3

Consolidating the Relationship

Introduction

An important objective in a long historical analysis is to demonstrate the importance of incremental change over time. The purpose of this chapter is to compare social protection in Australia and New Zealand during the period from the 1910s to the 1940s. The significance of that period stems from two pivotal developments. The first was the establishment of the welfare state in the 1930s and 1940s in both countries, though social protection in general was significantly more comprehensive in New Zealand. The second development was the consequent consolidation of the traditional pattern of employment relations–social policy interplay.

Based on the comparison, the principal finding of the chapter is that, though arbitration was important to each of the two regimes throughout the period, it is the greater institutional and political precarity of the arbitration system in New Zealand that explains most of the similarities and differences in social protection. Australia came to rely more, and consistently so, on arbitration as the primary institution shaping the welfare of citizens and families. Among the factors which effectively sustained and carried arbitration in Australia, and which led to its declining

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legitimacy in New Zealand, were the existence of compulsory unionism in New Zealand; the greater unity displayed by the Australian trade union movement; the capacity of governments in New Zealand, and the virtual incapacity of governments in Australia, to be directly involved in employment relations by legislating for minimum wage standards outside of the arbitration process; the greater comprehensiveness of the welfare state in New Zealand; and the capacity of New Zealand governments to act more quickly in implementing family policy.

The first section discusses the main developments in New Zealand. The second focuses on Australia. The third section conducts a direct comparative analysis between the two.

New Zealand

In its early life, the New Zealand arbitration system initially functioned with relative effectiveness as the primary means of providing minimum labour standards. However, it ran into problems before long. For most of the period after the Great War, the story of arbitration is one of it being challenged, politically and institutionally.

The First Attack on Arbitration, and the 'Red Feds', 1908–1913

According to its long title, New Zealand's *Industrial Conciliation and Arbitration Act* of 1894 was '[a]n Act to Encourage the Formation of Industrial Unions and Associations, and to Facilitate the Settlement of Industrial Disputes by Conciliation and Arbitration'. On the first objective between 1900 and 1908, the number of unions registered under the *Arbitration Act* rose from 175 to 302, and the total number of union members from 17,989 to 49,347 (Holt 1986: 57). On the second, between 1894 and 1906, the country had been completely free of major industrial disputes (Woods 1963: 49–50).

To argue that the *Arbitration Act* encouraged trade unionism, however, is not to assume that all trade unions supported the arbitration system.

Union acceptance of the system depended upon various factors, important among them being whether wages kept pace with the price level. Between 1895 and 1900 real wages increased. The role of the Arbitration Court was generally endorsed by unions, and denounced by employers and farmers. The period from 1901 to 1913, however, was characterised by a combination of rising profit levels for employers and increasing costs of living, but more frugal wage decisions by the Arbitration Court and a decline in real wage levels (Woods 1963: 62–78). According to Sutch (1969: 159), by 1906 real wages were lower than they were when the *Arbitration Act* was passed, and by 1913 they had deteriorated even further. A series of serious union challenges to the arbitration system were initiated due to the perception that the wages of workers were being outpaced by employer profits and farmer incomes.

Union objections to arbitration coincided with a heightened revolutionary socialist agitation internationally, notably in Britain, Germany, France, the United States and Australia (Olssen 1986, 1988). Agitation within the New Zealand movement first found expression among the miners at Blackball on the West Coast, who in opposing arbitration struck after seven workers were sacked for taking a lunch break that was thirty minutes instead of the fifteen minutes allowed under the award. As the strike progressed and other issues came to be contested, the Department of Labour intervened by prosecuting the union for striking, which under the *Arbitration Act* was illegal. After the union refused to pay the fine or end the strike, the unionists were prosecuted individually and, in order to collect the money, some of their possessions were seized and auctioned off. However, the auctioned goods were predominantly bought by the union and given back to the members who had lost them. The strike was ended when the parties came to an agreement largely on the unionists' terms (Olssen 1988: 1–15).

The *Arbitration Act* was amended in 1908, largely in reaction to the politically divisive effects of the Blackball dispute plus the threat which such division posed for the legitimacy of the arbitration system. The changes to the Act included a liberalisation of the anti-strike provisions, such that strikes were to be illegal only if they occurred while an award was in effect. However, in certain 'essential' industries—those supplying coal, gas, water, electricity, milk and meat for domestic

consumption—fourteen days' notice had to be given before the workers could strike or the employer(s) could lock them out. Last, any unionists striking illegally, and any others registered under the Act striking in sympathy or providing public or financial support to strikers, could have their awards suspended for up to two years (Holt 1986: 84–85).

Anti-arbitration sentiment among trade unionists grew between 1908 and 1913. The Federation of Miners became the (first) Federation of Labour in 1909. Its members became known as the 'Red Feds', indicating the organisation's broadened basis of membership and its embrace of revolutionary socialism. The Federation believed that the arbitration system was fundamentally flawed in that its function was based on an assumption that the differences between labour and capital were universally reconcilable. Arbitration was thus reformist in character, and it delegitimised revolutionary and non-revolutionary unions which preferred direct bargaining. Wishing to overthrow the arbitration system, the unions associated with the (first) Federation of Labour thus took direct action against employers and used the strike weapon, both seen as more effective means than arbitration of yielding benefits for individual unions and the working class as a whole (Olssen 1986, 1988; Stone 1963: 203–204). These unions also encouraged their non-revolutionary counterparts to allow their registration under the *Arbitration Act* to lapse, and register instead under the *Trade Union Act* of 1878. Doing so allowed them to strike, though it did not provide them with the benefit of the minimum standards built into awards. As an indicator of the success of the Federation in recruiting new members in this way, in 1912 the total number of unionists affiliated with the Federation was approximately 15,000, and total union membership was around 67,000 (Holt 1986: 107). This success also had the effect of gradually shifting the attitude of employers to the Court, such that by 1912 employers actively sought to convince unions of the benefits of operating under the auspices of the *Arbitration Act*; that is, to be what came to be known as 'arbitrationist unions' (Woods 1963: 90–91).

The 'Red Fed' period was a time of significant industrial disputation. In 1912, thirty-five strikes were recorded, the highest annual tally in New Zealand history to that time (Woods 1963: 91). However, one strike in that year stands out for its significance to the fate of the arbitration

system, and indeed of the Red Feds. This was the Waihi miners' strike (Olssen 1988: 148–160). In May 1912, an anti-arbitration union at Waihi struck when a breakaway union registered under the *Arbitration Act*. The (conservative) Reform government, which won office during the course of the strike, called in police reinforcements to protect the strike-breakers. Violence ensued, a striking miner was killed, and the anti-arbitrationist union was defeated and many of its members were subsequently forced out of the district.

The final test of strength between the Federation of Labour and employers occurred the following year, when a strike beginning on the Wellington waterfront escalated into a general strike involving thirty-seven unions. Farmers armed with batons were called in by the government to help by acting as mounted police. The government also encouraged the formation of arbitrationist unions to supplant those affiliated with or sympathetic to the Federation. The Federation unions were comprehensively defeated.

