

The Secretary,
House of Representatives
Standing Committee on Economics,
Parliament House,
CANBERRA. A.C.T. 2600

Dear Sir,

I am pleased to forward a submission for consideration by the Committee and in doing so, I have concentrated on the Micro aspects of the programme because without the adoption of that section, there is little point in adopting the Macro section. In saying that, the latter would deal with things like Inter-firm Comparisons, Clustering, Co-operative equipment agreements, Collective Industry Participation, such as when Horticultural Industries would work with other Primary Industries and Manufacturing Industries, Marketing and Finance to produce effective Import Replacement Programmes, all to the benefit of the total economy.

The flexibility of the programme is such that it can be altered in any way at any level to suit the requirements of the participants.

A strong increase in Productivity will generally result in a stronger increase in profitability to the Enterprise with follow on benefits to all involved including Government Revenue. While some managers have claimed results as high as 1,000 per cent when using the micro programme, by best effort was 600 per cent, resulting from \$7,000 per employee per week to \$42,000 per employee per week with the addition of about \$6,000 on new plant.

To maximise the return on investment provided by the Government to boost education, universities, science, research and innovation, we should look to converting the technology developed into exports, particularly manufactured exports and for this to be successful, "Best Practice" should be the immediate goal. The two major research projects at Loy Yang Power into the reduction of CO2 emissions would be an excellent example of converting research into exports if our manufacturing industries were truly globally competitive.

When considering the Productivity of Capital, we could look at establishing an island based economic zone with all of the island countries from Samoa in the east to Indonesia and The Phillipines in the west. Australia would then have the efficiencies of scale required to establish efficient manufacturing operations supported by Australian capital as a Development Bank for the Region. This capital could extend to Confirming House operations, capital support for consumer finance and programmes to increase wealth per capita within the poorer communities, thus developing a strong economic zone with Australia as the hub. This type of financing would be of assistance to those Superannuation Funds looking for safe fixed rate investment.

I have enclosed some additional material as background information if Members of the Committee felt that they would like to look at the subject further. I look forward to the Committee's Recommendations.

Kind Regards,

A handwritten signature in cursive script that reads "C. M. McIntyre".

Col McIntyre

27th July 2009

House of Representatives Standing Committee on Economics

Inquiry into Australia's permanent rate of productivity growth

Employee Engagement Programme

This Inquiry offers a unique opportunity to address Australia's long term problem of substandard productivity performance and to develop strategies that will not only enable us to catch up to most OECD countries but will allow us to develop methods that will increase our performance to a level that will give major increases in benefits to the nation and to Australians generally.

Because the Science of Productivity is not studied in Australia, few people truly understand the subject and while it is generally considered to be part of the Economics discipline, there is more emphasis on the calculation of the Chicago Board of Trade Index than is given to the study of productivity. Economists can easily understand the productivity gains from sources like good infrastructure, education, skills training, research and innovation, science and ways to help move unemployed people into productive employment etc., but they are not well equipped to understand how to gain maximum productivity from within the existing workforce to utilize the experience and brainpower available within the Enterprise. This can be harnessed through an effective low cost programme of employee engagement through the establishment of Productivity Groups, endeavouring to involve every employee in the enterprise

Professor Michael Porter of Harvard University is a highly regarded world authority on Productivity and in his book "The Competitive Advantage of Nations" he makes the point that for a nation to be truly competitive, all of the Industries operating within that nation's economy have to be competitive and for this to occur, all of the enterprises that make up those industries must also be competitive. At the last International Conference of the Science of Productivity he stated that as Industries within the OECD countries had completed "Best Practice" it was time to move on to "Innovation" and practices to fully exploit I.T. with Best Practice, particularly those businesses that had a global presence. While the Australian Government has produced a substantial effort to increase the effective use of Innovation, most of Australia's enterprises have not yet achieved best practice, which demonstrates just how much we lag behind other countries on the productivity ladder. This is borne out by a study done by The Department of Industry - "Patterns of Innovation in Australian Manufacturing" produced July 2007 from 2003 data - refer page 30 which illustrates the percentages of businesses having whole foreign ownership outperform those with part foreign ownership and they in turn greatly outperform wholly owned Australian businesses. This is again confirmed in a wider study "Patterns of Innovation in Australian Business" using ABS data, resourced 2003 published 2006 also page 30. The Department of Industry studies also indicate that wholly Australian owned businesses lack collaboration on many issues and the "Employee Engagement Programme" would correct this problem.

The programme is designed to fully utilize the brainpower, experience and skills that exist within the workforce of an organization, whether it be involved in retail, manufacturing, service industry, hospital, farm, public service, legal or similar, or any other entity. For example in a manufacturing plant, the number of employees would be divided into groups of about 10 people and would be known as Productivity Groups. They would meet for about 30 minutes per week in a formal meeting with minutes, generally just prior to work commencement, normally on a Wednesday and forward a copy of the meeting to management for their information and action if required.

