



The University of Newcastle

History Club

Department of History

STUDENT RESEARCH PAPERS
IN
AUSTRALIAN HISTORY

No. 5

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PREFACE

In the Australian History course offered in Second Year at the University of Newcastle, as part of their progressive assessment, students have the opportunity of either presenting a conventional essay or of researching a topic of their own choice from primary sources. Many students choose the second alternative, and since this programme began in 1976 a considerable corpus of material on the local history of this area has been built up. The papers are all available for public use in the local history collection of the Newcastle Public Library. The best of the papers, however, are made available to a wider readership by publishing them each year.

This, unfortunately, may be the last issue of the publication, as a reorganisation of the courses offered in this department has meant that Australian History will be taught in First Year only, where unstructured private research by students would be less appropriate. However, the editors hope you will find the papers in this volume as interesting and useful as we did.

Peter Hempenstall, Margaret Henry, Noel Rutherford.

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THE GREAT LOCKOUT

AN ECONOMIC AND SOCIAL PERSPECTIVE ON THE IMPACT OF
THE SHUTDOWN OF NEWCASTLE STEELWORKS 1922/23

BY

BRUCE JENKINS

SYNOPSIS

The economic ills that beset Australia in the inter-war years and which culminated in the 'Great Depression' began early in Newcastle. In 1921 a major recession occurred in this city when the B.H.P. Steelworks shut down for over a year to enable a rationalisation of plant to be effected. This paper attempts to analyse the effects of this "lock out" on the economic and social life of the Newcastle area.

General Background

The Newcastle steelworks of Broken Hill Proprietary Co. Ltd. began steel production during 1915, just after the outbreak of World War 1. The timing and circumstances of B.H.P.'s entry into the steel production industry conferred immediate benefits upon the company. The war meant that the overseas suppliers, particularly Britain and Germany (who had up until this time provided the vast bulk of Australia's steel and pig iron needs) were totally committing their own output to their respective countries' burgeoning war requirements. The result was that Australian steel producers were faced with a market situation of relatively unlimited demand and any expansion in production that they could achieve could be easily soaked up by starved local consumers.

B.H.P. had opened its steelworks in 1915 with only one blast furnace and, prior to the outbreak of war, had no immediate plans to expand this capacity. However, by the early nineteen-twenties three blast furnaces were in operation, and understandable if short-sighted response to the wartime situation. Other countries, starting from a much greater industrial base than Australia, had also boosted their steel-making capacity to cope with the artificial demands of wartime to such an extent that when demand returned to lower peacetime levels, the world steel industry was faced with serious problems of overcapacity. The steel industries of Britain and Europe, America and Japan, operating with the economies of scale their vast home markets allowed and with significantly lower labour costs, were able to produce steel and export it to Australia at lower than B.H.P.'s production costs and that company's profits declined accordingly.

Essington Lewis, the then deputy general manager of B.H.P., presented a plan to his company's board aimed to reverse their fortunes in the steelmaking industry. It suggested a threefold solution to the company's problems - to reduce wage costs, to reduce the cost of that vital steel-making ingredient, coal, and to rationalise and streamline the operations of the steelmaking plant itself which, since its foundation, had tended to grow in an ad-hoc, ill-planned fashion. The plan was accepted, Essington Lewis was duly promoted to general manager, and, in 1922/3, a closedown of plant operations was put into effect.

Two days before Christmas, 1921, B.H.P.'s Melbourne head office announced that not only was the usual Christmas holiday break to be taken but work would not resume until late January, 1922 and that there was no guarantee of continuity of employment. The works partially reopened on 18th January, 1922 but only about 2,700 workers were employed for the next two months (compared with an average workforce exceeding 4600 during the preceding year). In early March it was announced that the plant would close completely for about 4-5 weeks. Between June, 1922 and March, 1923 an average of about 900 men, mainly skilled workers, was employed at the plant, primarily for rationalisation and improvement work and maintenance. No steel was produced during this time. Normal production was not resumed until March, 1923 when all of Lewis' initial goals had been achieved. Statistics concerning productivity levels of steel and pig iron per worker show significant improvement after the reopening of the works. Coal costs were reduced both by B.H.P.'s negotiations with the Northern colliery proprietors and the company's decision to enter the coal-mining industry itself (an early example of the vertical integration the company has pursued through its subsequent career). Wage costs were reduced by the

insistence that steel workers forsake the 44 hour week they had obtained during the war for the 48 hour week, more common in commerce and industry at that time, with no increase in pay.¹

Newcastle and New South Wales 1920-25

Before proceeding with an investigation of the Newcastle steelworks closure and its localised effects it is useful to review economic conditions in N.S.W. as a whole during the early 1920's and the relative performance of Newcastle within the state.

