

THE STATE SUBSIDY TO THE COAL-MINING INDUSTRY

[On 6th August Parliament voted £10,000,000 of public revenue to cover "for the present" the cost of subsidizing wages in the Coal Mines. The following extracts from the official White Paper, Cmd. 2488, serve to explain the nature of the dispute between the colliery owners and the miners and how it has been temporarily settled pending the results of yet another Government inquiry into this much investigated industry.]

The basic principle of the wages agreement entered into on the 18th June, 1924, was that wages rates in each district should be determined by the assignment to wages of approximately 87 per cent of the proceeds of the industry in that district, after deduction of costs other than wages. But the operation of this principle was to be subject to the provision that in no circumstances were wages to be reduced below a level represented by current rates, plus the percentage additions to basis rates that were in operation in the several districts in July, 1914, plus an addition of 33½ per cent to the total. This rate of wages is called the "Minimum."

Throughout the past twelve months the state of trade in the coal-mining industry has become steadily worse, with the result that eventually wages in every district were "on the minimum"; that is to say, the principle of dividing the "net proceeds" in the proportion of 87:13 was no longer operative but had been replaced universally by the obligation to pay the minimum rates mentioned above, irrespective of the amount of the proceeds.

On the 30th June the owners gave notice to terminate the agreement, and on the 1st July made proposals for a new agreement. The essential feature of these proposals in their final form was that the operation of the 87:13 principle should be restored by the abolition of the general obligation to pay the minimum rate laid down by the 1924 agreement, and that any minimum rates that might be agreed upon must be fixed by districts and have regard to their different economic circumstances.

It was not in dispute that these proposals would mean for the great majority of the workers an immediate and substantial reduction of wages, and for all of them a potential reduction or further reduction. The colliery owners indicated that if the Seven Hours Act were suspended "considerably better terms" could be offered.

The Miners' Federation did not dispute the seriousness of the economic position of the coal-mining industry, but they protested that, in view of the existing level of their wages, they ought not to be called upon to accept less favourable conditions of employment so long as other means of effecting economies in the working of the industry had not been fully and impartially explored.

The Nature of the Settlement

The Government have recognized that the coal-mining industry as a whole is, under existing conditions, financially unable to continue either to give employment or to produce coal on a scale which the interests of the country demand. At the same time they have before them the contention put forward by the Miners' Federation, and they desire to explore every possibility of obtaining a higher economic organization of the industry.

They have therefore decided to institute a full inquiry with the object of investigating methods of improving its productive efficiency and its competitive power in world markets.

This inquiry should be completed in good time before May of next year, and in the meantime the

Government have agreed to assist the industry by filling the gap that lies between the level of wages provided by the minimum provisions of the national wages agreement of 1924 and the lower level of wages which would result from the colliery owners' proposals of 1st July last.

During this period the level of wages which the owners in each district will be called upon themselves to bear will be that which results, month by month, from the application of the 87:13 formula, subject only to this; that, as between themselves and the Government, if the 13 per cent share of the owners is estimated to represent more than fifteen pence per ton, the excess will be transferred to the payment of wages in relief of the Government subvention.

The wages actually paid to the men in each district will be at a level not less than the minimum provided under the 1924 agreement. The Government will pay to the owners the amount by which their wages bill at this minimum level of wages exceeds the amount which, under the preceding paragraph, they are themselves called upon to bear.

The question what proportion of the actual wages bill of any individual colliery is payable by the colliery owner will be determined monthly by calculating for the district as a whole the level of wages that would be payable under the 87:13 formula; and the Mines Department will pay to each individual colliery the difference between its wages bill at that level and at the minimum level under the 1924 agreement.

The principle of the subvention is that colliery owners, both individually and collectively, are placed in the same position as they would have been under their own proposals of 1st July last.

Cost of the Settlement

The cost to the Exchequer obviously depends upon the question what the level of wages in each district under the 87:13 formula will prove to be. That will necessarily depend upon the course of trade. . . . It may be estimated that, if the proposed arrangement had been operative during the comparable period 1st August, 1924—1st May, 1925, the cost would have been about £7,500,000. If the conditions during its operation were the same as in the first quarter of 1925 the cost would be approximately the same. If the month of June, 1925 (the latest and worst figures available) were taken as the basis for the whole nine months, the cost would amount to about £24,000,000.

After surveying the whole position, and with all reserves for incalculable factors, the Government have decided to ask Parliament to authorize the expenditure of £10,000,000 at the present time. If this amount proves insufficient, further authority will be sought from Parliament.

The Radical Group of the Liberal Party in the House of Commons, at a meeting on 6th August, decided to vote against the coal subsidy and declared "it is conscious of the total inadequacy of the coal owners' offer, and believes in the justice of the miners' claim to a minimum wage which was supported by the Court of Inquiry. Nevertheless the Group cannot consent to the present proposal, the consequences of which none can foresee; they are opposed to an indefinite grant of money which must involve additional taxation and which is to be devoted to guaranteeing the royalties and profits as well as wages; they also realize that an extension of the system of subsidies to industries in difficulties, besides being an intolerable burden on the taxpayer, would lead to political log-rolling and destroy the basis of political morality."