The types of activities that the groups would be involved with include but not limited to:- checking out the lay-out of the factory, the lay-out of the plant, sequence of manufacture, methods of manufacture, adequacy of plant, quality control, supply of materials, product designs, policies & procedures, changes in design to reduce cost of manufacture or improve performance, checking safety procedures for the safety of the workforce, the manufacturing process, the plant, materials and completed product. All of which is designed to move the enterprise to “Best Practice”. In addition to the above, they would need to look at the level of training within the workforce and make recommendations as to the type and amount of training required, they would look to setting up a technical library, attending machinery trade fairs to inspect the latest manufacturing equipment available. Supervisors would also be members of the Productivity Groups and actively participate. To get to a standard of “Best Practice” requires a lot of work and dedication from the employees and a lot of encouragement and co-operation from management. This standard is required if we are to be truly effective in expanding and developing export trade and import replacement programmes.

If we are looking to attain “Best Practice” within the public service, hospitals, police, legal offices, service industries, transport, farms or any other activity we have to be aware of the standard required to produce the best possible product or service at the lowest possible cost as a minimum requirement. Much of this work will be listed in the attached “Principles of Productivity” Any changes recommended by the productivity groups is within the concept that there is always a better way and working smarter not harder. The ideas generated within the enterprise are referred to as being Micro ideas, but any of those ideas that are thought as being worthy of action at industry level and in turn discussion with Government are termed Macro ideas.

If we look at other sciences to assist our thinking, we find that Neuroscience tells us that knowledge based education is stored in memory and creativity (new ideas) is activated in a different part of the brain. This means that while one person has a University Degree and another person is a machine operator, they both have equal opportunity to produce a good idea. The only time that the person with the Degree has an advantage, is if the idea being sought is relative to the discipline of that degree. If we look at Behavioural Science, it tells us about those things that are sought after by employees, how to deliver the sense of belonging, how to encourage them to work efficiently, how to encourage them to contribute and develop a culture of co-operation. In all studies of Productivity, the one element that continues to come forward loud and clear is:- “In the search for productivity, the attitude of employees is

more important than the capital, plant and technology invested in the enterprise.” The attached paper, “Australia’s Underutilization of Human Capital” is designed to give an understanding of the factors involved in developing the right attitude. The employee engagement programme has a lot of similarity to the “Bottom Up” rather than the “Top Down” organizational systems and while not used in Australia to any recognizable extent, this has proved effective in most other economies.

In America they have used a similar system to Productivity Groups and called them “Teams”. Boeing Corporation has 6000 teams in their organization. The main difference between the two groups is that Teams compete against each other for the development of ideas and for all of the activities to bring about “Best Practice” and while the concept obviously develops good ideas, it may not necessarily produce the best ideas. On the other hand, Productivity Groups openly discuss ideas between groups and individuals. It has been proven consistently that a group of people will collectively deliver better outcomes than a brilliant individual working in isolation and by extension, this would be very likely to be the result with the wider field of discussion within groups.

It has been suggested that much of Australia’s productivity problems at enterprise level could be corrected by Managers being better skilled with selective training. In the past, training for “Business Management” and “Business Administration” has concentrated on organizational functions and financial expertise with very little consideration given to the basics of understanding people within the workforce, the detailed processes involved and the intimate workings of the enterprise. Even when Boards of Directors have been involved, very little thought has been given to the business other than the financials. Given the extensive turnover of CEO’s this aspect is unlikely to improve with additional training but it would still help to some extent. “Best Practice” which requires an intimate knowledge of the total business, particularly in manufacturing is unlikely to be achieved without an effort to achieve it. It is quite common when moving around factories, unions and management to hear phrases like “Why bother about suggesting anything, nobody listens” and “It is no good thinking about productivity in our factory, our lot is only interested in getting more money”.

It would appear that Australia’s Public Service could be a major beneficiary of a programme for both State and Federal so that Departments could be better informed of projects, be able to recognize areas where services could be expanded, wastage of funds and effort would be reduced and to create conditions where their work is more rewarding.

Rural industries are our best productivity performers and this is reflected in the fact that while they each in turn have run into difficulties, collectively they have been able to compete on a global market against countries that have blatantly subsidised their rural industries enormously. The Sugar Industry is one that could not possibly operate successfully without its within industry productivity programmes. A lot of enterprises would consider that they would not benefit from an Employee Engagement Programme but it would be difficult to find one that would not benefit, even those trades people who run a single person operation can benefit.

