



HUMAN RELATIONS IN INDUSTRY

By

THE LORD MCGOWAN
K.B.E., D.C.L., LL.D.

*Honorary President of
Imperial Chemical Industries Ltd.*

HARRY DUNCAN MCGOWAN was born in Glasgow on the 3rd of June, 1874. At the age of fifteen he joined the staff of Nobel's Explosives Ltd., as an office boy. In 1915, twenty-six years later, he was elected to the Board of the Company and became its Managing Director in 1918.

During the 1914-18 war, Nobel's Explosives were suddenly called upon to bear heavy responsibilities, the main weight of which naturally fell on the shoulders of their Managing Director. As a recognition of his outstanding services during this period he was created K.B.E. in 1918.

Later in the same year there took place—largely due to his efforts—that amalgamation of British explosives and allied interests known as Nobel Industries Ltd., and Sir Harry, as he then was, became the first Chairman of this

new Company. It was in 1925, after having consolidated the position of Nobel Industries Ltd., at home and abroad, that he realised there must be an amalgamation of certain companies if Great Britain were to be able to hold its own in heavy chemical industry against Germany and America. He approached the late Sir Alfred Mond (afterwards the first Lord Melchett) with his proposal to form a company, afterwards named Imperial Chemical Industries Limited, to take over the shares of the various units brought into this amalgamation, and as a result I.C.I. was formed in 1926.

Sir Alfred Mond was the Chairman, and Lord McGowan (then Sir Harry McGowan), President of this fusion of Nobel Industries Ltd., the United Alkali Co. Ltd., Brunner, Mond & Co. Ltd., and the British Dyestuffs Corporation Ltd.—a merger which must rank as one of the greatest individual achievements in the history of British industry. In 1930, on the death of Lord Melchett, he was elected Chairman and Managing Director of I.C.I. He was then 56.

Between 1928 and 1939, in order to establish the overseas connections of the organisation, and to promote the welfare of the British chemical industry generally, he made visits to the Near East, India and the Far East, South Africa, Australia, New Zealand and the U.S.A., thus gaining for himself the reputation of the most

travelled British industrialist. Since the war he has made extensive tours of South Africa and South America.

His personal contribution to the industry which he served for sixty-one consecutive years received public recognition in a number of honorary degrees conferred upon him by different universities.

It was characteristic of Lord McGowan's reluctance to rest on his laurels that he met the increased work of the Second World War with the energy and courage of a young man. On the outbreak of hostilities, I.C.I.'s factories increased in size and number, and the total of its employees almost doubled. Under the leadership of Lord McGowan, this army of workers played a vital part in every phase of the war effort. On the 31st December, 1950, Lord McGowan retired from the chairmanship of I.C.I. and the Board marked their recognition of his invaluable services by making him Honorary President.

The fact that he worked his way up from the bottom, coupled with his gift for personal contacts at all levels, made him an inspiration and example to all members of I.C.I. and, in fact, to British youth in general. In wider spheres, his personal genius and application have brought him recognition as one of the greatest figures in contemporary British industry.

* * * * *

Lord McGowan has kindly written for "Review" this article describing the employee relations work of the great enterprise in which he has played so notable a part.

THE Editor has suggested, through Dr. Frank Meehan, Chairman of Imperial Chemical Industries of Australia and New Zealand Limited, that I should contribute an article to this publication. I do so with much pleasure, and the choice of the subject has been left to me.

I have read some of the contributions already made but my difficulty is to determine what would be appropriate and interesting, and I have decided, rightly or wrongly, to say something of the history

of I.C.I. as, because of its size and ramifications, it has a distinct bearing on our social and economic life. Let me point out, however, that I am trying neither to lecture nor to preach. Nothing is further from my thoughts. It may be that what I have to say may contain the germ of a thought which will be useful to industrial concerns, both large and small, in Australia.

When I tell you that I.C.I. today employs 110,000 people—that is staff and

workers—with more than 100 separate plants manufacturing over 12,000 products, and when I add that last year the Company spent £55,000,000 on wages and salaries, and no less than £160,000,000 on the purchase of materials and services, you will agree that I have not made an understatement of the impact of I.C.I. on the economics of the country.

