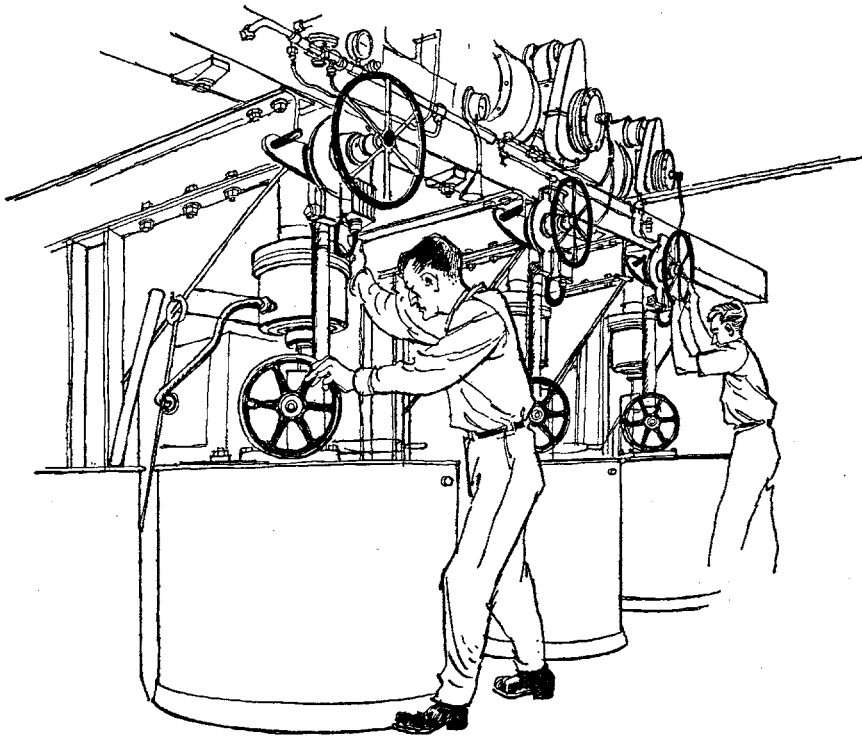




CHAPTER 13

People and Work in Factories

R. W. HARMAN

This company, employing over 9,000 wage earners in its factories and other establishments, has a major responsibility and wide experience in the field of labour relations. In this chapter Dr Harman reviews the changes that have occurred in the relations between management and wage-earning employees with the growth of the arbitration system, considers the need for improvement and development in that system, and puts forward suggestions for changes in some traditional attitudes of both employers and trade unions in the light of full employment. He translates these reflections into practical terms in describing C.S.R. policy and practice towards the people who work in its factories.

March 1956

It would take a more able pen than mine to convey a full understanding of the intrinsic nature of the relations which obtain in our factories between management and the men whose work contributes so largely to our existence. Troubles we have and enough at times, but satisfaction we get too. Perhaps it would help to describe an incident that occurred when I took Senator Richard Nixon, Vice-President of the United States, around our Pymont sugar refinery in 1953. He talked to men in various parts of the factory and to his questions the first four or five men replied in these terms: "I've worked here 45 years . . . 37 years . . . 28 years . . . Yes, I like it . . . No, I don't want to change." Senator Nixon turned to me and said: "Well, that explains a lot about you." And then the very next group consisted of three or four New Australians who could not understand him nor could he understand them. Whether it be at the Pymont sugar refinery in Sydney, or the Victoria sugar mill in Queensland, or the Lautoka mill in Fiji, most of the men in our factories are glad to be with us, I think, and we with them. The "solid core" of the company's work force consists of men who have been in our employ for many years and intend to stay.

The factors which make for satisfactory *personal* relations in our factories are much the same as in any sphere where people work together. I shall try to keep to what I think are the more important aspects—to outline the main features without too much detail. The questions of policy and practice that arise for the company in connection with our factory employees are in many respects the same as those which concern salaried employees, but there are significant differences. It is not our wish that there should be distinctions but it is inevitable, for a number of well-known reasons, that differences exist. In our service the distinctions were much less before the advent of compulsory arbitration and of highly-organized unionism, and it is our aim to reduce such distinctions.

