

JUDGMENT in the 40 Hours Case

★ On the 8th September the Commonwealth Arbitration Court gave judgment in the 40-Hour Week Case. The judgment reduces the standard working week in Australian industry from 44 to 40 hours and makes the new standard operative from the first pay period in January, 1948. It contains one vitally significant proviso. It empowers employers to require their employees to work overtime up to a reasonable amount, and provides that employees shall work overtime in accordance with such requirement.

The I.P.A. Report.

The views of the I.P.A. on the 40-Hour Week are set out in full in a long document entitled "A Report on the 40-Hour Week." This document was completed in May, 1946, but, as the 40-hours' case was then sub judice, publication was withheld until October of that year, when permission to publish was granted by the Court. Since that time nearly twelve months have passed, an immense mass of new information has come to light, more refined and comprehensive statistical data on the national economy has been produced, and economic and industrial conditions have changed. But, after carefully weighing the significance of these new factors, the I.P.A. sees no reason to vary, in any substantial sense, the fundamental conclusions and policy of its report.

This policy can be summarised in three propositions.

- (1) That the reduction of hours of work as circumstances permit is a socially desirable objective of modern industry.
- (2) That, in the present stage of industrial development and scientific and technical knowledge there is an unavoidable conflict between this objective and the equally important one of higher material standards of life and comfort.
- (3) That, since the material standards of great numbers of Australians are relatively low, and, because of the war, are for many sections much lower than in 1939, the consummation of the goal of a reduced working week should be postponed until those standards have been improved.

Basis of the Court's Judgment.

In its judgment the Court has in effect rejected the third of these propositions,

because it does not accept the second— or because, to put it more precisely, it does not regard the conflict there mentioned to be of very serious proportions. The Court's judgment says—although not in so many words—“losses of production there may be, but they will be small because they will be mitigated by the greater industrial contentment and stability which will follow as a result of the 40-hour week.” Here resides, in fact, the real crux of the argument on which the Court has based its verdict in favour of a shorter working week. The Court believes that as a result of its granting the 40-hour week, the employee will put forward greater efforts, strikes will be reduced, industrial discipline in regard to lax time-keeping, absenteeism, and inattention on the job will be improved and that the worker will soon begin to realise the advantage of incentive payments in the new industrial economy of full employment.

Extremism?

It is fervently to be hoped that experience over the next few years will prove these beliefs to be well founded. However, while there may be grounds for the Court's optimism, it is difficult not to view with grave disquiet the great strength and influence in the trade union movement of an extremist element, whose aim is not industrial peace but industrial strife, not industrial plenty but industrial scarcity, not industrial order but indus-

trial chaos. It might in fact be said that the justification of the hopeful view of the future taken by the Court almost wholly rests on whether the labour extremists can be controlled and their powers and influence reduced. In recent industrial experience there is little to support the hope that this will be achieved in the immediate future.

More Goods or More Leisure.

An interesting question arises out of the 40-hours' case. If the majority of Australian people choose to work 40 hours rather than 44 should they be permitted to do so, notwithstanding that it might be against their own best interests and those of the community? If the Australian people wish to have more leisure and less real income, rather than less leisure and more real income, should their wish be granted? This problem is touched upon in the Court's judgment, but not satisfactorily resolved.

It can be said at once that if the community were in a position to choose the hours it should work, and a majority of people were to decide for a shorter working week in the full knowledge that by so doing they would have to suffer a reaction in their material standards, then their choice should be granted. That is the way of democracy. But this is not the position in the matter of the 40-hour week in Australia. In the first place the workers represented by the unions which ap-

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plied for a 40-hour week do not comprise a majority, or anything like a majority, of the Australian people. In the second place it is highly conjectural whether these workers, and many of those who sympathise with their claim, are clear that a choice for 40 hours means in fact a choice to accept a lower standard of life than would otherwise be possible. It is almost certain that those who wanted a 40-hour week have assumed that this could be achieved without any sacrifice of their real income and standards of consumption. In casting their choice for more leisure did they fully appreciate that this choice would mean that they would have to pay more for food, clothing, furniture, houses, or for fares to and from work? The answer is probably "no." The statement in the Court's judgment that "we are therefore convinced of the sincerity and reality of the workers' claims for leisure and we do not assume that their leaders misrepresented them when they, without exception, urged this claim," does not resolve this problem. The sincerity and reality of the workers' claim is not in question. The question is whether the workers were ever presented with the clear alternative of more leisure or more real income. The probability is that they were told and in fact have assumed that they could have both. We agree with the view of the economist, Mr. Colin Clark—mentioned in the text of the

judgment—that the workers "if the truth were really known, wanted a higher physical standard represented by more goods and services and not more leisure."

Possible Economic Effects.

The economic consequences which will flow from the 40-hour week will be determined by the effect of the shorter working period on average hourly output or by the extent to which the overtime provision in the judgment is availed of by employers.

If there is a fairly solid improvement in manhour production sufficient to more or less compensate for the reduced working time then there need be no ill-effects from the 40-hour week. Prices would remain steady and the total flow of goods and services would be maintained. If on the other hand the 40-hour week does not result in any, or only a small, improvement in hourly rates of production, then prices must rise and standards of living must fall. The fall in the standards of living would not, however, be equally borne by all sections. The wage-earner, because the whole or a big part of his income is linked to the price level, would suffer least. The fixed income receiver, the salary-earner, the professional man and the primary producer would suffer most.

If total working time is maintained through the working of overtime, the

judgment becomes in practical effect one for increased wages rather than for shorter hours. Average standards of living over the whole community would not be affected, but the national income would be further re-distributed in favour of the wage-earning sections. This improvement in the position of the wage-earner would be at the expense of other sections, particularly fixed income receivers and those on a salary. These sections would sustain a fairly serious reduction in their living standards.

This is, of course, a very generalised picture of the possible economic effects and it assumes that other things remain the same. It could, for instance, be modified or substantially altered by changes in taxation policy.

Challenge as Well as Consolation.

Whatever views may be held on its merits, the Court's judgment has now been given and that is final. It should be unreservedly accepted and loyally observed by both parties to industry, in the spirit as well as in the letter. **The Court had an unenviable task of surpassing difficulty, and the great strain to which it**

was subjected is at once a criticism of its methods and a tribute to the high sense of public duty of its members.

If the 40-hour week is not to prove a burden to the Australian people and economy, as much must be produced in the new working week as in the old and longer working week. This means more efficient work by all and an increase in man-hour productivity. Both employers and employees must put their backs into the job and demonstrate by practical deeds that they appreciate the responsibilities of the new social gain which the Court has awarded them. That is the only way in which the 40-hour week can be enjoyed without a serious increase in prices and a fall—possibly serious—in the standard of life.

When annual and statutory holidays are taken into account the 40-hour week will almost certainly mean that Australia will spend less time at work than any other industrial country. If that is cause for gratification it is also cause for sober reflection. The additional leisure now granted is a challenge as well as a consolation. We must strive to prove that we are worthy of it.