When we consider the brainpower needed to achieve the targets that we need to reach to be really competitive as a nation, we need to expand our capacity to think and this promotes the question, "How much thinking do we do about thinking? While we are familiar with the work of Edward De Bono and some may have attended lectures by Professor Jennifer Jones, very little material seems to be available from Australian academics to address this same issue and produce work for Australian Industries and if we are to take maximum advantage of a competitive position, it is essential that thought processes are developed to lift our thinking to higher levels and to give some thought to the environment that such thinking may take place, if we are to become a smarter nation, both mentally and by education, In the study of productivity there is often confusion between Production and Productivity and between Education and Intelligence. Interestingly, it is estimated that of all the mental stimulation that we receive from primary school to university, we only use about 10% of that stimulation in adult life. Within that thinking process we should include a study of the Productivity of Capital, not within the economic sense of Multi-function, but the productivity of capital within itself. Such a study might show how much of the capital within Australia could be used more effectively, particularly for marketing aids for our export and import replacement programmes.

We are looking for immediate benefits from the Employee Engagement Programme to give a boost to GDP, to improve business and industry profits to increase taxation revenues to the Government and increased pay to the workforce and at the same time through the Macro use of ideas to increase the use of import replacement programmes by combining the use of multiple industry involvement . This would assist to reduce our Current Account Deficit to manageable levels.

Col McIntyre\

BACKGROUND INFORMATION

PRODUCTIVITY

AND

THE EMPLOYEE ENGAGEMENT PROGRAMME

AVAILABLE PAPERS FOR PRODUCTIVITY RESEARCH

1. "Australia's Underutilization of Human Capital"
(explores ways of developing better work practices and experience to provide a more satisfied and productive workforce).
2. "Human Focus a capital idea"
(a copy of article from Australian Financial Review dealing with research of interactions with 10 million customers and 10million employees to reinforce employee engagement benefits).
3. "Addressing Staff Turnover"
(a look at ways of reducing staff turnover without costing the earth).
4. "Principles of Productivity Improvement"
(like all science the discipline is controlled by Principles- a list of 18 items).
5. "The Way Forward"
(a seminar style paper produced in the early 1990's but still relevant).
6. "Who benefits from Productivity Improvement Programmes?"
(self explanatory).
7. Productivity Pie Chart.
8. "What do Productivity Groups Do?"
(how productivity groups are formed and operate)
9. "Productivity"
(an 11 page seminar type paper)
10. Managing from the factory floor
(an article on practical employee engagement)
11. Adapting to Change.
(a paper on organizing change)
12. Stalling Inflation - lowering prices
(a paper looking at productivity to reduce inflation)
13. Intelligent design vital to manufacturers.
(an article demonstrating the incorporation of good design).
14. Suggested Scope of the Department of Productivity.

PRODUCTIVITY

AUSTRALIA'S UNDERUTILIZATION OF HUMAN CAPITAL

There has been a trend developing to refer to Employees generally as Human Capital but this does not adequately describe this valuable input to productivity and to understand this more fully we have to look at the whole person. This includes their health, intelligence, personality, all of their good points and all of their not so good points. It also includes their education such as their school education, post school education, work experience including on-the-job training and any other skills they have learnt along the way.

When we are working with monetary capital we tend to fully utilize the funds available and try and stretch that resource to the full but when we look at human capital we tend to look at a person with 2 arms and 2 legs and not much else. Little effort is made to encourage a contribution of brainpower in the workforce as a systematic approach to enterprise and industry development. Those countries that do encourage "employee engagement" are reaping the rewards. This is reflected in better performance of the enterprise and flows through to industry thus helping export industries and higher gross domestic product in a global economy.

Why is it that some enterprises can have very little staff turnover, pay the lowest wages and operate within Industries with staff shortages, high wages and heaps of recruitment agencies offering the best of all worlds? What is their secret?

The answer is simple. Those enterprises treat their employees as people and move through all of the steps to make it happen to develop the employee's attitude to the enterprise, keeping in mind that many people who study productivity believe that the attitude of employees is more important than the capital, plant and technology invested in the enterprise when we are looking to boost the productivity of the enterprise. This attitude is developed right from when a position becomes available and an advertisement is placed. Truth and honesty are paramount in framing the advertisement and as the enterprise would be well known, there would be little need for a lot of detail. During interviews with potential employees the same criteria applies.

When mutual agreement is reached on employment, the human relations people are very much involved in the introductory process and a simple "Welcome Aboard" is definitely not sufficient. At this point of time an Employee's History is set up and this sets up a lot of opportunities if they are noted. While a Resume or a C.V. will contain a lot of information about past employment positions, there is usually very little about the real "experience" and the aspirations of that person and it is up to the H R people to gain and record that information along with the detailed recording of all of his/her family information, ages, birthdays, anniversaries, special notes if any member has a serious illness or disability. It is not difficult to imagine the boost of support and added incentives that occur should a family member require assistance and the enterprise provides or the wife receives a nice bunch of flowers and a card on the day of her wedding anniversary or the children receive a congratulatory letter upon a particular achievement, whether it be academic, sport or hobby. Employees should be encouraged to further their education particularly as it refers to their work and it is particularly pertinent when they can use that acquired knowledge within the workplace and it becomes a win - win situation. Any monies used to subsidise education costs such as T.A.F.E. College fees should only be paid on a successful outcome and this should be made clear at the outset.

