



the IPA review

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People and Productivity

AN article by Nathaniel Peffer, a visiting American professor, published in the Melbourne “Herald” last September makes disturbing reading for Australians. Professor Peffer spent nearly a year in this country. The crux of his article lies in the assertion that no people in the modern world work less hard than the Australians. This is a serious, even damning, indictment. Is it true?

Admittedly the Professor had some good things to say to our credit. Australians, he writes, are among the most fiercely individualistic and independent of people without a trace of the proletarian humility so common in industrial Europe. Most Australians who have visited overseas countries would undoubtedly agree that this is so. Moreover, our aversion to hard work is partly explainable, says Professor Peffer, by our warm equable climate which is a constant temptation to leisure and to our well-known passion for sporting activities.

But these good marks hardly lessen the gravity of his criticism. “Go slow”, writes the Professor, is a matter of both reasoned principle and instinct. Australians take satisfaction in giving the boss as little work as

possible, because in the workers' eyes he is still the enemy as he was back in the last century when the workers fought to establish unionism and the living wage. This war, the author rightly says, has been won, but labour cannot bring itself to believe that the employers have accepted its results, as they have. "The 40 hour week, therefore, is in reality nearer to a 30 hour week."

National "go slow" is, however, not the Professor's only point of criticism. Australians, he says, are in general an inefficient people. "What is true of lack of industriousness is true of lack of efficiency." Australians, he maintains, cling to old ways of doing things. Little has been learnt about modern methods as practised in the United States and Europe. Plant, labour and materials are inefficiently used. Employers, no more than employees, contends the Professor, wish to interfere with long week-ends. "If labour works at a tranquil tempo, so does management."

* * *

IF Professor Peffer's strictures are on the whole over-severe, it has to be conceded that in some respects they come uncomfortably close to the truth. Certainly it would be hard to prove, either by statistical analysis or by personal observation, that Australians work as hard as the Americans, the British or the Canadians, to take three countries. In Britain one gets the grim sense of a people struggling for economic survival, a feeling that is entirely absent in sunny Australia. In the United States, and to a lesser degree in Canada, there is something dynamic in the atmosphere, something in the air of urgency and impatience that is not paralleled in this country.

It is not difficult to confirm these general impressions with the simple statistical test of the amount of time spent at work taking into account the average working week, annual vacations and statutory holidays. By this test Australia falls short of the other three countries mentioned. Moreover, the amount of time "spent *at* work" is not the same thing as the amount of time "spent *in* work". Tea breaks are almost universal in Australia. Sometimes they are protracted. In the United States at any rate, tea breaks are an exception rather than a ruling practice. Late starting and early stopping are

by no means uncommon in this country. Factors such as these would probably tip the scales further against Australia.

Professor Peffer's accusations of technical inefficiency are much less valid than his indictment of general slackness. Certainly, with one or two notable exceptions, it seems over-harsh to contend that Australian industry has yet learnt little about modern methods of production and organisation as practised in other countries.

Year after year a surprising number of business executives make their pilgrimage to England, Europe and America to study new developments in their particular industries. In fact, there can be few, if any, large businesses in Australia that are not continuously represented abroad by one or more of their top men. Where Australia may lag behind other countries in technology and organisation is due largely to two factors. One is that Australia is a long way from the rest of the world; although, as we have just implied, industry strives at considerable expense to overcome this handicap. The second, and more important one, is our small population which makes it difficult to indulge in technical research on the scale possible to larger countries, and uneconomic to push mechanisation and organisation to the lengths which are common, for instance, in America. Technically, and in narrow managerial competence, Australia is to be praised rather than criticised. Our main failing, in this regard, may be that industry has yet fully to realise the value of the University-trained mind at the level of top business policy. But this is gradually changing.

Moreover, the general average of ability among Australian workers is high — perhaps as high as or higher than in any other country. The Australian is much quicker-witted, more self-reliant and inventive than the average European worker. What he may lack by comparison with the American in specialised education and training he makes up for in a rare genius for practical improvisation.

Why, then, does he not work as hard? It can scarcely be attributed to an inherent constitutional laziness. In doing the things they like Australians at times exhibit an almost frightening energy. They approach their sports, for instance,

with a gusto and determination and desire to excel which would be hard to parallel anywhere. They put a good part of their "leisure" into working in their gardens, painting their house or in other odd jobs. Why, then, do they penalise themselves by spending less time at their daily task than the other English-speaking peoples?

THE main reason — and it is one that we should face up to — is that in no other country is there a stronger incentive to do less work than in Australia. The climate is notably good; the beaches close to the main centres of population are unsurpassed; the opportunities for enjoyable recreation of practically any kind are unusually extensive. Probably no country could match Australia in the number of tennis courts, golf courses, sports grounds and race courses per head of population.

One of the greatest obstacles to the achievement of high industrial productivity in Australia is that a good life can be won with comparatively little effort. After all, one might argue that the ratio of tennis courts to population is as significant an indication of a national standard of living as the number of radio sets; or that the surf beaches of Sydney in the human satisfaction they afford are worth incalculably more than another hundred thousand motor cars or a million television receivers. For good or for ill, Australia is incomparably rich in those things which don't have to be made on an assembly line.

Another thing that makes possible for Australians a higher standard of living than their efforts would otherwise merit, is the high value which the world places on the great Australian product — wool. Since the war, wool has indeed been the golden fleece. In 1953/54 the amount of wool bought by other countries represented a per capita income for occupied Australians of over £100. Probably the people of no other country get such a bountiful return in wealth for a comparable output of effort. Of course, if for any reason wool values were to be halved the Australian people would either have to work a great deal more or accept a big reduction in their standards. This is a contingency that in recent years they have never really confronted. But why, it might

be asked, should they anticipate misfortune when the sun is shining so brightly with the promise of more "fair weather" to come?

* * *

Bosses and workers waste a great deal of energy accusing one another of laziness. The worker stabs at the bosses' occasional game of mid-week golf, the boss at the workers' tendency to keep one eye on the clock. It is time that they both realised that this kind of mutual recrimination gets us nowhere. The attitude of both employers and employees to their work is, in essence, not greatly different, because it is the product of the same broad physical and economic environment.

* * *

ALL this has been said not in extenuation but by way of explanation. When all the reasons, logical and compelling as they may be, have been advanced, the hard truth remains that Australians spend less time at their daily task and, if primary industry is excluded, produce less per head per year than the people of the other industrial countries with which we are customarily compared. We are speaking here of course in generalities and averages. In some Australian industries productivity is commendably high, even by the best world standards. In others it is distressingly and absurdly low. Insofar as these things can be statistically assessed, the weight of evidence would suggest that, in the broad, man-hour production in Australia, with all its relative advantages, approximates that of Britain. But British productivity, by general acceptance, is only one-half to one-third of American and substantially less than Canadian, and is increasing at a considerably slower rate than that of Western Germany.