The period overseeing the rise and fall of the Federation of Labour was highly significant for the shaping of social protection in New Zealand because it provided the first major instance of the vulnerability of the compulsory arbitration system. An understanding of the trade union movement's commitment to the system is important to establish the relative significance of arbitration in the social protection configuration. As will be seen later, it is also important for establishing that Australia was different from New Zealand.

The Piecemeal Development of Social Security, 1910–1935

Despite the early troubles experienced by the arbitration system, its function remained intact. From 1910 until the First Labour Government's ascension to power in 1935, the social security system was expanded, albeit in a piecemeal fashion and generally in keeping with the principle of strict selectivity as established by the pensions legislation of 1898.

Following on from the *Old Age Pensions Act* of 1898, only one major advancement in the social security area was put in place before World

War I. This was the *Widows Pensions Act* of 1911, which provided a pension benefit to widowed mothers and wives of patients in institutions for mentally ill people. Subject to a maximum payment, this benefit was increased with each child. In addition, in the case of the death of the widowed mother, a provision was made for the orphaned child/ren to maintain their allowed portion of the benefit. The benefit was selective in character in that it did not apply to 'aliens', 'Asiatics' and 'illegitimate' and adopted children. These restrictions, however, were eased slightly and the level of the benefit increased in the period to 1935 (Sutch 1966: 149–151; 1969: 169–170). In 1912 a pension was provided to 'veterans of the Maori war', subject to the condition that the (male) beneficiary had not been imprisoned, had not deserted his wife and was of sober habits (Sutch 1969: 170). After the War, in 1915, the *Miners' Phthisis Act* was introduced, providing a benefit for miners incapacitated by pneumoconiosis contracted in the course of duty in a mine. Though the benefit was not means-tested, it was subject to the same conditions as those applying to the Maori war veterans' pension (Sutch 1969: 170). The amount was higher for a married man (Hanson 1980: 24). In 1929 a further pension was provided to each child of an affected miner who was under fifteen years of age. If the miner entitled to the phthisis pension died, his wife received a smaller pension and a funeral allowance.

The *Blind Pensions Act*, introduced in 1924, afforded all blind adults a pension, provided that the beneficiary had been resident in New Zealand for a minimum period of ten years and had no relatives to support them (Oliver 1977: 14). However, it was selective, and was subject to similar conditions as those of the age pension. Though statutory unemployment benefit schemes were not developed in New Zealand before the First Labour Government took office in 1935, two schemes providing relief from poverty for the unemployed and other groups were introduced. The first of these, introduced in 1910, was the National Provident Scheme, administered under the *National Provident Act*. The Scheme involved voluntary insurance-type contributions from members, just as in the case of a Friendly Society. The benefits provided for old-age and maternity allowances, and upon members' deaths, the financial security of their wife and children (Hanson 1980: 25; Sutch 1966: 147). The other major form of relief was for the unemployed, and was put into place in the context of

the Great Depression. The *Unemployment Act* of 1930 established a fund for unemployed workers, composed of a compulsory yearly contribution levied on all men over twenty, and a 50 percent subsidy from the government (Sutch 1966: 130–131).

Family allowances were the most significant benefit of the period before the introduction of a set of landmark reforms, encapsulated in the *Social Security Act* of 1938, which is discussed later (Sutch 1966: 151–153; 1969: 171–173). With the passing of the *Family Allowances Act* of 1926, New Zealand established the world's first nationally applicable family allowance scheme, following up on its record as the first regime to implement a national old-age pension scheme in 1898. However, neither the coverage nor the level of the benefit was generous. The benefit was paid on a means-tested basis, only to the third and subsequent child(ren) of a family, the principle being that the first two children were catered for by the family basis of wages as set down in awards. Further, the level ended up being less than a third of the amount initially promised by the government. This prompted the trade union movement to denounce the family allowance as being insufficient to 'keep a well-developed fowl, let alone a healthy child' (Sutch 1966: 152).

Importantly for the purpose of comparison with Australia, the debate on family allowances in New Zealand was short and relatively non-polemical, disagreement being largely on the level of the benefit and not on the merits of the principle of family provision by the state (Macnicol 1992: 261). In addition, the importance of the family allowance stems mainly from the circumstances surrounding its introduction, its relationship to the family basis of wages and how both of these considerations compare with the Australian child endowment, introduced in the 1940s. These issues will be taken up further on in this chapter.

The Changing Fortunes of Arbitration and Minimum Standards, 1914–1929

Alongside the intermittent expansion of social security, in the period extending between the defeat of the (first) Federation of Labour and the election of the First Labour Government, the arbitration system

experienced changing fortunes, though the overriding trend was to incrementally extend the degree of protection offered to workers. Importantly, this extension occurred as the system again showed its vulnerability.

Soon after its implementation, the main effect of the arbitration system shifted from the encouragement of trade unionism to the establishment of a mechanism for delivering minimum labour standards (Deeks et al. 1994: 45–48). The system had shown early signs of success. For instance, by 1903, the potential coverage of the standards contained within awards was broadened. In that year, by an amendment to the *Arbitration Act*, the Court could set awards which applied to more than one industrial district, the original Act allowing awards to apply to the entire Colony, but being subject to an appeal against this by any outside district. Thus by 1903 'the Court was in a position to cover as much or as little of the industrial field as it desired' (Woods 1963: 68).

With respect to wage minima, between the opening of its doors to the industrial parties in 1895 and the establishment of what has been labelled the 'living wage' concept in 1936 (Woods 1963: 62, 95–96), the New Zealand Arbitration Court adopted the policy of providing 'fair wages'. Based largely upon evidence put before the Court, a fair wage was deemed by its President to be that paid by 'reputable' or 'good' employers, and used to set minimum wage standards throughout the industry to which the employer belonged. As well as wages, other working conditions—hours of work, holidays, overtime, job definitions and union preference clauses—also came under the scrutiny of the Court, standards in these also being updated. However, it was not until 1914 that the Court sought to standardise wages across industries, thus setting standards across a multiplicity of industries. This was part of the shift towards the 'national minimum' principle, instituted in 1907, within which arbitration could offer 'a specific standard of living', rather than just a wage.

Once the national minimum was established, the issue of its relation to the cost of living came under focus. In 1918, the *War Legislation and Statute Law Amendment Act* was implemented. It empowered the Arbitration Court to amend wages during the life of awards rather than only when they were renewed. It also gave the Court discretion to amend hours of work between award renewals. Using this power, the Court announced the fixation of a minimum 'skilled rate' of wages, and in some

cases a bonus rate, which it would write into awards as applications were made. In 1919, basic rates for three classes of workers were established: an unskilled rate, and semi-skilled and skilled rates (Holt 1986: 135–138). Though these were not contestable during the currency of an award, bonuses based upon the cost of living would be implemented half-yearly. In the same announcement, increases in overtime rates were provided.

