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## PRODUCTIVITY— An Attitude of Mind

The economies of the English-speaking nations fall broadly into two classifications—“high productivity” economies and “low productivity” economies. The “high productivity” economies are to be found on the North American continent—the United States and Canada. The chief “low productivity” economies are Britain and Australia. In America, output per man-hour or man-year is the highest in the world; in general terms about 2 to 3 times as great as output per man-hour in Britain or Australia. In America, massive strides in production have been made over the last decade. In Britain and Australia, advances in production have been, by comparison, meagre.

In the “high production” economies, the standard of living of the average person is high and the potentialities for further rapid improvement, immense. In the United States, Henry Ford’s dream of “a car for every home” has nearly been realised, whilst refrigerators, washing machines, mechanical kitchen aids, telephones, television sets, are regarded as standard equipment for the worker’s household. In the “low production” economies, average standards of living are very much lower and are advancing, if at all, at not much above snail pace. In Australia “a car for the worker” is still little more than a vague and distant aspiration. Many workers’ homes and even some middle-class homes still lack the mechanical aids to better living regarded as standard in American households.



The "high production" economies seem capable of surmounting their basic economic difficulties with extraordinary buoyancy and confidence. Nothing seems beyond them. The United States is proving that she can carry out a gigantic armament programme without serious inflation, without any perceptible reduction in living standards, and concurrently with large-scale advances in the capital equipment of civilian industry. The low producers, on the other hand, seem to live perpetually under the looming thunder clouds of economic crisis. Obstacles are overcome only with laborious difficulty; but fresh ones almost immediately appear. Crisis succeeds crisis; inflation, balances of payments difficulties, shortages of basic products—all of which appear to provide good reasons for cuts in living standards, more government restrictions and controls, additional tax imposts.

The psychological atmosphere of optimism and confidence in the "high production" economies, the sense of "going places", contrasts strikingly with the pessimism and frustration evident in the "low production" economies. Expansion contrasts with restriction.

\* \* \* \* \*

Most of Australia's current economic difficulties are explainable in terms of inadequate production. When writers on finance and economics raise their hands in horror at each new addition to wages brought about by the cost-of-living adjustments, what they are really deploring is the high level of wages at present standards of production. With higher productivity, wages could rise without serious economic disturbances.

When the Commonwealth Government informs the Australian public that there must be cuts in the loan programme, what it really means is that this country cannot afford large-scale development at existing levels of production. At root, it is not shortage of money that is causing

curtailment of development, but scarcity of material resources. With a higher national level of productivity there would be no necessity to apply the brakes to major developmental projects.

A trade crisis gives rise to import cuts of unprecedented severity basically because the level of national productivity is too low. If productivity had been greater the balance of payments crisis might have been avoided; at any rate it would certainly have appeared in a much gentler form. Inflation persists because our rate of production of real wealth continues to lag so far behind the rate of increase in our money incomes.

\* \* \* \* \*

To the "high productivity" economy all things seem possible concurrently—improving standards of life for all, rapid industrial and national development, large-scale defence preparedness. In the "low productivity" economy, attempts to achieve all objectives at the same time end in economic confusion, inflation, increasing government control and rising taxation.

\* \* \* \* \*

Why is productivity on the North American continent—particularly in the United States—so far in advance of productivity in this country? If we can uncover the fundamental reasons for this fact, we will have some guide to the steps that need to be taken in Australia to raise the level of productivity.

To clear the air of some confusions it is worthwhile examining a few of the reasons commonly advanced.