It is highly doubtful whether this state of affairs can for long be continued. If Australia were perfectly free to choose her own way of life, perhaps she would prefer to remain on her present course — that is, one of maximum recreation and leisure with the shortest possible working hours and comparatively low productivity. But in a situation where other countries are advancing more rapidly, this course, which is already acting detrimentally to our economy, must mean a continued impairment of our ability to compete in export markets, a

further retreat into economic isolationism, a lowering of relative living standards, a slowing down of development, and a reduced prestige throughout the Western World. *Australia must either keep pace with the rest of the world or eventually go under.*

Of course it would be difficult to convince the Australian people of this. For one matter, provided wool prices hold over the long period any decline would be relative and gradual. The only thing that would present the issue in stark form would be a precipitous and sustained drop in wool. It would then quickly be seen that in order to preserve the standards to which we have become accustomed sweeping changes would be necessary. In a brief space that would bring about a re-orientation in the Australian attitude such as could be achieved only over a long period of years through the slower process of education — a process we have yet hardly commenced. A substantial fall in wool values would be, in effect, a whip applied to the backs of all sections of industry and of Governments which would rapidly produce a startling response. Naturally enough Australians hope this will not occur. What, then, can be done?

* * *

IN previous articles in this publication we have maintained that high productivity is in the end the consequence of an "attitude of mind." At first sight this reason looks irritatingly abstract. Nevertheless, it is the starting point for all worthwhile thinking on the problem. Given the right "attitude of mind", the appropriate mental climate, all those things which obviously go to foster high productivity follow almost automatically. If the right "attitude of mind" is lacking, attempts to introduce the technical, industrial and governmental measures necessary to the rapid increase of productivity are likely, at worst, to be abortive and, at best, to produce a disappointing response. The ground must first be assiduously prepared, cultivated and fertilized before a bountiful harvest can be won.

We seemed to have developed the habit of talking of efficiency almost as if it were something apart from people. In fact, given certain natural resources, the level of efficiency

of a community is traceable directly back to the people in it — to their attitudes, their knowledge, their native vigour and initiative, or the lack of it. The vast capital equipment that makes the American economy so productive is not a gift from on High, but the result of the desires, the virility and the enterprise of the American people.

America excels in productivity, overwhelmingly because the American people place great importance upon it. Much more than any other people, the Americans realise that a better standard of life depends upon hard work and raising output per man. A recent article in the London "Economist" discussing the work of the British productivity team sent to America to study "Industrial Engineering" makes this pregnant comment: "The core of the comparison between particular industries in the United States and Britain lies in the nature of the two societies — not in those particular practices, techniques and items of equipment that the teams almost unanimously reported were not unknown in their British industries, though they were far more widely adopted in the American."

The most beneficial results to Britain which have flowed from the reports of the 67 teams of managers and workers' representatives sent to investigate American industries between 1949 and 1953 lie in this direction rather than in the particular technical and organisational practices in which American industries were superior. These reports, and the publicity which has attended them, have produced among British management and trade union officials an awareness of the importance of productivity which in the long run will prove of greater value to Britain than the conclusions relating to specific industries, capable of more or less immediate application.

That this "awareness" is now taking root is proved by the formation last year of the British Productivity Council whose purpose is to continue the good work of the Anglo-American Productivity Council in endeavouring to raise standards of productivity in British industry. The Council represents jointly management and workers. It is non-political. To quote from the introduction of one of its own pamphlets "All members are agreed on the essential need to raise the productive

efficiency of British industry, including the distributive services; in order to improve the country's competitive position and to secure the higher standard of life which it is in the interest of all to achieve." *The most significant feature of the present constitution of the Council is that its Chairman is a trade union official.**

One of the greatest obstacles to the achievement of high productivity in Britain is the hang-over of the old-time rigid caste structure of British society. This obstacle is not present in Australia. But we have our own indigenous barriers to overcome — our unrivalled climate, the lure of the out-of-doors, our unequalled recreational and sporting facilities, our geographical and mental remoteness, the shelter provided by ceiling prices for wool, our obdurate perpetuation of old-time boss-worker rivalries.

The Australian worker is not lazy; the Australian manager is not technically inefficient. But they are human; their attitudes are the natural product of their own distinctive and beneficent national environment. What we should set about doing, and without further delay, is to modify these attitudes by the inculcation of a new national sense of the importance of productivity. *For ten or more years we have talked of little else but of economic stability and security. Is it too much to hope that economists, governments, employers and trade union officials could now be persuaded to switch at least some of this attention to "productivity"? Is it too much to hope that employers and unions and the Commonwealth Government would co-operate to set in motion the kind of education which has been going on in Britain now for the best part of a decade?*

Or must we wait for the flood before all hands rush to the pumps?

*Mr. Tom Williamson, C.B.E., General Secretary, National Union of General and Municipal Workers.

The Margins Judgment

THE eagerly awaited judgment of the Commonwealth Arbitration Court on margins in the metal trades was given on the 5th November. The judgment, while confined specifically to the metal trades, sets a new standard for the revision of margins throughout industry. Substantial increases were awarded to highly skilled tradesmen, with smaller increments to those less skilled, while no increases were granted to process workers and to unskilled labourers.

The judgment corrects a serious, fundamental anomaly in the existing wage structure by restoring the position of the skilled worker in relation to the unskilled.

On the grounds of industrial justice, the Court's decision cannot be disputed. Unfortunately, in this instance, it was inevitable that industrial justice would conflict with the best interests of the economy. At this point the undoubted path of economic wisdom for Australia lies in the resolute avoidance of further inflation, the reduction of industrial costs and the narrowing of the present gap between Australian and overseas costs. Any increase at all in costs, be it ever so small, is a movement in the wrong direction.

It is difficult to estimate the magnitude of the additions to costs which the Court's judgment will involve. But the wages of probably well over 1,000,000 workers will ultimately be increased by increments ranging from a few shillings to over two pounds. Considered in the totality of the economy, this should not be a burden of crippling proportions; but it will not be insignificant. The

judgment must lead in due course to increases in wages costs and thus in prices throughout the economy and it will disturb the short-lived period of cost-price stability of the last 18 months. The Australian cost structure, already too high, will inevitably be pushed up another notch or two. This will add to the difficulties of the export industries suffering from excess costs; it will increase the vulnerability of industries catering for the home market and competitive with overseas production; it will add to the intractability of the balance of payments problem and lessen the likelihood of the removal or easing of import restrictions; and it will increase the burdens of those whose incomes do not respond readily to price changes. These effects of the judgment are undeniable and they cannot be viewed without misgiving.

