

- Since the end of the war the Australian economy has been operating under the condition of over-full employment. The demand for consumer goods and capital equipment has been strongly sustained and this, combined with record prices overseas for our exports, has stimulated economic activity to a peak level of buoyancy. Mr. J. F. Nimmo, Principal Research Officer of the Commonwealth Bureau of Census and Statistics, estimates that at 30th June, 1947, the shortage of labour in Australia was of the order of 100,000 people.

Australia is now experiencing a sellers' market for labour in an acute form. In the past a surplus of labour was a normal feature of the economy. The present shortage of labour has completely changed the outlook of the worker to his job and has radically altered the background of industrial relations.

REPORT ON LABOUR

IN order to obtain at first-hand a picture of the labour position in industry under these new conditions, the I.P.A. has interviewed representatives of a selected list of companies covering a wide field of secondary industry. This report discusses some of the most significant findings of this survey under the following heads:

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| 1. Labour Turnover | 5. Manhour Output |
| 2. Absenteeism | 6. Incentive Payments |
| 3. Actual Hours Worked | 7. Welfare |
| 4. Restrictive Practices | 8. Joint Consultation |

LABOUR TURNOVER

Our investigation suggests that, from the standpoint of efficiency, labour turnover is the most serious problem confronting industry today. The problem is not new, but its intensity and extent have been immeasurably increased by the effects of war-time and post-war conditions. An abnormally high turnover in labour is causing severe industrial dislocation and is reducing production. It has an unsettling effect on the mind and efforts of the worker, lowers factory morale and seriously reduces manhour output.

Few companies have attempted to assess the annual cost of labour turnover and no estimate is available of the total loss of production and the cost of training new operatives for industry as a whole. Labour turnover is best measured by means of a percentage figure derived from the following equation:

$$\frac{\text{Total departures from all causes for 12 months}}{\text{Average labour force employed for 12 months}} \times \frac{100}{1}$$

Our investigation shows that labour turnover percentages, based on the above formula, vary widely from company to company and from industry to industry. The lowest percentage recorded was 41% and the highest 250%. The overall average figure for the companies interviewed was 81.5%. These figures are an indication of the magnitude and severity of the labour turnover problem.

Owing to the labour shortage many employers, including government departments, have resorted to advertising through the press, radio, screen and posters in order to attract labour. Much of this advertising has painted a glowing picture of attractive conditions of employment—high wages, canteens, three-course meals and splendid amenities. While amenities such as these are in all respects desirable, it is highly questionable whether the employee is being attracted to work for the right reason. Very seldom do the employment advertisements describe the job to be performed or the standard of efficiency required. Too much stress is laid on amenities and too little on the requirements of the jobs advertised. There is reason for believing that current employment advertising campaigns tend to increase the extent of labour turnover and at the same time to reduce standards of labour efficiency.

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The practice of employees taking paid annual sick leave prior to the termination of employment and change to a new position, is becoming fairly widespread.

In many industrial companies a proportion of the labour force, often as high as 70%, are regarded as permanent employees, whereas the remainder can be aptly described as "floaters." It is mainly the "floaters" who change jobs in response to employment advertising campaigns, and it is this group which is largely responsible for the abnormal labour turnover percentages being recorded today. One method of reducing avoidable labour turnover would be to supply applicants with full details of the type of job, hours of work, general conditions of employment and even to state some of the disadvantages so that they will be fully informed, and will not expect better conditions than those actually in operation in the factory. It is important that the causes of labour turnover should be accurately determined and recorded and employers should endeavour to ascertain these causes by interviewing employees leaving their jobs.

A certain amount of labour mobility is desirable, but at present labour turnover is excessively high and wasteful. Every effort should, therefore, be made to reduce it to a reasonable level.

2. ABSENTEEISM

In order to avoid confusion and to achieve uniformity in measurement, the term "absenteeism" should be precisely defined. A suitable definition is absence from work, excluding of course authorised holidays, but including all other absences, whether justified or otherwise.

Absenteeism in 1947 is much higher than before the war. It is greater among women than among men. The main reasons advanced by the firms interviewed are:

- (1) The fact that at the present time employees are earning high money wages. Where there are several wage-earners in a family, the combined income is often sufficient to reduce the desire for constant work.
- (2) The difficulty of obtaining medical and dental treatment outside of working hours and also the search for homes and improved accommodation.
- (3) The necessity of married women employed in industry attending to the needs of their homes and families in working hours.
- (4) An irresponsible and casual element among the working population, particularly among junior workers, who know only the boom-time conditions of over-full employment. Married men with families constitute a more stable and responsible element in the labour force.
- (5) Dissatisfaction and boredom arising from monotonous and routine work inseparable from mass production.
- (6) Faulty factory organisation, inferior working conditions, and poor management-labour relations.
- (7) The fact that, under present conditions, an employee can be repeatedly absent from work without fear of losing his job.

