During the last two years, communications from widely-differing sources, and comments in the press, have shown a high degree of appreciation of the Institute's work and published material. These publications have been concerned, in the main, with long-range industrial and economic problems and have been based upon painstaking investigation.

It has been suggested that, in addition to this long-range research, the Institute should publish a periodical review in which its viewpoint on current topics of national moment could be expressed. That there is need and scope in Australia for a well-considered journal of opinion of this kind is abundantly apparent.

This consideration, the desire of the Institute to assist in the education of the thinking public on economic questions, and the fact that such a journal would provide the Institute with the means of directly influencing the trend of events, have decided the Council to undertake the production of the I.P.A. Review.

This review will be under the editorial supervision of the Industrial Committee of the Institute. Any comments you may care to address to the Committee upon matter appearing therein will be received with interest.

Chairman.

George Coles
SINCE the end of the war the Australian economy has been enfeebled by industrial disorder and discontent. The reconstruction of our economic life to purposes of peace is being carried through with a productive machine which is working—when all factors including strikes and work stoppages are taken into account—at not more than 70 per cent. to 80 per cent. of practicable efficiency. On one or two occasions the machine has threatened almost to stop. In 1945 the number of working days lost through industrial disputes reached a high peak. This peak will almost certainly be surpassed when the final figures for 1946 are published.

But the catalogue of failure does not end with statistics of working days lost through strikes and stop-work meetings. Over large parts of industry the performance of the daily task is marred by lack of zest and enthusiasm. There seems to exist an almost universal disinclination for steady work. "Go slow" is often an involuntary response to an attitude of mind; but it is at times deliberately planned and organised. Overtime repeatedly comes under trade union ban and is generally distasteful. Throughout the field of services there is a notable absence of courtesy and good manners and of a desire to please. There are strong factual grounds for the belief that, in general, production per manhour—a basic test of the economic health of a modern industrial community—is substantially lower than before the war. The wheels of industry are certainly turning, but they seem to be badly in need of a lubricant.

REACTION FROM THE WAR?

These conditions, which exist also in other countries, are often ascribed to a physical and psychological reaction from long, dreary years of wartime stress and strain. It is hard to believe this explanation has much validity for Australia. The fundamental cause of the industrial sickness in this country appears to be deep-rooted in the unhappy state of industrial relationships.

As in the vast majority of human affairs, the industrial problem has both its immediate and long-term aspect. The immediate issue appears to hinge upon the question of wages,
the distressingly high cost of living, and is aggravated by what can only be described as a profound discontent with the workings of Australia’s traditional and unique machinery of compulsory arbitration. A solution to this short-term problem is essential and would clear the way for an attack on the long-range work of building a true and durable partnership in industrial relationships. But no settlement of the immediate contentions will long avail, unless the longer-range issues are attacked with boldness and comprehension and a determination to find solutions.

Changes in Social Outlook

The war has brought about revolutionary and profound changes in the thinking and social outlook of the great mass of ordinary men and women in all countries. These changes are concerned not solely—and perhaps not primarily—with the material conditions of existence and the natural desire for an improvement in these conditions. They have to do with things that are not easily labelled. *They are things of mind and spirit rather than of matter.* They are impalpable rather than palpable.

There is an intense desire for a wider personal self-expression. There is a yearning for broader horizons and for a life that offers not merely a guaranteed minimum of income but a guaranteed maximum of dignity and self-respect. There is an urge towards a higher social status and all that this means—the elimination of privileges where unnecessary and unjustified, the desire for better educational opportunities and an equal start in the race of life, the democratisation of institutions, and the control of those institutions. *In industry, this takes the form of a claim not merely for security, but for status; it concerns not merely rewards and ownership, but interest and intelligent participation.* These are the potent forces at work, and it is these forces which must be woven into the long-term pattern of industrial relations if lasting stability and order are to replace the present instability and disorder.

It is high time that thought was given to how these profound human aspirations and emotions, which were rapidly
brought to maturity under pressure of a world upheaval of unparalleled magnitude, can be given tangible expression in the post-war constitution of industry.

1945 – EFFORTS TO ACHIEVE A NATIONAL CONFERENCE

Over the last two years a number of efforts have been made to arrange a conference of employers and employees on a nation-wide scale. That these efforts have not been successful attains, in the light of later events, almost to the proportions of a national tragedy. In these attempts to achieve better industrial understanding the I.P.A.—Victoria, has taken a central part, and it is desirable that the history of the negotiations should be briefly recounted here for purposes of record.

