance; and think that, as they cannot be substituted for each other and have no resemblance to each other, they cannot be reduced to any common measure. But this is not so. Things that cannot take each other's place in bulk may nevertheless replace each other in part; and so a precise relation of equivalence may be established between them. Meat and drink—say for simplicity bread and water—are both of them essential to life, and neither can be made the substitute in bulk for the other. But if you started with an adequate allowance of bread and an inadequate allowance of water and were then permitted to forego some of your bread and to receive additional water in lieu of it, on fixed terms (say a gill of water for two ounces of bread), you would sacrifice a little bread for a little water, thereby making your supply of bread less adequate and further sacrifices more onerous, and at the same time making your allowance of water more adequate and further acquisitions less imperative, and you would go on until you reached the point at which the sacrifice involved in a further decrement of bread would more than compensate the advantage of a further increment of water. Thus while bread and water, in bulk, cannot be substituted for each other, yet a very exact equation may be established between the significance of a small decrement or increment of one or the other, and this equation will depend upon the proportions in which you are supplied with them respectively.

In the same way we may have an organised industry to the success of which land, machinery, labour, raw material, book-keeping, and directive ability are all essential. No one of these can be a substitute for another, in bulk. But yet a skilled manager may form a very close estimate of the equivalence of increments and decrements of each of them. He may say that with such an increment of land he would be able to dispense with so much machinery in the shape of lifts, and he will carefully consider the terms on which he can obtain

the one and the other. Or he may say that if he had "a superior class of man" he could save much waste of material and wear of machinery. A superior man is to be had perhaps, but only at £2 a week. Such a man would save 10s. a week. But the kind of man at present employed is to be had at 25s. a week. The saving then would be less than the extra wage and the director will not care to pay it. The fact that the better man can actually get £2 in some other industry shows that his higher moral qualities are worth more industrially in some other occupation than in the one we are considering, so we have two sets of directors carefully equating given increments of moral qualities against given increments of raw material and establishing a more or less precise scale of equivalence between them.

I have given this last illustration by way of enforcing the fact that day by day the industrial equivalence of increments of entirely heterogeneous factors of production is being estimated, and showing how delicate may be the considerations that determine the extent of the employment of any factor or agent of production; but we shall best pursue our main inquiry by returning to the consideration of broader lines of division and reminding ourselves that since land, labour, appliances, and directive ability are all essential to the success of an industrial concern, they can none of them replace any of the others, in bulk; and yet decrements or increments of any one of them have their precise equivalents in increments or decrements of any of the others, and the common measure to which they can all be thus reduced is found in the precise effect upon the common output of the addition or withdrawal of a small portion of each one of them respectively.

This gives us a solid basis for a theory of distribution; and when applied specifically to the case of wages it shows us that in any given state of industry there is a maximum wage for every kind and grade of labour, representing exactly what an increment of it is "worth" to the concern as a whole.

Obviously, direct legislation as such, cannot raise this maximum. But it does not follow that legislation can do nothing. In the first place we can hope to make the average worker

actually worth more, intrinsically, by education and training, and in some cases by the very fact of raising his wage ; in the next place we may hope to place him where his work will count for most, by labour exchanges and so forth ; and in the third place we may hope to supplement (and also perhaps to control) the action of trade unions in seeing to it that he actually gets his maximum wage, *i.e.*, the true incremental value of his work.

It is to the last of these hopes that I desire now to direct your attention.

I have insisted that neither labour nor capital, for instance, can do without the other ; and that nevertheless there is an industrial relation between the significance of increments of the two which establishes a definite relation between them. Does that actual relation always govern the wage paid ? There are abundant theoretical considerations to show that the wage must *tend* to conform to this actually existent definite relation ; but there is no theoretical justification for laying it down as a dogma that the present industrial organisation (including the combinations of employers and employees in their respective unions) is either a perfect or the best possible means of securing the actual conformity in question.

In some cases indeed, it appears, so far as we can judge, to have reached a high efficiency. In the Cotton Trade, for instance, you may have observed that we have had very alarming announcements of the imminence of vast upheavals, and disputes of unparalleled obstinacy ; but the catastrophe has always been averted, though perhaps at the eleventh hour—or even on the stroke of twelve. The reason probably is that owing to a variety of circumstances all the representative disputants know very accurately what the conditions and prospects of the trade actually are, and therefore know to within a very close fraction, what the theoretical wage actually is. Each side may strive up to the last moment to get an advantage, but each knows that the disputable area is really very narrow and that in the last resort it is not worth fighting for either way.

Now it is very arguable that in less highly organised industries an impartial arbitrator might be able to get at the

actual conditions with greater accuracy than could be achieved by a conflict between rival organisations of employers and employed, or by unorganised competition. In such cases a wages-board might be of great service. But if it made a mistake its award would be ineffective. For though it could prevent employers from paying less than a given fixed wage it could not compel them to pay that wage to anyone they did not consider worth it. And if it sanctioned a wage so low that the employee believed he could do better in some other industry it could not compel him to accept it. In this respect wages-boards are subject to the same limitations and dangers that beset other means of settlement, and the same penalties attach to their mistakes. And in both cases the full effects of a blunder may only reveal themselves over a long period. For since capital and skill are both of them committed to the forms in which they are specialised either one may find itself in the grip of its more powerful or reckless adversary, and may be forced, for want of an immediately available alternative, to accept terms so disadvantageous as to check the flow of capital or labour into the industry and so to kill or to degrade it.