The lower and upper limits of absenteeism among the companies comprising the sample were losses of 3% and 25% of total productive hours. The average time lost was 8% to 9%. But percentage figures do not tell the full story of production

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losses. The daily absence from a plant of several employees tends to dislocate production and to unsettle factory morale. The indirect losses from these causes are greater than the direct loss of actual working time. Some absenteeism arising from genuine sickness, accidents and other causes is, of course, unavoidable. But avoidable absence is capable of being reduced by better arrangements for shopping, transport to and from work, and by improved factory conditions.

One company interviewed pays an annual bonus to those workers whose unauthorised absence from work does not exceed 24 hours for the year. The company reports that the scheme has resulted in more regular attendance at work, a reduction in labour turnover and an improvement in all phases of labour relations.

3. ACTUAL HOURS WORKED

Few industrial companies appear to keep accurate records of the actual average hours worked by their employees after making allowance for annual leave, public holidays, paid sick leave, absenteeism and lost time caused by such practices as late starting and early finishing. Two companies among those interviewed, however, reported that the average weekly hours actually worked this year were 38.25 and 39.15 hours respectively, as compared with the standard working week of 44 hours.

Excessive lost time is widespread today. It is reducing production, increasing costs and is a heavy burden on industry.

4. RESTRICTIVE PRACTICES

In U.S.A. much publicity has been focussed on the deliberate restriction of output by organised labour. This form of restriction which is known as "feather-bedding" has apparently

become fairly general in the mass production industries. It is difficult to obtain precise information on the extent of restriction in Australia, but at least six instances of limitation of output by labour in different industries were recorded.

In one company operating under piece work rates a group of girls deliberately slowed down their rate of output, in an attempt to persuade the management that the rates were unprofitable and thus to obtain higher rates. In another factory engaged on piece work the men were limited to a fixed shop rate of output and several operatives terminated their employment because restriction limited their weekly earnings. In two cases all the men employed in one department recorded the same weekly output. Notorious examples of restriction are, of course, to be found in the coal-mining and stevedoring industries.

It is not easy to obtain concrete examples of deliberate limitation of output, although there is good reason to believe that it is fairly widespread. Some employers were reluctant to discuss the subject. Others admitted that restriction of output in some form probably exists in their plants, but stated that it was very difficult to pin-point it. In several of the heavy industries the speed of the machines, which run in continuous process at a constant pace, set the plant output, and in these cases restriction is most difficult to apply.

Restriction of output is sometimes called the "tally system." New employees have been known to ask their older associates on commencing work "what is the daily tally on this job?"

The Federal Arbitration Court has often held that it is a term and condition of the employment contract that an employee shall work reasonable overtime when required by his employer. Nevertheless, several trade unions have at

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various times during the last two years placed a ban on overtime which has been largely unwarranted. In many other instances the working of overtime has been limited because of individual disinclination to earn extra overtime rates owing to the extra tax payable.

There is reason to believe that there is in industry a group idea of what constitutes a fair day's work and that the output fixed by the group is a stronger concept than any individual motives. This question of the sanction of the group or the union can have far-reaching consequences. Whatever form it takes, limitation of output leads to higher costs and thus ultimately to higher prices and lower living standards.

5. MANHOUR OUTPUT

It is most difficult to compare, with any degree of accuracy, the output per head of the working population in Australia in 1939 with 1947. The Commonwealth Arbitration Court in its judgment in the "40 hours case" was vitally concerned with the all-important effects of productivity upon the standard of living and it admitted that the 40 hour week presented "no problem at all if, in spite of reduced hours, production is maintained."

Many of the companies covered by our investigation were unable to express an opinion on the present level of P.M.H., but of the firms prepared to comment a majority reported that present-day output per head was less than pre-war levels. Six companies considered that their P.M.H. was higher today than in 1939. This was due to improved factory layout, greater mechanisation and concentration upon fewer standardised lines rather than to any increased efforts on the part of labour. Four companies reported that P.M.H. was about

the same as pre-war because greater standardisation of production had helped to maintain output, but lack of materials and the shortage of labour had acted in the reverse direction. One firm reported that hourly output since 1939 had fallen by 15% to 20% for women and by 10% for men. Another industrial company believed that technical changes had made 1939 and 1947 comparisons impossible.