Wage earners often seek advancement or a change of occupation by changing their employment. A proportion are not particularly ambitious, but desire to remain mobile and to change employers and even occupation from time to time. Others wish to stay where they are but prefer to avoid responsibility for getting work done according to plan and through the supervision of other people. These are, of course, perfectly legitimate individual choices. Many do not intend, as most of the salaried staff do, to seek responsibility and to make a career in C.S.R. Most salaried staff positions, especially in industries which are becoming increasingly technical and specialist, require above-average standards of education—tending more and more to longer schooling, approaching or reaching university standards.

Promotion for salaried employees also depends greatly upon themselves and their wives and families moving in our service at short notice from place to place, State to State, and even from one country to another.

Opportunities to promote and advance wage earners to the salaried staff are taken; and we are trying to do more of it. At present about one in ten of our total salaried and supervisory employees started with the company as wage earners, and some of them are filling very senior positions. There are, also, many sons of C.S.R. factory men on our salaried staff today. We have had some success in giving wage earners who are willing to accept responsibility, who have ability and who wish to stay in our employ opportunities for improving their status, pay and other satisfactions.

The Influence of Trade Unions

Most wage earners belong to industrial unions, and their wages and hours of employment in Australia and New Zealand are determined largely by the machinery of the arbitration system. Industrial unions are part of the modern order of society and can have a responsible social role to perform but, in the context here under discussion, it seems pertinent to note several aspects of their tradition in Australia, New Zealand, and the United Kingdom which stemmed originally from understandable causes now largely inoperative:

Their tradition emphasizes elements of opposed rather than common interest in their members' relations with employers.

Their tradition sets little store by increasing productivity—indeed it has tended to emphasize restrictive practices.

Their outlook towards the future tends to be pessimistic and obsessed with memories of the depression of the thirties.

A few union leaders, often for political ends, exploit these negative traditions and bring to the industrial field attitudes more appropriate to civil strife. Looking back, I would say that the leaders of the unions which are more exclusively connected with the sugar industry have acted generally in a responsible way, although in accordance with tradition they have been ready to assert union authority and power and to promote the idea of the union, rather than increasing productivity, as the real source of improvements for workers. Between operative and supervisor at the factory level such attitudes have only a limited influence, but to some extent they do permeate to the rank and file of union members and tend to discourage responsible co-operation.

Confronted by this somewhat negative but nevertheless aggressive

union tradition, employers in the main have been on the defensive to too great a degree, too disposed to adhere to the older order, too unimaginative. To be forced on to the defensive is an almost unavoidable consequence of facing an aggressive, proselytizing force, backed by a substantial body of public and governmental opinion. But we cannot overcome such a situation by merely unconstructive opposition. An Australian trade union leader reviewing a recent book on the history of British trade unions said, "The *Magnificent Journey* of trade unionism begins in despair and ends in power—but what of responsibility? . . . How can the basic aims of unionism . . . be reconciled with the democratic needs of modern society?" This is a timely challenge to unionism, but it seems to me important that private employers, notwithstanding that their journey has been much more magnificent in its achievements for whole populations—including employees, should ask themselves the same questions and find answers that will be acceptable to society.

The answers, I take it, must be found in reconciling the interests of the group with the interests of society. The *Observer* (London) recently published an article which included the following remarks, and they are as relevant to our situation as to Britain's:

But the intelligent and successful pursuit of group interests in a highly competitive, full-employment economy requires from all concerned a radical readjustment of attitudes that were formed in response to quite different conditions, when Britain suffered from chronic unemployment. . . . Today, when these conditions are precisely reversed, the intelligent pursuit of group interests calls for a new understanding of the importance of fighting inflation, raising productivity, and maintaining a continuous flow of production.

Unfortunately, this realistic grasp of the contemporary situation is not yet at all evident in the trade union rank and file. Much more obvious is the persistent influence of old, out-of-date theories and ideas.

The points I have been discussing are important to this company because of its large stake in the community and its correspondingly large responsibilities to that community. More particularly, sustained high output of goods at lowest practicable cost is an aim which we, like any other manufacturer, strive to achieve. Many factors contribute to the achievement of this aim, but willing and competent work by factory employees and freedom from stoppages and restrictive practices are important. In circumstances where the balance of power as between

unions and employers is unduly weighted on the union side, industrial peace may sometimes be purchased by paying uneconomic wages or by following inefficient practices in manning factories, but such sacrifices of efficiency to false harmony serve only to decrease output per man and add to costs of goods. Our own interest and what we believe to be our responsibility combine to influence us to strive against inefficient practices in wage rates and manning and towards higher productivity—an objective which may be prompted largely, but not exclusively, by motives of profitability but which, in its achievement, confers benefits as well on employees and the community generally.

