

If Man-Hour Output Is Low - Why?

Argument Over Productivity

A tremendous amount of controversy has taken place on whether the post-war level of productivity is higher or lower than the pre-war level. It has been a major point of dispute—perhaps the major point—in the perennial 40-hours case at present being heard by the Commonwealth Arbitration Court.

Generally, the opinions advanced have reflected the political inclination or industrial alignment of the protagonists rather than the results of any scientific painstaking examination of the data available. Thus, trade unionists are generally unanimous that there has been a dramatic increase in man-hour output since 1939. Employers are equally unanimous and just as certain that man-hour output has precipitously and dangerously declined—opinions range around 20 per cent. and 30 per cent., and even go as high as 50 per cent.

Economists, although more cautious and perhaps more scientific, also part company according to whether they view the world through the pinkish or rose-red glasses of the Left, or through the conventional, but sometimes misleading, spectacles of the Right. The Director-General of Post-War Reconstruction may be fairly taken as an example of the former school. In 1944, in the Joseph Fisher Lecture of Commerce, published by the University of Adelaide, he was bold enough to assert that during the war years output per worker had increased by 16 per cent., and to assume that productive efficiency in 1947-8 would be about 12 per cent. higher than in 1938-9. His meagre basis for these conclusions is entirely unconvincing and does not give grounds for any confidence in their accuracy.

Difficulties of Measurement

There are two formidable obstacles in the way of making a precise comparison between pre-war and post-war productivity. First, the concept of P.M.H.—production per man-hour—has only recently assumed its present prominence in

industrial and economic thinking, and statisticians have up to the present either neglected to collect, or to analyse and interpret scientifically, the data necessary to a reasonably reliable assessment of its year-to-year movement. Thus, the only official figure purporting to measure productive efficiency is the Commonwealth Statistician's index of "real production per person engaged" published in the annual Labour Report. When put under the spotlight of modern knowledge and recent information it reveals disturbing inconsistencies and cannot be accepted as a fair indication of changes in productivity. To mention one outstanding weakness, it does not take into account changes in the number of hours worked.

Second, during the war the whole structural content of the economy virtually underwent a revolution. 25-pounders were produced instead of motor cars, military aerodromes and buildings instead of public works and houses. War-time outputs ceased to bear much relationship to pre-war outputs because entirely different things were being produced. Even today we are still in the throes of reconversion to normal peace production, and in any case there is such a lag in the publication of production figures that no direct comparison with pre-war productivity is yet possible, even if it were feasible.

Conclusions on the present level of productive efficiency as against pre-war levels must be made on the basis of impressions that may be gained either from first-hand knowledge of particular industries, or from comprehensive and conscientious study of published statistics. So long as it is recognised that these conclusions are impressions and little more, no harm may be done.

I.P.A. View

The I.P.A. view on post-war productivity may be summarised in three propositions:

(1) That until the concept and measurement of national productive efficiency has been intensively studied by statisticians, economists and industrialists, any

precise comparisons, that is, comparisons which purport to indicate a percentage rise or fall of clear-cut proportions, are highly misleading.

(2) That a careful examination of the imperfect data available will reveal the claim of great increases in man-hour output to be an extremely dubious one.

(3) That, if a guess must be made, then a reasonably informed one would suggest that overall P.M.H. today is somewhere around 10 per cent. lower than in the last pre-war years. But lest this figure gives rise to misunderstanding, it is necessary to repeat that it is no more than a guess.

Is Labour Working Hard?

Those who hold that man-hour output is abnormally low at the present time usually lay the responsibility almost wholly at the door of the worker. Generally, their view is that P.M.H. has declined because labour today is working neither so hard, nor so well or conscientiously, as in 1939. The classic example cited is that of the bricklayer who apparently now lays in a day only half the number of bricks he was laying before the war.

The claim that labour is doing less work may or may not be true. But there are many things that would suggest that it is. Incentive to work harder and longer has been largely destroyed because of the continuation into peace of the suffocating rates of taxation made imperative by the dire exigencies of war. But this, of course, affects all classes of work—managerial, executive, professional and, even to some extent, the small trader and shopkeeper on his own account—and not merely the industrial worker.

Just as significant as the absence of any inspiring incentive is the fact that the old-time penalties for incompetence, neglect of duty, and indiscipline, have been largely removed. The threat of the sack, for the present at any rate, no longer holds the terrors it used to have for the worker. For if he is dismissed from his job there is another employer around the corner waiting with open arms

to receive him. There are few people left today who contest the social desirability of what the economists call the "full employment economy," but it is only the most unrealistic of idealists who resolutely refuse to recognise the industrial problems of discipline and incentive to hard work that this economy has brought in its train. The stick having been removed from the donkey's back and the carrot from his nose, it would not be altogether surprising if his movements are now a little slower and more reluctant.

