

The State in Relation to Labour

THE ENGLISH CITIZEN

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T H E S T A T E
I N R E L A T I O N T O L A B O U R

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EDITED
WITH AN INTRODUCTION
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PREFACE TO THE THIRD EDITION

THIS work by the late Professor Jevons was published in 1882. A Second Edition, consisting of a mere reprint of the first, appeared in 1887.

In this Edition the text of the work has practically been left untouched, the matter being brought up to date by the help of a few footnotes. There has, however, been added a short Introduction, dealing with the present aspect of some of the main features of the Labour Question.

M. C.

P R E F A C E

So much has been written about Labour and Capital and the legislation relating to them that it is scarcely possible to say anything new upon this subject. Not only is there an immense literature of controversial pamphlets bearing upon the matter, but there is also a superabundance of facts and information. What seems now to be needed is a careful attempt to understand the principles of legislation which emerge when we analyse the actions of the Legislature, and the state of public opinion with reference to the conflict of labour and capital and the regulation of industry. The all-important point is to explain if possible why, in general, we uphold the rule of *laissez faire*, and yet in large classes of cases invoke the interference of local or central authorities. This question involves the most delicate and complicated considerations, and the outcome of the inquiry is that we can lay down no hard-and-fast rules, but must treat every case in detail upon its merits. Specific experi-

ence is our best guide, or even express experiment where possible ; but the real difficulty often consists in the interpretation of experience. We are reduced to balance conflicting probabilities of good and evil. In order, however, to prevent the possible misapprehensions into which a hasty reader of some of the following pages might fall, I may here state that I am a thorough-going advocate of free trade. As the subject of the book does not include foreign commerce I have no opportunity of showing the consistency of this doctrine with such regulation of home industry as I advocate.

Concerning the functions and actions of trade societies I have not hesitated to express approval or blame in the freest way ; but I think the time is come when all bitter terms, all class rancour, and all needless reference to former unfortunate occurrences, should be laid aside. The economic errors of trades unions after all are not worse than those which pervaded the commercial, if not the governing classes a generation or two ago. One result which clearly emerges from a calm review is that all classes of society are trades unionists at heart, and differ chiefly in the boldness, ability, and secrecy with which they push their respective interests.

The necessity of writing briefly has generally prevented me from giving references to authors or quotations of facts and opinions. I must content myself with acknowledging my special indebtedness to certain works—such as Professor F. A. Walker's *Wages Question*; Mr. George Howell's *Conflicts of Capital and Labour*; Mr. G. J. Holyoake's instructive and amusing *History of Co-operation*; Mr. J. E. Davis' excellent treatise on the Labour Laws; Mr. Jos. D. Weeks' Reports on the Practical Operation of Arbitration and Conciliation (Harrisburg, U.S.A.); the valuable collection of documents contained in the Report on Trades Societies, published by the Social Science Association in 1860; the eleven voluminous reports of the Trades Union Commissioners of 1867, especially the masterly memorandum of Sir William Erle upon the Law relating to Trades Unions; the Reports of the Labour Laws Commission of 1874, of the Factory Acts Commission, the Factory Inspectors, etc.

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INTRODUCTION

**Recent
Labour
Legisla-
tion.** THE progress of the Labour Movement during the last twelve years can be traced but imperfectly from the Statute book. Legislation throughout the period has proceeded much on the old lines, and has mainly consisted in extensions and improvements of the Factory Acts and the Mines Acts. Indications indeed of a new departure may be found in the Acts attempting to regulate the hours of railway servants and of shop-assistants, and to improve the lot of the rural labourer by means of allotments and small holdings; but, on the whole, the fact that a new spirit has arisen, or that old ideals have been dimmed, is as yet only faintly to be traced in Acts of Parliament.

**The old
*laissez
faire.*** The rule of action formerly regarded by almost every one in this country as regulating such matters was that the less the Government interfered with the industries of the nation the better; that seldom, if ever, should it deviate from its primary function of protecting life and property; that its efforts to do more would (as in former days) be likely to do more harm than good; and

that any departures from this rule, such as the Factory Acts, must be regarded as quite exceptional things due to an urgent public necessity, and very difficult to reconcile with true principles.