C.S.R.'s Broad Industrial Policies

Our industrial policy has, therefore, to be reconciled with our business aims and with the conditions referred to above; and the policy which we have evolved may be stated briefly as follows: we try, even if we are not sufficiently successful, to give our people satisfying employment, recognizing their importance as persons and the worth of their work, providing them with opportunities to use their abilities and to accept responsibility; we attempt to communicate some appreciation of the importance of the social task of goods-production in which both wage earners and management are engaged; we try to establish understanding of the breadth and scope of the field in which employees' and employers' interests are both common and reciprocal, and to minimize the residual area of conflict; and we seek to resolve conflict in this residual area by orderly and regulated processes. In other words, we view the field of employer-employee relations as consisting of a large area where employer and employees are themselves jointly responsible for the nature and quality of relations between the two parties, and a smaller area where those relations require for their orderly regulation some instrument or authority such as the arbitration system provides in Australia and New Zealand, or the formal conference provides in Fiji.

The Influence of the Arbitration System

In practice these two areas of the industrial field—that of basically common interest and that of potential or actual conflict—overlap; and the means adopted to resolve conflict have considerable influence on internal industrial relations. The arbitration system, for instance, has been responsible in some ways for creating arbitrary distinctions between management and wage earners. Sir John Latham has remarked that "The system emphasizes differences and not co-operation"; it

has also tended to dehumanize a fundamental social relation. The individual human being and the respect due to him are often overlooked in the heat of legal battle; and in the rulings and awards of the courts the individual is generally submerged in broad groupings and collectivisms. I believe that the remedy for this situation lies partly with employers, who have served neither their own nor the public interest when they have too easily allowed the courts, or the unions, to take over so many of the normal responsibilities towards the men they employ.

As the employer of a large number of men in scattered places C.S.R. obviously has a deep interest in the functioning of the arbitration system. The system profoundly affects our operations and we have a great deal of experience of it. We are subject to the industrial courts and tribunals of the Australian Commonwealth, five States and New Zealand. In all we have employees working under 123 different awards.

There is a weakness of the arbitration system which has significance in a wider field than industrial relations, and which has tended to detract from the prestige of the system with both employers and employees. I refer to the weakness the system has shown where economics is concerned. Holding what probably amounts to as great economic power as any Australian institution except government itself, the wage-fixing system is not even provided with an index of productivity. It seems, indeed, that the courts, while speaking in the language of "the capacity of industry to pay" and "proper wages", have not had sound economic data to guide them. Australia is not a closed economy and is likely to be in continuing difficulty with the stability of its currency and its ability to export enough to maintain its balance of payments, yet it has rested almost entirely with employers to serve the public interest, as well as their own, by opposing before the courts general wage increases not matched by increased productivity.

The Australian and New Zealand arbitration systems appear to have public opinion firmly behind them as broad means of regulating issues between employer and employee not readily solved by other methods. And these systems have been thought of in Australia and New Zealand as a social advance. In such a wide context they have not, as yet, a long history and are doubtless in an evolutionary stage. Mr Justice Higgins' famous description of compulsory arbitration as a "new province for law and order" puts in a vivid phrase the ideals that prompted its adoption. The description indicates that it is presumed to have behind it the resources of law and jurisprudence—with all the

prestige that belong to them in British countries. I think it would be generally agreed that law, to be effective and to result in order, rests heavily in the longer run upon widespread and general respect for it, and this, in turn, depends greatly upon impartiality. It cannot succeed if respect for impartiality is impaired. Also, it seems to me, law and order require, in addition to the support and respect of public opinion, sanctions against transgressors, for "law and order" connote compulsions of some effective kind. Chief Justice Earl Warren of the United States recently said, "... no other means of social peace but these two—the law of force or the force of law—are likely to be known to man."

