

A Report upon the

40 Hour Week

The main conclusions to be drawn from a survey conducted by the Institute of Public Affairs—Victoria into the economic consequences of the 40-hour week, so far as they can at present be assessed, are here summarised. They are analysed in some detail in the article itself.

- Production has fallen.
- So far there is little evidence to suggest that shorter hours have acted as “a stimulus to better effort.”
- Output per man-hour has, in general, remained at previous levels.
- A great deal of overtime is being worked in secondary industry in an attempt to maintain production.
- The 40-hour week has not been accompanied by a full 40-hours of productive work. The resultant waste time is a serious economic loss.
- Costs have increased steeply, almost without exception.
- The 40-hour week has created a new interest in incentive schemes and is stimulating management to adopt improved methods to increase production and reduce costs.
- The labour shortage has been intensified, particularly in the under-manned primary industries.
- There has been no significant change in absenteeism, labour turnover or industrial discipline, although the general industrial atmosphere is somewhat more settled.
- The 40-hour week, owing to an increase in overtime and casual work, has not meant additional leisure for many sections of the community.

IN January, 1948, as a consequence of a judgment by the Commonwealth Arbitration Court, 40 hours became the standard working week for Australian industry, with the exception of the rural industries. Prior to that, in July, 1947, the 40-hour week had been adopted in N.S.W. for industries subject to State awards. At the present time, therefore, a great part of Australian industry has had close on twelve months' experience with the 40-hour week, while a substantial number of N.S.W. industries have operated under the shorter working week for nearly eighteen months.

Has the new standard working week been beneficial or detrimental to the Australian economy? Have the high hopes which were held for it by some sections of the community been realised, or do the facts and evidence so far available suggest that its introduction was premature, and that it is in some respects a serious embarrassment to the post-war recovery of the Commonwealth and to our overseas obligations, particularly to the mother country?

In order to ascertain how the 40-hour week has worked in practice the I.P.A. has made a broad survey in Victoria and New South Wales embracing the following industries: iron and steel, non-ferrous metals, engineering, chemicals, glass, bricks, tiles and pottery, rope, furniture, printing, tobacco, textiles and clothing, food processing, railways, road transport and retail trade.

Prior to the introduction of the new standard working week, a state of over-stand employment already existed in Australia which showed itself in an acute shortage of labour, a high and costly incidence of absenteeism and labour turnover, laxities and indiscipline, an industrial effort considerably below capacity, and a rising level of costs and prices. The difficulty of isolating the economic effects of the 40-hour week from these other factors, tending to higher costs and lower

output, is apparent. Because of this difficulty, and also because insufficient time has elapsed to permit a conclusive assessment of the 40-hour week, this survey is in the nature of an interim report on significant trends which have become apparent, rather than a final judgment.

PRODUCTION

Although the majority of the manufacturing companies interviewed were working a considerable amount of overtime, approximately 70 per cent. reported a lower total volume of production since the advent of the 40-hour week. This reduced output varied from only a slight falling off to a drop of 10 per cent. The loss of four hours of normal production has contributed to this shrinkage in the volume of output and in many instances production has not responded satisfactorily to overtime.* In the remaining 30 per cent. of manufacturing companies, among which were a number of continuous process industries, output has been maintained at previous levels chiefly by the working of a large amount of overtime, and, to a lesser extent, by the recent application of incentive wage systems. Three companies reported that increased production had occurred in some—but not all—departments since the introduction of the 40-hour week.

The Arbitration Court in its judgment stated that the fulfilment of the unions' demand for a shorter working week "might operate as a stimulus to better effort." At this early stage there is little indication that this hope has been borne out in practice. The future may, perhaps, hold a different story.

* The prevailing shortages of fuel, raw materials (particularly steel), labour and dollars are other important factors in addition to the 40-hour week, which have aggravated the decline in output for some time past.

PRODUCTION PER MAN-HOUR

It is not easy to measure the difficult concept of output per man-hour, but the majority of companies visited were of the opinion that PMH has remained unchanged since the introduction of the 40-hour week. There are many factories where productivity depends primarily on the operation of machines and processes at set speeds. In these instances, PMH is to some extent independent of the operative and does not vary appreciably with the length of the working week, although the volume, as distinct from the rate, of production is, of course, adversely affected.

Only a small percentage of the companies interviewed, considered that PMH had improved since the 40-hour week. The reason given by one of these companies was, that it had introduced the 40-hour week three months in advance of the effective date of the Federal award, in return for a quid pro quo by the union and the employees that they would cooperate by harder work. Since then, in spite of the fact that overtime is not worked, total production has been maintained by greater PMH. The remainder of these companies said that higher PMH has been achieved because of the introduction of incentives, stricter discipline, and improved managerial efficiency.

