

PRIME MINISTER'S WEEKLY BROADCAST - A FAIR GO FOR INDEXATION

Sunday 14 September 1975

(10)

The vast majority of us earn our living as employees - as wage and salary earners. So we have a natural concern to see that our wages keep pace with movements in the cost of living. No Government has done more than mine to protect - and indeed, improve - the real value of workers' incomes. With the support of the trade union movement we have fought a long, successful battle to bring in wage indexation. If it succeeds wage indexation will be counted among our principal achievements. It not only safeguards employees' living standards; it is an essential part of the Government's battle against inflation.

I want every Australian worker to understand the real benefits of wage indexation. Indexation is a new word: some people may not be quite sure what it means. It means that if the cost of living goes up by a certain percentage, wages and salaries are increased by the same percentage. So it's basically a very simple idea; but it took us a great deal of argument and persuasion to get the Conciliation and Arbitration Commission to agree to it. Indexation is not something we can introduce on our own, though certainly we have done what we can for our own employees in the public service. We had to convince the Commission that indexation would work. We had to convince the Commission that it wouldn't push wages ahead too fast and add to inflationary pressures in the economy. We had to show that by safeguarding workers' living standards, indexation would discourage excessive wage claims by unions at a time when the nation couldn't afford them.

The Commission accepted our arguments. It decided to give indexation a try. It insisted that if indexation were granted, unions should not claim wage rises in excess of the cost-of-living adjustments and the increases that flow to all workers from national wage cases based on national productivity. This doesn't mean that workers' living standards are frozen. It means that, so long as inflation remains a serious problem any rises apart from those for cost-of-living or productivity should be granted only on the basis of changing work values. The Commission also agreed that some rises may be needed to help certain unions catch up with other workers if their members were seriously disadvantaged.

This seemed to us like a pretty fair arrangement. It meant that all workers would be protected against inflation, no matter how strong or weak their unions were, no matter what their bargaining power. We are the first Government to give this real protection to the wage earner. You may remember that there was a system of quarterly adjustments for workers in the late 1940s and early 1950s. The Liberals abolished these adjustments and left workers completely at the mercy of cost of living rises. Mind you, the old system wasn't anything like as good as the present system of indexation. Adjustments were applied to the basic wage only; - our system applies to the total award wage and we have asked the Commission to apply it to over-award payments as well. It gives genuine, total protection to the worker. Together with the tax reforms announced in our Budget last month, Australian workers will be better off than ever before - better off in their take-home pay, better off in their protection against inflation, better off in their real living standards.

I make the point strongly that we don't regard indexation on its own as an adequate protection for the worker. It must be taken in conjunction with our new tax system - a system that is fair to all, and will put another \$5 a week and more in the pay packets of the average wage earner. And remember this: under the Labor Government the wage earner is benefiting in other important ways. He is saving on his mortgage payments, he is saving on his health insurance. Medibank alone saves the family man \$2 to \$3 a week in medical benefit payments.

Still, indexation is the basic protection for the wage earner and his family; his key to security in difficult times. With indexation, no worker need fear the effects of inflation. Of course the fight against inflation will continue - it must continue. Our whole Budget has been framed for that purpose, and indexation itself will help keep inflation down. There are signs that it is doing so already. Certainly the number of industrial disputes has fallen dramatically since indexation was introduced. So we're building up a new climate of stability and security for the worker - secure wages, stable industrial conditions. We have to work hard to ensure that this climate is maintained.

I have to say frankly that despite all our efforts indexation is under attack. Not surprisingly, it's under attack from some employers. These employers don't like the idea of regular increases in their wages bill, even when these increases discourage much bigger and more costly rises. But there is a much more dangerous attack on indexation from another quarter. It comes from a handful of powerful unions. These unions are seeking rises from their members far above the indexation formula. If these rises are granted - rises of \$35 a week in some cases - the whole indexation system will be in jeopardy. All our efforts to protect the worker from inflation, to establish secure and stable industrial conditions, to create the right climate for a national anti-inflation drive, will be destroyed. That must not happen.

You may say that it's the job of any union to secure the highest possible wages for its members. That's certainly been the rule in the past, but in today's conditions it ignores two things. It ignores the fact that some unions are much stronger than others, and can win bigger rises for their members where other unions can't. It leaves the weak and unorganised worker at a disadvantage. And it ignores the fact that unions in key industries, by using any tactic they choose to win higher wages, will force employers to sack workers so they can meet the higher wages bill. In other words, any increase in wages outside the indexation system must be gained at the expense of fellow workers, and ultimately at the cost of their jobs. Workers who accept indexation are inevitably the victims of those who won't. Their jobs are threatened by a minority of workers in key industries. We can see examples of these tactics right now in the oil and petrochemical industries in New South Wales and Victoria.

I want to make it quite clear that the Australian Government will stand firm on indexation. We don't regard the present system as perfect; we'll keep looking for ways to improve it. We'll do everything to see that the ordinary worker gets the protection and security he needs. I ask every wage and salary earner to play his part in making indexation work. It's a struggle for the entire trade union movement. Decent and responsible unions must not be cheated out of the benefits of indexation by the selfish actions of a minority.

Indexation has been given a trial by the Commission but the battle is far from won. The Commission still has to decide whether indexation should continue. Everything will depend on the willingness of unions to co-operate. The alternative to indexation is not just higher pay for some workers and lower pay for others. The alternative is industrial chaos and inflation on a scale that we have never seen before.

✓