The requirements of impartiality and of general respect are easier to maintain when a tribunal's functions do not extend beyond the administration of justice according to law. The vesting of arbitral, legislative and judicial functions in the industrial courts and the difficulties arising from the close association of these functions, which are normally distinct and separate, have detracted from the influence and prestige of the industrial arbitration system—and perhaps from the prestige of our courts of law in general. Sir Owen Dixon said, on the occasion of his appointment as Chief Justice of the High Court: "There is in Australia a large number of jurisdictions and a confusion in the public mind as to the functions the jurisdictions possess. The character of the functions is misunderstood and the public do not maintain the distinction between the administration of justice according to law and the very important functions of industrial tribunals." It is hoped that in the Federal industrial sphere the recent amendments whereby the arbitral and legislative functions are separated from the judicial function will be an improvement.

Another major difficulty the arbitration system faces in Australia is to be found in the existence of several State jurisdictions and the Federal jurisdiction, the differences between them and the varying degrees of respect they command. These are fields where improvements can be brought about by governments, or by public opinion as the spur on governments.

The arbitration system has had to contend with difficulties of other kinds. Widespread popular misconception about economic and social history, especially about the sources of, and the measurement of, increasing material welfare; the deep suspicions and some animosity inherited from the past and re-enlivened by the depression; the underlying struggle on the union side for political power: these and other factors have combined to reduce the degree of acceptance of and respect for the arbitrator's decisions.

In important matters affecting our society, and where major pressure groups and organizations clash and seek too often to impose their will by exercising their great powers against the community generally, there seems to be no alternative but to impose, *when all else fails*, disciplines designed to avoid the social disintegration that will otherwise follow. At the same time one can appreciate that the reluctance of governments to provide powers for the vigorous and rapid application of penalties is associated with a genuine dislike for coercive and punitive measures—especially in the case of governments which do not believe in increasing the authority and scope of the central government and believe in what we call democratic freedom.

Latterly, a return to a system of collective bargaining has been mooted for Australia. While I think there is scope for more and more responsible negotiation, I have recently come across some comments by Dr E. Sykes, Senior Lecturer in Law at the University of Queensland, and I believe they are worth repeating here. Dr Sykes wrote: "When the compulsory arbitration system was introduced at their [the unions'] instance they were definitely the weaker party, and they were quite content to see employers compulsorily forced to pay minimum wages and to observe award conditions." Dr Sykes added, "... Australian arbitration courts have always insisted that there are three parties to be considered, the employer, the employee and the general public. Under a pure collective bargaining system, the decision will depend on the relative strength of the parties, and the public can go hang. A voluntary collective bargaining system will function efficiently only if the parties are approximately equal in bargaining strength."

Despite some weaknesses in our arbitration system, and many people have commented on them at length, I do not suggest that the system is basically an unsound one. It has not served employees badly, and employers' dissatisfactions lie mainly, I think, with some aspects of method and application and not with fundamentals. I believe we should be considering how to improve the system—not how to abandon it or replace it, for I believe its weaknesses are not fundamental. Conflict and tensions will never be eliminated—nor is it desirable for the sake of progress that they should be—but there is a big field of mutual and common interest for employer and employee to cultivate. In Western society there is also, to temper the conflicts, the basic respect which man owes to man and the majority owes to the minority. Against the background of that tradition there is much that could be done, by unions, by employers, by governments, through education, economic and otherwise, to improve the situation.

C.S.R. Practice under Arbitration

The company criticized compulsory arbitration when it was proposed and gave reasons, some of which have been borne out by events, but it did not appreciate and foresee several of the consequences which it might have been able to mitigate in our service to a greater extent than it did. The new rules were adhered to strictly by the company and, for the most part, the unions in the sugar industry accepted arbitration and worked smoothly within the system. The company set up a central industrial department to deal with arbitration matters, to supervise our obligations under the numerous awards, and also to deal with other industrial conditions and practices established in our factories over the years such as retiring allowances, long-service leave, sick pay and finance for home building. This industrial department was one of the first of its kind in Australia and became expert in industrial procedures and law. Its interpretations were widely accepted, and there was respect between union officials and the company's industrial officers.

Once the arbitration system became established the company accepted awards as binding contracts and viewed strikes as morally wrong. The unions knew that strikes could not force us to depart from the award. But this policy also meant that situations should not be allowed to arise in which men had serious and genuine grievances. These and other factors played their part in keeping industrial disturbances in the company at a low level. Indeed, in 100 years, with 14 factories in Australia in 1900 increasing to the present figure of 22, there have been only ten strikes in our factories lasting more than one day (and concerning the company as distinct from State-wide or industry-wide stoppages).

