

COMMONWEALTH OF AUSTRALIA

SPEECH

BY

The Rt Hon. W. McMAHON, C.H., M.P.

Prime Minister

ON

THIRTY-FIVE HOUR WEEK

Ministerial Statement

[From the 'Parliamentary Debates', 12 September 1972]

Mr McMAHON (Lowe—Prime Minister)—I ask for leave to make a statement about the 35-hour week.

Mr SPEAKER—Is leave granted? There being no objection, leave is granted.

Mr McMAHON—I do so because it is a matter of national importance about which the facts should be made clear, and because the campaign for its widespread introduction throughout industry threatens to damage confidence in the economy and in the Government's programme to secure full employment, industrial stability, economic growth and price stability, and a better quality of life for all people.

The Government is opposed to any extension of a 35-hour week at this stage of Australia's development, either on an industry by industry basis or as a maximum working week to replace the standard 40-hour week of the past 2 decades for the whole of the Australian national work force. The Government has already demonstrated its opposition by its intervention in wage cases which include claims for a reduction in hours to 35 a week, and by frequent ministerial statements designed to warn the community of the price it would have to pay if the Labor Party and the trade unions had their way. The Gov-

ernment wishes to have this matter freely debated in this Parliament now so that the people of Australia will be alert to what is happening, and so that the reasons for the Government's attitude are better understood.

At the outset, I want to state that the Government is not opposed to the concept of more real leisure for the Australian working man any more than it is in any way opposed to the concept of increased real wages for the work force of this country. It applauds both concepts, and by its progressive policies over many years it has worked steadily to achieve both objectives. But it also believes that in moving towards them the gains made must be genuine and can be supported by the resources of the country without undue strain on the economy. If they cannot, there will be an inevitable wastage of those benefits through crippling costs, runaway inflation and economic instability. Then full employment will be a myth and more leisure a mirage.

This is not the time for a 35-hour week. I repeat that we are opposed to it at this stage of the country's development. I stress that point—at this stage of the country's development. The country cannot afford it now or in the immediate future. Before I

tell you why, let us look at the facts as they are known. The present position is that a 40-hour week is worked generally in industry throughout Australia although a shorter working week applies in some areas of employment. These include some Commonwealth, State and local government employees; some white collar workers in private industry; certain mining industries, and stevedoring and container depots associated with the waterfront. However, it is sufficient for me to say, in this context that a standard working week of 40 hours applies widely throughout the country for most of the work force. And on that standard the nation's business, industrial and commercial activity has been based. It would be folly to upset it now.

As a point of history, the movement over the last half century or so has been from 48 hours to 44 hours, and then to 40 hours in 1948 at which point it stabilised until recently. Obviously, there cannot be a continuing downward progression in hours because theoretically we would be moving towards the absurd position of no work at all. A whole complex of factors has dictated the level of the standard working week over the years but today the overriding consideration has to be the capacity of the economy to bear the cost—in truth, the capacity of the citizen himself to bear the cost of new concessions. That is the position we are facing now.

The campaign for a 35-hour week has been stepped up in the last two or three years. The Australian Council of Trade Unions Congress declared for it in 1969 and again in 1971, and the official policy of the Labor Party lays it down and it was confirmed at the Launceston Conference of the ALP last year. Spokesmen for both organisations have stated the case for it, in a variety of forms, on many recent occasions. In some industries trade unions have succeeded in their claims before the Conciliation and Arbitration Commission, the most recent being in certain container depot unions. In other industries, claims have yet to be resolved and strikes, stoppages and limitations on work have taken place in an effort to apply duress on government and employers. The Government cannot stand aside idly while such a build-up is taking place, especially when new pressures on the economy have to be

avoided and when there is abundant evidence from recent polls that a majority, a sizeable majority of Australians, is opposed to a 35-hour week at this stage.

I have noted that in recent public statements Labor Party and union spokesmen have sought to justify claims for a 35-hour working week on the grounds that it would increase job opportunities, and give more leisure to the work force as a whole. Both are assumptions without any basis in fact and both, in real terms, are far more likely to be wrong than right. So far as job opportunities are concerned, a shorter working week would be more likely to involve overtime at penalty rates. This would inevitably mean more wage-cost pressure and more inflation. Increased leisure, for the minority who might want it and get it, would mean a costly personal sacrifice in material benefits. The simple fact, Mr Speaker, is that as a nation, we cannot have it all ways. We cannot expect and get increased social welfare benefits, reduced taxes and other concessions—be paid more and then work less.