The proposal for a national conference emanated in the first instance from the Chairman of the Industrial Committee of the I.P.A. in the form of a press statement. In response to this statement, the President of the Australasian Council of Trade Unions stated his personal agreement with the Institute’s proposal, and a few weeks later an emergency committee of the A.C.T.U. issued an official public announcement to the effect that its organisation was prepared to confer with employers with the object of achieving peace and harmony in industry.

Negotiations were then undertaken by the Institute with representative employer bodies throughout Australia. The objective of these negotiations was to obtain the agreement of these organisations to appoint delegates to attend a national conference with the trade unions. A deadlock being reached in the negotiations, a meeting was convened by the Institute and was attended by representatives of leading employer bodies. As a result of this meeting it was generally understood that an endeavour would be made to implement a national conference of employer and employee organisations of the type suggested by the I.P.A.

Eventually the proposal for a nation-wide conference collapsed because of the opposition of a group of employers in a State other than Victoria. These negotiations absorbed a period of many months.
Toward the end of 1945 the matter was taken up by the Commonwealth Government, which invited employer and employee organisations to appoint delegates to a conference similar to that which had been urged by the I.P.A., with the exception that the Government itself was to be a party to the conference. Arrangements for the holding of the discussions at Canberra were concluded when an outbreak of industrial strife in New South Wales caused the Commonwealth Government to postpone the enterprise indefinitely.

In recent weeks the President of the A.C.T.U. in statements to the press has revived the proposal for a national conference. The attitude of the Commonwealth Government and of certain groups of employers to this latest development is apparently somewhat lukewarm. The I.P.A.—Victoria, has not wavered in its belief that much good could eventuate from a conference thoroughly organised on sound principles.

CLEARING OF THE AIR

The atmosphere surrounding industrial relations is thick and congested. The best way, in fact the only way, that the air can be cleared is by a general exchange of views on the future between the parties to industry. A host of new problems, both psychological and material, has been thrown up by the war. The economic status and rewards of women; industrial incentive and discipline under conditions of full employment; new developments in personnel policy; the extent to which employee participation and interest in industry can be made effective; the methods of wage determination; these and many other questions call for consideration on a national basis between employers and employees.

A further attempt to arrange a national conference should be made without delay. And this time no amount of actual or potential industrial disturbance should be regarded as sufficient reason for postponement or abandonment.
Obviously it would be impossible for a conference such as this to reach solutions of the many detailed technicalities to which relations in industry give rise. But it is *not too much to hope that it could attain a wide basis of agreement on the general principles that should govern industrial policy over the next decade at least.* And even supposing that this broad measure of agreement proves to be unattainable, such a conference should serve to expose where the fundamental disagreements and difficulties lie.

To be successful, careful preparations by all parties would be essential. The interval of time between the convening of the conference and the date fixed for the discussions should be sufficient, therefore, to allow these necessary preparations to be made. If the participants were to approach the conference table not in the spirit of gaining something on the cheap or of getting something for nothing, but in an earnest constructive desire to serve the common well-being, there is reason to hope that Australia could enter upon a new era of industrial relationships.
The recent publication by the Commonwealth Government of a report on the United Nations Conference on International Trade, which commenced in London last October, has focussed attention upon plans being made for the regeneration of world trade.

The last twenty years have seen a mounting accumulation of difficulties and problems surrounding international commerce and they have seen, too, the disintegration of the system of virtually untrammeled interchange of goods between nations which had lasted for a century or more. Damaged, though not mortally, by the First World War, this system received a paralysing blow at the close of the twenties with the onset of the World Depression when the value and volume of international trade declined with catastrophic suddenness.

It did not wholly recover and its whole basis was radically altered. Estimates made by the Economic Intelligence Service of the League of Nations show the following changes between 1928 and 1938.

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of World Exports (millions)</th>
<th>Value of World Imports (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1928</td>
<td>6,702</td>
<td>7,291</td>
</tr>
<tr>
<td>1938</td>
<td>4,482</td>
<td>5,027</td>
</tr>
</tbody>
</table>

Note: The difference between the import and export figures is due primarily to the inclusion in imports of transport costs.

An appreciable part of the decline in values can be accounted for by lower prices, but the physical volume of goods exchanged is estimated to have also fallen by 8 per cent. to 9 per cent. between these years—a very substantial decrease in view of the magnitude of the figures.