Despite the relationship established between wage decisions and workers' costs of living, before 1921 the Court did not have the power to make pronouncements which applied to all awards at once. Though it was to last only until 1923, this power was bestowed upon the Court through the 1921/22 amendment to the *Arbitration Act*. Consideration in these 'General Orders', as the decisions were to be called, was to be given to movements in the cost of living, the economic conditions affecting industry and the maintenance of a fair standard of living. Though there were some hiccups in the advancement of the social protection offered to workers, such as the wage cuts announced in a November 1922 wage decision, the period from 1914 to 1923 was one characterised by the greater standardisation of minimum wage levels, particularly around the Court's reference to the 'average' family's costs of living.

From 1924, the Arbitration Court reverted to the policy of making adjustments to awards only once every three years. Though the 1921/22 amendment to the *Arbitration Act* prescribed (albeit only temporarily) that award wages should provide a 'fair standard of living' to workers, the Court gave no serious consideration to the concept. The cost of living, via the use of a cost-of-living index, had become a major consideration in wage decisions, but whether workers and their families could live according to a 'fair' minimum standard was not put up for scrutiny. The Court had therefore 'moved with the tide rather than by any conscious self-propulsion over the distance covered between 1907 and 1924' (Woods 1963: 106). This combined with other factors to encourage a renewed discontent with arbitration on the part of the labour movement (Holt 1986: 143–164).

The most important criticism made against the Court by unions at this stage was that the economic position of minimum wage workers and their families had deteriorated. In its statement the Court argued that statistically the average family only contained less than two children, and

that therefore a minimum wage should be sufficient to keep a family comprised of a man, his wife and two children. The union movement, on the other hand, argued that minimum wage levels should be shaped so as to meet the needs of a male worker, his wife and *three* children. The concept of the 'living wage'—or the 'family wage', as it was called in Australia—therefore came to the fore of the wage determination debate.

The debate on the merits of arbitration as a main means of determining minimum standards in the labour market escalated in intensity, and the Court was progressively falling out of favour among both trade unions and employers, and then not long after, among farmers as well. In its 1925 pronouncement, the Court alleged that the cost of living had risen sixty percent from 1914 to 1925, and set award wages so that they kept pace with this. The unions contested the ruling, arguing that it effectively represented a recant on the Court's policy, stated earlier in the same year, that minimum wages would be set with explicit reference to the living standards of a family of four. The unions also objected on the grounds that those unions whose awards had recently been renewed would fall behind, given that awards were once again subject only to three-yearly renewal (Woods 1963: 111–113). One of the unions, the members of which had to wait a considerable period before any rise in their wages could be effected, was that of the freezing works. In protest, the Canterbury freezing works employees adopted a 'go-slow' tactic, much to the farmers' dislike.

The traditional antipathy with which farmers viewed arbitration (Sutch 1969: 153–167) was rekindled, constituting another challenge to the system. Farmers customarily warned that the arbitration system was inappropriate for their sector because they faced uncontrollable factors affecting production, including the climate and other seasonal considerations, and the variable type and extent of attention to be given to livestock. In addition, given their strong reliance on protection from overseas competition, farmers were more vulnerable in the face of international price changes (Mabbett 1995). In 1927, the Dominion Executive of the New Zealand Farmers' Union took part, as a third party, in the freezing workers' application for renewal, warning the Court against further encroachment upon the conditions of workers within the farming sector, which they argued stood to raise the production costs of farmers. This

was particularly damaging in the context of falling export prices (Woods 1963: 114–115; Holt 1986: 170–171). However, the Court ruled that while the plight of farmers was understood, the freezing workers should be given an increase on the grounds that the cost of living should be the overriding consideration.

Given the poor industrial and economic climate within New Zealand during the late 1920s, farmers and employers sought to water down arbitration dramatically (Cocker 1928: 227). In 1927, in response to the farmers' concerns, the government introduced a Bill, which, if passed, would effectively exclude the farming sector and certain related industries from the jurisdiction of the Court. The unions responded to this with great alarm. In order to quell the political controversy, and to ensure that industrial efficiency would not be impeded, the government called for a *National Industrial Conference* to discuss the requisite changes to employment relations. Not surprisingly, no single set of resolutions was made at the conference. The general position taken by the union movement recommended the continuation of compulsory arbitration, while the employers sought voluntary arbitration, whereby both union and employer would have to agree to take a dispute to the Court before arbitration came into effect. Clearly, changed economic circumstances had changed preferences regarding the legitimacy of arbitration. The constant factor, however, was the relative insecurity of the system.

The Relationship Takes Shape: Depression and the First Labour Government

The period from the end of the 1920s to the early 1930s was characterised by worsening economic conditions, culminating in the Great Depression. By 1930, Britain was experiencing decline in its capacity to absorb New Zealand exports, and the prices of many vital exports collapsed, and unemployment grew (Sutch 1969: 215). Yet real wages remained relatively steady, thanks largely to the three-yearly structure of awards. From December 1930 to early 1931, unemployment grew from 5000 to 30,000, and in the next few months the figure reached 60,000. With the collapse of prices for farm produce, the wages of farm workers,

which were generally not subject to regulation by the Arbitration Court, declined considerably, creating wide discrepancies between the farm and non-farm sectors of the labour force (Holt 1986: 185). During 1930 the effects began to be felt by employers outside the farms sector, by which stage they had joined the farmers in their advance of the idea that the system of arbitration was economically unsound.

In the face of intensified pressure from industrialists and farmers, the perceived legitimacy of compulsory arbitration waned significantly, and in 1932 the *Arbitration Act* was amended so as to render arbitration possible only if both union and employer(s) agreed to it. The vital element of compulsion was thereby abolished, which, given the state of unemployment, resulted in the vast majority of cases in workers having to accept their employer's terms. Until 1935, there was some evidence of a renewed trend towards sweating, which the arbitration system had become effective at eradicating, and trade union membership declined by approximately 30 percent with the rise in unemployment (Woods 1963: 125–130). And on the question of the number of women and Maoris unemployed, 'no one knows' (Sutch 1969: 218).

Poverty became much more widespread. Such was the social context within which the Labour Party was elected to government for the first time. Labour's platform had for long been to introduce a system of social protection which guaranteed a host of national minimum standards. By 1939, the First Labour Government had provided 'a minimum living standard for everybody: whether young, old, widowed, unemployed, sick, disabled, Maori or Pakeha' (Sutch 1969: 230). Departing from tradition, the Labour Party held to the belief that the Great Depression was a manifestation of severely reduced purchasing power, rather than of over-production. The most obvious prescription of such a belief was the increase of the capacity of all consumers to consume and producers to invest.