It is important that Supervisors and all Front line Managers successfully complete a Supervision Course which includes Behavioural Science so that they can build the feeling of belonging and of being important to the enterprise within all employees and this aspect of their work is of equal or more importance than any other competency that they may possess

Modern management practices have concentrated more on the short term profits in the private sector with the aim of increasing share prices to improve Company financial strength more than on long term benefits and in the public sector management there has been a greater emphasis on the achievement of budgetary performance than the outcomes of public benefit. Added to this problem has been the introduction of performance based salaries of senior executives which has added to short term thinking for short term results. In Australia we have lost pride in what we do and loyalty is a thing of the past and as both pride in what we do and loyalty are essential to productivity we have to re-instate them in our performance.

This is firstly introduced by the H.R. people at the introductory stage of employment where a culture already exists that promotes a full and complete understanding of employee engagement but if it is intended that this understanding be introduced to an existing organization rather than an individual then some assistance from an outside source may be advisable, unless the H.R. people are adequately trained in this task. We need to develop a culture within the organization that nurtures a willingness within employees to freely contribute to the efficiency, development and success of the organization. For them to do this effectively, they have to have a sense of belonging, they have to feel that they have a contribution to offer, they have to feel that their efforts are important., they have to be consulted on all matters that affect them, they have to feel that their job is secure as best it can be, when disciplinary measures are required, that such action follows the correct procedures, that opportunities exist for personal development and the organization cares. Where possible, if the aspirations of the employee can either be met or enhanced, further re-enforcement of the culture is accomplished.

By setting up productivity groups within the organization much of that culture will be developed automatically, especially if the flow of information is both up and down. Communication and understanding are essential ingredients to the mix along with the desire for success.. To create the environment for people to enter freely into discussion and offer thoughts constructively to benefit the organization is not an easy task but this can be achieved with honest, frank discussion, listing all of the benefits to all parties. This is where families can play a role and highlights the importance of involving the family as part of the employee history by the H.R. people. Where proposals are put to the productivity groups for specific inputs those proposals can have a contribution from family members and the brainpower availability to the organization is ever widening.

New ideas, innovation, research and creativity are all generated from Brainpower and this means people and the more people that become involved the greater the opportunity to advance the organization. It is worth noting that in gauging thinking about education and intelligence, it does not necessarily follow that people with higher education produce the best ideas and one should be careful to encourage as many people as possible to contribute to discussion and contribution. In this way we will maximise the use of Human Capital.

Queries to -
Col M^cINTYRE

Human focus a capital idea

Report Damien Lynch

Companies are seeing a need to better engage with their employees as they seek to improve the experience of their customers and differentiate themselves from their rivals.

"All of a sudden people seem to be important again," said Kim Cleworth, lead partner of Gallup Consulting Australia. "Corporates are concerned with retaining their best staff and improving productivity. They realise there aren't a lot of people sitting on benches looking for a job.

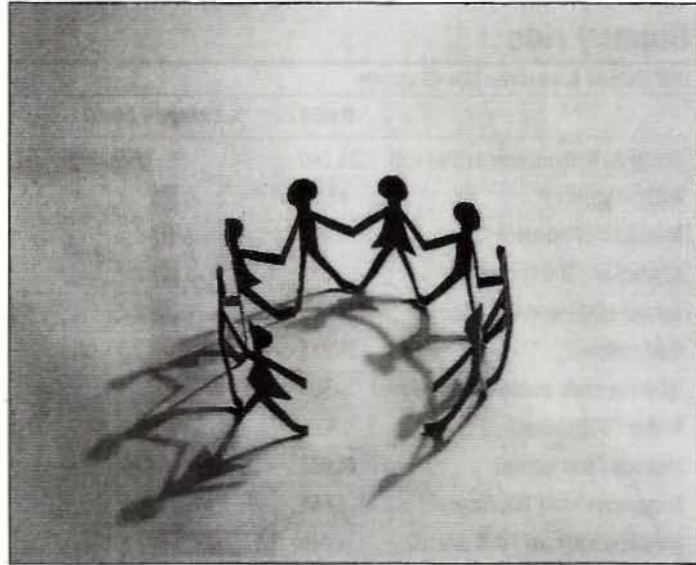
"Major organisations are done with trying to reinvent themselves and done with the cost cutting of the last few years. What they are left with is their staff and they need to figure out how to make them a point of difference."

In the past month Gallup has launched a new book, entitled *HumanSigma*, which contains methods with which to measure and improve employee and customer experiences.

The book is based on research of 10 million employees and 10 million customers around the world.

Its key findings include the realisation that employee and customer experiences must be managed together, and that emotions drive and shape the employee-customer encounter.

According to Gallup, a recent study it conducted showed companies that built a critical mass of engaged



Making the most of the employee-customer encounter is vital.

employees grew earnings per share at 2.6 times the rate of low-engagement companies.