Growth of Bilateralism and National Self-Sufficiency

It was chiefly through its devastating financial effects that the world depression brought disaster to international trading. The collapse of the American market and its demand for the goods of other nations meant that a large majority of countries were unable to balance their international accounts, and this led them to cut down their imports by means of high tariffs, quotas, and exchange controls. The Gold Standard, which had been the basis of financing world trade for a century, had to be abandoned, and with it went the means of financing a system of relatively free, multilateral trading whereby the importers of most nations were able to buy wherever they thought fit, and exporters to sell their products to the highest bidders in a world market. The combination of economic necessity and fear of another world conflict led many nations to follow policies of national self-sufficiency and economic isolation. Central European and South American countries especially resorted to bilateral trade† and clearing agreements which were, in effect, no more than the ancient system of barter with a few embellishments added in order to conform to modern bookkeeping practice. This system spread rapidly and the military dictators of Germany, Italy and Japan were quick to seize upon it as a choice means of exerting economic and political pressure upon the weaker countries. Thus, over a large area, world trade became strictly regimented and controlled, and for many nations any semblance of freedom in buying or selling abroad was lost. At the outbreak of the war the system of free multilateral trade had, to all intents and purposes, ceased to exist.

Importance of World Trade

A prosperous world requires a vigorous expanding system of international trade. It is of great economic advantage to any nation that it should be able to import goods which can be produced more cheaply elsewhere, and that it should be reasonably assured of finding export markets for those products in the grow-

† The basis of bilateral trade is that country A agrees to buy from country B, only on condition that country B will reciprocate by purchasing an equivalent amount of its own goods. It is the direct opposite of multilateralism where countries are free and able to spend the proceeds of their exports wherever they wish.
Bretton Woods and World Trade Revival

ing or manufacture of which it excels as a result of its natural resources, or its own particular inheritance of skill and experience. And politically, it is of immense importance that nations should be able to share in vital raw materials and that they should be able to enjoy the benefits of an expanding foreign trade free from the unpredictable upheavals which marked the decade preceding the Second World War. The justification of international trade on the largest possible scale is thus twofold—it aids the attainment of the maximum standards of life and it assists the cause of world peace.

A New Approach

With a view to the achievement of these ends, the United Nations, with Great Britain and the United States of America in the van, are in process of developing entirely new plans to promote and to provide stable foundations for the future conduct of world trade.

Three major practical steps have already been taken; the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development in terms of the Agreement reached at the Bretton Woods Conference in 1943; the conclusion of the American Loan Agreement with Britain; and the First Session of the United Nations Conference on Trade and Employment recently concluded in London.

The basic purposes of the Bretton Woods Scheme are:

First, to provide nations suffering from an adverse balance of payments with temporary financial assistance to tide them over:

Second, to enable the resumption, on a sound basis, of long-term international lending for the reconstruction of devastated countries, and for the development of less advanced areas:

Third, to preserve reasonable stability of exchange rates between the various national currencies:

Fourth, to achieve free convertibility of one currency into another, which is the foundation of the multilateral system of trade.

The second major step was the American Loan to Britain. With the abrupt ending, in August, 1945, of Lend-Lease assistance, it at once became apparent that Great Britain would need immediately some special form of assistance owing to her grave external financial situation which was her dubious reward for fighting the war harder and longer than any other nation. Without some such assistance it was clear that it would have been impossible for Britain to play a proper part in the new plans for restoring and developing world trade. As the Loan Agreement delegated the final authority in certain matters to the Administration of the International Monetary Fund, Britain was committed to immediate ratification of the Bretton Woods Scheme, and hence to the principle of free convertibility of currencies which had been a cardinal feature of the Gold Standard in pre-depression days.

The Plans Considered

The third step in this process of reconstruction, the London Conference of the United Nations, was chiefly concerned with the following important aspects of international trading:

1. The securing of a high and stable level of employment and production in every country.

2. The reduction, or elimination, of restrictions on international trade imposed by Governments, e.g., tariffs, quantitative trade restrictions, subsidies, bilateral trade or clearing agreements.

3. The curbing of restrictive private business practices which might hamper world trade.

4. The preservation of reasonable order and stability in world markets for primary commodities.
5. State Trading in the international sphere and the making of intergovernmental agreements or arrangements.