A unanimous opinion was expressed that if there has been any lessening of industrial fatigue following the 40-hour week, this had not resulted in an improvement in the efficiency of labour.

ACTUAL PRODUCTIVE HOURS WORKED PER WEEK

Because "lost time" is exercising such a big influence on costs, a number of companies are now keeping weekly records of the actual productive hours worked per week by their employees. Disregarding

paid holidays and allowable sick leave, one company stated that, after providing for agreed tea breaks, cleaning up, and changing time, 37 hours 20 minutes were available for work on a 40-hour week basis. If time lost by absenteeism, lack of punctuality and slackness is deducted, the average hours worked were 33 to 34 per week. Other estimates were 35, 35.6 and 37.5 productive hours per week. In several instances the hours of "lost time" exceeded the amount of overtime being worked. It is clear, therefore, that if waste time were eliminated, it would be possible to obtain much greater production in 40 hours without causing any strain.

OVERTIME

One of the most significant facts revealed by our investigation is the very considerable extent to which overtime is now being worked in Australian factories. The reasons are the continued existence of the sellers' market, shortages, and the fact that the 40-hour week and the labour scarcity have made overtime necessary in order to maintain production. It would appear that very few manufacturing companies are not working some overtime, and it may not be far from the truth to say that the majority of male breadwinners engaged in manufacturing are working up to four hours overtime per week. One company reported that since the 40-hour week was introduced overtime had increased by 15 per cent. to 20 per cent.; another stated that payments for overtime had doubled; and a third that some of their men were working 75 hours per week. There is, however, a noticeable disinclination among female operatives to work overtime. While the 40-hour week has meant extra leisure for women workers, very many males employed in factories prefer the higher earnings possible through overtime work to more leisure.

In the railways, and particularly in the operating divisions—because of an acute staff shortage—the main effect of the 40-hour week has been to increase overtime and costs. Very few railway employees today are working less than 44 hours per week. For them the Court's decision has, on the whole, meant higher wages rather than increased leisure.

It is obvious that many men, particularly those with family responsibilities, are eager for jobs where overtime is freely available, chiefly because of rising living costs.

During the course of our investigation the unfavourable effect of overtime on costs was frequently mentioned. In some instances there has been a noticeable tendency for "go slow" tactics and a slackening of effort during the day in order to make a certainty of overtime. In others, although the amount of overtime worked was far greater than the hours lost in the change from 44 to 40 hours, there had been no appreciable improvement in production.

COSTS, SELLING PRICES AND PROFITS

The chief, and the most ominous, effect of the 40-hour week has been to accelerate the pronounced upward movement in costs which was already taking place long before hours were reduced. The 40-hour week has increased costs in several ways: by involving more pay for each hour of work; by increasing overtime payments; by necessitating more labour to perform the same amount of work; by reducing production; and by accentuating shortages of raw materials. In addition, there is a tendency for fixed costs (for example, depreciation, insurance and rentals) to be forced up per unit of output, because these costs are spread over a lower volume of production.

Very few companies are yet in a position to estimate the precise extent of the cost increase resulting from the 40-hour week itself because of the difficulty of segregating these costs from increases in the basic wage, margins, and other factors.

The 40-hour week has involved higher labour costs for public utilities as well as for private enterprise. For example, this is the first time for many years that the accounts of the P.M.G.'s Department and the M.M.T.B. in Victoria have disclosed deficits. It is well known that higher costs arising out of the 40-hour week have been one of the factors responsible.

Many industrialists believe that prices have by no means reached their peak, as some increases have yet to be passed on. It is expected that the incorporation of 40-hour week costs into the price structure of goods which have not already been decontrolled will be a gradual process extending over a considerable period.

It was noticeable that a few businesses, owing to the existence of a sellers' market and the absence of real competition, had not given the problem of rising costs very much thought. This policy is regrettable and short-sighted. Unless costs are kept closely under supervision the process of eventual adjustment will be severe and fraught with far-reaching consequences.

The effect of the alteration in the standard hours of work is undeniably inflationary in that costs and incomes are rising, without any corresponding increase in production. The tendency of price control authorities is still to refuse to recognise 40-hour week costs as a reason for granting higher selling prices, and many companies have had no alternative but to absorb increased costs. It was encouraging to discover several companies which were seized with the necessity for restraint in raising their selling prices and determined to find ways of reducing costs. Since the 40-hour week commenced

profits have risen, but so have wages, the cost of materials, and other components of the cost of production. It is only natural to expect higher sales turnover and increased money profits while the sellers' market continues. But the price inflation means that the purchasing power of these profits is vastly less than in 1939.