In the national context, a shorter working week must be set against the wishes of most people for improvements in social services, housing, education, health, and other services of a practical kind affecting the individual and the community. The national acclaim given to last month's Budget which concentrated on these matters, while the polls said 'No' to a 35-hour week, shows where the public preference lies. The cost of a 35-hour week, whether it comes piecemeal or as a whole, would be staggering. It is more than the economy could bear at this stage as it is emerging from a sluggish period with inflationary pressures still at work.

Let us look briefly at some of the effects if a shorter working week was introduced. The critical factor is the impact on unit labour costs and prices. What would the effect of a 35-hour week be to the national wage bill and to inflation? The increase in the wage bill would be something of the order of \$2,500m to \$2,600m and, in some circumstances, could exceed \$3,000m a year. Add these figures to the known effect of recent wage increases on our inflationary problem and all the danger signals start flashing.

The ramifications of such a huge increase in the national wage bill would be felt right through the economy. The surge in labour costs would force prices up, compromise employment prospects in some areas, create inequalities in income distribution, and add new burdens to our manufacturing and rural industries, our transport services and our trade. My colleagues directly concerned with various aspects of the economy will have more to say about all these problems later. The sum of it all would be a serious assault on our standard of living. It would mean a cutback in real purchasing power, that is, in our capacity to buy material goods and services. This capacity is, of course, fundamental to achieving a desired standard of living.

Honourable members may fairly ask: 'Will not increased productivity help to absorb the increase in unit labour costs? Will not the incentive of more leisure improve work performance?' There is no evidence at all that it will. It is appropriate here to look at figures relating to wage increases and productivity. In the decade or so prior to 1971, the trend of average earnings showed an annual increase of 5.4 per cent. Productivity, in the same period, showed a growth rate of 2.6 per cent. But in the year to the December quarter 1971, average earnings went up 11.5 per cent, and in the year to the March quarter 1972, they went up 9 per cent. That is roughly double the rate for many years prior to 1971.

Productivity in 1970-71 was down to 1.4 per cent, almost half what it had been for many preceding years. So what we have been tackling in the last year has been an abnormal rise in wages and a downturn in productivity. Are we going to compound that problem just at a time when we are turning the corner and getting the trends on the right track again? Everything the Government has done has been directed to keeping the economy on an even keel and to getting it moving forward in an orderly way. A 35-hour week would punch a hole in our policies at a critical time. There is little evidence, as I have said, to suggest that a shorter working week would have any real influence on productivity. The evidence in other countries on the effect of reduced working hours on productivity shows that

any gains in productivity from a 35-hour week are not likely to offset to any substantial extent the inevitable decline in output from the shorter week.

One of the most comprehensive studies available is that carried out by an American research scholar, Dr F. J. Poper of New York University. Dr Poper made a critical evaluation of the empirical evidence underlying the relationship between hours of work and labour productivity. He concluded that at a level of about a 48-hour week, a 1 per cent decline in hours tended to be offset by an 0.33 per cent increase in productivity, but he also expressed the view that at around 40 hours per week decreases in hours are not likely to bring significant hourly productivity gains. There is also evidence that once the working week is reduced generally below 40 hours, the factors on which a campaign for reduced hours was based ceased to apply. In other words, the pressures for increased leisure ceased and were replaced by the financial attraction of taking a second job.

Mr Speaker, let me summarise briefly what the effects on the nation would be if the 35-hour week came about, bringing with it the extra leisure which its advocates claim as a primary objective. Presumably they would set their faces against increased overtime, and presumably they would expect industry to engage more labour, irrespective of its fitness for the work to be done and whether it was qualified. If this happened—that is, a reduction in hours, no overtime, and more leisure—then there would be a drop in material standards, no matter what money there was in the pay-packet. That money just would not go so far. Prices would be higher, because labour costs would be greater, and all sorts of inequalities would arise. There would be no benefit from increased leisure for the persons on fixed incomes and on superannuation. There would be disturbance in industries, costly readjustments to make and a general disinclination to plan for growth and expansion.

It is an act of responsible government to warn against the dangers of a 35-hour week at this stage of Australia's development. I am satisfied that the Australian people are not 'time-servers', concerned only with the

pursuit of leisure. Nor do they include idleness in their aspirations for higher standards of living and a genuine improvement in the quality of life. They do not want to pursue a 35-hour week when they know it is only there to be bought at a price which the community as a whole has to pay. This is a time of great opportunity for all Australians and we should use it well. It is not the way

to a better life to sit back and say: 'Let us do less and ask for more'. Let us be practical. Let us be realistic. Let us not put the brake on progress just when we are moving forward to a period of growth and increasing prosperity for all people in the community. I present the following paper:

Thirty-five Hour Week—Ministerial Statement,
12 September 1972.