From 1936, in 'a turning point in history' for New Zealand (Sutch 1969: 230) the Party lost relatively little time in implementing several major policy measures which foreshadowed the '*pièce de résistance*' (Davidson 1989: 133), the *Social Security Act* of 1938. Sustenance and relief workers operating under the *Unemployment Act* were provided with a Christmas bonus, and then in the following February higher rates for

these workers were announced, while most of them were relocated onto the expanding public works programme. Those involved in public works were given a wage raise, so that they were paid as much as a standard worker (Chapman 1981: 338).

The *Finance Act* of 1936 restored all award rates and extinguished previous wage cuts introduced during the Depression. The *Factories Amendment Act* of 1936 reduced standard weekly hours of work within the manufacturing sector to forty, though more hours could be worked, with relatively high overtime rates. This Act also introduced a minimum wage in the sector. The *Shops and Offices Amendment Act* of 1936 introduced the same minimum rate, and set maximum hours of work at forty-four, within the insurance and banking industries (Woods 1963: 130–137). The *Arbitration Act* was also amended in important ways in 1936. Compulsory arbitration was reintroduced, and the Arbitration Court could once again issue general wage orders. This time, however, the protective capacity of the Court's minimum wage determination function was enhanced by the introduction of the 'living wage' principle. Finally the Court acceded to the demands of the union movement's twelve-year-old claim that a man's wage level should be sufficient 'to maintain a wife and three children in a fair and reasonable standard of comfort' (Woods 1963: 138).

Yet the Court was only empowered to alter by general order this basic wage, which was to underpin the award system, and not any rate stipulated in individual awards or agreements. In this way, the 1936 amendment was different to two previous amendments, in 1922 and 1931, which entitled the court to vary many awards simultaneously via general wage orders. As Woods (1963: 142) notes, the living wage had the function of providing a protective floor, rather than a 'wage-fixing' function per se. Given that it was never amended by the Court, he argues, the basic wage became a 'dead letter'. While this is true in the legal sense, it was certainly not 'dead' in the sense that it served as a springboard from which award wages could only move in an upward direction. And more significantly, as discussed further on, it was the precursor to minimum wage legislation which was introduced in 1945, thus representing a source of social protection outside of the arbitration and social security systems. That the *Minimum Wage Act* lay outside of the arbitration system is

important in that it provided a continuing safety net for workers in the case of arbitration being abolished.

The 1936 amendment to the *Arbitration Act* also involved the introduction of compulsory union membership for those workers covered by the award system. From the early days of the arbitration system, union preference clauses—whereby a job applicant who is a union member was to be preferred over an equally qualified non-unionist competitor—became almost standard. The employer was free to decipher whether the unionist was 'equally qualified', offering them a legal way out of hiring a unionist. Under the 1936 amendment, however, all awards and agreements made under the auspices of the *Arbitration Act* were to contain a clause stating that it was unlawful to employ an adult who was not a member of a union bound by the award or agreement. Not surprisingly, as a result, union membership rose dramatically, from 81,000 to 249,000 between 1935 and 1938 (Chapman 1981: 339).

The government also took action to ensure that farmers had less reason to oppose arbitration. Through the *Reserve Bank Amendment Act* of 1936, the government bought out the Bank's private shareholding. The Reserve Bank also took on a role as provider of low-interest and no-interest loans, and provided guaranteed prices to farmers. In addition, through the *Primary Products Marketing Act* of 1936, the state offered to buy all of the dairy industry's produce, finance it and insure it, arrange for its transport and storage, and finally sell it through selected British firms (Chapman 1981: 340). There was more for farmers, however, in that the *Mortgagors and Lessees Rehabilitation Act* of 1936 also had the objective of keeping them on the land and producing efficiently. The State Advances Corporation, set up in the same year, acted as a state-owned credit corporation, providing inexpensive, long-term financing for first mortgages in both rural and urban areas (Chapman 1981: 340). Farm-workers also benefited, being covered by minimum standards for the first time. The *Agricultural Workers Act* provided for them a minimum wage rate and four weeks annual leave, and set minimum standards for farm housing accommodation. It also outlawed the employment of children under fifteen years of age on dairy farms (Sutch 1969: 233–234; 1966: 178).

The pensions system was broadened. The *Pensions Amendment Act* of 1936 liberated qualifying conditions and introduced new categories of

benefits (Hanson 1980: 43). It extended limits with respect to property and income, liberalised residential qualifications for old-age pensions, such that to be eligible for the benefit the applicant was required to be a resident of New Zealand of twenty years' standing, instead of twenty-five. Pensions were introduced for 'invalids', 'deserted wives' and all miners suffering from occupation-related diseases other than phthisis. Finally, all existing pension rates were increased.

Despite these enhancements to pension benefits, however, they were merely 'stop-gap' measures before a more comprehensive social security system could be implemented (Hanson 1980: 43). Labour faced the 1938 election with the Social Security Bill as its central legislative proposal. The system created when the Bill was passed constituted what was, at the time, the most comprehensive welfare state in the world (Castles 1985: 26–27). The *Social Security Act* brought in, for the first time, sickness benefits, orphans' benefits for those under sixteen, childless widows' benefits, unemployment benefits for women, as well as emergency benefits for anybody who does not qualify for any other benefit and whose income is insufficient to provide an adequate living for themselves and their dependants due to age, physical or mental disability, or domestic circumstances (Sutch 1966: 238). To supplement the existing means-tested pension, a superannuation benefit was introduced (Castles 1985: 26–27). Initially it was quite a small universal payment when the applicant reached the age of sixty-five, age being the only condition to be fulfilled. The pension was payable at age sixty for men and to some women at age fifty-five, and was not taxable. Apart from the different age requirements and the lack of a means test, the superannuation benefit differed from the pension in that it was subject to taxation (Sutch 1966: 248–249).

By 1949, when Labour was defeated at the polls by the National Party, the welfare state had been well and truly institutionalised. The principle of the national minimum—as far as the welfare state alone could take it—had been all but fulfilled. Minima within the employment relations system had also developed to a significantly greater degree than had occurred before Labour came to office. The final protection in the period to 1950 came in the form of the *Minimum Wage Act* of 1945, which set down minimum hourly, daily and weekly wage rates for workers, though each of them was less for women than men. These minima were not part

of the award system, being a safety net below awards. The Act was not recognised by the Court until 1950, when it was considered in conjunction with family allowances—which had become universal in 1948—in a general wage hearing (Woods 1963: 165).

By 1950, the relationship between employment relations and social policy in New Zealand had been formed, and was to maintain a highly similar basic form until 1990. Though some benefits had become universal—namely health, education, superannuation and family allowances—the social security system remained predominantly selective and largely separate from protections emanating from the employment relations system, and largely residual to it. Despite the comparative social policy literature's portrayal of the New Zealand and Australian welfare states as being highly similar, however, New Zealand was different in some important respects.

This is discussed further in the final section of the chapter. First, however, a discussion of Australian developments in the period of interest is provided.

