

# HOURS and OUTPUT

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*The following article that appeared in the British industrial journal "SCOPE" is reproduced by courtesy of Creative Journals Ltd., London. The article refers at length to the Institute's report on the "40-Hour Week." In view of the influential character of "SCOPE" in industrial circles in Britain the reference to the Institute's work is of special interest.*

“IT is in the nature of crises that they pass. The time for decision is momentary and whatever course is taken the fateful fork in the road is soon left behind. Writing in these last days of a crucial February, still uncertain when next we shall appear in print, we are bound to assume that by that time the people of this country will have made their own decision that the hard road is the only road to recovery. But the passing of the crisis, even though the right decision be taken, will mean no more than that the menacing onrush of accumulating problems has been seen and recognised just in time to avoid immediate disaster. It will not mean that a single one has been solved. The danger is that the moment of clarity in the national outlook will pass as quickly as the crisis itself, and that the clear outlines of courageous decisions will be broken up, as quickly as the snow melts, by the old outcrop of 'ifs' and 'buts.’

“At the root of all else today is the need, imperative and unconditional, for increased production. The Government's economic survey makes it quite clear that this in turn, whatever auxiliary expedients may be enlisted, cannot be achieved except by increased output per man-year. In this moment of lucidity the harsh prescription is plainly legible: harder work and longer hours for all. But when the most alarming pains have been subdued, how long before we begin to murmur against our medicine? How long before agitation for a shorter working week is resumed?

“The White Paper itself testifies that the Government not only expects such demands but knows the grounds on which they will be based. There will no hint of any connection with the newly ostracised family of restrictive practices. There will not even be a claim that the workers are entitled to more leisure, as well as higher wages, in the more equitable distribution of the profits of industry. The demands will be

based on the argument that shorter hours lead to increased production. Nor does the White Paper reject such an argument out of hand: 'The nation,' it says, 'cannot afford shorter hours of work unless these can be shown to increase output per man-year.'

"There is, therefore, an urgent need to consider the relationship between output and hours of work, and any serious attempt to establish it on a scientific basis is worth careful study. *Under the title, '40 Hour Week,' the Institute of Public Affairs of Victoria has published a valuable report on what is described as 'the most important question agitating the industrial community of Australia.'* Australia was one of the first countries in the world to introduce the 48-hour week and both the inevitability and the desirability of further reductions are regarded as axiomatic by the authors of the report. But their researches have led them inexorably to two conclusions:

- (1) The present economic situation of Australia is one which calls irresistibly for the maximum possible production and the fullest use of all resources of labour, capital and materials.
- (2) All scientific experience shows that a reduction of the present standard working week would result in diminished output.

"Since the first conclusion, by common consent, applies with even greater force to this country, there is nothing to be gained by a detailed examination of the considerations on which it is based. But the second deals with the very issue that is adumbrated in the passage we have quoted from the White Paper. 'Those who support the introduction of the 40-Hour Week,' say the authors of the Australian report, 'often claim that the reduction of hours of work from 44 to 40 will bring about an improvement in man-hour output, and that this improvement will for the most part offset any fall in production consequent upon a shorter working week. While the number of hours of work will be less, a greater volume of output will be produced in each hour, thus maintaining total production. Can this claim be substantiated?'

"Here, indeed, is the crux of the problem. It is easy to believe, and in many cases easy to prove, that fewer working hours may mean more output per man-hour. Unfortunately,

in the present circumstances, the argument is entirely irrelevant. It is only the total volume of production that counts and any proposal to reduce working hours must pass the test of a simple but uncompromising equation. To be acceptable it must show that the arithmetical product of work-per-hour multiplied by hours-worked-per-year will be at least as high as before. As one economist has recently said, the capital letters O.M.Y. should now be displayed in every working place.

"The report admits that where the length of the working week is still excessive a reduction in hours will no doubt increase P.M.H. and may even increase it to such an extent that O.M.Y. is improved, despite the lower number of working hours. This may well have been the case in Britain after the first World War when, in many industries hours were reduced from 56 to 48. But obviously the process cannot be continued indefinitely and there must be a point at which a 'law of diminishing returns' begins to operate. This point needs to be established.

"That it has already been reached and perhaps even passed in Australia, where the average working week is 44 hours, is evidently the view of the Commonwealth Department of Labour and National Service. In a publication entitled 'Planning Hours of Work' there is a significant paragraph on the hours for best output: 'Measurement of quantity of output in relation to hours of work is too difficult, and needs too much time and attention, to be often done. Sufficient results are now available to relieve the individual manufacturer from the necessity of attempting it in normal cases. As might be expected, hours for highest weekly output depend to some extent on the occupation (type of operation performed) and the conditions in which the work is done. But often plants in which many types of occupation are performed must, for reasons of organisation, work uniform hours throughout. Wherever a number of occupations have to be worked for uniform hours, or the trouble of making differences is not worth while, 48 hours per week is the best general level to apply over a period, in manufacturing industry. This is admittedly too long for heavy manual labour, and shorter than necessary for some machine minding, but it is a reasonable and simple compromise.'