This is not the place to trace the causes which led to the prevalence of this rule of action; suffice it to say that there was much in it that was congenial and attractive to a bold, independent, and self-reliant race like the English; that much was due to the wonderful lucidity with which Adam Smith exposed the harmfulness and folly of the old Mercantile System; and that when the condition of the country, some fifty years ago, imperatively called for the Repeal of the Corn Laws (which in substance meant complete Free Trade), and as a *sequence* to this event the production of wealth enormously increased throughout the country, it was deemed that the truth of the gospel of *laissez faire* had been demonstrated by fact and theory alike.

The success of the adoption of Free Trade by England has been so important a factor in strengthening the belief in this rule of action, that it is well to state what it is that such successful adoption really proves.

It seems to prove that the true interests of an island thickly populated with an industrious, inventive, and sea-faring race, conveniently placed with reference to both the Old and New World, of comparatively small acreage, and possessing great mineral wealth, is to offer no obstacles to the importation of either food products or the raw material of industry, but to obtain these and bring them within its shores as cheaply as possible, and to pay for them by the exportation of

the completed product manufactured from such raw material.¹

Neither Free Trade, however, nor the Age of Invention contemporaneous with its adoption, proved a panacea for human ills. They led undoubtedly to an enormous increase in the production of wealth; they led too to a general raising of the standard of comfort throughout a large section of the community, notwithstanding the impetus given to the increase of population; but they did nothing to alter the proportion in which the wealth was distributed among the various classes, or to further a more equitable distribution. There was the old spectacle of great

¹ Were the whole world one nation, speaking one tongue, and with similar institutions and habits throughout, it may be conceded, and it is probably true, that the way to obtain the largest production of wealth throughout the whole area would be to allow no Customs barriers at all, and to trust to industries establishing themselves, and workers migrating to those particular spots where the return to human efforts would be most bountiful.

Such is not, however, the condition of the world, and never can be. It consists of various races, profoundly differing in habits, religion, and institutions, and deeply attached to the particular territory which constitutes their home, or "fatherland." The question therefore for each particular nation is *not*, "What will most conduce to the increase of the wealth of the whole world?" ; but, "What will most conduce to the increase of wealth among the inhabitants of the restricted area which forms our nation?" To the "out and out" Free Trader who boldly asserts that the two questions are really the same, this question may be put, "Do you really assert then that the abolition of all Customs barriers would be *equally* advantageous to *all* the different territories constituting nations throughout the world? Do you say that there would be exactly the same *percentage* of advantage for each?" If this question cannot be answered in the affirmative (and certainly no such answer based on satisfactory reasoning has ever yet been given or even attempted), the question next presents itself, "If not of *equal* advantage to each

luxury and great indigence side by side, the old antagonism and distrust between employer and employed, and the old problems relating to pauperism, insufficient wages, casual work, and an unemployed class; with this difference, however, that it was proved experimentally that mere increase of wealth, however great, did nothing to solve these problems.

Men must always have some ideals, and it is curious to recall those held on the "Condition of the People" question some thirty years ago by thinkers on social questions and economists. The *laissez faire* doctrine was still firmly held, and no movement contravening it was likely just then to possess much attraction, and

nation, on what depends the *more or less* of advantage to each! And if there be less of advantage to one than another (so that whilst one gains say 20 per cent, another gains but 10), why must there be *some* advantage to all! Will not the same considerations which prove that it is of varying advantage to the different nations prove that it may be of no advantage at all, but a positive disadvantage, to some!"

It would seem that it is by some such train of inquiry that a true *rationale* of the subject is to be arrived at, rather than by the constant iteration of the fact that all trade consists of exchange, that foreign nations never *give* us anything, and that, in the long run, imports and exports balance one another, and the assumption that all the nations of the world, save Great Britain, are misguided blunderers, "sinning against the light." It would be no consolation to Germany that there should be a large increase in the wealth production of the world resulting from the emigration of 20 millions of her population to America, if this meant a decrease of wealth within her present territorial limits. That particular *localities* would suffer from an abolition of all Customs duties throughout the world is indeed implied in the argument for universal Free Trade; for the complaint is that under the present system particular industries are artificially fostered in particular localities, which would otherwise dwindle, or be transferred elsewhere. But if particular localities would suffer, why not the larger localities called nations!

accordingly the true line of deliverance was, it was hoped and expected, to be found in the spread of Co-operation.