"With true value and profit coming from the employee-customer encounter, this interaction has become the centre of value creation," said chief scientist and co-author of the book, John Fleming. "To make the most of the employee-customer encounter and create real value, companies must learn to measure and manage that experience and the people who create it."

According to *HumanSigma*, sustainable improvement in the employee-customer encounter requires disciplined local action coupled with a company-wide commitment to

changing how employees are recruited, positioned in roles, rewarded and recognised and, importantly, managed.

According to Gallup, organisations with management principles in line with those in *HumanSigma* outperformed their five largest peers over a recent one-year period by 26 per cent in gross margin and 85 per cent in sales growth.

"*HumanSigma* offers a new set of rules and a different way of thinking about managing your company's complex human systems," said Dr Fleming.

Globally, Gallup is divided into two divisions: Gallup Consulting and Gallup Polling and Opinion Research.

This article re-enforces the huge productivity advances that could be experienced by Australian enterprises by following any of the Productivity-in-Industry programmes. This would bring very substantial benefits to Australia in reduction of current account deficit, Inflation and skills shortages. It must be understood though that this facet is only part of a total productivity plan. As 20 million people were engaged in the research, the findings would have to be conclusive.

Reference:-
John MINTYRE

ADDRESSING STAFF TURNOVER

The effort and quality of results delivered by Staff is dependant on management style within the management chain in the organization, the amount and quality of training given to the Supervisors as Frontline Managers and the standard of aids provided by the company. Training of Managers, Supervisors and Staff can heavily influence the development of a culture within the company to produce a productive attitude within the workforce.

Professor Michael Porter of Harvard Business School has consistent proved over many research ventures that the attitude of employees is more important to satisfactory outcomes for the company than capital, equipment or technology. The companies that follow this directive are almost invariably successful.

As a Company how do we achieve this objective? By firstly being selective in the appointment of our Management Team and encouraging our Managers to concentrate on staff development - to include all staff from basic to and including Supervisors. While autocratic management will work best in a handful of companies, in most it wont. Generally, a manager who has good people skills with staff, will have a corresponding relationship with customers.

Staff turnover is a huge cost, not only in the financial cost of advertising in Newspapers but also the amount of time consumed by management, supervisors, administration, human resource people, the changing of rosters etc., and the list goes on. The trick is to look at ways to reduce staff turnover and the root cause of the problem is generally dissatisfaction. Our best plan is to create a workplace environment in which people seek to work for the company.

Before an advertisement is placed, care should be taken to see that the position advertised meets the needs of the job specification and the level of expertise required. Over qualification of the job advertised leads to boredom, under qualification leads to frustration. If training is offered, it widens the base of applicants. The position as listed should clearly state what is expected within the job.

Some Companies can hold staff for periods of years but pay the lowest rates of pay. Why is this so?

To try to understand this action, we have to try and understand the person we have engaged. We have to to understand that they are a whole person, that they have all of the simplicities and the complexities that make up a human being and that you have to work with that mix to help that person achieve all of the goals that they

have set for themselves and to meet the objectives that you have been set by the company. To try and further that understanding lets look at some of the things that we should keep in mind.

People ^{like} to feel that they belong to a Company. They like to feel wanted in the organization. They like to feel that their job is important. They like to feel that their achievements are important to the Company's success. They like to be recognized. They expect to be admonished when they make silly and avoidable mistakes - but not in front of other people. They like to feel that they can confide in their Supervisors. They like their Supervisors to listen to their ideas and act on them. If they have a gripe, Supervisors should treat it seriously and handle it professionally. They like to be informed and consulted about matters that affect them. They like to be informed well in front of a proposed change. They like to feel comfortable in their job as a feeling of security. If they are having problems, they like the Company to understand and if possible assist them. They like to be paid for time worked. They like to feel that they can advance to higher positions. This is by no means a complete list of the factors that supervisors and managers not only have to manage but manage them well and the learning of which is an essential part of supervisor training.

A company that achieves all of the above and more, generally does not have a staff turnover problem, but to achieve this, management must be approachable and interested in achieving this objective. Supervisors must be trained to make it happen and all of their staff should be encouraged to do some training. Staff that join a company and enter programmes to better themselves generally stay with the company and because they are trained by the company, they fit more easily into the company's ways. A willingness to learn should be a key point in staff selection. When many people are involved in training at the same time, a Master of Apprentices type person should be appointed to look after staff requirements for that training. Where a Human Resources person is not available on a major site, a senior person could be appointed to look after staff requiremen

Guiding and directing staff to achieve best performance is not easy but if these fundamentals are acted upon, further opportunities are available to encourage higher levels of productivity and all of its benefits.