Australia

Australia's policy path during the decades after World War I was markedly differently to that of New Zealand. The welfare state which emerged was not as expansive or as generous. Australia's Arbitration Court was more stable and it saw a greater entrenchment of the family basis of the Court's basic wage. Australia also saw the emergence of a peak trade union body in the 1920s, the Australian Council of Trade Unions (ACTU), which had strong ties to the arbitration system. The labour movement was led more instinctively than its New Zealand counterpart to embrace arbitration as a central part of the social protection regime. This was the case particularly in relation to family policy.

The discussion of Australia is briefer than that of New Zealand because the broader economic, social and political contexts of social protection in both countries were highly similar, and hence extended discussion is not required. In addition, considerably fewer measures were implemented in the arena of social protection in Australia. The Australian welfare state in

particular was considerably less comprehensive, and when the arbitration system did fall out of favour, the anti-arbitration sentiment was not as effective or as potent as it was in New Zealand. Though all of the relevant aspects of the Australian welfare state are discussed, most attention is paid to family benefits, because this was the sphere which most clearly illustrated the extent to which social protection in its entirety relied on arbitration.

The Basic Wage and Family Policy, 1910–1941

In the Harvester Case of 1907 Justice Higgins made no provision for movements in the basic wage according to the cost of living. This is despite his intention that the basic wage should be a '*living* wage'. Higgins's neglect of the cost of living in formulating and updating the basic wage is even more curious when it is considered that the Harvester formula was made during a time of rising prices (Macarthy 1967a, b). Between 1907 and 1912, prices increased by approximately 11 percent, a rate with which wage increases did not keep pace. This situation gave rise to an increase in industrial disputation (Turner 1965: 33–68), though this was not of the magnitude or importance of the 'Red Fed' revolt in New Zealand during the same years. In the 1911–12 Australian dispute between the Federated Engine Drivers and Firemen's Association and Broken Hill Propriety, Justice Higgins refused the claim of the union for an increase in the basic wage on the grounds of a rise in the cost of living (Markey 1982: 116). In support of its claim, the union submitted statistical evidence published by the Commonwealth Statistician on the cost of living in Melbourne, though this was not to Higgins's satisfaction.

In 1913, however, the practice of pegging the basic wage to the price level was introduced. In the Federated Gas Employees Case, Higgins did grant an increase to yardmen and other labourers in the industry, based upon the Commonwealth Statistician's data. The increase given was lower for those workers resident in Hobart, however, based upon that city's lower cost of living (Healey 1972: 34). The Commonwealth Statistician's Retail Price Index was introduced in 1912, and was used by the Arbitration Court in its basic wage rulings until 1933. The Statistician's data included

necessities such as food, groceries and rent. From 1921 to 1953 basic wage adjustments were granted automatically, usually on a quarterly basis (Hutson 1971: 44–47; 1966: 116–118). From then, workers did not need to apply for award renewal before a wage increase was granted.

Despite the increase in the frequency with which wage increases were granted, however, the general perception of the trade union movement was that the cost of living had outpaced wage levels, for both skilled and unskilled workers. This perception continued through the 1910s. In this sense, Australian developments were similar to those of New Zealand. During the latter part of the decade the number of days lost to industrial stoppages in Australia increased, peaking in 1919 to the largest number since records were first kept. It is within the context of the Arbitration Court's wages policy that Australian family policy came under the spotlight. And it was the living standards of families which most concerned the union movement. This is not surprising, given that it was primarily this consideration that had determined wages since 1907.

In the lead-up to the 1919 elections, Prime Minister Hughes established the *Royal Commission on the Basic Wage* (Australia, Parliament 1920), chaired by A.B. Piddington, and containing members representative of both trade unions and employers. The Commission was charged with three responsibilities: first, to establish a reasonable standard of living for a man, his wife and three children; second, to report on the cost of living over the previous five-year period; and third, to suggest means by which the basic wage could be adjusted automatically according to movements in the cost of living.

Piddington considered the basic wage set in 1907 to be inadequate, arguing that it was sufficient for a man, his wife and only *one* child and no more. Piddington also claimed that the living wage was based upon insufficient empirical research into the needs of families (Piddington 1921: 15). When asked to test the validity of the Commission's claims regarding the appropriate basic wage standard, G.H. Knibbs, the Commonwealth Statistician, argued that the economy could not sustain the requisite increase (Piddington 1921: 15). Piddington retorted with a proposal for a scheme whereby the basic wage would merely cover two-adult families, with each child receiving a child endowment from the state, financed by a flat tax on employers (Watts 1987: 48–49).

Piddington's dissatisfaction with the family basis of the basic wage found great support from feminists within the labour movement. In particular, his view that the 'average' family was not one containing three children gained great appeal on the basis that families with less than three children, and single men, were considerably advantaged by the basic wage (Lake 1992: 11). More will be said on this issue in the following chapter in the context of equal pay. It is worthwhile noting here, however, that a movement for family allowances was initiated by feminist trade unionists and their sympathisers in the late 1910s and 1920s, not only in Australia but also in New Zealand and Britain (Rathbone 1924; Lewis 1978; Smith 1984; Lake 1992; Cass 1983; Macnicol 1980, 1992; Campbell 1927). This movement in Australia gained in intensity in the 1920s, largely on the strength of Piddington's position.

Yet the incumbent Nationalist government was not convinced by Piddington's proposal, and the principles used to determine the basic wage remained intact. And family allowances were not implemented, at least not at the national level. Two schemes which were limited in scope were introduced. One was the family allowance provided by the Commonwealth government in 1920, though only made available to its own employees. The other was the benefit in New South Wales, introduced in 1927, which provided for each child on a means-tested basis (Beyrer 1976: 266). The Commonwealth public service scheme was initially funded by the government, though by 1923 its funding basis changed to contributions by the employees themselves, deducted from their wages. The New South Wales scheme was financed by a 3 percent tax on the payrolls of employers, and was provided for each child under fourteen years of age.

In contrast with the New Zealand case, where a government-provided family allowance was introduced in 1926 with relatively little debate, there was considerable debate in Australia, with little result. Indeed, in the period from 1910 to 1941, there was only one social security benefit introduced at the federal level: the maternity allowance of 1912. Under the *Maternity Allowance Act* of 1912, a payment was provided to mothers. Though the payment was offered for each birth, multiple births only attracted one payment of the same amount. Despite the lack of a means test, and its non-taxability, women who were of Asiatic, Aboriginal,

Papuan or Pacific Islander background were excluded (Kewley 1973: 103–104). It was thus not universal in character.

As will be discussed further in the next section of the chapter, the barriers to implementing a national family allowance scheme were political, but they were also institutional. Australia's Constitution severely limited the federal government's powers with respect to state welfare legislation. Until 1946, when a referendum was successfully enacted, it was probably unconstitutional to introduce laws with respect to benefits other than old-age and invalid pensions. As Castles (1985: 23) argues, the inactivity with respect to social security in the period before the 1940s is attributable in great part to the federal nature of the Constitution. As seen, however, the Constitution limited the Commonwealth's direct powers over employment relations as well.