While the level of wages in our factories has not exceeded those found in comparable industry, for many years our negotiations with the sugar workers' unions in Australia and New Zealand have been conducted with comparatively little recourse to arbitration—a situation more easily achieved when only one employer is concerned. This has been possible because both parties approached the negotiations in good faith and with practical understanding of the industry. For the most part, also, the employees' representatives have brought to conference the views of the men they represented, and have not viewed the discussions as a means to political ends. Negotiation is almost impossible when union leaders consciously exploit, or even provoke, points of difference and opposed interest, and use the industrial field as an avenue for promotion of their power or their political advancement.

(For this reason alone it is difficult to see how Australia or New Zealand could manage at present without the arbitration system or something akin to it.)

Most unions in the sugar industry have seen the advantage to themselves and to the public interest of maintaining the system of arbitration and have been prepared to accept its decisions. But, especially since the pressure of full employment has been felt, defects in the system and, at times, the weakness of employers and the timidity of governments in supporting the courts and handling those who did not accept decisions made the position of the unions endeavouring to act within the system almost untenable.

The Influence of Full Employment

The arbitration system and highly developed unionism in Australia and New Zealand are factors which have great influence on the nature of the general social environment in which we operate our factories. We have no control over and little influence on these external factors, but the character and quality of relations between management and men in our own factories depends in the longer term substantially on ourselves. We have been devoting much attention to such matters and have been reviewing our attitudes and policy in this field, basing our thinking on the premise that full employment will continue. We believe that full employment provides a new basis for employer-employee relations which will eventually open the way, after a period of transition, to a greater degree of responsible co-operation in industry.

Since the second world war, full employment and widespread social services have eliminated much of the fear of insecurity. Anxiety or fear, partly of insecurity but also of personal insignificance, is probably one of the basic elements underlying the conflict between employers and employees. Its origins go back to the industrial revolution and its impact has not been mitigated in Australia and New Zealand by the arbitration system. Nor has full employment removed the fear of insignificance. The best type of man cannot be bribed by economic security to work wholeheartedly at tasks which appear meaningless; men cannot be expected to co-operate in a system which they believe to be opposed to them. Such attitudes, which militate against conscientious co-operation in the social task of goods-production, have their origins largely outside the factory. It has been fashionable in some intellectual and political circles to overlook the very real material benefits which the capitalist system of industrial production confers not only upon its participants—employees as well as employers—but

also upon the community as a whole. Understanding will require more widespread economic education than prevails at present and the scope of individual employers in this field is limited. But every employer, every manager, every single foreman can do something about recognizing the importance of the work of individual employees and their significance as persons.

Professor Brigden, speaking in 1928 of industrial conditions in Australia, remarked that: "The trade unions have not faced economic realities and the employers as a whole have not faced what I may call human realities." This observation has become of more significance in recent years. Full employment and "the age of inflation" are forcing both parties to re-examine these two realities.

The Individual and the Group

The arbitration system itself has been responsible to some extent for employers' failure to face up to what Professor Brigden called human realities. The system detracts from the status of individuals and tends to reduce them to mere classifications in an award. To treat a man on an individual basis might create a precedent upon which unions would seize to demand from the courts the same privileges for all members of the classification to which that man belonged. The very thought of creating precedents has often been sufficient to stop a factory manager in his tracks and to stifle his arguments in support of what otherwise might be a reasonable and commonsense action. We are consciously attempting to reverse this stultifying attitude and to strengthen the conviction in our factory officers that they themselves are responsible in high degree for the working life of their men, and to strengthen also the conviction that the satisfactions of work are not exclusively a matter of wages and benefits capable of being measured in money. The view that relations between employers and employees are solely economic is destructive of respect and goodwill. It degrades human personality, on both sides.

In evolving policies to meet the new situation brought about by full employment we have a tradition within our own company to draw upon. In the past most of our people experienced a sense of belonging to the company group and identified themselves with it to an extent hardly imaginable in these times. Until just before the first world war, when the first industrial awards affecting our employees came into force, the company dealt directly with its employees. As mentioned in the previous chapter, where I quoted Mr E. W. Knox, it paid wages somewhat above the average and, of great importance in those days,

the employees were substantially assured of continuous work; to a considerable extent they could provide, with the company's help, against sickness, accident and retirement. Relations were good. The company was not backward in saying that it was proud of this situation. The widespread strikes of the 1890s did not affect any of the company's factories. There is no doubt, however, that with the advent of arbitration the administratively easy policy of handing over so much responsibility to the courts, combined with the policies of most unions, tended to undermine the old group feelings and to change them to feelings of opposed interest. Employees came to believe that rising living standards were to be attributed almost solely to the activities of their unions or to the decisions of arbitration courts, and were not linked with productivity. The fundamental association of higher living standards with more capital tools, and therefore with an increasing total volume of rewards for capital, has been obscured.