PRINCIPLES OF PRODUCTIVITY IMPROVEMENT

(not in order of priority)

1. Productivity is not an exact science so there are no boundaries to creative thought.
2. Productivity principles can be applied across all activities not just to Business or Industries.
3. There is always a better way.
4. Seeking Productivity Improvement is a continuing and on-going task without limitations,
5. Productivity Improvement should be sought systematically.
6. The Attitude of Employees to Productivity Improvement is more important than either technology or capital in achieving a successful conclusion.
7. Business should use all of the Brainpower available to it; Management does not have a Mortgage on new and better ideas, intelligence, knowledge and enthusiasm.
8. It takes only one good idea to produce a competitive advantage.
9. Since Brainpower produces thought, people should be educated not only to seek knowledge, but should be also taught to think and develop the power of thinking.
10. A group of people acting as a team will produce far more and better ideas than the same number of people acting as Individuals.
11. Productivity Improvement produces a higher standard of living for all peoples in the Country not just for those in the benefited Firm.
12. Research and Development is the very heart of Productivity Improvement.
13. Since Productivity Improvement increases Competitive Advantage, a Country whose Governments and Industries strive for Productivity Improvement must achieve a Competitive Advantage for that Country.
14. Governments need to recognise the benefits of Productivity and do all in their power to promote it.
15. The top ideas in Productivity Improvement to-day can easily be obsolete to-morrow.
16. Design Schools produce better design skills and these are essential to Productivity Improvement.
17. Productivity Improvement creates more jobs.
18. The rewards for Productivity Improvement need to be recognized.

WHO BENEFITS FROM PRODUCTIVITY IMPROVEMENT PROGRAMMES?

EMPLOYEES.

The programme promotes more jobs.
Better Job Security.
Better working conditions.
More job promotion opportunities.
Having a say in matters that affect them.
Better relationships through teamwork.
More training opportunities.
Development of a wider range of skills.
Better job satisfaction.
Develop a pride in their work.
Enables them to persue long term goals.

EMPLOYERS.

Make more profits.
Develop more and better products.
Give better service.
Increase Sales (both domestic and export).
Better workfore relationships.
Attract a more thoughtful workforce.
The business is easier to manage.
Can adopt better long term business strategies.

GOVERNMENT.

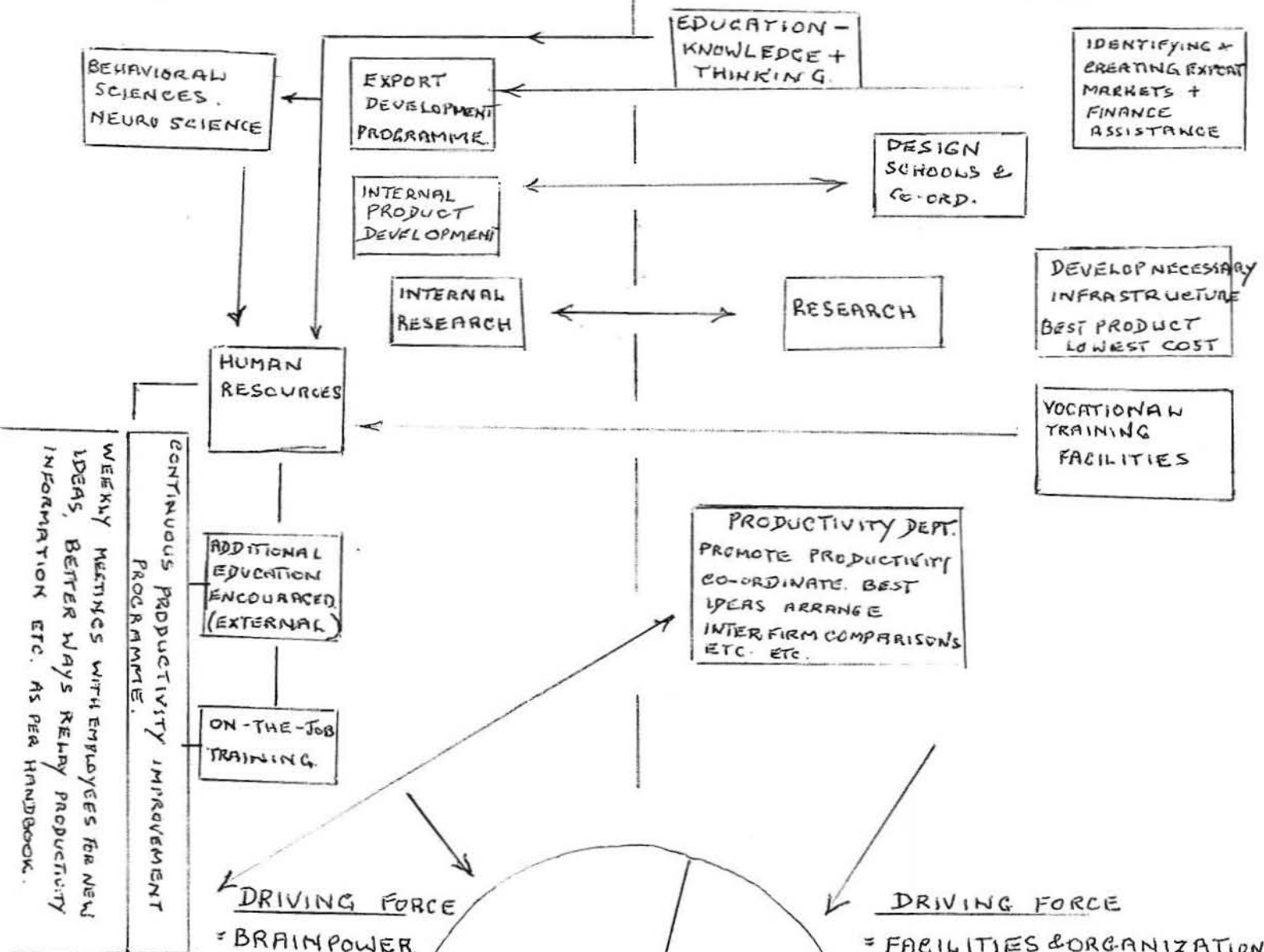
(state)
More economic activity means more revenues from infrastructure.
Training is not being paid for by Government.
More funds are available for those in need.
Governments are seen to be performing well in a global economy.