In addition, the Conference considered the early establishment of a new International Trade Organisation to act as a central agency for keeping a continuous watch on, and possibly for exercising some control over, all aspects of future world trade. The basis of the approach to these problems was the restoration, so far as is practicable, of multilateral trading free from tariff or other restrictions, discrimination or preferential treatment, and any form of controlled or "blocked" financial arrangements.

During the discussions, substantial modifications to the original draft plans placed before the Conference, which emanated from the United States, appear to have been made. According to reports in "The Economist" of 30th November, 1946, these changes were on the whole improvements. One important modification is summed up by "The Economist" as follows:

"The principle is now explicitly accepted that it is part of a country's economic duty to its neighbours to preserve full employment within its borders and not to allow the total of its effective demand for other countries' products to fall away suddenly because of instability at home. If a country sins in this respect, it can, in principle, be excluded from the benefits of the Charter."

Coupled with this there appears to have been another important alteration in that the rules relating to the imposition of quantitative restrictions on imports have been made much more elastic. Another change, that may also be of special importance to Australia, is the addition of new clauses to the draft plans covering special exemptions for "developing" areas from the general provisions relating to the removal of trade barriers.

The proposals finally drawn up at the London Conference are so lengthy and complicated, that worthwhile criticism or commentary on the details at this early stage by the detached observer is exceedingly difficult. Broadly speaking, however, it can be said with confidence that the achievements of the Conference were considerable and that the nations are proceeding along sound lines. Further consideration of the plans will be given at a second Conference to be held in Geneva in April, when an attempt will be made to negotiate reductions in tariffs, on a reciprocal basis.

Differences Between New Style and Old Style Multilateralism

It must not be thought that these attempts to revive international trade add up to no more than a reversion to free trade on the old model, which collapsed so disastrously in the thirties under the impact of the world depression. There are many and profound differences between the new style multilateralism and the old. The old system was governed by the gold standard and was automatic and rigid in its operation. The new system aims to combine the free convertibility of currencies, an outstanding advantage conferred by the gold standard, with a sufficient margin of elasticity to enable the system to withstand the inevitable strains and stresses of international commerce. Under the gold standard exchange rates were free to fluctuate only between the narrowest of limits. The new system, while aiming at the stability in exchanges which is essential to orderly trading, allows a country reasonable freedom to alter the exchange value of its currency.

Under the old system the plight of the nation with an adverse balance was generally aggravated by the withdrawal of liquid short-term capital. Under the new plans debtor countries will be in exactly the reverse position. They will be entitled to draw on the resources of the International Monetary Fund to assist them with their embarrassments.
Bretton Woods and World Trade Revival

In the old system each nation was free to act, and generally did act, individually; under the new system it is intended that the nations should work together in close co-operation, and that the stronger should aid the weaker. Whereas under the old system the outcast in international trade was the nation with an adverse balance of payments, under the new the nation with a persistently favourable balance will not entirely escape its measure of responsibility for restoring equilibrium.

Australia and the Plans

Australia, more than most countries, has a special interest in the welfare of world trade, as the income we receive from our exports and the terms on which we can purchase our imports profoundly influence Australian prosperity and standards of life. Relative to her population, Australia is a very large producer of some of the most important primary commodities such as wool, wheat, meats, butter and fruit. Much of this production must be sold abroad and, equally, we have to continue to import heavily if our customary standards of life are to be maintained, let alone raised.

A further, and most important, factor which would seem to indicate that Australia should take an enthusiastic part in this world-wide effort to reach a more stable and prosperous basis for international trade is that our economy is so closely linked with Great Britain. For good or for ill, Britain has become a leading member of the Bretton Woods Scheme and, for good or for ill, she is committed to assist toward a general reduction of trade barriers and the restoration of multilateral trading. In view of these considerations, Australia’s failure so far to ratify the Bretton Woods Agreement appears to reach the heights of folly, and indicates an unimaginative “little-Australian” approach to these great matters on the part of those opposing ratification, which is, to say the least, highly disturbing.

Only incredible ignorance and foolishness could lead Australia to pursue an external economic policy which disregards or cuts across, in a fundamental sense, the wishes and ideas of the majority of other nations, and especially those of Great Britain and the United States. As Professor Herbert Burton aptly said to the 1947 Summer School of the Australian Institute of Political Science, “After all, we are not well cast for the role of ‘a big shot’ in power politics.”