We are frequently told that one of the main reasons for the higher productivity of the United States is that the Americans use more and better machines and put more horsepower at the disposal of the individual worker. This is perfectly true. The more mechanical aids that can be brought to bear on the productive process, the greater is production per man likely



Sir Vincent Tewson, President of the Trade Union Congress, briefs members of the British Hosiery Industry Productivity Team before their visit to U.S.A.  
(From the film "Over to You." See page 87-88).

to be. But, on close examination, this explanation proves to be largely superficial. It does not explain how the machines got there in the first place. For machinery is itself a product which has to be designed and manufactured just as much as a pair of shoes or a radio set. The Americans have more machinery per worker than Australians because they produce more machines, just as they produce more clothes or refrigerators. Whilst there is no doubt that mechanical power is one of the main means of achieving high production, it is equally true that high productivity is one of the chief ways—and in a democracy possibly the only way—that a nation can equip itself with adequate power and machinery. In essence, high productivity is a cause, just as much as a consequence, of the availability of machine

power. Only a nation whose productivity is already high can add rapidly to its supply of machinery of all kinds.

To explain the greater productivity of the U.S.A. in terms of machine power is therefore not to get to the roots of the matter. The really basic question to be answered is: Why are the Americans able to apply much greater mechanisation to their productive operations than other countries?

Let us look at some of the other reasons popularly supposed to account for the greater productivity of the United States.

One is the richness of its natural resources. This has certainly played its part. But again it does not explain why the resources of the American continent have been developed with such extraordinary rapidity and utilised with such

great efficiency for the benefit of the American people. There have been other countries with rich natural resources—Russia, for instance—which cannot parallel the high productivity of the United States.

Another reason, frequently given, is that in the United States there are much greater incentives—taxation is lower, the opportunities for gaining rich rewards are much greater, the individual can expect to retain for himself a much higher proportion of any extra income he may earn as a consequence of increased effort. Certainly it is difficult to imagine any nation giving of its best unless its people can expect to benefit directly and immediately from their enterprise and skill and additional exertions. But this reason can hardly have had much validity before the war when, generally speaking, taxation in neither Australia nor Britain was so heavy as to act as a serious disincentive. And today, even though taxation in the United States is far higher than that nation has been accustomed to, the American people continue to achieve miracles of achievement in the field of production. And if the Americans do tax themselves at a lower rate, the question still remains to be answered—why? Why is it that the Americans insist on lower taxes than the English people or Australians?

Still another reason advanced for American productivity is the existence throughout a large part of industry of the driving pressure of competition. The American business man expects to have to compete. He accepts competition. True, he would avoid it if he could. But generally he is prevented from so doing by the anti-trust laws which are vigorously policed and administered by a large body of expert officials. Nor is there any serious move by business interests in the States to have these laws repealed or fundamentally altered. There is no doubt about the potency of competition as a fac-

tor making for high productivity in the United States. But, as with taxation, the question has to be answered: Why is it that the American people have forced their business men to compete? Why is it that they have taken strong legislative action to make competition a reality whereas the tendency in England has been toward the restriction of competition through price fixing arrangements, and by associations of producers to make it difficult for newcomers to enter a particular trade?

The answer to these questions was given by Paul Hoffman in the last number of "Review". "The anti-trust laws, however—like all laws—derive their real significance from the fact that they grow out of and reflect the temper of American society, rather than from the legal mechanics of enforcement."\* Here we come close to the heart of the matter.

The startling productivity of the United States is ultimately traceable to the American attitude of mind, the psychological climate of America, to the whole American approach to living.

What, then, is this attitude of mind? In the industrial sphere it amounts to an unqualified, whole-hearted acceptance of the fact that there can be no real improvement in living standards without greater production. Coupled with the strong desire of most Americans to improve their material status, this produces an enthusiastic response to the problems of production which is generally not paralleled in Britain or Australia. This attitude to production is not confined to one section of the people; it is as evident among the factory operative as the plant manager, the trade union official as the top business executive. It is partly the outcome of American history, of the fact that America is a "new" country and of the absence of clearly-defined social classes such as exist in the "older" coun-

\*See article by Paul Hoffman "Serving All Men Well" in the March/April "Review".

tries of Western Europe. This fact or accident of history gives to the American people, no matter what their origins, an ambition to rise in the world, a driving urge to self-improvement, particularly in a material sense, far stronger than that of the peoples of the older world.