Both of these limitations, with important implications for the future relationship between employment relations and social policy with respect to social protection, were illustrated in 1927 in events surrounding the Conference of State Premiers. Prime Minister Bruce, backed by the Commonwealth Statistician, attempted to convince the Premiers of the virtues of lowering the basic wage and introducing family allowances as the quid pro quo for the unions (Watts 1987: 50). This met with little success as the State Premiers were hostile to it. Further, the Prime Minister listened to the wishes of the trade union movement, which by this stage supported family allowances, but not at the expense of the family wage (Cass 1983). Though the issue was revisited in the *Royal Commission on Child Endowment or Family Allowances* (Australia, Parliament 1929), the prospect was again defeated.

Meanwhile, a challenge to the authority of both Justice Higgins and the Arbitration Court was being mounted by the government. Following on from 'several … invasions of his [Higgins's] duties' in the late 1910s (Healey 1972: 43), the *Industrial Peace Act* was introduced in 1920. Under this, in an unprecedented move, the government was allowed to intervene in any dispute by creating a separate tribunal, thus rendering the Court's function redundant with respect to that dispute. Unsurprisingly, this offended Higgins as the President of the Court, and he resigned in response to the Act (Higgins 1920: 133–135), though his resignation would not be effective until the following year. In 1929,

another challenge to the legitimacy of the Arbitration Court was mounted, this time through the Maritime Industries Bill, which had the objective of abolishing the Federal sphere of the arbitration system. In the context of historically high strike levels, and the beginnings of the Great Depression, the government and a British delegation alleged that the system had become legally cumbersome and confusing. In some industries, for example, there was a multiplicity of awards in operation simultaneously (Foenander 1937: 55–56). Unable to extend the reach of the federal system, the government sought to hand the role of the Commonwealth Arbitration Court over to the State tribunals; however, the Bill failed.

Before his retirement from the Court, Higgins granted the Amalgamated Society of Engineers a new award, which was to be used as a standard-setter. Higgins stated that he had hoped to receive help in his formulation from the Royal Commission of 1919, but he had not found any, largely because his perception was that the Commission did not actually report on the basic wage, having made no distinction between skilled and unskilled workers. The award he handed down conferred upon workers in the engineering industry—later known as the metal trades industry—a basic wage which was double that set in the decision of 1907, and a skilled rate also double that of 1907 (Healey 1972: 37–42).

In response to worsened economic conditions, however, the rate established in the metal trades award was reduced in 1922 by Justice Powers, Higgins's replacement in the Arbitration Court. This constituted the first wage cut implemented since the system's inception. In justifying the reduction, Powers argued that the manufacturing industries could not afford to pay the going rates. Further cuts were implemented in the early 1930s. In 1930, employers argued that the time had come for changes in the established methods of wage determination, mainly on the grounds that industry could not sustain the wage levels to which unions had become accustomed under the Arbitration Court's award formulations. Like their New Zealand counterparts, they argued that underlying the existing wage levels was the decrease of price levels for primary produce exports (Healey 1972: 54). The employers met with the sympathies of the Court, and a 10 percent reduction in wage levels was introduced in 1931. The 1934 Basic Wage Inquiry delivered a restoration in wages, except for workers in the worst affected industries.

The Emergence of the Welfare State and Its Relation to Arbitration, 1941–50

In the context of the Great Depression and then preparations for World War II, legislation which could have established a welfare state based upon a social insurance system—the *National Health and Pensions Insurance Act* of 1938—failed to come into effect. In all, despite much debate, the inter-war years resulted in no substantive development of new national-level social policy measures, though a few schemes had been developed at the State level (Watts 1987: 1–24). Queensland introduced an unemployment insurance scheme in 1922, and New South Wales developed a widows' pension benefit in 1926 as well as the child endowment measure mentioned earlier (Kewley 1973: 99–169).

In 1941, in the context of a considerably more favourable economic position for the labour movement, and a war-time economy, the Menzies United Australia Party government passed a child endowment scheme. It did so for various reasons, not the least of which was the trade-off inherent in wage restraint, and the maintenance of purchasing power among families (Cass 1983: 78–79). The benefit was universal, involving no income test, going to the second and subsequent children. The wages system was assumed to be catering to the first child along with the parents. The Basic Wage Inquiry of 1940/41 resulted in the capacity-to-pay argument being triumphant, the President of the Arbitration Court granting no increase in the basic wage, and expressing his approval of the new child endowment benefit (Watts 1987: 53–60).

During this phase of Labor's rule, which ran from 1941 to 1949, a few other social security reform measures were introduced, including widows' pensions and unemployment and sickness benefits (Watts 1987: 45–124; Kewley 1973: 211–233, 265–282). The year 1947 was an important one for the Arbitration Court because the Judges were to lessen significantly their involvement in employment relations matters relating to administration and conciliation, which were to be taken up by Conciliation Commissioners. The role of the Court was to be specialised around the formulation of the basic wage, standard hours, annual leave and female wage rates (Healey 1972: 77–81). It seemed that the stated function of

the arbitration system as settler of disputes was to be superseded by its other function, that of formulator of minimum labour standards.

Progress in welfare state provisions outside of social security during these years was modest in comparison with that in New Zealand. However, one advance stood out for its significance: the *Social Services Consolidation Act* of 1947, which provided a sign of broadened constitutional powers of the federal government with respect to social policy. First recommended by the *Joint Parliamentary Committee on Social Security*, established in 1941, this Act fused legislation on pension benefits, maternity allowances, child endowment, and unemployment and sickness benefits (Watts 1987: 61–83, 113–114). In the process it repealed the entirety of forty-three Acts and sections of seven others. As well as its consolidating function, however, its other major contribution was the liberalisation of benefit eligibility conditions, and an increase in the level of some benefits.

Taken in sum, however, despite the expanded social policy powers handed over to the Australian federal government in the late 1940s, it was never to reach the comprehensiveness of its counterpart in New Zealand. The explanations for this, as they concern the period dealt with in this chapter, are now discussed in the comparative analysis.

Comparative Analysis

The comparative analysis of Australia and New Zealand between the two world wars has been given relatively little attention in the comparative literature. This is surprising, for two reasons. First, the two welfare states were formed in this period, and both were formed earlier than European counterparts (Castles 1985, 1996), making for fertile ground for comparison. Second, the period oversaw the creation of a historically important interplay between employment relations and social policy in the development of social protection. This interplay says much about the subsequent pattern.