Willing co-operation with these great powers is essential both to our security as a nation and to the well-being of our industrial and commercial structure. In common with most other countries, we are committed to a domestic policy of avoiding unemployment and, if such a policy is at the same time to contribute toward the steady improvement of our standards of life—in other words, if it is not to degenerate merely to “sweeping leaves”—it must be linked with the policies of other nations so as to allow of steady expansion in our overseas trading. In case there should be any misunderstanding, it needs to be said that this cooperation does not imply that we will be compelled, or even expected, to do away overnight with tariff protection or to sacrifice the basic structure of our economic secondary industries; if that were so we would be justified in standing aloof.

It is imperative on all counts that Australia should throw her full weight behind these attempts at restoring world trade.
HOW do industrial relations in Australia compare with other countries? Between employer and employee are relations more bitter, hostility more pronounced and misunderstanding more widespread? Does Australia suffer more acutely from the economic wastes of strikes and work stoppages than say the people of Great Britain or the United States? Is the post-war industrial unrest sweeping Australia more severe than the post-war unrest of other countries? Or is Australia, despite its succession of strikes, well-off by comparison with industrial conditions at present ruling abroad? Does the machinery we have developed for the prevention and settlement of disputes in industry work as efficiently as comparable machinery in other countries, or, does the record show the Australian system of compulsory arbitration to stand poorly by comparison with the methods of voluntary conciliation and agreement preferred by some of the older industrial nations?

The extraordinary frequency and severity of industrial disputes in Australia since the end of the war and the inconvenience and hardship they have occasioned have led people to ask themselves questions such as these. They are demanding to know whether strikes and lockouts are inevitable, in the nature of things, or whether it is possible to substitute some semblance of order for the reigning disorder.

For many reasons it is not practicable to compare simply and directly the standard of industrial relationships in one country with that of another. But it is possible, from data collected and analysed by the International Labour Office, to assess the comparative severity and economic effects of strikes and lockouts in different countries.

MEASURE OF SEVERITY OF INDUSTRIAL DISPUTES

The best, and most obvious, measure of the magnitude of industrial disputes is the number of man-days lost as a result of those disputes. This is obtained by the simple device of multiplying the number of workers affected by the number of days each man or woman is out of work as a consequence of a strike or lockout.
To compare the loss of working days so computed in two or more countries for the purpose of ascertaining the relative severity of industrial disputes in those countries, it is obviously necessary to make some adjustment for the differing sizes of the working populations. For instance, we would naturally expect that the United States, with a working population twenty times greater than Australia, would lose many more working days from strikes and lockouts. But this, of course, does not necessarily indicate that the Australian people are more fortunate than those of the United States so far as industrial disputes are concerned. The basis of comparison of the severity of industrial disputes between different countries adopted by the International Labour Office is the number of working days lost per 1,000 persons employed in the industries of mining, manufacturing and transportation. This means that those people engaged in occupations such as primary industry, commerce, the civil service and the defence forces are excluded. This exclusion is justified by the fact that the time lost through industrial disputes in these occupations is, generally speaking, negligible.

**STATISTICS OF INDUSTRIAL DISPUTES**

The following table compares the severity of industrial disputes for eight countries over the seventeen-year period, 1927-43. The countries selected comprise Great Britain and the British Dominions and three leading democracies outside the British Commonwealth of Nations—U.S.A., Sweden and Switzerland. The table has been compiled from statistics published in the Year Book of Labour Statistics prepared by the International Labour Office.

**WORKING DAYS LOST PER 1,000 EMPLOYEES ENGAGED IN MINING, INDUSTRY AND TRANSPORT (1927 to 1943)**

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</thead>
<tbody>
<tr>
<td>1927-29</td>
<td>2,562</td>
<td>117</td>
<td>.130</td>
<td>37</td>
<td>389</td>
<td>770</td>
<td>2,151</td>
<td>98</td>
</tr>
<tr>
<td>1930-34</td>
<td>579</td>
<td>356</td>
<td>202</td>
<td>112</td>
<td>470</td>
<td>691</td>
<td>2,288</td>
<td>171</td>
</tr>
<tr>
<td>1935-39</td>
<td>661</td>
<td>146</td>
<td>265</td>
<td>31</td>
<td>200</td>
<td>889</td>
<td>519</td>
<td>55</td>
</tr>
<tr>
<td>1940-43</td>
<td>895</td>
<td>126</td>
<td>389</td>
<td>11</td>
<td>121</td>
<td>518</td>
<td>85</td>
<td>9</td>
</tr>
</tbody>
</table>