But despite the diminution in recent decades of the group feeling under the impact of the arbitration system and highly-organized unionism—a diminution which we did something to counter but not as much as possibly we could have done—a similar but less intense attitude still holds fairly widely through most of our factories. We are trying to encourage this group sentiment and to develop it on foundations of real understanding of the worth of the task in which management and wage-earning employees are engaged, together with the shareholders. I think there is evidence that some union leaders are becoming more aware of Professor Brigden's "economic realities". I hope employers appreciate the moral reasons for and real advantages of facing up to "human realities".

In order to encourage the development of mutually responsible attitudes we deal directly with our employees on as many matters as we can. And we are seeking more opportunities for direct negotiations with unions, commencing with matters that have some area where interests are mutual, an area which we attempt to expand.

We realize that working conditions in parts of our older factories are not as good as they could be, and we have been taking the initiative in introducing improvements in on-the-job conditions and in amenities. New dining rooms, change-rooms and showers at many of our factories have been genuinely appreciated by employees and it is satisfying to see the interest they take in keeping them in good order.

We take the view that skill, conscientiousness and responsibility merit recognition. Over recent years we have given special marginal increases in wages to some of our more skilled specialists and leading hands. We have also introduced various forms of payments based on

production or merit, designed to encourage both management and wage earners to become more aware of their abilities and responsibilities in production.

We have increased the numbers and status of supervisors, thus providing more opportunities for advancement and recognition and at the same time assisting to raise standards of discipline, training and communications in our factories. Men intended for more responsible supervisory functions are given special training within the organization.

We are paying still more regard to the training and supervision of operatives and are trying to devise effective means of passing information about their work to factory employees; thus, we hope, assisting them to appreciate their own significance and the significance of their work. At several of our larger factories we have specialist officers to assist management in the engagement and training of employees. We keep ourselves informed of and employ many personnel practices and techniques, but we take the view that the development of men and relations with them are a direct responsibility of factory managers and officers in charge of production and only in particular respects can these matters be handed over to specialists.

In short, we are tending to emphasize the importance of human factors in our factories and seeking to recognize and discharge those responsibilities which are properly ours. Whatever the system by which the community decides to regulate employer-employee relations, the quality and tone of these relations will be decided largely by the degree of respect between managers, supervisors and operatives and by the mutual realization of the size and importance of the field of common objectives. I would stress that in our thinking on these matters we are primarily concerned to avoid reliance on a system which means abrogation of personal responsibility—on both sides.

Industrial Relations in Fiji

C.S.R. is proud of its achievements in Fiji and of the way in which its policies and practices have helped the Fijians and Indians to develop and make progress. In this, relations between employer and employee play an important part. It is not necessary to make more than brief reference to that subject in this chapter, however, because it has been dealt with in the chapter on Fiji.

Wages and conditions of Indian and Fijian employees are determined at a conference between the company's managers and representatives from the employees' unions. There is no arbitration court in Fiji such as we have in Australia and New Zealand. There is, however,

provision in the laws of Fiji whereby industrial matters in dispute can be referred to a tribunal set up by the government for the occasion.

We encourage the sugar workers' union, the Chini Mazdur Sangh, to deal directly with us. The representatives of the union and our managers, led by our senior manager in Fiji, now meet annually in conference to discuss and settle among themselves wages and conditions of work. There is no third party present and the parties confer freely, genuinely aiming to reach agreement. And, since the conference method started in 1945, agreement has always been reached without recourse to special government arbitration tribunals. Moreover, what is as important, the agreements have always been honoured. "Reaching agreement by negotiation may at times be a protracted and difficult matter," Sir Ronald Garvey, the Governor of Fiji, said in his opening address to the Fiji Legislative Council in November 1955, "but a negotiated settlement is the most satisfactory settlement of all to everyone concerned because it leaves no bitterness behind it."