(federal)

More profits mean tax revenue increases.
The same benefits as per State)

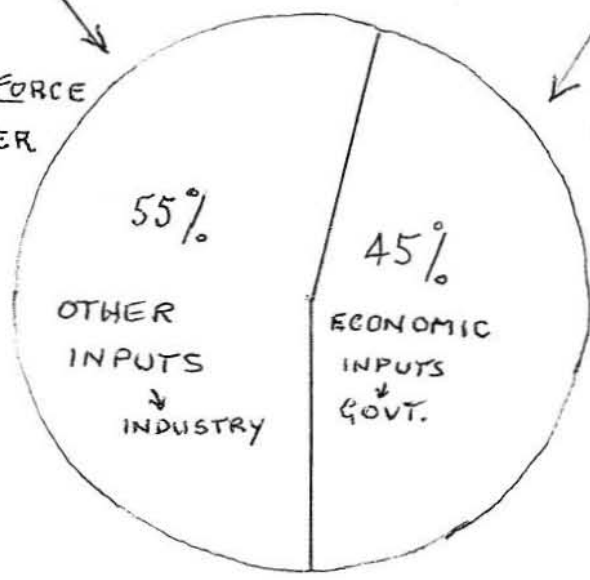
INDUSTRY

GOVERNMENT



DRIVING FORCE = BRAINPOWER

DRIVING FORCE = FACILITIES & ORGANIZATION



PRODUCTIVITY PIE.

TO ECONOMIC RESULT

WHAT DO PRODUCTIVITY GROUPS DO?

Productivity Groups comprise teams of people working within an Enterprise who meet regularly to seek ways of doing things smarter, to create job improvements, to make their workplaces safer and cleaner, promote ideas that will improve the profitability of the Enterprise. By working as teams they create harmony within the workforce by assisting their fellow workers wherever possible and if job boredom becomes a problem they develop team attitudes to the job.

Management does not take an active role in the group but can sit in at the meetings without influencing the direction of the group unless there is a particular situation where Management may seek ideas from the group to overcome a problem or to generally benefit all those within the Enterprise.

Group Leaders report to Management on a regular basis and bring forward the ideas developed within the Groups. Management does not have to accept the ideas brought forward but generally the ideas brought forward by the groups are such a calibre and assistance to the Enterprise that the proposals should be considered carefully. Full records should be kept of all Productivity Group Meetings and Members should be encouraged to bring written proposals to the meeting, to facilitate proceedings and to present the facts because sometimes all of the points are not raised if the proposal is not in written form.

Each Group should appoint a Group Leader and a Secretary so that the meetings are conducted properly. The meetings should be as brief as required, preferably no longer than 30 minutes and should be held on a weekly basis at the same time each week so that a continuity is established.

Subjects handled by Productivity Groups include but are not limited to:-

(1) Looking at an existing process and trying to find a better way of doing it. This is looked at when the present process may have faulty quality control, takes too long, involves heavy lifting, slows down other activities or for some reason the process needs to be reviewed. There are very few processes that cannot be improved. There is always a better way.

(2) Looking at ways of improving displays of goods for sale. Looking at increasing the range of products to complement existing product lines. Try and look at ways to increase sales turnover.

(3) Look at ways to keep work areas safe and clean, provide safe walking lanes, avoid leaving hazards for people to fall over, stack goods correctly, mark danger areas where vehicles or overhead cranes traverse, hand out booklets showing correct lifting methods, showing correct materials handling, generally conduct safety audits of all work areas.

(4) Look at ways to avoid waste. This involves the development of Procedures to minimise waste as a result of faulty workmanship, faulty Procedures that require modification, waste of time, materials and the Supervisors concentration. In doing this we look to improve jigs, better methods of identifying jigs to reduce re-work or discarding materials. They also seek ways of disposing waste materials at a profit.