Many, many thousands of our staff and workers are married, and with families, and I would not be at all surprised if nearly 250,000 people did not depend on I.C.I. for a means of existence.

I.C.I.'s sales at home during 1951 totalled almost £140,000,000 and it exported products valued at over £58,000,000, thus helping to adjust Britain's balance of payments.

There is much ill-informed criticism of "Big Business", but it is I.C.I.'s size that has enabled it to keep its flag flying throughout the world, and conferred benefits on its workers and staff far beyond anything that could have been done by the individual companies acting on their own, before the amalgamation was consummated.

I.C.I. was established at the end of 1926 because some of us felt that only a combination of the interests of Nobel's Explosives Company, Brunner Mond & Company, The United Alkali Company and The British Dyestuffs Corporation, could save Britain from becoming a second-class power to America and Germany so far as concerned the heavy chemical industries. In those countries great combines had been created such as the I.G. of Germany and The Du Pont Company of America, to give only two examples, with immense financial resources. Had the individual elements in I.C.I. not come together, they could not have hoped to compete with the giant companies to which I have referred.

Subsequent events have proved the wisdom of this combination of interests. Concentration on greater and greater efficiency was our slogan, and with so many interests involved, this might not have been a very easy matter. It was no accident, however, that the companies brought into the amalgamation were not necessarily competitive but complementary, and that greatly facilitated our task.

Since the need for such an organisation was keenly felt by those responsible for the administration of the companies brought into our merger, and their subsidiaries, the welding of them together was accomplished with little difficulty, and within a very short time.

Shortly after the Company was formed we created eleven Divisions, necessary because of the greater number and variety of commodities being produced. Each Division has a separate Board of Directors, described as Delegate Boards, continuously in touch with an Executive Director in London with special knowledge of the working of each Division.

In the earliest days of the amalgamation the Main Board had central control over all essentials, but it was determined that as time went on we should give the Divisions more and more liberty of action. This process has been acted on and works admirably; to use a common expression, it puts those in charge of Divisions "on their toes".

Bond of Human Relations.

When the Company was formed we appointed a Committee to consider all labour and personnel problems, for we appreciated that the proper handling of these problems was just as important as a manufacturing Division. A Director of the Main Board was made Chairman of that Committee, with instructions to be sympathetic to labour, but not subser-

vient, and to establish that bond of human relations between management and workers which is so essential for the progress and success of any company.

I, throughout my twenty years as Chairman, and my colleagues made it a duty to visit our factories as frequently as we could spare the time—and we made that time—from our directorial duties in London. During those visits we made a point of talking with foremen and old workers, of enquiring after their health and their families, and discovering whether they were happy in their jobs. This human touch was much appreciated.

The British working man is a stout and excellent fellow and responds to human handling, and after all he is an integral part of any organisation. I can give you two illustrations of what I mean. During the period of our war effort, for example, when we were employing 130,000 people, we had not a single day's strike—nothing more serious than a few sporadic troubles, none of which lasted more than an hour or two. Secondly, I would quote an incident which occurred at our very large factory in Ayrshire—a factory which did noble work during the first and second World Wars. In this, as in so many other I.C.I. factories, a fine community spirit exists. A young man and a girl in the factory marry: time marches on and children come along; and, as is very often the case, once the children reach maturity they join the I.C.I. organisation, too. Just prior to the last war, one of the managers of this plant said to one of the oldest workers there: "Willie, you have been a wonderful servant, never a complaint about you, but the Company's rules stipulate that the time has come for you to retire." Willie scratched his head for a moment before retorting: "Retire? Retire? After 50 years? My God, if I had known this was a temporary job, I'd never have taken it!" I instance this

story to emphasize that men are not always time-servers, not always just "factory hands"; many bring hands, mind and spirit to the service of their company. Men of this calibre can be counted upon to produce something extra, to see the job through and go on working honestly whether the foreman is about or not. I do not say this is true of all I.C.I. operatives, a fine body of men though they are; if it were I.C.I. could undoubtedly claim to have solved the manifold problems of human relations within industry, whereas the truth is that I.C.I. is still learning like everybody else.