Desire for More Leisure

And over all there are signs that by and large the community as a whole will not be prepared to work so hard, and possibly so well, as it has done in the past. A changed philosophy toward life is emerging in which work is occupying a less significant place. The desire for more leisure as exemplified in the clamour for longer holidays, for shorter working hours, for the five-day week and the elimination of week-end work is present among all grades of workers. This may be an unrealistic, and even a dangerous outlook, but, for good or ill, it might have to be accepted as one of the inescapable conditions of the post-war economy. A leading British business journal, "Scope," in a recent article, stated:

"To a considerable extent the fact that men and women in this country are no longer prepared to work as hard or as long as they used to do must be accepted as a natural development."

This statement may be regrettable, and may even be defeatist, but it does unquestionably contain a very large element of truth.

Bottlenecks

But, when all this is said, the popular view that ascribes the low industrial output today wholly, or almost wholly, to the fact that labour is working neither so hard nor so well appears to contain a confusion of thought. For labour is only one of the elements that determine productive

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efficiency. Quite apart from the efforts of the worker, there are strong reasons for thinking that in an economy which is in process of conversion from a war to a peace pattern man-hour output would tend to be much lower than normal. For instance, the building programme today is making painfully slow progress not merely because the bricklayer is laying less bricks, but because tiles and timber and cement and all kinds of essential fittings are in short supply. And what applies to the building industry applies in greater or lesser degree to practically every other. Production is being continually interrupted and slowed down because materials and parts indispensable to the process of manufacture or assembly are not available in the quantities required. This scarcity of supplies could no doubt logically be linked with the belief that labour is failing to give a fair day's work, but it is also an inevitable consequence of six years of war on an unparalleled scale.

Capital Equipment

In addition, it is legitimate to hold some doubts whether the main factor, apart from labour, affecting man-hour output—that is, the volume and quality of capital equipment available to assist each worker—is in as satisfactory a state as before the war. During the war the productive equipment of the nation—not merely machines in factories, but roads and bridges, transport facilities, buildings, and so on—was worked inordinately hard without effective maintenance and replacement. In the field of manufacturing the depreciation of physical capital in particular industries was considerable. And while the total stock of machines and equipment employed over the whole range of manufacturing is probably greater than before the war, there are also more workers to use it—roughly 800,000 today compared with 600,000 in 1939.

Management

There is also the key factor of management itself. Is the efficiency of management today as high as before the war? It

seems highly doubtful. Management, like labour, is not insensitive to the salutary influence of the stick and the carrot. It is not entirely unaffected by the post-war urge toward more leisure. Many of the younger men in its ranks are still unsettled in their outlook and have yet to complete the complex psychological transition involved in the change from war to peace work.

The whole housing and domestic situation is not one that is productive of the highest standards of efficiency on the part of management; indeed, its effects are probably of the most serious kind. The young executive returned from the war and newly married, living with his relations in cramped circumstances, is not likely to bring to his job that calm and serene outlook that is possible for a man comfortably settled in a home of his own. Before the war many men holding positions of responsibility gave a great deal of their spare time at night to their job; but this is difficult, indeed, almost impossible, for a man with young children under today's conditions where domestic service is so difficult to obtain and, when it can be obtained, so costly. The top executive who used to spend his evenings reading reports or business journals now finds that he is washing the dishes. This may or may not be for the good of his soul, but it is most assuredly not conducive to the highest degree of managerial efficiency and enterprise.

The Controlled Economy

In addition to all this, management is hampered today by the need for compliance with numerous Government regulations and restrictions covering the raising of capital, the supply and disposal of many kinds of materials, imports and exports, prices and wages. No judgment is made here whether these controls, in their present extent and complexity, are necessary. But whether necessary or not, they represent a serious encroachment on the time management is able to give to the improvement of industrial efficiency—which is after all the prime task of man-

agement and the basic reason for its existence. Staffs have to be given over to work that might otherwise be concentrated on more direct productive purposes. Top management itself has to spend a great deal of its time in negotiations with Government departments and officials and in ensuring observance of Government regulations — some executives estimate that nearly 50 per cent. of their time is spent on work of this nature that would otherwise be devoted directly to the running of their businesses. The controlled economy tends to buy stability at the

price of progress and at the cost of lower productivity.

When all these things, which are for the most part inseparable from the problems of reconversion, are brought into the industrial balance sheet and dispassionately examined, one can only conclude that it would be little short of a miracle if P.M.H. were as high today as in 1939. But it is important to keep in mind that the low productivity we are probably suffering from at the present moment is by no means entirely due to the fact that labour may not be working very hard.