The Contribution of Others

In discussing the historical context of social protection in Australia and New Zealand, small-N or direct-comparativist scholars have tended to refer to the formative period, that of the 1890s to the 1910s. This is mainly because it was in that era that the employment relations systems of both countries took their traditional forms. The period covered in this chapter has received relatively little attention, though it is referred to in the context of the impact of the ACTU and the Federation of Labour on Australian and New Zealand employment relations respectively (Sandlant 1989; Bray and Walsh 1993, 1995; Bray and Nielson 1996). There is a common position within the literature. It says that part of the explanation for the divergence which occurred between Australia and New Zealand over the 1980s and 1990s is seen in the greater cohesiveness and unity within the Australian labour movement. That is, it is argued that the ACTU and the Australian Labor Party enjoyed a closer relationship than did their New Zealand counterparts. This argument is not refuted here. Indeed this chapter has found that the relationship between the two arms of the labour movement is one indicator of the greater vulnerability of arbitration in New Zealand.

In the comparative social policy realm, the work of Castles identifies and offers an explanation for the similarities and dissimilarities between the two national regimes (Castles 1985: 21–29; 1996; Castles and Shirley 1996; Castles and Pierson 1996). Castles (1985) rightfully identifies the New Zealand welfare state created in the 1930s and 1940s as being significantly more advanced and comprehensive than its Australian counterpart. And he rightly attributes much of this difference to the comparatively restrictive Australian constitution.

> The original [Australian] constitutional provisions had given the Federal government specific powers in respect of social policy only in the areas of invalid and old-age pensions, and much of the inactivity in the era after 1910 must be attributed to this major institutional impediment to reform. Effectively it had left the initiative for the development of welfare services and benefits in the hands of the States, with the consequence that the very few innovations that had occurred were extremely restricted in scope. Thus,

> from the time of the introduction of the maternity grant in 1912 (itself, possibly open to constitutional challenge), there was no further social policy reform until 1941 at the Commonwealth level. … In constitutional terms, the achievement [of the federal Labor government] was to establish Commonwealth social policy intervention on a sound legal basis [through the 1946 referendum and the 1947 Consolidation Act]. (Castles 1985: 23)

Despite making the important observation that the Australian Constitution presented major obstacles to social policy reform, however, Castles' analysis largely eschews consideration of the role which arbitration and the family wage played in limiting the welfare state in Australia. Despite his argument (also in Castles 1996) that the wage-earners' welfare state model was less applicable to New Zealand than to Australia, he does not see the differences in the arbitration system generally, or the family basis of wages specifically, as being at the heart of this difference. This is made clear in his analysis of the role of family assistance in the two countries. Here Castles treats New Zealand and Australia as more or less equally reliant on wage regulation as the primary instrument of social protection. In addition, he argues that the family wage legacy was as strong in New Zealand as it was in Australia and that the basic shape of the minimum wage policy was the same in both countries. This argument necessarily leads Castles' analysis to overstate the similarity between Australia and New Zealand with respect to family policy generally. His main proposition was that the principle of selectivity in both countries' social security systems was a direct result of reliance on basically equivalent family wage policies:

> In New Zealand, the picture was much the same [as in Australia]. In 1908, only the year after the Harvester Judgement, the Court of Arbitration stated that 'we think anything less than 7s [shillings] per day is not a living wage where the worker has to maintain a wife and children' and set the basic rate for unskilled labour at 8 shillings per day. In 1925 the basic wage was supposed to be sufficient for the support of the 'statistical family' of a man, wife and two children, and in 1936 legislation adopted a norm of three children for wage-setting. This family policy aspect of the wage regulation system simultaneously offers clues to why questions of child endowment were raised earlier in New Zealand and Australia than in many

> European countries and yet why initial legislation in this area was either highly selectivist in character or came up against barriers which frustrated reform theoretically espoused by all parties. (Castles 1985: 88–89, my italics)

Finally, though Castles (1985: 86) acknowledges the existence of minimum wage legislation in the form of the 1945 Minimum Wage Act, he does not view it as contributing in any way to differences between the New Zealand and Australian social protection regimes. Rather, he uses its gender-differentiated, and hence 'family' basis, as another illustration of his Australasian exceptionalism argument. That is, it was as a sign of the commitment to wage regulation as opposed to social insurance under both regimes more or less equally.

An alternative account requires a framework which examines the interplay between the political and institutional factors, and how this interplay shaped the similarities and differences between the two regimes. This is consistent with historical institutionalists Thelen and Steinmo (1992: 14), who stress the need for a 'more explicit theorizing on the reciprocal influence of institutional constraints and political strategies'.

The Welfare State and the Labour Movement

The most important overriding similarity between New Zealand and Australia during the period in focus relates to the two welfare states being built by Labo(u)r governments backed by their industrial partners in the respective trade union movements. According to Castles (1985: 21), between 1910 and 1950 'Australia appears to have possessed the strongest labour movement in the world, with the Australian Labor Party (ALP) averaging some 43% of the vote in the sixteen elections held and trade union membership as a percentage of the labour force averaging in excess of 30%'. New Zealand's First Labour Government, which reigned from 1935 to 1949, was, 'by all possible measures, … the strongest that has ever existed in the English-speaking world' (Castles 1985: 25). Apart from holding office for fourteen years, the Labour Party held an absolute majority of parliamentary seats throughout its reign. It attracted 55.9

percent of the vote in 1938, and in the early 1940s union membership density stood at 67 percent, which was higher than in any other democratic country.

Despite this picture of commonality, however, there were structural and strategic differences between the Australian and New Zealand labour movements which contributed to their relative levels of commitment to arbitration, and through that, social protection. As was demonstrated earlier, the Australian Labor Party had been established by federation in 1901, but had been influential at the Colonial (then State) level from the 1890s. In New Zealand, by contrast, the Labour Party was only formed in 1916, and did not win government until 1935 (Gustafson 1992; Brown 1962). Despite the substantial increase in the comprehensiveness of social protection which the First Labour Government produced, an element of continuity with previous governments is discernible, especially with the Liberal government of 1891 to 1912. This continuity relates mainly to the 'something-for-everyone' formula, this time including industrial workers, farm workers, Maoris, employers and farmers. Just as the Liberal period was characterised by social protection measures which sought to equalise labour and capital, the Labour Party sought in its first period in office to share the benefits of a greatly expanded social protection between all of the major groups in society. This was indeed more consistent with social protection theory. Polanyi (1944: 132) argued that, to be successful, protective institutions need to be simultaneously of benefit to 'the working and the landed classes'.

Constitutions and Arbitration

On the other hand, Labor rule in Australia during the period was characterised not merely by a continuation, but a strengthening of the labour movement's hold over social protection. As argued earlier, the arbitration system was partly the creation of the labour movement there, and it continued to be more acceptable to the union movement there than it was in New Zealand; where unions had played little role in its establishment. The ACTU, which was formed in 1927 (see: Donn 1983; Hagan 1981; Donn and Dunkley 1977; Dabscheck 1977; Martin 1975), became a

more encompassing and more effective union confederation than New Zealand's (second) Federation of Labour, which was created in 1937 (see: Roth 1973, 1978; Sandlant 1988, 1989).