Security.

THE main factors which affect "work satisfaction" are known, although their relative importance may not yet be established. I put them in the following order of importance: security, consultation, the relation of pay to effort and skill, incentives, wise selection, and working amenities. There is nothing the British worker craves more than security. He thinks of his old age, and of his wife and children, should sickness or death overtake him. All this is much to be applauded. On this question of security, I am glad to say that years ago I.C.I. established a contributory Pension Fund for the worker that takes care of him when he retires, and he knows that his declining years will not land him in financial straits. This scheme was quite recently amplified to provide for the payment of a pension to a worker's widow and dependants after his death.

It is common knowledge that we in Britain have a State insurance scheme, which covers the entire population. The introduction of this scheme did not, how-

ever, invalidate I.C.I.'s scheme in the eyes of its workers, the vast majority of whom elected to remain within it, notwithstanding the extra contribution demanded of them under the national plan.

Consultation.

This brings me to the second factor—consultation—for security is very much bound up with it. No man can give of his best if his mind is constantly beset by fears of losing his job. Yet the floor of the shop can be a hotbed of anxiety-forming rumours, particularly when industrial conditions in general are difficult. Rumours of lost export orders or shortage of raw materials, of short-time working or of new machines “that’ll do the work of five of us” produce an atmosphere in which no man can possibly give of his best. This sort of thing gets worse in proportion as the size of the works increases, and tends to reach its peak in the largest organisations where a man is liable to regard himself as a nameless cog in a soulless machine, with no recognised individuality or even existence. These rumours should never be allowed to be born, and the best way to accomplish this is through Joint Consultation. Properly-elected representatives of the workers must meet regularly with representatives of the management, so that matters such as those I have enumerated—and not just trivialities—can be explained in advance.

It is important that the works manager himself (as chairman), and several members of the management team, should take part in these meetings; a conference of workers’ representatives alone is of no avail. Indeed, it is dangerous for it serves to perpetuate the falsehood that there are “two sides” in Industry. I have never ceased preaching the gospel that the differences between management and workers never amount to more than a conflict of view. Both have a common in-

terest in the prosperity of the company and in its continuing ability to provide both work and wages. To get this understood is one of the greatest problems of management, and it is at its acutest today because the growth of big concerns is accentuating the danger of the “cog-in-the-wheel” complex just at the time when the worker is better educated than ever before, and therefore more eager than ever before to know what is going on.

Joint Consultation committees can never, of course, impinge on the proper field of the Trade Unions. That is to say, such matters as wages must always be excluded from their deliberations. Nevertheless, much of the affairs of the organisation—the state of its order books, the development of new products or processes, and the improvement in conditions of working—are proper subjects for discussion.

I would go further, of course, than stipulate Joint Consultation between works managements and workers. The approach must be dynamic from the very top. It also goes without saying, I hope, that any policy of personnel relations must equally take account of job selection, amenities, and the other factors I have mentioned. Every misfit is inefficient, but the round peg is invariably efficient in a round hole, and pains must be taken to see that he gets it. I am equally convinced that a man’s contribution depends just as much on satisfactory working conditions as it does on the size of his pay packet.

Welfare.

Let me touch on welfare for a moment. Wherever a company’s financial resources are such as to make it possible, I believe that attractive canteens should be attached to all factories; it is surely well that workers should have at least one

good, hot meal per day at a reasonable price, in well-designed and clean, pleasantly-furnished surroundings, and it is good management to ensure it; in many British companies it is part of the welfare policy to subsidise the cost of this meal, particularly for juveniles. A good factory medical service is an essential. I put forward these suggestions with a due sense of proportion. Some of them are difficult of implementation outside the biggest of big concerns.

Nevertheless, the difference between the "good" factory and the bad often amounts to just these things—regular consultation, job selection, reasonable amenities and other practical measures. I detest talk about the "climate" within a particular industry—there are as many climates as there are companies. In a good company, the workers will accept time and motion study, welcome mechanical aids, and allow re-deployment without demur when it is shown to be necessary, for the good of the company, and the workers are convinced they are getting a square deal.