Table 1

Overseas Trade at ports of Sydney and Newcastle

Year Ended	SYDNEY		NEWCASTLE	
	Imports £	Exports £	Imports £	Exports £
30th June				
1920	43,682,873	53,429,511	1,007,726	1,550,197
1921	70,423,976	49,558,839	2,042,412	2,829,603
1922	41,753,947	46,042,014	1,567,531	1,915,624
1923	53,362,111	40,573,738	1,614,584	1,916,482
1924	56,691,214	40,917,170	1,496,109	2,124,501
1925	64,701,298	58,300,478	1,564,825	2,201,357

Source - Statistical Register of N.S.W. 1920/21 - 24/5

The most significant feature of the overseas trade figures for the two ports in the early 1920's is the comparison of the two years 1920/21 and 1921/22. A remarkably high level of trade activity was achieved in the former year with an equally remarkable slump in the latter. Certainly by 1924/25 the levels of overseas trade were only just reaching towards those of 1920/21. The levels of trade in both ports during the period runs closely parallel.

Table 2. Number and value of New Buildings - building permits granted during year ended 31st December

Year	Sydney Suburban		Newcastle and Suburbs	
	Number	Value £	Number	Value £
1921	8,524	7,853,682	961	788,851
1922	8,445	7,172,977	756	547,740
1923	10,825	9,022,038	1,156	771,313
1924	9,873	7,787,814	1,191	808,969
1925	10,673	8,133,738	1,537	989,886

Source - Statistical Register of N.S.W. 1921/22 - 1925/26

Building activity has traditionally been a valuable indicator of economic activity and well-being particularly in Australia where the desire for home ownership of detached dwellings means such construction activities tend to highlight the relative levels of prosperity across a wider perspective of society than perhaps is the case in some other countries. To show the relative state of health of construction activity in Newcastle compared to elsewhere in N.S.W. the closest comparable area of sufficiently

large sample size for which statistics are available is the Sydney Suburban region. Undoubtedly there were differences in the demographic makeup of the two areas but they represent the only two large urbanised regions within which there was a broad range of industrial, commercial and residential sectors. The figures for Sydney City are deliberately excluded as much of the building there was commercial development which makes it a less valid comparative study than the smaller scale commercial, industrial, and residential constructions in the Newcastle and Sydney suburban regions.

For the purpose of this study there are two significant results which emerge from the figures of the early 1920's. First there was the severity of decline in the Newcastle figure in 1922 compared to that of suburban Sydney. Newcastle suffered a 21% decrease in the number of applications and a 31% decrease in their value compared to the Sydney suburban figures of 1% and 9% decreases respectively. The other interesting point is the rate of recovery and growth in the two regions. By the end of 1925 Newcastle had achieved a growth of 60% in application numbers and 25% in their value on the 1920 base figures compared to increases of 25% and 4% respectively in Suburban Sydney. Newcastle suffered by far the greater setback in 1922 but nevertheless still enjoyed by far the greater growth rate over the half-decade.

Illness and Recovery - Newcastle 1920-25

If N.S.W. and Australian economic development can be described as progressing according to the "boom or bust" model then there can be little doubt that 1922 could be classified under the "bust" heading. The most immediate consequence of any economic "bust" on the bulk of the population is the level of unemployment and the concomitant economic and social penalties that this entails. As there were no unemployment relief payments by governments in that era in Australia, accurate statistics of unemployment levels at that time are not available. However, information on employment levels within major industries in Newcastle, and examination of some available union records of that time, paint a graphic picture of the dismal employment situation in the latter half of 1922 and early 1923.

A perusal of the Newcastle Chamber of Commerce annual reports for the years ending 30th June, 1921 through to 1924 gives both some information on employment within large manufacturers in Newcastle and some insight into the ostrich-like mentality of the organisation. The figures for June 1921 for the eight largest manufacturing concerns (Steelworks, Walsh Island, Rylands, Sulphide Corp., Morrison & Bearby, Goninans, Commonwealth Steel and Lysaghts) show a total figure of 7959 employees (probably understated by 500 or more due to a strike at Rylands that month). The comparable section in the 1922 report fails to give any figures except for the delightfully obfuscatory note that there are 'usually' approximately 8,500 men employed in these industries. The June, 1923 report is a little less delusive and states that approximately 6,000 men are employed in these concerns and that this number will increase substantially during the coming year. By June, 1924 it was apparently felt safe to publish detailed, firm by firm figures which totalled 7141.²

Fortunately not all sources were so reticent with their information. F.R.E. Mauldon notes that there was "...a reduction of the employed personnel of the six largest firms (Steelworks, Rylands, Walsh Island, Goninans, Commonwealth Steel and Sulphide Corp.) of the district from 7953 in October 1921 to 2343 by August, 1922".³ The date of August 1923

would appear to be close to the nadir of employment levels during the Steelworks closure. At this time levels for the major employers had dropped to around a quarter of the October 1921 level. It is a logical assumption that the heaviest burden fell on the unskilled labour from these industries and, indeed, some union employment figures of that time tend to confirm this.