The greater institutional ties of Australian unions to the arbitration system stemmed mainly from two factors. First, the federal Constitution, which had defined the scope of the Arbitration Court's responsibilities from its inception, effectively installed arbitration as a permanent institution. Any political interest, including government, willing to challenge its legitimacy should be prepared to face significant barriers to the achievement of its goal (Sandlant 1988: 6, 1989). Second, the ACTU had an arbitration agency service, individual unions necessarily relinquishing their individual representation before the Court in national wage cases. This was a distinctly Australian custom and worked effectively to guard the role and the stature of the ACTU (Dabscheck 1977: 393–394; Martin 1975: 6).

That the ACTU was more closely tied to the arbitration system than was the Federation of Labour was also indicated by the structure of the two organisations. The Federation was formed as a result of a merger between the Trades and Labour Council Federation, which was a body representing the craft unions, and the Alliance of Labour, made up of the industrial unions. Yet the unification of these two traditionally mutually hostile legs of the union movement did not lead to an effectively united voice. Indeed, it was the government of the day, the First Labour Government, rather than the union movement itself or the Arbitration Court, which encouraged unity: 'The government wanted a strong but disciplined union movement whose leaders could be relied upon not to endanger the Labour Party's political prospects, and it impressed this view on the leaders of the movement' (Roth 1973: 56).

Voluntary Versus Compulsory Unionism, and Union Strategy

The stronger divide between the craft and industrial unions in New Zealand was also historically fed by a legacy of compulsory unionism. As noted earlier, the New Zealand Arbitration Act strongly encouraged

union preference clauses. Union preference was moved a step up to statutorily compulsory unionism in 1936. Though the Australian Arbitration Act also had in many cases bestowed preference upon unionists (Howard 1977; Dabscheck 1977; Donn and Dunkley 1977; Hagan 1981), unlike the situation in New Zealand, this legacy was not cemented by legislation. However, rather than being universally conducive to social protection, compulsory unionism in New Zealand had the effect of increasing the incidence of so-called paper unionism (Sandlant 1989: 39), a term referring to many of the smaller craft unions which would not have been formed, were it not effectively compulsory for the worker to be a union member to enjoy the benefits of the arbitration system.

During the period of Labour's first government in New Zealand, union movement division was not a major problem. The government's extension of social protection, the general economic recovery from the Great Depression of the early 1930s and the formation of the Federation of Labour all combined to relieve much of the political pressure on the labour movement. However, as will be seen in the following chapter, this situation of relative calm between craft and industrial unions was not to continue for too long, and problems between them emerged again from the 1950s. Nor was there a high level of unity before the advent of the Labour government. Sandlant (1989: 40–41) argues that the relatively divided union movement and the operation of the arbitration system combined to produce a vulnerability in New Zealand's arbitration system, which was not part of the Australian landscape. Arbitration in New Zealand produced a 'conservatism' in the New Zealand system, and the dividing line between the industrial and craft unions exacerbated the situation. As Olssen (1986: 17) argued, the New Zealand union movement in the period was 'fragmented, unsure of purpose, [and] incapable of unity'.

Family Policy, Arbitration and Wage Minima

There are other factors, mostly absent from the existing comparative literature, which contributed to the greater legitimacy of arbitration in Australia. The firmer placement of family policy within the arbitration

system, rather than in the welfare state or in other forms of direct government action, is an important one. When the family wage was combined with the constitutional limitations on direct action in both the employment relations and welfare state arenas of social protection, it was not surprising that family provision through the social security system in Australia was introduced later than it was in New Zealand. Also, it only took place after considerable debate in Australia. In New Zealand the welfare state avenue for delivering an effective family policy was always available, and always only awaited the political will of government and the appropriate political and economic climate for its implementation. New Zealand, after all, had no legal restrictions on government action in respect of welfare. In one sense, it was even potentially more probable that New Zealand could also have put in place a significantly more effective family-based wages system, though its arbitration system had the shortcomings already outlined.

In the Australian case it was not surprising that there was more of a struggle during the 1920s to the 1940s to establish a workable avenue for the delivery of family policy. The Royal Commission on the Basic Wage (Australia, Parliament 1920) and the subsequent efforts of A.B. Piddington (1921), its Chair, failed to bring about an effective mechanism within the wages system. This was confirmed by the Arbitration Court in the 1934 Basic Wage Inquiry, which concluded that

> [i]f it is desired to provide the same standard of living for households of all sizes – the same standard for a man, wife and three children as for the unencumbered bachelor wage-earner – that object cannot be achieved by this Court. Some system of family endowment would have to be introduced by competent legislative authority.

As history reveals (Watts 1987: 47–48; Hancock 1997: 3–6), Australia's child endowment was introduced in 1941, but it did not uproot the family wage as the primary basis for family provision. New Zealand put into place a family wage akin to that of Australia in 1936, but it was short-lived and it was followed up by a family-based *Minimum Wage Act* in 1945, which prescribed higher rates for males. Though, as seen in this chapter, both of these schemes lay below the awards system, that they

existed at all served as an institutional buffer, a safety net which would have been called into play if the awards system was ever abolished. Political mobilisation to protect the award system was thereby undercut. Though arbitration was not abolished in this period, it came close during the next period, from the 1950s to the early 1980s, which is examined in the next chapter.

Conclusion

The period between the two world wars does not feature prominently in the work of comparative scholars writing on Australia and New Zealand. The literature which exists has generally underestimated the differences between the two regimes, and the significance of differences for the historical development of social protection from then on. The emergence during the period of the welfare state accentuated the differences, such that the gap between Australia and New Zealand was widening. Australia came to rely more heavily on arbitration as an arm of social protection than did New Zealand. Various reasons account for this difference. In Australia the protection of the living standards of families continued to be seen primarily as a problem to be handled by the wages system, even as the welfare state was beginning to take shape in the early 1940s. While the role of Australia's arbitration system was generally relatively well accepted by the industrial parties, New Zealand's system was subjected to repeated challenges to its very existence.

This difference is shaped by several political and institutional factors. First, a more divided trade union movement developed in New Zealand, a stronger cleavage between craft and industrial unions playing an important role in shaping unions' lower level of acceptance of arbitration. This cleavage was only strengthened by compulsory unionism, which was a prominent feature of New Zealand's labour market. Also, New Zealand's peak trade union body, the Federation of Labour, was less effective in representing trade union interests and generally less authoritative over its membership than was its Australian counterpart, the ACTU. The ACTU also held the advantage of having an arbitration agency function, thus tying its member unions more strongly to the arbitration system.

Finally, an indispensable contribution to the differences between Australia and New Zealand arising in this period is made by the ability of New Zealand legislators to enact family allowances in the 1920s with relatively little controversy, then to build the world's most advanced welfare state in the 1930s and finally to legislate for nationally applicable minimum wage standards outside of the arbitration sphere in the mid-1940s. All of these developments had been rendered impossible in Australia, mainly though not exclusively by constitutional limitations on the activities of the federal government.

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