INCENTIVES

The statement in the 40-hour judgment, that "given incentive systems Australian industry could take the 40-hour step in its stride," showed that the Court was eager to see shorter hours accompanied by an increase in productivity through the widespread adoption of "payment by results."

Several of the companies included in the Institute's survey introduced incentive wage systems into their factories shortly after the 40-hour week commenced. Other companies, which previously had incentives operating in some of their departments, indicated that they had extended, or proposed shortly to extend, their existing schemes. Some companies emphasised that, partly as a result of the 40-hour week, they are at present giving a great deal of thought to the adoption of suitable incentive schemes.

There is no doubt that the 40-hour week has given rise to renewed interest in the possibilities of incentive payments as a means of increasing output and reducing costs. A representative of a firm of industrial consultants stated that his organisation had been deluged with requests for information about incentive schemes. However, a general expansion in the use of incentive schemes in industry of the magnitude envisaged by the Arbitration Court is entirely dependent upon a change of attitude toward these methods on the part of the trade union movement.

IMPROVED MANUFACTURING METHODS

Almost without exception the companies interviewed stated that they were, as part of their normal programmes, constantly seeking improved manufacturing methods (for example, greater mechanisation, waste elimination, improved supervision, and better layout) to increase their efficiency. For most companies the arrival of the 40-hour week, combined with higher wages and the labour shortage, has acted as a spur to redoubled efforts in these directions.

The fact that wages and costs are rising is a challenge to management to find counters to the 40-hour week, to drive hard for greater efficiency and technical progress, to achieve more skilful administration, good workmanship, and better use of manpower.

LABOUR RELATIONS

The Arbitration Court in granting the shorter working week considered that it might be an important step along the road to industrial contentment, and "to that co-operation of the forces of production which is so desirable." Any beneficial effects that the 40-hour week may have on labour relations will no doubt be more clearly visible in the long term than over the short period. But up to the present, with few exceptions, the organisations comprising our survey considered that there had been no significant changes in management-employee relationships since the 40-hour week commenced. Only two companies reported an improvement. One stated that it had noticed a better attitude to the job and that there had been an improvement in discipline which was reflected in reduced absenteeism. The other believed that the granting of the

40-hour week had eliminated one of the talking points of the unions and the men are, as a result, a little more settled. On the other hand, one organisation felt that "job interest" had eased off, possibly because so many employees are accepting "tax-free" week-end work.

Our investigation has shown that absenteeism is still a very real headache to management. Most organisations considered that absenteeism is as severe now as before the introduction of the 40-hour week. Six companies reported that absenteeism had increased, because of high overtime earnings and the acceptance of casual week-end work.

Labour turnover continues to be a very costly problem for industrialists, but the majority of organisations covered believed that turnover is no worse and no better since the revision of standard hours. However, several companies produced figures to show that labour turnover had fallen. Among the reasons given for this improvement were the abolition of Saturday work, the adoption of incentives, and higher male and female award rates for particular industries.

DISTRIBUTION

The 40-hour week has had some interesting repercussions in the field of distribution—more particularly in retail trade and transport. Department stores in the capital cities say that the main effect of the 40-hour week to date has been to cause a hectic buying rush on Saturday mornings, because stores are now closed half an hour earlier on week days, and many factories and business houses do not work on Saturday mornings. In three hours on Saturday morning one department store is now doing 75 per cent. of a normal day's trading. This trade represents chiefly purchases by industrial and commercial employees and, in order to cater for it, extra casual staff has to be

engaged. It is essential for many retail stores to be open on Saturday mornings to provide for industrial employees. In present circumstances a five-day week throughout retail trade would undoubtedly produce a great increase in absenteeism in secondary industry.

The 40-hour week has been accompanied by a reduction in the time available for receiving goods into stores and warehouses, in excess of the four hours lost in the alteration of standard hours. Many firms will not now accept deliveries after 3.30 p.m.—4 p.m. on week days and not at all on Saturdays. This has created a serious problem for the railways and many road transport contractors. It has at times caused congestion of wharves and railway sidings and has delayed the turn-round of railway trucks. Some cartage contractors report that their men are unable to work more than five hours a day five days a week, and others are losing 1 to 1½ loads a day as a consequence of the reduced time available for deliveries. One cartage company has kept figures which show a definite downward trend in the tonnage transported since the 40-hour week was introduced. It attributes this to reduced production and the loss of more than four hours a week in which to employ its vehicles. The net result, of course, is higher costs and increased freight charges.