Given this approach to production, this almost universal attitude of mind, the rapid development of the great resources of America follows as a natural consequence. So do all those factors which are often accepted, superficially, as the basic reasons behind American productivity—the high degree of mechanisation; the large horse-power at the disposal of the worker; the general competence and technical “know how” of American management; the existence of adequate monetary incentives; the strongly competitive element in American business. **Accepting the primary truth that higher living standards depend on production, and imbued with an intense desire for self-betterment, the American people strive to maintain the industrial methods, the financial arrangements and the social and political practices most conducive to high productivity. But it all starts with the attitude of mind. The psychological climate of America is at the root of it all.**

This truth emerges strikingly from the reports of the various British teams, consisting of managers, technicians, operatives and trade union leaders, which have investigated American industries under the auspices of the Anglo-American Productivity Council.\* Over 60 British teams representing different industries have been sent to the United States since 1949. In report after report on the causes of the

\*The Anglo-American Productivity Council, comprising business and trade union leaders in U.S.A. and United Kingdom, was formed in September, 1948, on the initiative of Sir Stafford Cripps and Mr. Paul Hoffman, head of the Economic Co-operation Administration. Under its sponsorship, productivity teams were selected from the ranks of workers and management over a wide range of British industry and sent to the United States to report on their American counterparts. The first team on Steel Founding, organised in February, 1949, was followed across the Atlantic by a succession of similar groups during 1949 to 1951.

superior productivity of American industries, the American approach and attitude of mind are given a place of central importance. Here are some examples.

#### **The report of the team on the Pressed Metals Industry states:**

“Into the American worker has been inculcated the desire and definite urge to reach out for those things that only become available to the man who works hard enough to gain them. He realises that high productivity benefits everyone and responds accordingly.”

#### **The report on the Brass Foundry Industry:**

“The foremost aim of the American executive is to instil into all those subordinate to him the belief that a high standard of productivity is rewarded by a high standard of wages, and, in consequence, a high standard of living. There is no doubt that this doctrine has deep roots, and every worker, manual or clerical, is firmly of the opinion that if he works to the utmost of his ability he will receive the utmost reward.”

#### **Non-Ferrous Metals:**

“The whole of the American metal industry is productivity-conscious.”

#### **Men's Clothing:**

“Probably the most striking feature of the industry to a visitor from the United Kingdom is the way in which every person engaged in the industry endeavours to produce as much as possible, without in any way sacrificing quality.”

#### **Hosiery and Knitwear:**

“Neither management nor workers have to be ‘sold’ on the need for high productivity. The American attitude toward work is fundamental to the question of productivity; it is more positive, and there is less rigidity of mind than in our industry. This has been emphasised in many previous Team Reports; it is so important that it must be mentioned again.”

#### **Cotton Spinning:**

“Every employee, from President to operative, is production-minded, owing to the realisation that high productivity means cost reduction and survival of the firm in a competitive market. Every American is aware that his high standard of living depends on high productivity, not only high productivity by the other man, but by himself also. He realises also that the security of his job depends eventually on producing more at a lower cost rather than less at a high cost.”

## **Welding:**

"To aid in comparing industry in Britain and in the U.S. it is desirable that some attempt should be made to understand the reasons for and the development of that intangible factor, 'attitude to work.' After paying due regard to the technicalities of achievement, there still remains, so it seems to the Team, a vital contributive force born of the attitude of the Americans towards production generally."

## **Building:**

"The last reason, which may be termed the psychological factor, is perhaps the most important of all. Acceptance of the need for high productivity as an essential factor in industrial life is universal in America, and it permeates the will and actions of the operatives as well as of the professional and employer groups . . . More is to be learned, taking a long view, from the general spirit and outlook of the American industry than from the details of organisation and technique."

## **Steel Founding:**

"The fundamental causes of high productivity are examined in the Report, and stated to be mainly psychological. There is widespread 'productivity-consciousness' in the U.S.A., and a recognition that high productivity is a benefit to all concerned."

The examples could be multiplied.