Admittedly—and perhaps regretably—the Court attempts to justify its decision on the grounds of broad economics. “Examination of the statistical evidence in relation to the ‘indicators’ of the condition of the economy . . . has led the Court to the conclusion that the present situation is such that there is sufficient capacity in the nation's productive and economic activity to sustain the award rates now proposed.” But the Court's analysis of the economic position is by no means wholly convincing (in some respects it is naive) and in any case it is difficult to avoid the conclusion that its decision will lead to a renewal of inflationary tendencies and push up further a cost structure already causing strain at vital parts of the economy.

This is not necessarily to suggest that the Court should, or could, have arrived at any other decision. It could be argued that in this case the demands of wage justice should take priority over economic considerations. The unfortunate thing is that the Court was compelled to confront this delicate dilemma. The fact that it could not be escaped is due, however, in a not insignificant measure, to the series of major decisions made by the Court itself since the war. It must be added, of course, that the present personnel of the Court were not in the main responsible for these decisions.

The judgment must therefore be viewed, on the one hand, with gratification that justice has been done to a vitally important section of industry—the skilled workers—and, on the other, with disquiet at its implications for the basic soundness of the Australian economy and its capacity to withstand the impact of adverse changes in the climate of world economics.

* * *

PERHAPS the most profitable subject for discussion that arises from the judgment is whether the Court, in its present form, is a satisfactory instrument for the task it is called upon to perform. Whatever may be the theory of the matter, this task is, in hard fact, not so much one of settling industrial disputes as of economic policy-making. The question arises not because of the decision to increase the margins of the skilled man (which is to be commended on industrial and social grounds) but because of the nature of the investigations which the Court is compelled to make in reaching its decisions. These are concerned almost wholly with economic problems

of the greatest complexity. Yet there is not one economist on the personnel of the Court; nor has the Court ready access to the views and advice of an economic authority of high and impartial repute. This weakness was recognised over seven years ago in the Arbitration Act of 1947 which made provision for an economic bureau to be attached to the Court. But with the usual Australian reluctance to do something until it can no longer be avoided, the weakness remains unremedied.

Economic analysis, in its highest sense, is a matter for experienced economic experts. It is much more than a mere recitation of the favourable or unfavourable factors in the current economic position. The all-important thing is the interpretation and emphasis placed on the various factors. It is idle to pretend that this task of interpretation and the policies which it indicates can be adequately performed except on a foundation of the highest technical expertise. The decisions of the Court exercise a predominant influence, for good or ill, on the Australian economy. Yet these decisions are in the hands of men who, although eminent in their own profession, have for the most part received no basic training in economics and have no close practical acquaintance with commerce and industry. To say the least, this is a highly anomalous and illogical situation.

That there is an urgent need for the Court to receive impartial expert guidance of this kind would no doubt be readily acknowledged by the judges themselves. But until this glaring weakness in the present procedure is acknowledged and rectified there must remain doubts as to the technical competence of the Court for the task it is called upon to do.

For instance, in the margins case the most vital issue which the Court had to confront was the effect of any increase it might award upon costs and thus the competitive capacity of Australian industry on home and overseas markets. Yet it disposes of this issue in a most unscientific and unsatisfying fashion. It finds support for its judgment in recent wage increases in the United Kingdom and it argues that these increases have reduced the cost disparity between the British manufacturer and his Australian counterpart in the interval since the Court postponed consideration of the margins issue last February. It instances that the weekly wage for a Birmingham fitter has increased by 10/7 and that of the ordinary labourer by 8/2, whereas there has been no alteration in the Australian rates. This still leaves the wage cost very substantially in favour of the British manufacturer. (For a fitter £9/1/1— in Australian currency—in Britain

as against £14/15/- in Australia). But when the new award takes effect the Australian rate will rise to £15/18/- and the disparity will be wider than when the Court deferred consideration of the matter last February.

The Court also finds some grounds for comfort in the cost position in a table comparing exports of manufactured goods in 1953/54 with the preceding year 1952/53. This table, which was submitted as evidence and which is published in the judgment, shows varying increases in the value of exports of a comprehensive range of manufactured goods. The total increase in exports of all manufactured goods is 20%. The judgment states: "These figures do support, in some degree, the claim of the applicants that Australian industry has the capacity to enter into competition with overseas manufacturers in spite of high costs in this field in Australia." Here is the table:—

EXPORTS OF MANUFACTURED GOODS (£'000 f.o.b.)

	Year Ended June 30		% Increase
	1953.	1954.	
Yarns and Manufactured fibres	387	444	14.7
Textiles	891	1,384	55.3
Apparel	474	474	—
Pigments, paints and varnishes	664	860	29.5
*Metals, metal manufacturers and machinery	15,504	20,309	30.9
Dynamo electrical machinery, appliances and equipment	1,630	1,965	20.5
Machines and machinery (except dynamo electrical)	7,535	8,947	18.7
Earthenware, cement, china, glass and stone-ware	710	1,013	42.6
Paper and stationery	1,549	1,863	20.2
Sporting materials, toys, fancy goods, jewellery and timepieces	497	562	13.0
Optical, surgical and scientific instruments and appliances and photographic goods	1,310	1,699	29.6
Drugs, fertilizers and chemicals	5,069	4,047	20.1 (decrease)
	<u>36,220</u>	<u>43,567</u>	<u>Incr. 20.3</u>

Source: Oversea Trade Statistics (June, 1954), pp. 22-26.

*Excluding Cadmium, Lead Bullion and Silver-Lead Bullion, Pig Lead, Other Lead, Platinum, Tin Ingots, Zinc Bars, Blocks, etc., and other metals (including single strand wire).

It is hard to believe that this table gives any valid guide at all to the competitiveness of Australian costs in general. For one thing, exports of manufactured goods have never comprised more than an infinitesimal proportion of total production—except for a brief period after the war, around 1% to 1.5% of the total value of manufacturing output. The proportion today is in fact no greater than before the war. Moreover, a large part of these exports go to New Zealand and adjacent islands which for this purpose can almost be regarded as Australian States. Moreover, if the increases in 1953/54 over 1952/53 in the various classifications of manufactured goods shown in the table are meant to suggest that the position is improving in favour of Australia, exactly the reverse conclusion might have been reached if 1953/54 had been compared with 1951/52 (instead of 1952/53) since when, in most classifications, the value of exports has declined. Moreover, the figures are completely distorted by exports of iron and steel which in 1953/54 amounted to about £13.6 million, practically one-third of all manufactured exports. In 1951/52 exports of iron and steel were only £2.4 million. The figure for 1953/54 is entirely abnormal, made possible by surpluses in Australia resulting from recession conditions. Now that there is a domestic steel shortage, exports are certain to be much lower in the current financial year.