Status.

The status of the worker is another subject requiring attention. We, in I.C.I., have made a pioneer attempt to solve this problem by forming a Staff Grade of Workers. All workers of over three years' service, and over age 24, are eligible for promotion to this Grade, which carries special privileges, among them the maintenance of full wages for all certified sickness absence up to six months in any year, and the entitlement to receive one month's notice should their services have to be dispensed with instead of the one week which is accorded to ordinary workers.

Information.

FOR the dissemination of general information on the Company's plans, operations and intentions—an enormous task when you remember the size of I.C.I.—we have instituted a monthly magazine. In addition, I.C.I. also makes internal relations films, publishes Division magazines or wall newspapers, and other informative literature, including a simplified, "popular" edition of the annual report and accounts. One hundred and fifty thousand copies of the last-named document are printed every year and mailed to all employees and pensioners. I do not think that any company's finances, and how it disburses its earnings, can be too well understood in its works and offices.

These internal publications give our people some idea of what the Company means, and help to produce a feeling of esprit de corps throughout the length and breadth of the organisation.

In 1929, an Efficiency Campaign was inaugurated to encourage workers to put forward any suggestions for improvement in such matters as design of tools and machinery, safety devices, and economy of time, materials or effort. Substantial sums have been paid out under this scheme, and the Company has undoubtedly benefited.

Incentives

As regards wage incentives, in 1936 we introduced a Grading Bonus Scheme for the reward of tradesmen of proved value. General workers were left outside this scheme, but in 1945 the I.C.I. Method of Appraisalment for General Workers' Jobs

was introduced. In this scheme, points are allotted under four heads:—

- (1) The Mental characteristics required by the job.
- (2) The Physical requirements of the job.
- (3) The Skills and Knowledge acquired for the job.
- (4) The Working Conditions of the job, e.g., excessive heat or cold, dryness or wetness, or noise.

Weighting factors, which are common throughout the Company, are applied to the points to give weighted marks. By adding together the weighted marks, a measure of the importance of any job above that of a basic labourer is obtained. Finally, these marks are converted into money. As a result of the Job Appraisal Scheme, the tradesmen's Grading Bonus Scheme and other incentives, few I.C.I. workers are earning only the minimum negotiated rates, and many are paid very much more.

In the matter of canteens we have more than 100 serving (in 1951) 7,000,000 main meals a year. I.C.I.'s policy has been to charge only enough to cover direct expenses. In practice, however, these expenses have not been met.

Social and sports activities have encouraged that mingling of management, staff and operatives which we consider vital for harmonious team-work.

Health and Safety.

So far as the physical health of operatives is concerned, a well-equipped works medical service has been set up to undertake the treatment of accidents and industrial disease, the emergency treatment of sickness of non-industrial origin, the examination of workers in certain processes, and the training of first-aiders. The works doctor is rightly regarded as a member of the management team. The

hazards encountered in chemical industry are great or potentially great, but only about 150 of 70,000 workers are absent in any twelvemonth by reason of industrial disease. In several I.C.I. Divisions a dental service has also been established for several years.

Finally, but by no means of least importance, I should make mention of the Safety Services, which have helped to reduce the rate of lost-time accidents from 3.5 per 100,000 hours worked in 1930 to 1.21 in 1951.

There remain several aspects of labour relations within I.C.I. to which I have not made any allusion—for example, the training of personnel. I.C.I. does much to encourage youngsters on the payroll to equip themselves, by study at night schools and technical colleges, for promotion to higher wages rates and higher positions. It allows time away from work. It sometimes helps to pay the lads' fees. Inside the Company, too, a considerable effort is devoted to running courses designed to assist established employees in the performance of their work, and to fit them for promotion to supervisory jobs.

Industry's annual intake of boys must include thousands of great promise. It is Management's job, as I conceive it, to discover these youngsters, and develop their latent abilities. Only in this way can the best use be made of manpower material.