Table 3. Employment levels of Skilled and Unskilled Unionists

Year	Newcastle Branch A.E.U. mean average		Unionists Australia-wide %age unemp. for lack of work	
	Unemployed	Members	A.E.U.(skilled)	All engineer. metal works
1920	2	956	1.5	3.8
1921	18	1021	4.4	8.9
1922	177	1091	4.9	15.3
1923	32	985	2.6	8.4
1924	15	1055	2.1	8.3
1925	12	1112	2.1	10.6

Sources - Forster, Colin, Industrial Development in Australia 1920-30, Canberra, 1964
Mauldon, F.R.E., A Study in Social Economies - The Hunter River Valley, Melbourne, 1927

The figures for the Newcastle branch of the Amalgamated Engineering Union, whose membership comprised tradesmen and skilled workers, show an unemployment rate of 16% during 1922 when the overall rate in the metal industries, where the bulk of their membership worked, was something nearer 75%. The Australia-wide figures for the A.E.U. versus total union labour in the metal industries confirm the significantly higher unemployment rate amongst unskilled as opposed to skilled labour. Obviously the decimation of wage-earners from the ranks of the district's major employers must also have had effects on the employment levels within those firms, large and small, providing goods and services to both employees and employers. There is a lack of sufficient data, however, to enable accurate estimations of the level these problems had reached before the local economy revived during 1923.

How did Newcastle cope with the results of the year of unemployment and how severe were its effects upon the community as a whole? The lack of any system of government social security and unemployment relief systems meant no amelioration of hardship by these now traditional methods so other methods, often Darwinian and almost always difficult to quantify, resulted. One easily identifiable method by which Newcastle responded to its excess of unemployed was simply to shed population. Between the year ending 31st December, 1921 and the 31st December, 1922 Newcastle suffered a nett population loss of almost 1200 people whereas during the other years of that first half decade the city had recorded nett increases averaging over 3,000.⁴ This bland statistical fact takes no account of what suffering and deprivation those forced to leave may have endured but it shows a forcible wastage of population in real terms of probably some 4,000 people. If it can be conjectured that a high proportion of these were single wage earners (or former wage earners) a high probability since his group were the most mobile being untrammelled by the difficulties of uprooting families, then this in itself must have

considerably eased the unemployment problems of the city.

The lack of formalised social structures for alleviating hardship also meant that the deprived sections of the city's population had to rely on less formal structures. The degree to which intra-family support, in days when the family was a much larger unit, eased deprivation is impossible to measure but it is worthwhile to keep in mind that social support systems were then derived from family, church and workplace in a society lacking today's institutionalised surrogates. One semi-official organisation which did then exist to assist the needy was the Newcastle and Northumberland Benevolent Society which appears to have been the sort of middle-class charitable organisation operated by genteel ladies which has almost disappeared today when government patronage is vastly preferred to the private variety. The records of "handouts" by the Society during the early 1920's are illuminating when assessing the impact of the steelworks closure.

Table 4. Newcastle and Northumberland Benevolent Society
Outdoor relief payments 1920-25

Year to 31 Dec.	Total annual payments to needy £	Mean monthly average number of recipients
1920	989/-/6	83
1921	724/18/5	64
1922	1304/14/7	75
1923	837/-/5	62
1925	930/13/10	80

Source 6 - Outdoor relief journal Newcastle and Northumberland
Benevolent Society

It comes as no surprise to see a considerable increase in the payout figure for 1922. What is perhaps surprising, though, is the relatively small increase in the number of recipients compared to the subsequent and preceding years. It is not wise to draw too many conclusions from these statistics but it is fair to conjecture that they do indicate that the number of the society's recipients remained remarkably constant in the years 1920-25 while the need of those recipients was considerably greater during 1922. An inference may be that the 'hard-core' needy became needier during that period when money was particularly scarce but that the increase in the number of "hard-core" needy was slight.

Another extremely important field to investigate when assessing the levels of hardship endured by the Newcastle population is the sales of food and groceries during the period. Here the records of the Newcastle and Suburban Cooperative Society (The Store) are invaluable. Its membership represents a sufficiently large proportion of the population to allow useful extrapolation of statistical results and it had traditionally, since its inception, catered primarily for the working class and unionists.