But one straight, simple question might be asked in relation to the Court's conclusion in this matter. If costs in Australian secondary industry are generally competitive with overseas costs, why has there been such a flood of applications before the Tariff Board, compelling the

Commonwealth Government to greatly enlarge the personnel of the Board?

The Court quotes the 1954 Report of the Tariff Board, apparently to support its astoundingly optimistic approach to the cost dilemma. However, the final conclusion by the Board in its Report in a section headed "Total Costs and Competitive Position" gives an impression entirely opposed to that conveyed in the Court's judgment: "Though industry in the immediate past year has been relieved of the strain of rapidly increasing costs, the level reached prior to the check is so high in comparison with the level of costs in competing overseas countries that it is imperative that the long range aim be to bring them more into line."

The Court's treatment of the economic situation is equally open to question over a number of other points. For instance, we are told that in 1953/54 the overseas trade position was better than any year in the last five years with the exception of 1952/53—in spite of the fact that the favourable position was secured only by severe licensing of imports. It is also worth noticing that in 1953/54 only a nominal £9,000,000 was added to our overseas financial reserves compared with £183,000,000 in 1949/50 and £174,000,000 in 1950/51, two years which are unfavourably compared with 1953/54.

Moreover, in economic analysis a calendar year is an arbitrary period and can be misleading. The fact is that in the closing months of 1953/54 the trade position became severely adverse and this has continued into the early months of the current financial year which has opened on an uncertain note with wool prices down

and the tightening of import restrictions.

Although an increase in margins was clearly necessary to restore industrial justice to the wage structure, a less optimistic interpretation of the economic situation might have led the Court to include in its judgment a strong warning that additions to costs under present circumstances could not be viewed with equanimity and that every effort should be made to compensate for the increases granted by improved productivity.

* * *
THERE is plainly need for strengthening the economic aspects of the Court's work. No Aus-

tralian Government has yet revealed any disposition to alter the fundamental constitution and nature of the Court itself, although there are powerful, commonsense arguments in favour of such a course. But, if this is politically impracticable, it still remains true that something drastic needs to be done. If the Court had at its disposal the considered conclusions and findings of a body of high economic authority, if possible with some independence of status—such as the Council of Economic Advisers in the United States—it would no doubt feel greatly fortified in the undertaking of its immensely complex and supremely important function.



A Report to Read

PERHAPS the most instructive report of the 67 British productivity teams that have visited the United States under the sponsorship of the Anglo-American Productivity Council was published in September this year. This is the report of the team on "Industrial Engineering." *It is so important that every employer, manager and trade union official in Australia should make it his business to procure a copy and read it.* So should politicians and government officials concerned with the current national necessity of reducing costs in Australian industry to safer and more economic levels.*

The team on "industrial engineering," comprising 13 members drawn from British management, trade unions and government service, visited the United States early in 1953.

The report makes no bones about the remarkable industrial efficiency of the United States. "*American productivity,*" it says, "*is outstanding. The striking contrast between it and that of Britain has been frequently shown.*" Moreover, the difference is not static. It is widening in America's favour. The Report asserts that during the last decade American superiority has increased. If present trends are not altered the current discrepancy in living standards, real national wealth and productivity which can be roughly represented by the ratio 2:1 might, in 15 to 20 years time, become 3:1. This is, to say the least, a highly disturbing, even humiliating, prospect for the British peoples.

The Report is concerned to lay bare the reasons for this discrepancy and thus to deduce the steps which Britain must take if it is to remain a front-rank economic power. A short article cannot pretend to cover adequately the findings of this Report, but perhaps it can draw attention to some of its significant features. If this is sufficient to induce the reader to obtain a copy for himself, the purpose of the article will have been served.

* * *

*Copies can be obtained from the British Productivity Council, 21 Tothill Street, London, S.W.1.

THE Report is concerned specifically with "industrial engineering," a generic term that apparently covers every phase of plant activity from product design to staff and employee relations. The basic objective of industrial engineering is the improvement of methods, but the authors of the Report make it clear that in their view the superiority and superior effectiveness of American methods spring largely from the economic and social background of the United States and that the industrial techniques in themselves, even if faithfully copied by other countries, may not be sufficient to produce American standards of productive efficiency.

Among the special features of this economic-social background of American industry to which the Report refers and which seem to us of particular importance are the following:—

1. The highly competitive atmosphere of industry.
2. The lack of rigid stratification in society.
3. The high general status accorded to business and industry.
4. The willingness to take risks.
5. Lower direct taxation.
6. Less government control.
7. The comparative lack of restriction in industry.

Some will be surprised that this list does not include the great size of the American market. But this, says the Report, is not as significant as is popularly supposed. The advantages which arise from it are to some extent nullified by the high transport costs caused by the huge area of the country and its scattered population.

* * *

THE strongly competitive character of American business is of outstanding importance. "It is our opinion that, more than any other factor, competition provides the drive for the more frequent analysis of costs and the application of industrial engineering techniques in the United States, and the constant effort to achieve the most economic usage of men, materials, machines and money."

But why is American business so competitive? One of the influences, says the Report, is the anti-trust legislation which prevents too great concentration of power in any one market in the hands of one firm and prevents price arrangements between firms. Contrary to a widely held popular belief, the Report affirms that the bulk of industry in the United States consists of small and medium-sized firms. *There are 247,000 manufacturing firms in the U.S.A.; 237,000 have less than 250 employees.* Even in industries, such as automobiles which are dominated by a few giants, competition is intense.

The Report makes an important reference (especially significant to Australia in view of the stand taken by the Government in the last Federal Budget) to the shorter periods over which plant and equipment can be written down for depreciation. *"This is based on the American attitude that it is more important to replace plant when obsolescent because of technical developments than to wait till it is worn out."* . . . "One of the major complaints of United States businessmen is that the rate of depreciation allowed is still not rapid enough."

The Report discusses the influence of what it calls the "non-stratification of American society", a polite way of referring to the absence of defined classes and the "sense of class" still so prominent in European society. This is, in our view, so important in its effect on productivity, that the Report could, with advantage, have analysed it further. It does, however, make reference to two important characteristics of the American attitude that arise from the "classless" nature of American society.

One is the "material mindedness" (our own phrase) of the American people. In the words of one American authority: "People have learnt to want things." "The characteristic drive", says the Report, "for ever-higher material standards is a potent influence."