Co-opera- There is something pathetic in looking back tive pro- and contemplating the expectations of Stuart duction. Mill, Thornton, Cairnes, Jevons, and many others from the spread of Co-operative Production, and the industrial transformation, surely, if slowly, to be worked out through its instrumentality. The workmen, it was urged, would gradually save sufficient capital to become their own employers; a skilled official appointed by themselves taking the place of the present employer. They would thus obtain for themselves the whole 'product of industry, which they now have to share with the capitalist and the employer. The share which now goes to the former of these as interest, and to the latter as profit, would henceforth both go to the workmen, whose annual share of the product would consist of a sum in which somewhat of interest, somewhat of profit, and somewhat of wages were blended together. Under this system the old antagonism between the capitalist and employing class on the one hand, and the labouring class on the other, would necessarily cease to exist; for there would be but one class taking the whole product, and, by reason of this, in a far superior position, and with a far larger income, than they now possess as mere wage earners.

It was felt, however, that all this could be effected only gradually, and that only by degrees would the working men become competent to undertake such enterprises; and as a step towards the happy consummation, and as a means of accelerating its arrival, Profit-

Sharing between employers and employed was strongly Profit-Sharing advocated. By this was meant the division between employer and employed of the *net* profits of industry, in some proportion fixed by previous agreement between them. So strongly impressed indeed was the late Professor Fawcett with its importance, and with its value as a transitory stage on the way to the attainment of the complete Co-operative Ideal, that we learn from Mr. Sedley Taylor that "nothing but the obligations of his ministerial position prevented him from joining in an active propaganda in its favour."¹

Their When, however, we leave the region of promise for that of performance we find, so far as these expectations are concerned, nothing but a dismal record of failure upon failure in the case both of Co-operative Production and of Profit-Sharing. The work carried on under either system has always been quite trumpery; even this trumpery amount consists of new short-lived attempts from time to time; and the benefits that have accrued thereunder to the workmen have been very slight, nay, almost unappreciable. As industrial systems, the logic of facts conclusively shows that they completely lack vitality, and cannot compete with, much less supersede, the existing wage system.²

Nothing indeed could bring this truth more fully

¹ *Report of the Industrial Remuneration Conference*, p. 263 (Cassell and Co., 1885).

² See the careful record of the working and results of both systems by two sympathetic but impartial inquirers, viz. Miss Potter in her work on *The Co-operative Movement* (Swan Sonnenschein & Co., 1891), and Mr. D. F. Schloss in his *Methods of Industrial Remuneration* (Williams and Norgate, 1892).

home, than to consider wherein Co-operation has attained success, viz. in the numerous Consumers' Associations or "Stores" dotted "Stores." throughout the country. These show the benefit that arises from a number of intending purchasers clubbing together for the purpose of purchasing ordinary articles of consumption on the cash system at the lowest price consistent with the payment of the ordinary rate of interest on the capital embarked in the undertaking, and of the ordinary rate of wages to the labour, skilled and unskilled, required to carry it on.¹ But the thing which these societies decline to do (and this is an *experimentum crucis*) is, to risk their saved capital in the "self-governing workshop," or to give their employees a share in the profit of the undertaking.

Why Co-operative Production and Profit-Sharing have failed as industrial systems. An analysis of our present industrial system perhaps shows why both Co-operation and Profit-Sharing are impotent either to supersede, or even to modify it. Under that system there are four classes to be remunerated from the product of industry: (1) the landowner receiving rent, (2) the capitalist receiving interest, (3) the employer receiving profit, (4) the workman receiving wages: and the course of business is that the employer hires the land and pays rent for it, borrows the capital and pays interest for it, hires the workman and pays him wages, and keeps what is left for himself, such sum including his remuneration (1) as the skilled

¹ The "dividend on purchase" that is found so attractive is nothing but a repayment to the purchasers of the amounts *overcharged* at the time of their purchases.

manager of the whole undertaking, and (2) as the person who runs the risk of the whole affair proving a failure and resulting in a loss.

