



PRIME MINISTER

FOR PRESS

26 March 1978

ELECTORATE TALK

"One man's wage increase is another man's job" - the prophetic words of a former Labor Treasurer are just as accurate, just as relevant today.

Excessive wage increases lose jobs and threaten jobs. It is for that reason that a key element in the Government's economic policy - strongly endorsed by Australians at two general elections - is our wages policy.

Wages are an integral part of the functioning of the whole economy. If the economy is to perform efficiently - so that more jobs can be created - then wage rates cannot be allowed to get out of line with other relevant trends in the economy. They also cannot be allowed to get out of line with overseas trends.

In Australia in recent times, wages have grown out of all proportion to productivity. We experienced a "wage explosion". For example, in the three years to the end of 1975, wages grew by an amount equal to six years normal growth. This unparalleled growth in wages was not accompanied by an equivalent increase in production and productivity.

Rising wages led to higher costs, inflation and inevitably to the loss of jobs. Our industry became uncompetitive in world markets.

It is for these fundamental reasons that the Government has taken a strong and consistent stand on the wages issue.

We have argued before the Arbitration Commission that full quarterly wage indexation is a barrier to the return to full economic health. It would lock the economy into higher and totally unacceptable levels of inflation.

The Commission has seen merit in the Government's argument. It has awarded less than full wage indexation.

Inflation in Australia is steadily falling. It is already below 10%, but it must keep falling. It is vital for Australia that we hold on to those hard-won gains. We cannot risk going back to the days of the escalating wage-price merry-go-round. That would immediately destroy confidence in Australia's future.

It is for this reason that the call by the ACTU Executive for industrial action for full wage indexation is to be deplored. It would increase both inflation and unemployment. Put bluntly, it is in direct conflict with the national interest.

I find it almost impossible to believe that when Australia is climbing out of a recession, which was largely the result of the 1974 wage explosion, that the ACTU could even contemplate such a policy.

I believe the men and women on the shop floors and in offices throughout Australia - the rank and file unionist - will reject the calls of their executive.

Above all else, Trade Unionists clearly understand that excessive wage increases threaten their jobs, and their workmates jobs. They still remember what happened during those years when trade union leaders got the wage increases they sought. They remember the high inflation and the jobs lost.

The conversations I have with men and women in factories show very plainly that they do understand these forces. They don't complain about our stand on wage indexation. They know there is simply no alternative. In fact, I have a strong feeling that Trade Unionists generally would be satisfied with an annual adjustment to their wage packet.

I am convinced that the action of the ACTU Executive does not reflect the view of rank and file unionists. People understand that if manufacturers and businesses had to add to their wage and salary bills, they would be left with no course but to put up their prices, which is more inflation, and would inevitably have to reduce their workforce.

A graphic reminder of the relationship between high wage increases and unemployment occurred in Canberra recently. Two fast-food outlets have had to close. Owned by a worldwide chain, they tied for the position of having the highest labour costs of the company's 4,800 outlets around the world. Labour at the two Canberra outlets had cost \$5.36 an hour, compared with \$2.60 an hour in the United States, \$3.00 in the United Kingdom, \$2.70 in Canada, \$1.00 in Japan, and \$3.00 in Holland and Scandinavia.

With the closure, 10 full time and 90 part time jobs were lost. The company couldn't afford to keep their doors open.

What more evidence does the ACTU Executive want about the jobs that are lost and threatened by wages that are out of line with the developed world?

Australia today is steadily on course to economic recovery. The Government's task for this year is to build on the solid gains of the last years.

All Australians have a role to play - and all special interest groups and sections have obligations to the total community. I and the Government hope that for these groups the national interest will override any other interest.