LEISURE

The Arbitration Court in its judgment said that it was "convinced of the sincerity and reality of the workers' claims for leisure", but the experience of recent months seems to indicate that the 40-hour week has not been accompanied by additional leisure for a very large proportion of employees. The 40-hour week has, on the whole, meant higher wages rather than more leisure. There are two reasons for this: First, the necessity in many

manufacturing and service industries for the working of overtime (a need which the Court foresaw); second, the marked willingness of numerous wage-earners to accept other jobs in their off-duty periods, particularly in the week-ends. People today are eagerly accepting additional work outside their normal working hours on a temporary or permanent basis. Some have two full-time jobs. There appears to be a great deal of week-end work available in garages, shops, restaurants, house construction, in the railways and in general repair work. This is supported by press reports of a stern reprimand by the Shop Assistants' Union to its members who, by taking spare-time jobs, embarrass the case for shorter hours and no Saturday work. The 40-hour week may have brought some additional leisure to the majority of female factory employees, but it has certainly afforded no relief to the housewife, to the man on the land, to the many who are obliged to work overtime or to those persons who have accepted other jobs outside their normal occupations.

PRIMARY PRODUCTION

Following recent discussions between the Prime Minister and the British Cabinet in London it was announced that Australia should give priority to the production of food and raw materials, with steel and other secondary industries in second and third priorities respectively. The man on the land must necessarily work long hours, and a 40-hour week would be impracticable in most farming occupations. For example, the present award for the dairying industry provides for a 56-hour week.

One serious effect of the introduction of the 40-hour week in secondary and service industries has been to attract labour away from the land and thus to intensify the shortage of labour in rural areas. At a

time when the maximum production of meat, dairy products, grain, wool and hides is so vital to Britain, and when Australia could help to relieve the dollar position by greater exports of primary products, the scarcity of farm labour has been responsible for an enormous amount of under-production. The labour shortage has contributed to an overall under-stocking of farms.

CONCLUSION

It is yet too soon to pass final judgment on the 40-hour week. A change of this magnitude takes time to be digested by the economic system and for the community to become psychologically adjusted to it. At the same time, it cannot be denied that the indications so far are, on balance, unfavourable rather than favourable. There is no question that the 40-hour week has imposed an additional and serious burden on the cost structure. And this has unfortunately come at a time when costs have been rising precipitously and threateningly under the influence of external prices and internal wage increases. It has not, up to the present, made any noticeable difference to industrial efficiency and the level of PMH. If anything, it has had adverse effects on the volume of production in secondary industry, and has further aggravated the difficulties of the under-manned primary industries. It has involved inconvenience for many sections of the community. Nor has it meant for large numbers of workers increased leisure. On the favourable side it has given some impetus to improved managerial efficiency and to the wider adoption of incentive payments. It may have calmed a highly unsettled and disturbed industrial atmosphere, and the best that can be said of it is that industrial relations in the general sense are probably better than they would have been had the Court's judgment been adverse.

There is no doubt, of course, that with the co-operation of labour the 40-hour week can be made to work much better than it is at present doing. It is quite conceivable that as much and more can be produced in the new shorter working week than was being produced under the 44-hour standard. The Court itself in its judgment strongly implied that the success of the 40-hour week was conditional upon a much more intense effort on the part of management and labour:—

“It is easy to believe that the minutes lost by late arrival, and early knocking off; by early stopping and late starting at the morning, mid-day and afternoon breaks; by unnecessary absences; by lax work and inattention at machines, might, if recovered by a mutual determination to do better, very substantially mitigate, and perhaps even obviate, loss of production: Forty hours’ work might easily equal 44 hours of the kind of work and management we have in our actual experience witnessed. Reasonable discipline, therefore, is essential and unions and employers owe a duty to the community to secure it.

“The Court’s order in this case establishes a new industrial relation and implies that a full 40 hours should be worked in every case, less only prescribed or agreed upon remissions. Awards should be drawn to give full effect to this and to make clear that pro rata reductions of

pay may be made for unauthorised omissions.”

The plain truth is that the 40-hour week has not, so far, been accompanied by this improvement in industrial discipline and responsibility. “A full 40 hours” is not being worked in every case. If it were, there would be little question that the 40-hour week would be consistent with Australia’s internal needs and external obligations.

After first-hand contact with the grave world position obtained on his overseas visit, the Prime Minister stated that Australia must work harder if she is to survive. That is no more than the stark truth. The post-war world is a stern, hard, menacing world, and there is no place or future in it for laggards or sluggards. The race, now as always, is to the strong.

It is doubtful, however, whether the answer lies in more overtime, as some people suggest, or in a return to the 44-hour working standard. Overtime is already being worked to a widespread extent and a return to a 44-hour week is probably impracticable and would usher in a period of calamitous industrial unrest. The solution unquestionably lies in a full 40 hours of work, free from obstructions and restrictions on output, and a new conception both by management and labour of their responsibilities to the community and to one another.