Yearly Average for Period 1927-43: 1,174 186 247 48 295 717 1,261 83
MARGIN OF ERROR IN FIGURES

Before commenting on this table it should be pointed out that the figures are subject to an appreciable margin of error. These errors arise from differences in definition adopted by the different countries as to what constitutes an industrial dispute for statistical purposes, from methods of calculation, and from technical difficulties in the collection of the requisite data. For instance, in some countries the working time lost by workers indirectly affected and thrown out of work by a dispute is included as well as the days lost by workers directly involved. In other countries only those workers directly involved are taken into account. Again, the number of persons employed in the different branches of industry covered are, in most cases, estimates rather than actual figures. But in spite of the errors that arise, to some extent unavoidably, in the compilation of statistics such as these, comparisons of the severity of disputes in different countries are by no means invalid or without practical value. In a note referring to the inaccuracy of the statistics the Year Book makes the following statement:

"In spite of these limitations, however, the fact that the fluctuations and differences in rates in different years and different countries are relatively great in comparison with the percentage of error in the figures makes it possible to regard these rates as reflecting, in general, the differences as between different countries, the fluctuations in time, and the trends over the period covered."

UNENVIABLE RECORD

From the point of view of an Australian, the outstanding fact revealed by the table is the extreme severity of industrial disturbances in this country and the unenviable record it enjoys by comparison with other countries. Only one country, Sweden, has a record worse than Australia. And even here, over the last ten years, the record of Sweden, despite the fact that it was not engaged in the war, is considerably better than that of Australia.
The table shows that over the whole seventeen years from 1927-43, Australia lost 1,174 working days per year per 1,000 employees compared with N.Z. 186, Canada 247, South Africa 48, Great Britain 295, Switzerland 83, and the United States 717. Thus the Australian record does not stand comparison with that of practically all the other countries. It is not merely worse than those countries, it is much worse. These figures are sufficient to indicate a lamentable deficiency in the conduct of industrial relations in this country. They represent a challenge to the Australian people.

The figures, of course, do not provide adequate grounds for concluding that the Australian machinery of compulsory arbitration has failed. But at least they are sufficient to make one question whether there is any foundation for the statement, repeatedly heard, that this machinery is the envy of other countries of the world. It is not easy to see why this should be so when the severity of our disputes is about four times greater than Great Britain and Canada, six times greater than New Zealand, over ten times greater than Switzerland, and even considerably heavier than the turbulent economy of the intensely industrialised United States. Admittedly, it is necessary to bear in mind that the absence of good relations and harmony in industry does not show itself solely in working days lost through strikes and lockouts. It may reveal itself in indiscipline, absenteeism, go-slow, excessive labour turnover, and so on. But whether Australia has a better record in these respects than other countries it is impossible to say. On the whole, it would seem unlikely.

It is worth noting that in Great Britain and the British Dominions a very large proportion of the number of working days lost is accounted for by the mining industries, particularly coal mining—in Australia over 50 per cent., and in Great Britain nearly 70 per cent.

**Economic Loss**

A further conclusion can be drawn from the figures. Notwithstanding their serious economic effects and the inconvenience caused to the public, the direct economic loss arising
from strikes and lockouts is small by comparison with the loss incurred as a result of sickness or unemployment. A "severity rate" (i.e., working days lost per 1,000 employees) of 3,000 days per year means about a 1 per cent. loss of working time. The table shows that in the countries selected the "severity rate" is considerably less than 1,000, or less than one-third of 1 per cent. of total working time. By contrast, the loss of working time from sickness amounts on an average to something like 3 per cent. of total working time. Unemployment in the past has caused a loss of working time of round about 8 per cent. to 10 per cent. In the future, this loss may be considerably reduced.

We should avoid, however, jumping to the conclusion that the economic losses of industrial unrest are relatively insignificant. In the first place, strikes are man-made, whereas sickness must be, partly at least, ascribed to the inscrutable workings of providence. In the second place, the economic wastes of industrial unrest, as mentioned above, are not solely confined to those arising from stoppages of work.

**TREND OF INDUSTRIAL DISPUTES**

In addition to comparing the effects of disputes in Australia with other countries, it is also of value to inquire whether the magnitude of industrial disputes in Australia is increasing or diminishing. Are we suffering more acutely from industrial disturbances today than say, ten, twenty, or thirty years ago?