* * * *

ALL that I have so far said concerns only, of course, I.C.I.'s interests in the United Kingdom. Labour conditions in I.C.I.'s companies throughout the world will naturally vary according to local requirements, but in labour relations, as in technical know-how, these companies are

able to draw upon the mother company's vast experience.

In your country, of course, I.C.I.'s interests are represented by I.C.I.A.N.Z., headed by a most efficient Chairman, Managing Director, and Board of Directors. I.C.I.A.N.Z. is a large and growing business, both in Australia and in New Zealand, and it manufactures a variety of products, for I.C.I. is never loth to begin manufacture locally whenever it can be shown that such a step is justified economically. In confirmation of this statement I may say that I.C.I. has factories in many parts of the world, managed as a rule by local companies, with local shareholders, or by our own branch offices. I.C.I.A.N.Z. and our other companies abroad enjoy, of course, all the advantages of I.C.I.'s technological experience. These are considerable, for the parent Company spends something of the order of £6,000,000 per annum on research and development. Research has, in fact, been the spearhead of I.C.I.'s success. It is the key to great lodes of hidden treasure.

Not all research can yield a profit, but by and large it has paid I.C.I. handsomely. I.C.I. research gave the world "Perspex", that beautiful transparent plastic which was used during the war for the covers of cockpits and gun turrets of all our fighting aircraft, and which is now finding innumerable uses in peace-time industry. In addition, we discovered polythene, another plastic, of incalculable value during the war, and which enabled our radar to be much superior to the Germans'. I could multiply these examples of what has been achieved by I.C.I. research, but space does not permit.

To you in your young and still largely undeveloped continent, so full of potentialities, I would particularly commend the

largest possible expenditure on research. Australia must have huge resources of mineral wealth as yet unknown and, therefore, unexploited. This surely calls for research on the part of Government, as well as Industry, on the biggest scale that your financial resources allow.

RESEARCH is too wide a subject for me to deal with in this article but, clearly, it should not be confined to the chemical or any other industry; it involves research to increase the productivity of the soil, so that in time the world may not go short of food. In addition, there should be research on social services, and that term is very comprehensive. It may be that the social aspect should receive the attention of Government rather than that of private enterprise, but through research it must be our endeavour to make the world a better place in which to live.

Now, I have referred in some detail to the excellent results which can flow from consultation with staff and workers. You are an exporting country and today, with the world a buyer's market and not a seller's (as it was for a considerable time past), every effort should be made, by reducing costs by every conceivable means—and that is an all-embracing term—to ensure that you increase your export sales wherever possible.

We are facing a new problem in export business. Other countries are becoming imbued with the ambition to be self-supporting; that can never be absolute, but if it goes on it will need more and more effort to hold your hard-won place in export markets.

I can see nothing but steady progress for I.C.I.A.N.Z. and, indeed, for Australian industry in general, unless something un-

toward intervenes. Britain's interests have occupied the most prominent place in the deliberations and decisions of the I.C.I. Board, and I can assure you that the same applies to progress or development on the part of I.C.I.A.N.Z. You may say that this is not quite disinterested, and I would agree; if we can help our countries to further progress, we undoubtedly help ourselves.

* * * *

IMPONDERABLE Russia casts a cloud over the entire global scene, and it would be a rash man indeed who would risk a long-term prophecy at the present time. Nevertheless, while the omens are not very hopeful at the moment, the growing strength of the Western Nations

must have been noted by the Soviet leaders and weighed in their deliberations.

We must never give up hope of reaching a peaceful settlement with the Russians. I feel that those who have the conduct of our affairs in their hands are competent to do it, if it is humanly possible. It may take a long time and demand the greatest patience. We must never despair. We must press forward in face of all disappointments and setbacks until our goal of a real Peace is achieved.

If our diplomats can navigate us safely through the rapids of the next few years, thereby giving Industry an era for peaceful development, it should be possible to raise the standard of living throughout the world to such a pitch that there will be no cause to seek solution of international problems in bloody wars.



Contributed articles by noted authorities in Australia and overseas dealing with matters of public interest are published from time to time in the I.P.A. Review. This Institute is not necessarily in full agreement with the views expressed in these articles. They are published in order to stimulate free discussion and inquiry.