AUSTRALIA

PRIME MINISTER

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ELECTORAL TALK

The Australian Government's economic strategy - set out in our first budget - will return this nation to growth and real prosperity.

It will mean that Australia's great promise for the future will be fulfilled. It will mean a better standard of living for all Australians.

A key element in our economic strategy is our wages policy.

Wages are an integral part of the functioning of the whole economy. If the economy is to perform effectively - and that includes full employment levels - then wage rates cannot be allowed to get badly 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, wages have grown out of all proportion over the past few years. We have experienced a 'wage explosion'.

In the three years to the end of 1975, wages grew by an amount equal to six years normal growth. Australia was out of step with the rest of the developed world.

For instance, the average weekly earnings in the United States rose by 64 percent in the period 1968 to 1976. In the same period Australia's average weekly earnings jumped by 162 percent.

In 1974 alone, hourly wage rates in manufacturing increased by 35 percent in Australia. The average increase for O.E.C.D. countries was only 15 percent.

This unparalleled growth in wages in this country was not accompanied by an equivalent increase in production and productivity.

Rising wages led inevitably, to higher prices, inflation and the loss of jobs.

Between December 1972 and September 1975 unemployment rose from 83,000 to 237,600 - almost a trebling of the number unemployed in less than three years.

It also led to a situation where Australian industry started to price itself out of world markets. We lost the competitive edge. Our trading partners out-traded local industry.

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Industry then began to seek Government assistance. In 1973, the Department of Industry and Commerce received applications for temporary protection from 13 industries. In 1974, this rose to 31 and in the following year it leapt to 71 industries seeking protection.

There is no doubt at all that the continuing level of recent wage increases would lead to even more calls and pleas for higher protection. This again would start the cycle of further inflation and loss of employment opportunities.

It is for these and other reasons that the Government has taken a stand against full wage indexation.

We have argued before the Arbitration Commission that full wage indexation locks the economy into unacceptable levels of inflation. We have argued that this is therefore not consistent with economic recovery.

Clearly, the consequence of full wage indexation is to prevent sustained economic recovery and a return to full employment levels.

The Commission is beginning to accept the Government's argument. Increasingly, the Trade Union movement is beginning to accept that excessive wage increases are not only illusory but also damaging to the economy and to the interest of workers.

I am sure that the Government policies in this field have strong widespread support among rank and file unionists.

Unionists - and some of their leaders - understand clearly that rising wages threaten jobs. They remember the experience of the last three years.

The view that the excessive growth in wages must be controlled is also recognised by some sections of the Australian Labor Party.

The New South Wales Labor Government has recently advocated before the State Wage Fixing Tribunal to the effect that it should follow the decisions of the last two national wage decisions.

Mr Wran's willingness to associate himself with the concept of a 12 month freeze on wages for the New South Wales shipbuilding industry workers is further evidence that he recognises the effect of wage movement on costs and prices.

The policies of this Government are directed to improving the wellbeing of the Australian worker.

To do this we have to overcome inflation and restore confidence in the Australian economy, so that production - which is the only real source of income - and job opportunities can grow and expand.

Wages have to be brought into line with other elements in the economy before the economy can again perform effectively.

The sooner this happens the sooner the economy will be restored to high employment and rising production. Only then will Australia be in a position to afford sustainable increases in real wages.

The same criteria apply also to reductions in working hours.

If hours are reduced the effect will simply be to increase hourly wage rates - which in turn have the same inflationary effects on labour costs as straight wage increases.

All Australians look forward to the time when the economy can afford increases in real wages.

Now is not the time to be seeking such increases.

Those who do so will only delay our return to growth and sound and stable national development.

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