\* \* \* \*

What emerges from all this? It is, surely, that high productivity and high standards of living are fundamentally the outcome of a national attitude of mind, the natural corollary of an approach to living, of an ingrained national philosophy. Any attempts to achieve a notable improvement in productivity are likely to have a limited effect only unless account is taken of this inescapable truth. **The starting point, or at least an integral part, of any programme to increase production in Australia must consist in a sustained widespread effort to change the attitude of the Australian people toward work and production—to persuade Australians to accept high production as the primary goal of economic and social policy.**

High production cannot be achieved by general exhortations or by the posting up

of ambitious paper targets. It can spring only from an attitude of mind. But to transform the whole climate of a nation's thought on production is obviously not something that can be done in a day. Nor can it be done without the most careful preliminary planning, without persistence in the face of discouraging setbacks, and without the intelligent leadership of those privileged to be at the main control points of the national ship. But so far we have hardly even begun the task.

It is in this field of educating the Australian people in the basic verities of economics that lie the greatest opportunities for leadership in the Australian community today. It is not too much to say that every real advance in this country hinges on our ability to change, and change radically, the Australian attitude of mind toward the problems of productivity. Unless that can be done, national development will proceed at a disappointingly slow pace; industrial inefficiency at home will increasingly feel the impact of greater industrial efficiency abroad; we will not be able to buy the things we want and need from other countries; the Australian economy will be seriously exposed to the chill winds of economic crisis; governments will be called on to step in with expedients to provide temporary relief and the area of government control will spread; the great social services of education and health will expand slowly, if at all; and the standards of living of the Australian people will remain relatively stagnant. No devices of politics or economics will be able to alter these unhappy consequences.

The opportunities for leadership should therefore be enthusiastically grasped by the politicians of the nation, by industrial leaders, by trade union officials. Not to assist in this great campaign, not to take hold of the opportunities, is, in the present stage of Australian history, to forfeit the moral right to leadership.

## Evidence of Productivity Teams on Comparative Productivity in U.S.A. and U.K.

**Steel Founding**—"Productivity (per man-hour) in U.S. Foundries is between 50% and 90% greater than in British."

**Building**—"Output per man-hour on similar site operations is approximately 50% higher in America than it is in Britain."

**Rigid Boxes and Cartons**—"American labour . . . giving as much as 50-70% more per man-hour than British labour."

**Brushes**—"The value of goods shipped out of American brush factories per person is approximately 2½ times the value of sales per person employed in Britain."

**Cotton Spinning**—"Operative hours per 100 lbs. of yarn produced in British mills are 2½ times those in U.S.A.—the lower the O.H.P. the greater is productivity."

**Cotton Yarn Doubling**—"We have compared production and operative hours per 100 lbs. of production of American mills with British mills and American figures show a much higher level of productivity."

**Valves**—"Average productivity in the U.S., whilst greater than, is not double that in U.K."

**Men's Clothing**—"Productivity is greater in the American clothing industry than its British counterpart."

**Welding**—"American overall productivity is greater than British productivity."

**Pressed Metal**—"That output per man-hour in the American Pressed Metal Industry is greater than in Britain is not disputed."

**Non-Ferrous Metals**—"Productivity is definitely higher in the U.S. than in U.K."

### Percentage Increase in Output per Head of Population of Certain Commodities in U.S.A., U.K. and Australia, 1938 to 1951.

	% Increase		
	U.S.A.	U.K.	Australia
Electricity . . . . .	174	133	96
*Steel . . . . .	88	21	2
Aluminium . . . . .	394	14	†
‡Black Coal . . . . .	23	—7	23
Cement . . . . .	93	25	18
Bricks . . . . .	54	—26	—22
Motor Cars . . . . .	125	32	†
Total Industrial Production . . . . .	110	31	Not available

\*1937-9 base.

†No production in 1938.

‡In U.S.A output of natural gas is now treble pre-war, and crude petroleum nearly double. Both resources are denied U.K. and Australia and to some extent must be made good by increased coal and electricity output.

SOURCE.—United Nations Monthly Bulletin of Statistics.