On the following page is a graph showing the number of working days lost and also the percentage of unemployment for every year from 1913 to 1945. A study of the graph gives rise to the following interesting observations:

(1) Broadly speaking, the level of industrial disputes is substantially higher in the first half of the period than in the latter half. This cannot, however, be taken as conclusive evidence of a long-term improvement in industrial relations. There is, for instance, good reason to believe that the most serious economic consequences of post-war industrial unrest in Australia arise not from the time lost through strikes and
WORKING DAYS LOST THROUGH INDUSTRIAL DISPUTES IN AUSTRALIA, 1913-45
[Showing Relationship to Percentage of Unemployment]

(Authority: Official Publications of the Commonwealth Bureau of Census and Statistics)
lockouts, but from go-slow, restriction of production, and the general "don't care" attitude prevailing over large sectors of industry. Also, the higher incidence of disputes from 1913 to 1929 is almost wholly attributable to the fact that in practically every year a heavy loss of working time was incurred in the transport industries, whereas, since 1929, strikes or lockouts in these industries have been practically eliminated.

(2) Since 1931 there has been a steep upward trend in working time lost.

(3) The industrial record during World War II was remarkably good compared with World War I.

(4) It is reasonable to conclude from the figures that there is a definite relationship between the amount of unemployment and the intensity of strikes and lockouts. The strikingly small amount of working time lost through the thirties is accompanied by a high average level of unemployment, while the heavy loss of working days in the twenties is accompanied by comparatively low unemployment. Also, from 1932 to the present there is a steadily upward trend in working days lost and a steadily downward trend in the unemployment figures. Thus, when unemployment is low the severity of industrial disputes tends to increase, and when unemployment is high the number and severity of strikes decline.

The discipline imposed by "the pool of unemployment," based, as it was, on fear, was a bad form of discipline. But efficiency, no matter what the manner of the economic system, cannot be maintained, unless there is a determination to uphold the law and there exists a healthy and intelligent respect for authority and order in industrial relationships. This is one of the most delicate problems to which the economy of full employment has given rise—and one still to be solved.

The two basic facts that emerge from this study are: first, the deplorable record of Australia compared with other countries in working time wasted through industrial disputes; and, second, the rapidly increasing severity of industrial disputes in Australia since 1931.
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
If Man-Hour Output Is Low - Why?

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.
State the on Industrial Relations issued to the Press on the 
17th January, 1947, by the Industrial Committee of the 
Institute of Public Affairs—Victoria.

In 1945 the magnitude of industrial disputes was the 
greatest for nearly twenty years. 2,120,000 working days 
were lost through strikes and work stoppages. It is certain 
that, when the final figures are amassed, 1946 will prove to 
be vastly more disastrous than 1945. 1947 has commenced 
ominously.

In their economic effects, industrial disturbances in Aus-
tralia are of a severity possibly unparallelled in any other 
democratic country. Over the seventeen-year period, 1927-
43, as a result of industrial disputes, Australia lost an average 
of 1,174 working days per year for every 1,000 employees 
engaged in mining, manufacturing and transportation. Over 
the same period, and in the same sections of industry, Great 
Britain lost on average 295 working days per year for every 
1,000 employees, the U.S.A. 717, Canada 247, New Zealand 
186 and Switzerland 83. The need for a complete overhaul 
of industrial relations in Australia is manifestly clear.

NEW SPIRIT REQUIRED

To bring about a better state of industrial relations two 
basic conditions are necessary.

First, the machinery for the prevention and settlement of 
disputes, threatening or existing, should be efficient and 
adequate:

Second, the likelihood of disputes occurring should be 
reduced to a minimum through steps calculated to build good-
will and confidence between employers and employees.

Today most suggestions for industrial peace concentrate 
mainly on the former—although the latter is by far the more 
important. The most perfect machinery for settling disputes 
will avail us little unless industrial relations are infused with 
a better understanding and a fresh spirit.
In the past the basic concept underlying the conduct of relations in industry has been that the interests of employers and employees are inevitably in opposition — that which benefits the employer must be to the detriment of the employee, and conversely, that what is to the advantage of the employee must be to the disadvantage of the employer. This traditional approach to industrial problems must be abandoned. We must now move rapidly towards the conception of industry as a partnership, as a co-operative enterprise, in which the interests of the partners are recognised to be identical.

*The war between profits and wages must cease.* Reasonable profits must be accepted as necessary to good wages and equally good wages as essential to reasonable profits.