"In this country Mr. Seeborn Rowntree, whose judgment and sincerity must command the respect of employers and employed alike, has arrived at a similar conclusion: 'Experience,' he writes, 'seems to point to 48 hours as the length of the working week which may suitably be regarded as the standard in most industries, and I should say that any deviation from it must be justified by the facts. A reduction should only be made if it is necessary for health or if it can be taken without materially increasing the cost of production.' The last proviso is, of course, only another way of saying, 'without materially decreasing O.M.Y.' The Australian report, assuming that man-hour output would remain constant, estimates that the introduction of the 40-hour week would increase the costs of production by one eleventh of the wages bill of those affected, plus an addition for the irreducible overhead charges which would have to be spread over a smaller output.

"The 48-hour verdict is also endorsed by Dr. P. Sargent Florence, who says: 'Reductions from a 12-hour to a 10-hour basis result in increased daily output; further reductions to an 8-hour basis result in at least maintaining this increased daily output; but further reductions, while increasing the hourly rate of output, seem to decrease the total daily output. Since one standard length of working week must be chosen, the 48-hour week probably best satisfies the criterion of maximum output with minimum accidents, lost time and overhead charges. . . . at any rate this seems to the writer the teaching of all the scientific investigation hitherto attempted.'

"Has the lesson been learned? Or will this country, when immediate disaster has been by hook or crook averted, forget that though the crisis has passed the hard economic facts remain? When demands for shorter hours are again put forward, as they surely will be, the Government will need all the courage of their present convictions to apply the only true criterion—the rigid test of O.M.Y. Leisure is one of the most precious rewards of industry and one which in times of normal prosperity should be steadily increased. But until production has at least restored our standard of living it is one which the nation simply cannot afford."

## Statement Issued to the Press on 27th June, 1947

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*This statement is a commentary on newspaper reports of a speech by the Prime Minister at the Trades Hall, Adelaide, on the 26th June, in which he uttered a warning on the danger of an economic recession. It was prepared by the Industrial Committee and issued to the press on 27th June, 1947.*

We do not think that there is much possibility of an economic collapse of the 1929-32 proportions for a long time to come, provided we do not fall into a self-inflicted depression caused by failure to achieve an efficient standard of production.

On the other hand we agree with the Prime Minister that the present high level of export prices for Australian primary products cannot be expected to continue indefinitely and that some decline in those prices must sooner or later be anticipated. This could have serious effects on internal stability in Australia, if proper plans are not worked out to meet the contingency when it arises. The fall in export prices would reduce the incomes of primary producers who would therefore have less to spend on the products of the home market, and this in turn would affect the incomes of business and of all other sections of the community.

The Government's plans to counter this fall in export prices are by no means perfectly clear and in the interests of future stability it is necessary that the public, and particularly the business community, should be well-informed of those plans so that business can gear its own programmes to meet the situation. We cannot too strongly emphasise that if future depressions are to be avoided in Australia, there must be the closest co-operation between business and governments

and a clear understanding of what responsibilities each should bear. Business and private investors should take a level-headed commonsense view of the future and resist any tendency to pessimism or panic. One of the main causes of depressions and their magnitude is the psychological outlook of business. From this point of view we should resolutely avoid the danger of talking ourselves into a depression. Too much "depression talk" is in any case quite unjustified by the economic facts of the world today.

One warning is however necessary. The fundamental measure of the old-time depression was the level of employment. We should not, therefore, fall into the error of thinking that if we can maintain a high level of employment, we have ipso facto eliminated depressions. There can be an economic decline under full employment—caused by sheer failure to produce on a reasonably efficient basis, so as to bring costs and prices within the reach of the incomes of the people. Full employment is not inconsistent with a low average standard of life for the Australian people. All parties to the economic process, government, employers and workers, should realise that efficient production is the one sure means of preventing a depression of this type and of putting Australia into a strong position to withstand the inevitable fluctuations in economic conditions abroad.

# INDUSTRIAL CONFERENCE

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*Statement on Industrial Conference issued to the press on 12th May, 1947, by the Industrial Committee of the Institute of Public Affairs, Victoria.*

The Institute of Public Affairs, Victoria, strongly supports the proposal made in the "Herald" on Monday, 12th May, for a peace in industry conference attended by representatives of employers and employees.

It would be futile, however, for such a conference to be held if the respective parties go to the conference table with the conviction that there is no substance or merit in the viewpoint of the other party. Before the conference is held, therefore, the representative organisations of employers and employees should do a great deal of deep thinking and heart-searching and endeavour to frame a policy which will meet the needs of the times in which we live and which will contribute in a major sense toward the creation of a real partnership in industry. It would be a mistake to call a conference before this fundamental preliminary work is carried out.

One of the most important things which a conference should strive to do is to build permanent machinery of consultation between employers and employees at all levels — plant, industry, State and national—so that the area of voluntary agreements and settlement of differences can be widened and arbitration will come to be used not as a first step but only as a last resort. Until employers and em-

ployees acquire the habit of conducting their own affairs, without recourse to industrial tribunals or third parties, there is little hope of achieving industrial peace and continuous maximum production.

*In the Institute's view the conference should discuss and attempt to reach agreement on a broad basis on the following subjects:*

- (1) Methods of wage determination.
- (2) Security of employment and income for the workers.
- (3) The disposal of profits—including the question of profit-sharing.
- (4) The provision of information to employees concerning their respective industries.
- (5) Joint consultation—its scope and purposes.
- (6) The means of securing reasonable continuity of production in the indispensable community services of transport, fuel, electricity, gas.
- (7) Means of raising productive efficiency and increasing output.

But what is needed, above all, is a change of heart and of understanding by all concerned in industry. Without this no conference will succeed and good industrial relations will remain a remote ideal.