Now, the attraction of a change from the present system to the workman must consist in his getting something more than he gets at present. This "something more" must necessarily come from the share of either the landowner, the capitalist, or the employer. But (1) there is nothing in either Co-operation or Profit-Sharing to affect what goes to the landowner as rent; (2) there is nothing in either of them to affect what goes to the capitalist as interest. Of course, in so far as the workman owns any part of such capital, he receives his interest upon it, which he wishes to be as large as possible; but so he would if he invested his savings in any other way, and it is curious to note the significant aversion of the workman to invest his savings in the industrial undertaking in which he is engaged as a workman.

There remains, therefore, only the profit of the employer as the fund on which any successful attack can be made. With reference to this, so far as Profit-Sharing is concerned, it is of course absurd to suppose that the employer will voluntarily agree to lessen his share. The proposal is, that if the workman by working harder will increase the *total* fund, the employer is ready to let him have a *part* of the *net* profits; which latter depend mainly upon the employer's skill in buying and selling, and may be seriously affected, or totally disappear, by his want of skill, in which case the workman gets nothing for his extra exertions. So far as Co-operative Production is concerned, no doubt the workmen would get the whole of the profit, but it

would obviously be lessened by the high wages of the skilled manager who took the place of the employer. After this deduction, what is left? The part of profit which represents "the remuneration of risk." The "risk" means the chance that there may be no profits at all, but a loss, in which latter case there would be an inroad upon that part of the total fund which, under the ordinary system, the workmen now *get in any case*, as wages. The chance then of getting his share (proportionate to his capital in the undertaking) in this dubious, varying, and possibly non-existent fund seems to be the only possible advantage to the workman from working in an establishment in which he has embarked his savings, and of which he has had a voice in appointing the manager. No wonder that, as a practical man, he prefers to invest his small savings securely elsewhere, and to work for his secured weekly wage on the ordinary system.

Trades Unions. To turn from these schemes to the efforts made by the working men to better their lot by means of their Trades Unions.

For these organisations very few people, save the working men themselves, had a good word to say, not very long ago. They were accused of intensifying and perpetuating the bitter strife between employers and employed, and of exercising a cruel tyranny over their own members, of encouraging strikes, and driving away trade from the country. They were unable, it was argued, to effect their main purpose of keeping up and raising wages; the most that could possibly be said for them on this head being that they might perhaps accelerate slightly a rise in wages that was in any case inevitable, and retard for a short time a fall in wages.

that was bound to take place : benefits dearly earned at the price of the great harm they did in all other respects.

In spite of this hostile attitude, the working men have always stuck to their Unions, and have insisted that they are a potent and permanent factor in both raising wages and improving the condition of labour generally ; and that, so far from their promoting strikes, they act as a deterrent from them, a powerful Union not being likely, in its own interests, to make unreasonable demands.

To illustrate how completely the public attitude has altered on this subject and come to look at the matter from the Trades Union point of view, it will be sufficient to cite a few remarks from the Final Report of the Royal Commission on Labour, issued on the 24th of May 1894 :—

“Powerful Trades Unions on the one side, and powerful associations of employers on the other, have been the means of bringing together in conference the representatives of both classes ; enabling each to appreciate the position of the other, and to understand the conditions subject to which their joint undertaking must be conducted. The mutual education hence arising has been carried so far that, as we have seen, it has been found possible to devise articles of agreement regulating wages, which have been loyally and peacefully maintained for long periods. We see reason to believe that in this way the course of events is tending towards a more settled and pacific period, in which in such industries there will be, if not a greater identification of interest, at least a clearer perception of the principles which

must regulate the division of the proceeds of each industry, consistently with its permanence and prosperity, between those who supply labour and those who supply managing ability and capital."

The best hopes of "industrial peace" for the future are thus based on the existence and strength of associations not long ago regarded as dangerous and wicked, and treated by the law as illegal and criminal!