Although adequate statistical proof is not available for Australian industry as a whole, the I.P.A. considers that P.M.H. is substantially lower today than pre-war. If this is true—and current labour turnover and absentee figures seem to confirm our opinion—then this significant warning by the "Economist" should be heeded by all who value the Australian standard of living:

"If, in conditions of full employment, the workers' productivity goes down, then all the fine promises of universal wealth that are based on full employment go out the window. And if, when the demand for labour exceeds the supply, the workers will not resist the temptation to exploit their bargaining strength to the limit, full employment will merely turn into the old-fashioned price inflation to be followed by the old-fashioned slump."*

6. INCENTIVE PAYMENTS

Our investigation confirms that there are many satisfactory wage incentive schemes already in operation in Australian industry, which have given a gratifying stimulus to productive effort. In some of these instances the official union attitude remains antagonistic, but the main body of the workers employed on an incentive basis are solidly behind the schemes.

* "The Economist," January 18, 1947, page 90.

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In recent months, several industrialists have warned that there are many pitfalls lying in the path of those enthusiasts who launch incentive schemes without thorough preliminary preparation and investigation. It is encouraging to note that a number of the companies visited propose to adopt incentive payments or to extend existing schemes. In each of these instances a great deal of planning was in progress or contemplated, involving perfection of plant layout, careful time and motion studies, job analyses and statistical study, so that fair rates of payment can be fixed which will not require alteration.

The Commonwealth Arbitration Court has consistently declared its desire to extend the operation of payment by results because it recognises the importance of increased productivity. Management must take the initiative in carefully-planned incentive schemes which will meet the criticisms of organised labour, by offering guarantees that past abuses and shortcomings will be eliminated and by endeavouring to create a confidence in their employees' minds that fair and just payment will be made. It is desirable in the national interest to extend the field of operation of incentive payments as far as possible and this is confirmed by the significant words contained in the Federal Court's recent judgment that "given incentive systems Australian industry could take the 40-hour step in its stride."

7. WELFARE

Our investigation revealed that most of the companies visited are conscious of a definite social responsibility to their workers, but it would be misleading to suggest that all employers are imbued equally with the same high conception of their duties. It was noticeable that there was a marked difference in the extent to which the various companies concerned regard welfare as an aid to industrial peace.

The survey showed that notable progress has been made in the following fields in individual instances, although progress could not be regarded as general: medical centres, safety committees, rest and change rooms, cafeterias, canteens, gardens, libraries, sports and social committees, recreation clubs, farms to provide the healthy benefits of occupational change, and security schemes. There appeared to be, too, a growing realisation of the important role which welfare officers can play in industry as the guides, philosophers and friends of the employees.

8. JOINT CONSULTATION

The majority of the companies which the I.P.A. approached have no effective machinery for joint consultation. However, eight prominent industrial companies visited had adopted works council or joint production council schemes with some degree of success. It may be valuable to quote the general purpose behind one workshop council scheme: "To remove prejudice and misunderstandings between employers and employees; to adjust grievances; to examine working conditions; to receive and consider suggestions and recommendations; to build up mutual confidence and respect and, in general, to provide a medium through which both the company and employees may make joint efforts to give, and receive, a fair and just deal for all concerned."

One company, which has achieved very satisfactory results with a management/employee committee, stresses that two basic principles must be observed if works councils are to be successful. First, the desire to develop these councils must be absolutely sincere and genuine on management's part — employees instinctively know when there is no real sincerity behind such schemes and react unfavourably. Secondly, a willingness to "give" as well as "take" must be inculcated in the minds of the employee representatives. This largely

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depends on the quality of the management representatives, whether they are good psychologists and understand human nature.

Nothing but good can result from a willingness to hear and understand the "other fellow's point of view." The extent to which employers and employees at the factory, industry and national levels, are prepared to meet together around a table to discuss mutual problems will have a decisive effect on industrial understanding in the years ahead.



Full employment has greatly complicated the problems of employee relations. The removal of the compulsion provided by the old-time "pool of unemployment" has increased the difficulties of achieving labour discipline, responsible application to work, and higher productivity. Although no one wishes to return to the pre-war state of chronic under-employment, the industrial policies and techniques necessary to cope with the new conditions have yet to be evolved. The solution will probably be found along the lines of increased incentives, the expansion of worker consultation and the education of the community in realistic economics.

Against the background of full employment there is no justification for action to restrict production either by employers or employees. Full employment presents a challenge to the ingenuity, self-restraint and goodwill of management and labour leaders, a challenge to prove that work for all is consistent with the prime aim of all economic effort—the achievement of a higher order of life and livelihood for all.

