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cesses. It is so easy to find workmen eager for a job at 10 per cent. below the standard rate. "Mankind," says Emerson, "is as lazy as it dares to be," and contractors are no exception. It is safe to say that the more you leave it open to a contractor to make a profit, by reducing the expenses of production, the less he will trouble about lowering the cost. So much is this the case that, under a prolonged régime of free and unrestricted competition, the very existence of the alternative has often been forgotten. "Profits," said one capitalist, "are the shavings of wages."

It was in order to put a stop to the constant tendency of contractors to nibble at the current standard wages that the London County Council inserted its celebrated fair wages clauses. These clauses it will be observed, leave open to contractors every chance of profit which comes from reduction of the cost of production. By concentrating the contractor's energy and attention on this point they presumably increase the fierceness of that part of the competitive struggle which promotes the public good. But, just as the Factory Acts, the Mines Regulation Acts, and the Education Acts, "rule out" of industrial competition the cheapness brought about by the overwork of women and children, or the neglect of sanitary precautions, so the London County Council, representing the people of London, declines to take advantage of any cheapness that is got by merely beating down the standard of life of particular sections of the wage-earners. Here, the key-note of the Council's policy is, not the abolition of competition, but the shifting of its plane from mere cheapness to that of industrial efficiency. The speeding up of machinery, the better organization of labor, the greater competency of manager, clerk, or craftsman, are all stimulated and encouraged by the deliberate closing up to the contractor of other means of making profit.*

And just as the Factory Acts have won their way to economic approval, not merely on humanitarian grounds, but as positively conducive to industrial efficiency, so, too, it may confidently be predicted, will the now widely-adopted fair wages clauses.†

Municipal Industry.

We come to an altogether different range of criticism when we consider the Council's determination to dispense, wherever possible, with the contractor, and execute its works by engaging a staff of workmen under the supervision of its own salaried officers. This has been fiercely attacked as being palpably and obviously opposed

* The economist will recall the analogous effect which labor legislation and strong trade unions have had in increasing the efficiency of the Lancashire cotton industry. Compare, too, Mr. Mather's testimony to the beneficent effect upon employers of trade union action in the engineering trade (see *Contemporary Review*, Vol. LXII., 1892.)

† Many local governing bodies have adopted some kind of fair wages clause in their contracts. Particulars of regulations in 218 places are given in Parliamentary Return H. C. 47 of 11 Feb. 1898, "Urban Sanitary Districts (Conditions of Contracts)", 24d. Compare also the House of Commons' unanimous resolutions of 13 Feb. 1891, and 6 March 1893, imposing the principle for Government contracts.

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to political economy and business experience. It is worth while to place on record the facts.

Constructive work was not undertaken at first, but labor was hired to clean the bridges* and to repair the Council offices,† at a considerable saving compared with contract prices. The first piece of building work was executed by the Main Drainage Committee at £536 below the lowest tender of £2,188. But the case which finally convinced three out of every four members of the Council of the desirability of executing their own works was the York-rd. Sewer. The engineer estimated the cost at £7,000, and tenders were invited in the usual manner. Only two were sent in, one for £11,588, and the other for £11,608. The Council determined to do the work itself, with the result that a net saving of £4,477 was made.‡

This remarkable result naturally created a sensation in the contracting world, and attempts were made to impugn the engineer's figures. In his crushing reply he pointed out that the contractors had reckoned out their tenders at absurdly high prices in nearly every detail, charging, for instance, 60s. and 70s. respectively per cubic yard of brickwork and cement, whereas the work was done at 39s. It is clear from the other particulars given, and from facts notorious at the time, that an agreement had been come to by the contractors not to compete with one another for this job, in order to induce the Council to abandon its fair wages clause. The Council preferred to abandon the contractor.§

The outcome was the establishment, in the spring of 1893, of a Works Department to execute works required by the other committees in precisely the same manner as a contractor. The Works Department stands to the other committees of the Council exactly in the same relation as if it were an independent contractor. When a committee has any work to execute, the Council's architect and engineer prepare the plans and make an estimate, without any reference to the Works Department. Then the Council decides whether the work shall be done with or without a contractor. Sometimes it decides to put the work up to tender, a course which enables it to see whether the estimates of the architect and engineer are trustworthy guides. The Works Department may say that it is not prepared to do the work, either because it is not satisfied with the specifications and estimates, or because it has no convenience for doing work at that particular site, or of that particular kind. In that case the job is put up to tender and done by a contractor.

The accounts of the Works Department are kept distinct from those of other departments of the Council. The Finance Committee sees that it is debited with the interest and sinking fund on all the capital it uses; that full allowance is made to cover depreciation and renewals; that a complete stocktaking is regularly carried out by independent officers; and that all outgoings and maintenance charges are properly spread over the various works done. The

* Minutes, Oct. 18th, 1892, pp. 900-1. † Minutes, June 27th, 1893, p. 683.

‡ Minutes, October 17th, 1893.

§ See the fuller particulars in Minutes of October 31st, 1893, pp. 1063-5.

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