The second facet, and one connected with this urge for higher standards, is the strong ambition of the average American to make the most of himself, to get on in the world — the well-known "log cabin to White House" saga. Of course, this feeling can only reach its most intense expression where the

pathways to high ambition and achievement are kept clear and open. The Report comments: "The undoubted greater opportunities compared with Britain to rise from the shop floor to senior management positions is due not only to the expansion of business but to the lack of social barriers." In Australia there is ample opportunity; the social barriers are, by comparison with Britain, negligible; but is there a sufficiently strong desire on the part of the individual Australian to grasp the opportunities that exist? For instance, does not the intense trade union organisation in this country and its effects on the mental attitude of many of its members, place limits on ambition and restrict the complete development of individual talent. Certainly there is no lack of political ambition on the part of the trade union official. But what of the business ambition of the ordinary trade union member? Is it restricted by years of indoctrination in trade union ideas and conceptions? And what is the effect of the strong emphasis on security and the welfare state in this country? Does this weaken ambition and the readiness to incur the risks which go with the pursuit of ambition?

The standard of American industrial management is high. By and large, the American business approach seems to ensure that the right men get to the top. The Report asks how this is done: "We believe that the answer is twofold: competition and good selection. The reward for men in top positions is high, salaries of senior executives are much more generous than is usual in this country and personal taxation is less punitive. Reward is nearly always related to the results achieved; and, as elsewhere, the sky is often the limit Youth is no bar to advancement A good executive was defined to us as one who is 'dissatisfied with the present method of doing anything'."

The Report discusses two significant aspects of American business — its willingness to take risks and its surprising readiness to "open the doors" to competitors. On the first we quote the words of the Report: "It has become a commonplace to argue that the American industrialist is more willing to take risks than the British. This is because he knows he can make mistakes without losing face. He himself does not consider his decisions unduly risk-taking, though the British in-

dustrialist may, because they are determined by an investigation of market possibilities. What may be peculiar to the United States is the confidence which the businessman has in his calculations."

Is it not possible (although the Report makes no comment on this) that the American attitude, the sense of adventure, may be stimulated by the lure of greater rewards because of lower taxation and a higher general level of acceptable profit? Compare, for instance, Australia, where the levelling instinct is so strong and where good profits are often greeted with a storm of disapproval. Can a community have it both ways? Can a widespread, if largely tacit, hostility to profit-making be accompanied by a strong sense of adventure and risk-taking on the part of its men of business?

But, if American businessmen are more confident and enterprising, less hidebound, than their opposite numbers in other countries, the same applies to American workers. "In general there is greater willingness among workers in the United States to accept new methods. This is linked with the demand for a high standard of living. The unions insist on certain protective stipulations, particularly concerning redundancy, which they accept as unavoidable. More attention has been given to the difficulties it evokes and workable schemes have been tried out in a number of companies. Fear of redundancy is not the bogey that it is in Britain."

Another facet of this is the American worker's acceptance of shift work throughout industry, even in the retail trades. The Report comments: "This we consider of vital importance since it must enter into all calculations of the economic advantages of capital equipment. We were told by union officials that the unions have no objection to shift work . . . Working by shifts means that normally machine utilisation is far higher and this in part explains the willingness of American managements to replace machines more often. The inconvenience of shift working is very greatly lessened because retail shops are open to very late hours and sometimes until the early morning . . . We wish also to draw attention to the working of double and treble shifts in Western Germany, and to urge consideration of this matter."

* * *

IT is doubtful whether all Australians would accept many of the findings of this Report. They probably wouldn't. Nor do we know whether, if they did accept them, they would be prepared to take the hard step of applying them to their own economic and industrial practices. They probably wouldn't. But what they will have to accept is that if they want high productivity and high living standards, then here, in this Report, are the inescapable conditions upon which they can have them.

The Report is a lengthy one. Its publication so long after the visit of its authors to the United States is indicative of the great care which has attended its preparation. This brief article has done no more than skirt the fringes. But we hope sufficient has been said to persuade the reader to acquire and study the full text. You will not be disappointed.



A MARK OF ACHIEVEMENT OR A CAUSE FOR CENSURE ?

THE good balance sheets appearing in recent months have revived a hardy perennial, which, though it may at times lie down, stubbornly refuses to die. This is the attitude, apparently ingrained among some Australians, that there is something morally wrong, even sinister, in good company profits. That a healthy level of profits may provide strong evidence of all-round economic prosperity apparently never occurs to those who are stung to self-righteous wrath by the sight of a good balance sheet. Sometimes the wrath may be feigned, especially when to enter the ranks of the critics may be good politics (even though it is bad economics). But frequently the hostility to profits arises from a prejudice founded in plain economic ignorance. Aggregate profits, the figures headlined in the press, with the adjective "record" often attached, usually form the basis of the layman's judgment. It doesn't matter that figures of aggregate profit are by themselves meaningless. To some a profit of £1 million or over would be reprehensible even if the invested capital on which it was earned were £100 million.

There are two important points about the profits of 1953/54. First, the sharp rises that have occurred in some industries, for instance textiles and retailing, have taken place against a background of relatively depressed business following the slump in wool prices during 1951 and the subsequent balance of payments crisis. *The higher aggregate earnings — before tax — are thus due almost entirely to higher turnovers, not to any general increase in profit margins.* The second point is that in 1953/54 company taxes were reduced by about 2/- in the £. This has helped companies to show an increase in profits after providing for taxation.

* * *

IT is singularly unfortunate that the Tariff Board, which has built up a well-deserved reputation in economic matters for balance and reliability (and which cannot be accused of playing politics or of financial naivety) has seen fit to rebuke businessmen for the latest financial results being reported. In paragraph 17 of its Annual Report issued on 27th August, 1954, the Board states:—

“The response of proprietors of industry to suggestions that profit margins be controlled in the interests of a stable economy has been negligible. The Board’s comment in this respect is based not upon the accounts submitted by applicants for protection but upon reports of trading results appearing in newspapers and financial journals.”

This lapse from the Board’s customary meticulous standards of observation and analysis is difficult to understand. Companies rarely publish their margin of profit on sales and it is therefore not possible for the Tariff Board to tell from the profit figures in the newspapers whether or not profit margins have increased. If the Board’s statement is meant to imply that the greater profits earned in the last financial year are in the main the outcome of higher margins per £ of sales then it is demonstrably incorrect. All the relevant statistics such as aggregate figures of retail sales, comprising in the main home manufactured goods, and estimates of rises in manufacturing output suggest that greater turnovers played a very large part in the increases in profits which have occurred in 1953/54. Although, for instance, retail sales rose by 9% and estimated manufacturing output by 10%, estimated profits in manufacturing (before tax) increased by only 7%. This data, while it does not prove conclusively that there was no movement in profit margins nevertheless heavily discounts the likelihood of any increase.

* * *

To obtain a proper perspective on aggregate company profits — including the multitude of proprietary and small public companies whose annual accounts do not hit the headlines — the National Income Estimates compiled by the Com-

monwealth Statistician is the only place to turn. Here are the figures for the last pre-war year and all post-war years:

	Total Company Profits (before tax)* £m.
1938/39	84
1946/47	163
1947/48	191
1948/49	213
1949/50	253
1950/51	386
1951/52	381
1952/53	383
1953/54	415

* Excludes profits of banks.