The New Unionism. One of the most marked features in recent Labour history has been the attempt, still in progress, to extend the Trades Union organisation to the mass of unskilled labour, hitherto quite disorganised. This modern movement has this advantage over the old one which ended in the recognition of the Unions, in that it starts with a sympathetic public attitude towards it. But the difficulties in the way of any effective or permanent organisation among the mass of unskilled labourers are far greater than was the case with the Engineers, the Compositors, and the Miners. Permanent organisation is difficult among working men, unless the workers are secure of fairly regular employment and a rate of wages which admits of their keeping up their contribution to the common funds with regularity. Now, about one-quarter of the adult male working population of the country earns less than £1 a week, and this too in occupations where, no particular skill being required in the workers, it is always easy to find substitutes in the over-stocked labour market. Again, the immediate effect of organising any industry is to enable a smaller and more efficient staff, working regularly, to do (and do better) the work previously done by a larger and less efficient staff, composed to a

considerable extent of casual labourers. The discarded labourers may no doubt in time be "absorbed in other occupations," or "be found ministering in other ways to the general service of the community"; but their only immediate chance of avoiding the workhouse is to compete for work in the still disorganised and sweated industries, and so bring down the wages in them, and make the employment in them more and more casual.¹ The conditions under which industry is conducted are not such that labour displaced, whether by machinery or by a more efficient method of work, at once, or with ease, finds other tasks ready for it.

Modern Socialistic tendencies. So much for the results of voluntary association between the workers and voluntary agreement between employer and employed. Many there are still who think that it is by such voluntary efforts, and by these alone, that any real advancement can be made; that what is really required is still "more liberty"; and that the less the legislature is resorted to, the better. Within the last ten or fifteen years, however, this somewhat narrow view of the functions of the State has been profoundly modified, and the conflicting ideal that it is the duty of the State, by active intervention, to take steps to better the lot of the mass of the population has steadily gained ground. "We are all Socialists now," says Sir William Harcourt.

That this should have happened was in fact inevitable. Whatever the merits of the institution of private

¹ The immediate effect of improved organisation and system in an industry is thus the same as an improvement of machinery therein: it displaces human labour. On this subject see Ricardo's remarkable chapter on Machinery in his *Principles of Political Economy*, Chap. 31.

ownership of land and capital, it seems to involve as a necessity the most glaring inequalities in the distribution of wealth; and mankind will never recognise, as an ultimate fact, that the vast majority of their number can never hope to appreciably improve their present lot, or take any part in the luxury and ease enjoyed, and magnificence displayed, by a comparatively small section of their number; and when by the Acts of 1867 and of 1884 the balance of political power was placed in the hands of the town artisan and of the rural labourer, these latter very naturally desired to utilise that power for their own material advantage, and it became the aim of politicians of all shades to see how far they could gratify them. It was found that the old political watchwords had ceased to charm, and that Liberty was no longer a word to conjure with. Nor did the new voters take much interest in the mere abolition of institutions, whether thrones, churches, or hereditary chambers; they had only to look across the seas to realise that the absence of all these things did not necessarily bring "grist to the mill!" Their demand was, and still is, something very different. "Decent sanitary houses, healthy and safe conditions of work, regular employment, hours of labour not so long as to give no chance of rest and leisure, wages sufficient to secure the ordinary necessities and conveniences of life, and the prospect of something better than the workhouse when old age comes on and the human machine is worn out. Can anything be done by legislation or administration to give us these, or any of these things? If so, do it."

The answer of Modern Socialism, inspired by Karl Marx, is that little, if any, of these advantages can the

manual labourers enjoy so long as land and the instruments of production belong to individuals and not to the State, and that the nationalisation of these is a condition precedent to any real advancement in their position. The present political effort is to try and secure such of these advantages as is possible, without any such inroad upon private property.

With some of these matters, accordingly, the State has endeavoured to deal by the legislation dealing with Free Education, the Housing of the Working Classes, and by increased stringency in the working of the Factory and the Mines Acts, not to speak of the efforts to create allotments and small holdings. With others, such as the scheme for the establishment of Old Age Pensions, it will probably attempt to deal. With others again, such as the guarantee of "fair" wages and regular employment, it cannot deal.