Maximum production must be recognised as the condition precedent to an advance in the real welfare of labour, the employers of labour and the consumer; restriction of production, whether imposed by capital or labour, as their common enemy.

Leaders of labour should learn to look upon their task not primarily as one to gain benefits for the worker at the expense of the employer or the consumer, but as one of co-operation with the employer to raise the efficiency and general effectiveness of industry in the interests of all. Employers should learn to look on their work less in terms of profits and more in terms of the provision of a satisfactory livelihood and way of life for their employees and of serving the consuming public through the provision of the maximum output of goods at minimum prices.

**CAMPAIGN OF INDUSTRIAL EDUCATION**

To these ends a great campaign of industrial education is overdue and should be embarked upon forthwith. In this campaign the leaders of labour must take a central part, for by and large they are the only ones whose words will carry conviction with the workers. Employers on their side must overcome the suspicion surrounding their activities by the
provision of the fullest accurate information to both their employees and the public, and by intelligent contribution to the national objectives of full employment, social security, equality of opportunity, and the elimination of poverty. They must also undertake the education of their own members for economic and industrial misconceptions are by no means confined to the ranks of labour.

HIGHER MORAL TONE

But as well as a new and better understanding of industrial economics, relationships in industry must be inspired by a better spirit and a higher moral tone. At the present time there is abroad a dangerous and destructive spirit of cynicism and bitterness. Old-fashioned virtues of honesty, personal responsibility, respect for the sanctity of agreements, must be revived. For this revival of the spirit of service and sincerity and honest dealing the leaders of both labour and capital must accept a prime responsibility.

So far as the machinery of industrial relations is concerned, the I.P.A. puts forward the following suggestions for its improvement.

OVERHAUL OF ARBITRATION

The system of compulsory arbitration has in certain respects served the Australian community well. But it has serious weaknesses and deficiencies. The road of improvement lies not, as is commonly supposed—except in special instances—through government intervention, legal prohibitions and compulsions, and the threat of drastic penalties for infringement of industrial laws. Three major purposes should underlie any reforms that may be made. First, the machinery of arbitration should be simplified and made less unwieldy; second, legal forms and procedures should assume less importance; and third, the emphasis of reform should be on conciliation rather than on arbitration. The very existence of arbitration instrumentalities, while imperative, is a standing encouragement to industrial disputes and to bad relations in industry. Before legislation designed to establish improved machinery of con-
ciliation and arbitration is passed, the Government should attempt to gain the unqualified support of both employer and employee representatives for its provisions.

DETERMINATION OF STANDARD WAGES AND HOURS

In particular, the present methods used in the determination of standard wages and hours should be altered. For instance, the setting of the basic wage level should not be the subject of, nor should it have to wait upon, a dispute between the parties to industry. It should be determined at regular intervals—say every three years—primarily on the basis of the trend in industrial productivity. If some more or less automatic means for the determination of the wage level acceptable to both parties to industry can be arrived at, a big step forward to industrial peace will have been achieved.

FRAMEWORK OF CONSULTATION

The conception of industry as a partnership requires among other things a vast extension of the principle and practice of joint consultation between representatives of the workers and of employers at national, State, industry and factory levels. Possibly National and State Industrial Relations Councils consisting of representatives of employers and unions should be constituted on a formal basis with provision for regular meetings. In the factory consultative councils, works or production committees or similar bodies should become the general rule and the representatives of labour on these councils should be provided with comprehensive information of the policies and finances of the business concerned.

LEADERSHIP

Above all, what is required in industry today is inspired, imaginative and great-hearted leadership. So far as private enterprise is concerned there is an increasing tendency to look to those outside industry, such as Government representatives and industrial courts, for guidance and leadership. But the captains of industry, the employers on one side, on the other the representatives of labour, must learn to compose their own differences and to sail their own ship.
INDUSTRIAL RELATIONS

A NATIONAL CONFERENCE

The I.P.A. over the last eighteen months has consistently urged the organisation of a nation-wide conference between employers and unions to discuss the special industrial problems of the post-war, and to lay down an acceptable basis for a better era in industrial relationships. The services of the I.P.A. are at the disposal of industry in such an enterprise, which should review the whole field of industrial relationships and be primarily concerned with the longer-range issues. These suggestions are put forward in a sincere desire to substitute for the present grave situation of constant unrest and misunderstanding a condition of friendship and of justice to all in industry.