In order to assess fairly the trend of profits in 1953/54 this data must be viewed in conjunction with other economic indicators. For a start, retail prices, as measured by the "C" Series Index, have increased by 38% since the last peak year — 1950/51. When allowance is made for this increase, profits in real purchasing power are over 20% lower today than in 1950/51. Also during this period the population increased by over half a million people and private firms invested an additional £1,000 million in new fixed capital equipment to meet the expanding demand for goods and services. The volume of factory production (in physical quantities, not values) itself rose by about 10% between 1950/51 and 1953/54. *But despite this increased activity and the much greater capital investment, aggregate company profits (in comparative £'s) dropped by over 20%.*

The table on the next page attempts to relate company profits to the level of economic activity by expressing them as a percentage of gross national product. The division of company income into taxes, dividends and undistributed profits is also shown:

CONSTITUENT ELEMENTS OF COMPANY INCOME AS % OF GROSS NATIONAL PRODUCT

	Company taxes Paid	Dividends Paid	Undistributed Profits *	Company Income
1938/39	1.7	3.7	4.1	9.5
1946/47	3.3	2.9	4.0	10.2
1947/48	3.5	2.8	3.4	9.7
1948/49	3.2	2.8	3.5	9.5
1949/50	3.1	2.8	3.6	9.5
1950/51	2.8	2.5	5.6	10.9
1951/52	3.9	2.6	3.6	10.1
1952/53	4.0	2.4	2.9	9.3
1953/54	3.2	2.7	4.2	10.1

Note — This table includes banks.

* Includes provisions for taxes on current year's operations payable in subsequent income year. This reduces the amount available for re-investment, particularly when profits are rising.

Because of the heavy increase in company taxes, the proportion of company income available for dividends to shareholders and for financing expansion and development is now much lower than pre-war. While company taxes remain high, this situation cannot be rectified unless company profits increase. Whatever may be the position with dividends, there is the strongest of cases for increasing that part of profits ploughed back into the development and expansion of industrial plant and other productive facilities.

The Tariff Board, for example, would no doubt highly commend profits used for this purpose. In paragraph 20 of its latest Report, the Board points out that "compared with American experience Australia's horsepower in relation to man-power is very low". *Because of the lower level of profits here, Australian public companies are able to reinvest only about one-quarter of their profits after tax compared with about two-thirds in the United States.* The rate of company earnings during 1953/54 is nowhere near great enough for such a goal to be attained in Australia.

RATE OF PROFIT ON SALES AND RETURN ON SHAREHOLDERS' FUNDS

In considering the profitability of a business, the two main tests applied by financial experts are the rate of profit on sales and the return on shareholders' funds. The trend of profits and dividends on shareholders' funds, before and after allowance for the fall in the value of money, is set out on the next page:

	Dividends	Net Profits (After Tax)	Dividends	Net Profits (After Tax)
	On Shareholders' Funds (Book Values)	Funds	On Shareholders' Funds .. (Adjusted for Price Changes)	Funds
	%	%	%	%
1937	5.5	7.1	5.5	7.1
1947	5.3	7.4	4.0	5.6
1948	5.6	8.0	4.0	5.7
1949	5.6	8.2	3.8	5.5
1950	5.7	9.1	3.6	5.7
1951	6.0	9.9	3.4	5.5
1952	5.5	8.7	2.8	4.4
1953	5.4	8.1	2.7	4.0

Source: Commonwealth Bank Statistical Bulletin.

Note:

The number of companies in the analysis compiled by the Commonwealth Bank changes from year to year. However, the figures for the previous year, are in each case adjusted to bring them back to a comparable basis with the subsequent year. By applying the percentage increases in shareholders' funds thus shown it is possible to secure figures of shareholders' funds which may be taken as broadly applicable to the same companies over the period 1937 to 1953. The shareholders' funds of each year are revalued in terms of the price level ruling in that year. As the 'C' Series Index used to adjust the value of shareholders' funds each year generally understates the rise in value of properties held by companies the general trend is not materially affected because some companies may have already revalued their assets.

Net profits expressed as a percentage of shareholders' funds (book values) are slightly higher than before the war. Dividend rates have kept much the same. But what if allowance is made for the current value of funds employed? It is hardly fair, for example, to relate 1953 money profits and dividends to funds which have been, for the most part, invested at a time when the £ had a much greater purchasing power. Occasionally companies have revalued their assets and transferred any surplus to reserves in order to reveal their true earning capacity. But in the great majority of cases, assets and consequently shareholders' funds remain in the books at levels well below their real worth. As a consequence, the percentage profit and dividend figures — particularly in the last few years — shown in the tabulations of the Commonwealth Bank do not give a true picture of the trend of profits. When shareholders' funds are adjusted to money values appropriate to the year in which profits are earned or dividends paid, these percentages are sharply reduced. While the figures should not

be taken in any precise sense, it is clear that the return today on a comparable "amount" of capital is on average much lower than before the war.

PROFIT MARGINS

Statistics culled from published returns and data compiled by the National City Bank of New York do not suggest that companies here are overcharging the Australian public by comparison with their highly competitive counterparts in the United States. Striking an average of the latest available three years this is what we find:

Industry	Australian Company	Profits (After Tax) % on sales	
		Aust.	U.S.A. (All cos.)
Sugar	Colonial Sugar Refining	1.6	4.3
Cotton goods	Davies Coop	3.2	4.0
Hosiery & Knitted Goods	Holeproof (N.S.W.)	3.2*	3.8
Paper and pulp	Aust. Paper Mnfrs.	6.0	7.6
Glass	Aust. Consolidated Inds.	4.9*	6.9
Chemicals	I.C.I.A.N.Z.	4.7	8.4

* Latest year.

Source: Monthly letter — National City Bank of New York; company annual reports.

* * *

MISUNDERSTANDING about company profits (for which business itself is partly responsible) inevitably results in a climate of opinion unfavourable to the pursuit of progressive economic policies. The obstinate retention of price controls by State Governments and discrimination against particular sectors of private enterprise are founded ultimately on an ingrained public hostility to profits as such. There have been glaring instances, notably bacon and petrol, where reductions in prices have been forced on producers and distributors already earning below-average profits. Authorities in the building industry insist that the failure of the State Government to allow adequate margins of profit is the principal factor behind the reluctance to expand capacity and thus the current shortage of building materials.

The fundamental point that seems to be overlooked by those who criticise profits is their key function in stimulating efficiency. A good profit earned through efficient operation is

clearly much more to the advantage of the community than a poor profit resulting from waste and inefficiency. But which is the more likely to be the subject of criticism?