And this mention of the possibility of the degradation of labour leads to a consideration of the conditions under which both theory and experience would teach us to look most hopefully for the action of wages-boards, not indeed in securing a "living wage," but in improving the actual conditions in disorganised and degraded industries.

It is always open to argue that the mere paying of a better wage may in itself produce more efficient work, and make the wage-earner industrially "worth" his higher wage. But it is clear that this cannot be laid down as an abstract law of general application; and where we are speculating on the effect upon the second or third generation in this matter it is clear that it is the society at large and not the individual employer that ought to take the risk of the experiment. But theoretically it is quite possible, and experience seems to indicate that it is probably a fact, that there may be industries in which a careful inquiry reveals conditions, capable of immediate and



extensive modification, which furnish materials for a presumption that neglected resources are already available by which the condition of the employees might at once be improved. In such cases a wholesome shock might compel the employers, when faced with the alternative of elimination or reorganisation, to lift their industry out of the pit into which it has fallen; and an increased rate of payment might instantly produce an answering improvement in the work. These things are possible. And for these and other reasons I am very far from wishing to run a tilt against wages-boards. But even here we must remember that we are playing for life-and-death stakes, and that the risk is not our own. "It is no benefit," says Prof. Lees Smith, "to persons in an under-paid industry to turn them out of it," as we shall do if we impose upon it conditions that it will not bear.

So much, then, for attempts to rescue disorganised industries from the slough into which they have fallen, by ascertaining what wage they can really be made to bear. Let us now return in conclusion to what I understand to be the proper subject of our conference, viz., the proposal to fix a living-wage as a minimum all round, and so solve the problem of poverty at a stroke. I have tried to show that an enactment to the effect that no man shall be paid a lower wage than will suffice to support a full human life is an enactment that no man whose service is not the industrial equivalent of such a wage shall receive any employment or wage at all. The Fabian leaders themselves warn us that "unemployable" is a relative term, so that a person employable at 15s. a week may be unemployable at 20s. and add, "A minimum wage law cannot help the unemployable. On the contrary, we must frankly face the fact that it will increase their numbers at first." Even as things now are, we can hardly fail to recognise a connection between the establishment of a "standard wage" in the organised industries and the spectacle of workmen just past the prime of life buying hair-dye to conceal their age, because no one will risk employing them if a grey hair raises the suspicion that they will not *earn* the standard wage. One of our speakers at this Conference has pointed out that the

recent enactment of a minimum wage in the coal pits has produced severe tension on similar grounds. Mr Aves reported in 1908 amongst the results of the Australasian legislation that there had been "large numbers of operatives" thrown out of employment and that a number of factories had been closed.

If we fall back upon the theoretical admission generally made (though often rendered abortive in practice) that there must be some provision for allowing those who cannot earn the full wage to earn what they can, then the distinctions that I have been insisting upon all along will leap into distinctness.

For if once we frankly and ungrudgingly admit this principle of allowing a man who cannot earn the legal minimum to be paid less we shall find that we are no longer endeavouring to force an employer, as such, to pay a man a wage calculated not upon his industrial efficiency but upon his human wants (*i.e.*, to pay him *for his services* a sum determined by other considerations than what they are worth to him)—and are only trying to oil the industrial machine so as to make it do its own proper social work, *i.e.*, secure to the worker his true industrial wage. Then, when we look to it only for what it can give us, we shall at once clear our minds of confusion and bewilderment as to results, and quicken our sense of the dangers and our understanding of the real successes and failures of our experiments; and at the same time we shall realise that they must in any case leave us under the collective responsibility for seeing that when everyone has earned what he is industrially worth no one shall lack what he socially needs.

Towards the accomplishment of this latter task we have made attempts—small beginnings in every case, less than wise in the opinion of many in some cases, but genuine and profoundly significant—in the old age pensions, in the State twopence of the insurance, in free education, in the feeding of hungry school children. These are attempts to secure some of the conditions of a human life to our people which shall not be dependant on the adequacy of their earning capacity to meet their human wants. The difficulty in increasing this provision indefinitely lies not in the problem

of how to get the money but in the problem of how to spend it. There are vast revenues that are unearned. There are earnings vastly in excess of the human requirements of those to whom they accrue. We have already recognised in the cumulative income tax on the one hand and the old age pensions on the other the principle that the relatively fortunate and successful must be ready to make more generous provision for the relatively unfortunate and unsuccessful than would have been dreamt of a generation ago. Our main task now is to find out how to give effect to this new social conviction and inspiration.

The more clearly we understand what a "wage" is, the more wisely shall we direct our efforts to secure to every true worker his true wage; but the more clearly and generously shall we recognise that that is not the end of our responsibility; for we can neither trust nor force the economic wage to coincide with the human claim. When the employer has paid the economic wage he has done his part. It remains for the citizen to do his.