There remains the question of the hours of labour, and the consideration how far the State can with advantage fix or regulate them, which has assumed so prominent a place in the working men's programme, that with regard to it a few words may be said in conclusion.

There are certain matters relating to this subject about which there can hardly be any serious controversy.

1. That a uniform length of day for all manual workers is impracticable, and would be most unfair.

"Trades differ endlessly in their circumstances. Some are healthy; others more or less unhealthy. In some the labour is severe, in others light. In some work is continuous, in others intermittent. In some the chief strain is on the attention, in others on the physical

powers. In some the hours must be practically the same for all the men employed, in others there is room for variety. Some trades depend on seasons, or on fashions, or on the weather; others are more regular. In some it may be practicable to work on the shift system; in others, not. In some, reduction of hours may lead to more men being employed; in others, to fewer. In some, it may involve diminution of output, and therewith increased cost of production; in others, counteracting influences may prevent such results from following. In some industries the increased cost may be in large part shifted on to the consumer; in others it will be a tax, at all events at first, on profits, or on wages, or on both; in others it will check demand and injure consumer, employer, and workman alike. In some, wages may be the chief item in the cost of production; in others, expenditure on plant or on raw material. Some have foreign competition to reckon with; others not so. Some trades necessitate processes which cannot be brought to an end at the stroke of the clock; in others there is no such difficulty.”¹

It is obvious that the aim should be at a *proportionate* reduction upon present hours.

2. That many occupations, such as those of sailors, domestic servants, and (to a great extent) agricultural labourers, do not, from their nature, admit of any hard and fast time limit.

3. That in such occupations as do admit of such a limit, such as mining, factory work, and transport labour, there has been, and still is, in progress a gradual reduction of hours, though only in mining (where such

¹ Final Report of the Royal Commission on Labour, 1894, p. 60.

a limit already obtains to a considerable extent) is an eight hours' day the maximum limit aimed at.

4. That every reduction of hours found consistent with the maintenance of the amount of work done per day by the worker is regarded with satisfaction by every one.

5. That past reductions have not, in fact, lessened the average amount of work per day done by the worker.

6. That, from the nature of things, a limit must in each industry exist, the reduction of the hours of labour below which means the lessening of the amount of work done per day.

This too is obvious ; else the hours might be reduced to one hour, or even five minutes per day.

7. That there is no real desire, on the part of any class of workers, to shorten their hours of work, if such shortening involves a reduction in wages.

In spite of much eloquent talk about "the advantages of leisure," and of time to "perform the duties of efficient citizenship," etc., there is no doubt of this, as a mere matter of fact.

8. That the subject is one of the main matters connected with the conditions of labour generally to which the Trades Unions are keenly alive.

If the above propositions be accepted as correct, they go far to show that the only practicable way of dealing with the matter is by a separate consideration of each particular industry ; that in each particular industry the question of hours and that of wages are so closely connected, that it is only after a consideration of the effects of a proposed reduction of hours upon *all parties interested in the industry* that any satisfactory conclusion can be

arrived at; that a reduction arrived at in this way carries with it a practical guarantee that no harm will result to any of the parties interested; and that the only possible efficacy of an Act of Parliament in such case would be to give legislative sanction to that which had already been obtained: an advantage dearly purchased at the price of imparting rigidity to that which, from its nature, should remain elastic.¹

¹ The above few remarks have been advisedly confined to what seems the immediate practical aspect of the question. This is not the place to deal with the economic argument of the Socialists that the larger staff required under reduced hours to do the work (which is assumed to remain the same in quantity) hitherto done by the existing staff under the present hours, would absorb the unemployed; and that this increased demand for labour would enhance wages generally at the expense of interest, and so lessen the remuneration of capital. It is this argument that has undoubtedly led to the spread and popularity of the movement. It may, however, be noted that the argument assumes as a condition of its applicability that the reduction should be effected in all industries and in all countries, so as to leave the comparative cost of production, and consequently the values and prices of everything, the same as before.

M. C

5 PAPER BUILDINGS, TEMPLE,
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