Table 5. "The Store" membership and sales 1920-26

Year ending early Feb.	Membership Nett total	Sales to members £	Avge purchase per member £	Newcastle grocery index.*
1921	3106	209,393	67.4	2146
1922	3362	225,405	67	1936
1923	3501	212,663	60.7	1706
1924	3680	232,771	63.2	1838
1925	3892	258,365	66.4	1747
1926	4403	333,606	75.8	1801

Sources - Docherty, J., Newcastle 1900-29, Ph.D. Thesis
Newcastle and Suburban Cooperative Society Half-yearly reports 1920-26.

The figures in this table show a very muted effect on the buying habits of the Store's members of the 1922 slump. Whilst during the year February 1922 to February 1923 the average purchases by a Store member dropped by a little less than 10% in monetary value because of lower food and grocery prices during that period his effective purchase of goods remained constant. This suggests certainly that a considerable proportion of the working class in Newcastle survived 1922/23 without any great change in their food intake.

Conclusion

1922 was a year of economic downturn in New South Wales and the closure of the Newcastle B.H.P. Steelworks and its inevitable effects on dependent industries within the region ensured that Newcastle suffered a greater slump than elsewhere in the state. While the city suffered for a little over a year from extremely high unemployment levels it is nevertheless apparent that, economically at least, the city coped remarkably well with its problems and that its speed of recovery was extremely rapid. It is dangerous to place faith in isolated sets of statistics but those available suggest that Newcastle adjusted well to its straitened circumstances. The loss of population was one reaction (though quickly recovered) but the others are less easily identifiable. Nevertheless indicators of the community and its inhabitants' physical well-being such as food sales, charity payments, hospital admission⁵ and death rates⁶ suggest that the average Newcastle inhabitant survived reasonably adequately. Certainly the economic well-being of the region suffered no long-term damage as shown by the subsequent rate of growth.

Perhaps the major historical effect on the city of Newcastle and its inhabitants was a psychological one. While the Broken Hill Pty. Co. Ltd. was the largest employer in the region by 1922 it was also a relative newcomer, the steelworks having been in operation only some seven years. Yet its actions in closing the works and the degree of success it attained in achieving its financial objectives planted it firmly and unequivocally as the dominant economic power in the region. It indelibly imprinted upon the collective psyche of Newcastle the fact that the security of the region was directly dependent upon the fortunes of the company. It is an awareness which has remained to this day.

FOOTNOTES

1. Docherty, J., Newcastle 1900-29; H. Hughes, Australian Iron and Steel Industry.
2. Newcastle Chamber of Commerce, Annual Reports 1920/1-1925/6.
3. Maunder, F.R.E., A Study in Social Economics - The Hunter River Valley.
4. See Appendix Table 9.
5. See Appendix Table 8.
6. Statistical Register of N.S.W., Editions 1920/1-1925/6.

APPENDIX

Table 6 Employment and productivity Newcastle Steelworks

Year ending 31st May	Average Employment	Output (per worker)	
		Steel (tons)	Pig Iron (tons)
1921	4,674	44.7	48.8
1922	3,512	62.6	66.9
1923	1,583	33.5	39.1
1924	4,235	67.3	72.2
1925	4,675	70.8	76.8

Source - Hughes, Australian Iron and Steel Industry, pp195, 197
Docherty, Newcastle 1900-29, p76.

Table 7 B.H.P. Co.Ltd. Financial results 1920-25

Year ending 31st May	Gross Profit £	Nett Profit/Loss £
1920	650,508	517,663
1921	589,478	351,332
1922	388,684	103,300
1923	180,445	-106,086 (loss)
1924	600,003	279,339
1925	897,583	372,307

Source - Mauldon, A Study in Social Economics - The Hunter River Valley, p86.

Table 8 Royal Newcastle Hospital - Patients Admitted during year ended 31st December

Year	Males Admitted	Females Admitted
1920	1,717	1,480
1921	1,934	1,565
1922	1,779	1,553
1923	1,688	1,572
1924	1,847	1,496
1925	1,899	1,531

Source - Statistical Register of N.S.W. 1920/21-25/26

Table 9 Population Newcastle and Suburbs 1920-25

Year ending 31st December	Population
1920	85,645
1921	88,640
1922	87,470
1923	90,350
1924	95,070
1925	98,050

Source - Statistical Register of New South Wales 1920/1-1925/6

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and annual reports 1920/1926.

Newcastle and Suburban Co-operative Society, Half-Yearly Reports 1920/1926.