If it is politically unwise to reap greater profits where then is the inducement to strive for higher productivity? It is surely far better to pay a profit of 10% to a well managed company than one of 5% to a badly run concern compensating for inefficiency by high prices.

* * *

THE world has changed. Today the capital of industry is supplied by hundreds of thousands of people, most of moderate means, instead of by a limited monied class. Employee shareholdings have become almost a commonplace. Institutional investments in public companies by life insurance societies, pension funds and charitable bodies bring great numbers of wage-earners within the circle of beneficiaries from profits. Taxation has been vastly increased — both on profits and high incomes. The annual wealth production of the community is much more evenly divided. Modern business recognises social responsibilities so that the profits of companies are becoming as much a means to an end as an end in themselves.

Where, then is the point in general attacks on earnings which are distributed among such a large proportion of the community and which provide the essential incentive to enterprise and efficiency and a broadly shared progress? In this new social setting would it not be to our advantage to regard good profits as a mark of achievement rather than a cause for censure?



**Efficiency in
British Industry
in the
Post War Years**
by
Sir Charles Renold

Sir Charles Renold, a leading British industrialist, is Chairman of Renold Chains Limited, Birmingham. He is Vice-President of the British Institute of Management and has been a leading spirit in the development of this body to its present influential position.

At our invitation, he has written this article for "Review" tracing the efforts that Britain has made since the war to raise the productive efficiency of her industries.

WHAT steps are being taken to improve the efficiency of British Industry and what success is being achieved? Those are the questions that have been put to me and this article is an attempt to answer them.

For practical purposes the most generally accepted measure of industrial efficiency is the "producti-

vity" of the labour employed, expressed in terms of production per man year. Our enquiry must start therefore by setting out the facts in this respect.

Before the war the productivity of British Industry taken as a whole was increasing by about $1\frac{1}{2}\%$ per annum and this rate of increase had held for half a century or more. Al-

Efficiency in British Industry in the Post War Years (continued) —

though for industry as a whole the picture is still not very different today, that is not the case for the manufacturing section of industry. In that section the annual rate of increase of productivity is now running at about 3½% and for certain

industries it is considerably higher. Since it is in the manufacturing section that the drive for increased efficiency began and has been prosecuted most vigorously, these results would seem to be a fair indication of the shape of things to come.

PRODUCTIVITY INDICES (1948 = 100).
(Ref. "Hard Facts," Issue No. 3, Feb., 1954.)

Industry	1948	1949	1950	1951	1952	1st Quarter
						1953
Engineering and Shipbuilding	100	107	116	123	119	127
Metal Manufacture and Goods	100	102	107	112	113	112
Vehicles	100	109	115	115	109	121
Chemicals and Allied Trades	100	106	116	122	120	143
Textiles	100	104	108	107	99	113
Clothing	100	103	106	100	102	119
Paper and Printing	100	110	121	121	107	121
Iron and Steel	100	104	108	110	111	122
Note: At 1½% per annum	100	101.5	103	104.6	106.2	107.8

What, then, are the causes underlying the striking increase in productivity in the industries concerned? Before the war there had been among industrialists in the U.K. an increasing awareness of the need for greater productivity and a good deal was being done in the way of introducing the ideas and techniques of scientific management. The war, with its desperate requirements for production, gave added impetus to these efforts, and as the immediate post-war boom subsided, it was widely recognised that British manufacturers could only re-establish their world position on a basis of greatly increased productivity. They had in fact become fully conscious of the disparity between the productivity of American industry and of their own.

A very significant step was taken in 1944 with the despatch of a mission to the U.S.A. of delegates representing the cotton and textile industry to study conditions in that in-

dustry. On their return they reported (the "Platt Report") that output per man in the U.S.A. was some 2-3 times that existing in the U.K. and that British Management, though better trained on the variations of materials and means of getting higher quality work from available machinery, was more conservative, more reluctant to undertake reorganisation and try out new ideas, and without full appreciation of research and its applications.

Productivity Councils.

Undoubtedly the Platt Report had a big impact at both Governmental and Industrial levels. One consequence was the setting up, in October, 1948, at the suggestion of Sir Stafford Cripps and Mr. Paul Hoffman, of the Anglo-American Council on Productivity. This was an autonomous body on which representatives of industry and labour in the two countries worked

together to study the causes underlying the different productivity rates between the U.S.A. and the U.K., and to find means of increasing productivity in both countries. The work of the Committee was divided among five sub-committees, each dealing with a different aspect. In the event, however, the most fruitful activity proved to be the organisation of visits to plants in the U.S.A. by British teams composed of employers and trade unionists in equal numbers. In all some 66 such visits were made, each resulting in a widely circulated report of findings and recommendations.

When the Anglo-American Council on Productivity came to an end, new proposals for a campaign for industrial productivity were launched at a conference addressed by the Chancellor of the Exchequer, Mr. R. A. Butler, in London during March, 1953. This conference was attended by employers, trade unionists, representatives of the nationalised industries and members of the Productivity Teams who had visited the U.S.A. The outcome was the British Productivity Council, with the following programme:—

Team visits between firms and industries to exchange knowledge and experience of methods and techniques.

Setting up of local productivity committees in 105 industrial towns and centres.

Showing (on Television and elsewhere) of a series of short films illustrating improved methods of industry.

The Council is composed of representatives of the British employers' Confederation, the Federation of British Industries, the Trades Union Congress, the Association of British Chambers of Commerce, the national Union of Manufacturers and

the Nationalised Industries (British Transport Commission, British Electricity Authority and the National Coal Board) so that it will be seen that its sphere of interest and influence is a very wide one indeed. The Council is now well established; it is very active and is making its influence felt.

Contributions by British Employers and Management.

Side by side with the work of the British Institute of Management, British employers as a whole have, to an extent greater than ever, been introducing new techniques to improve the productivity of their own factories. These techniques are too many and various to discuss in detail in the short compass of this review, but some of the most important are:

- (a) The use of Work Study to determine the best method of doing any particular piece of work. Allied to this is the inauguration of "incentive" schemes to encourage good workers. Much of the spade work in this field has been pioneered by Imperial Chemical Industries Ltd.; and also by The British Institute of Management, whose conference on this subject in the early part of 1954 was attended by some 800 industrialists.
- (b) The practice of disclosing financial information to employees with a view to making them "cost conscious" and showing them where the money goes.
- (c) Improved selection techniques for choosing the "right man for the right job."
- (d) Introduction of Bonus and Profit Sharing Schemes aiming at giving the workers a share in the business.
- (e) Better welfare facilities for the worker. This includes better

physical conditions and amenities in the factories; sickness and pension provisions; recreational facilities and the like.

- (f) Replacement of out-of-date plant with new equipment.

Education and Training.

No article on greater efficiency in British Industry would be complete, however, without some reference to the increased regard which is being paid to the necessity of providing systematic education and training in management subjects to fit persons for the responsibilities of management and the use of new management techniques. Undoubtedly, one cause leading to greater productivity since the war in some of the industries mentioned can be attributed to this source.

A recent survey carried out by the British Institute of Management has shown that there are today no less than 125 University courses and a much higher number of courses at 181 Technical Colleges throughout the U.K. which have some relevance to management. Broadly speaking, these courses can be divided into three main classes:

1. For the foreman or potential foreman.
2. For the junior executive or potential departmental manager.
3. For the senior or potential senior executive.

It was early realised after the war that only the largest companies could organise their own courses for their senior executives, and this situation led to the establishment at Henley-on-Thames in 1946, with the support of industry and commerce, of the Administrative Staff College, a residential college designed for the training of such executives. The course is for 12 weeks and accom-

modates 60 students at a time. These are usually people sponsored by their firm or organisation and who have been earmarked as capable of rising into higher management posts. The average age is around 45. The basis of teaching is the syndicate method with considerable use of case studies. At the present day, the total number of executives passing through the College each year is 180, although plans are afoot to increase this number in the near future.

Before concluding this brief survey of the educational field, one striking omission will be noticed—it is that the subject of management education has received but scant attention to date in the British Universities. This situation seems, however, to be on the point of changing and the next few years are likely to witness the establishment of several Chairs in Industrial Administration. This has already been done at London University and at Manchester, and other Chairs are under consideration.

Trade Union Attitude.

At the present time there are in the U.K. some 700 Trade Unions of which only 186 are affiliated to the Trades Union Congress. It may well be asked, therefore, why in the U.K. so much emphasis is placed on the T.U.C. The reason is not far to seek—there are some eight million members belonging to the Unions affiliated to the T.U.C. and only some one million members belonging to the 500 non-affiliated Unions. The T.U.C. is representative of all the main organisations with the exception of two, with both of which it has close relations (the National Association of Local Government Officers and the National Union of Teachers). It is fair to say, therefore, that the policy of the T.U.C. is the policy of the

U.K. Trade Union movement as a whole.

What then has been the attitude of the T.U.C. to productivity in British industry since the war? A really remarkable development has been taking place over the last decade or so. Possibly resulting from the growing practice of consultation between Government, Employers' organisations and the T.U.C.—a practice greatly extended during the war—the T.U.C. has come to accept that the possibility of a rising standard of living for the working man turns in the last resort on raising the productivity of industry. The question as to the division of the benefits of increased productivity is no longer in dispute at the top levels of the trade union movement.

Whilst this is true of the top levels, the problem of carrying the same conviction down to the lower levels of the trade union hierarchy and to the rank and file remains, and it is at these levels that the controversy is now centred.

From the outset the T.U.C. faced this matter squarely. Their initial problem was the conversion of the affiliated unions. The first step was a conference of their executives in November, 1948, and the General Council's proposals were accepted, though not unanimously. It remained for the T.U.C. to convince the doubting "rank and file" and this was begun in a series of meetings and conferences with the large unions and union federations, to discuss how their proposals for increased productivity and propaganda could be best put into effect. As has already been noted, some members of the T.U.C. served on the Anglo-American Council of Productivity, when it was set up in 1948. In 1950 a team of 10 union officials visited the U.S.A. and recommended on their return that

the large unions should train and employ their own production engineers to study work loads and employers' plans for reorganisation, and that the T.U.C. itself should train such engineers for the smaller unions. Parallel with the foregoing, the T.U.C.'s plans in the educational field were progressing satisfactorily, albeit rather slowly, and assisted by the educational plans made by individual unions—for example, the Amalgamated Engineering Union organised a week's course on industrial management at Bradford in 1950, and this was attended by over 100. Throughout, co-operation between the unions and the British Government (both the present Conservative and the previous Socialist) has been very close—the T.U.C. and the British Employers' Confederation are represented on the Ministry of Labour's National Joint Advisory Council.

Whenever the question of productivity and Trade Unions is raised someone always asks the question "And what about strikes?" Here the figures speak for themselves:

Working days lost by disputes before the war:—

1919	.....	35 million
1920	.....	26 million
1921	.....	85 million
1922	.....	19 million

until the general strike of 1926 when there were 162 million.

Since the war:—

1948	.....	2 million
1949	.....	1.8 million
1950	.....	1.3 million
1951	.....	1.6 million
1952	.....	1.4 million

The figure for 1952 represents a loss on only 40 minutes per man in the year.

Which brings us to the present day. To what extent is it expected

that Trade Union Policy will continue on the lines of the new thought awakened in 1946? Because undoubtedly this complete change of attitude towards increased productivity is the most startling thing to notice in any Trade Union survey. For the answer to this question one can only look to the stability of the policy to date (notwithstanding the change from a Socialist to Conservative Government). The T.U.C. policy has been confirmed at successive conferences. The need for increased production and efficiency has been recognised and reiterated. The T.U.C. has worked consistently for this through its Production Committee. It has also made it abundantly clear that the business of the T.U.C. is to consult with any Government in the interests of its member Unions and the workpeople they represent. There has been co-operation, for instance, in the staggering of hours, the Industrial Disputes Order, industrial techniques, re-deployment of labour and such things as the National Arbitration Order, which for a long time made strikes illegal. (This Order did not in fact prevent strikes taking place, but it did minimise them.)

It would seem, therefore, that one of the more important features leading to increase in efficiency in British industry since the war has been the new outlook of the Trade Unions, and there would not appear to be any signs at present that this outlook will change.

The Future.

AND what of the future of British industry? Well, it must first be admitted that the somewhat rosy picture painted above of increasing efficiency is based on certain sections of industry only—as mentioned in the outset—and is unfortunately not yet reflected in the overall picture of British industry as a whole. One of the black spots in this respect is coal mining. But this industry faces quite special problems, the chief of which arise from the fact that most of the easily worked seams were exhausted in the inter-war years and the task of getting coal today is, for geological reasons, immensely more difficult than it was twenty years ago. A great programme of development to open up new fields and seams is in hand but several years must still elapse before it can bear fruit.

Other industries too, that are not showing any marked increase of productivity as yet, also have their special problems. But this much can be said with confidence; the country has been aroused to the facts of the situation; increased productivity is recognised as the road to a higher standard of living; an immense amount of work is being done in the pursuit of efficiency, both in its technical and its managerial aspects, and, in considerable sections of industry, notable results are now in evidence. A new wind is, in fact, blowing through British industry and it is only a matter of time before all sections of it respond in the way in which those sections that are now showing much progress have already done.