(5) Look at ways of increasing Customer numbers and improving Sales by keeping the premises "Customer Friendly." This involves everything from switchboard manners to everyone who answers the phone later, to greeting customers at Reception or the front counter, keeping the premises clean and tidy, stock well displayed and accessible, being helpful to the most difficult Customer.

Productivity Groups become involved in the education of Staff through self education, study at T.A.F.E. Colleges, special on-the-job training sessions, the development of an in-house technical library, attending Seminars, being involved in work related Associations and Institutes, particularly those who have training sessions for their Members.

(7) Groups are involved in improving the methods of moving materials into storage, both before and after processing to avoid damage and thus reduce waste.

(8) Office work stations and equipment should be examined so that the Operator is comfortable at all times and have all of their requirements located in easy reach without having to strain to reach any items to do with their work. Word ~~status~~^{ions} should be kept clean and tidy to promote efficiency.

(9) All "Systems" should be examined to make sure that they promote the best way of doing things. This means that every procedure listed under "Policy & Procedures" should come under the microscope, particularly those affecting quality and Customers. For example return of goods, return of deposit carrying items in particular, methods of collating job sheets, wages data. All "Policies & Procedures" should be in written form, in a loose leaf folder to enable new

people entering the workforce to familiarise themselves with any Policy or Procedure which would affect their work. If they are given a photocopy of the relevant instruction and the original returned to the file, they will have a written instruction to which to refer which leaves no room for misinterpretation and at the same time reduces the demand on the Supervisor. While "Procedures" may be improved and altered on the recommendation of the Productivity Groups, "Policies" remain the authority of Management.

(10) Good Supervisors and Managers use their Productivity Groups regularly to look at individual problems but keep the Groups intact and examining all issues to do with the Enterprise on an on-going basis.

(11) Groups look at all aspects of work-related costs, such as electricity usage, vehicle costs, transport costs, workers compensation insurance, staffing levels, advertising, purchasing, freight or any other costs as required by Management. The purpose of these tasks is to reduce costs without reducing quality or efficiency.

Productivity Groups are an important Management Tool, giving a competitive advantage to a business when they are used effectively. If all Enterprises within an Industry were to use these Groups, then all Industries within Australia would gain a competitive advantage which would be of particular benefit to the Exporting Industries. For this reason, Productivity should be promoted by all Governments to the benefit of all Australians.

When we think about the amount of time spent by teachers and students involved in the Australian education processes from elementary primary school, High Schools, tertiary and vocational programmes then on-the-job training and any additional training, which all involves mental stimulation to some extent and at the conclusion of all that, we effectively use ^{less than} 10% of that stimulation, the mind boggles at trying to put a valuation on that waste.

Aced in the productivity game

Belgium puzzles many Australians at the moment. How, they want to know, could a highly talented, sweet-tempered Belgian tennis player like Kim Clijsters dump an ill-tempered Aussie player like Lleyton Hewitt? It's almost as big a mystery as what a healthy young Aussie player like Mark "The Scud" Philippoussis could possibly see in a healthy young American heiress rather than a sugary pop singer from Down Under.

These are not the only puzzling things about Belgium and America, if the latest Productivity Commission report is any guide. According to the report on competition policy released on Wednesday, Belgium is a champion performer on the productivity front. The US is not nearly as good . . . and Australia is much worse.

The report claims that if Australian industry's productivity levels matched those of the US, average household income would rise by 20 per cent, or \$22,000 a year. As the report notes, however, the US is still below the world's best productivity performers. According to the graph used to measure these performance levels, Norway, Belgium, Ireland, the Netherlands, France, Germany and Denmark are all above the US.

The list ranks Organisation for Economic Co-operation and Development countries in descending order of gross domestic product per hour worked last year, calculated in terms of "purchasing-power parity". If the graph is to be

believed, Australia's average household income would rise by about \$34,000 were its productivity performance to match that of Belgium. Matching Norway would generate a rise in average household income of about \$47,000. An intriguing aspect of the graph is that all the countries ranked above the US are in Europe. Countries such as Belgium, France and Germany are usually cited as sad examples of "Euro-sclerosis", with the Netherlands in not much better shape.

Most European countries offend against the "reform" principles that the Productivity Commission says Australia must embrace with greater urgency if it wants to move up the rankings. Europe's labour markets are often less flexible than Australia's, taxes are higher and regulation is rife.

Assuming the graph is correct, Austria, Italy, Finland, Sweden, Switzerland and Canada also rank above Australia in descending order of productivity performance. While their performance is not as good as in the US, let alone Belgium, it still beats that of Australia, which likes to think of itself as one of the great economic success stories of the past decade.

Unfortunately, the Productivity Commission does not explain why so many of the top-ranked countries manage to succeed while neglecting its advice. Nevertheless, some of the commission's recommendations and observations make sense in the Australian context. For example, worthwhile gains should be available from using price and other mechanisms to improve the efficiency of water

usage. Further integration of national energy markets and more determined reform of rail freight should prove beneficial.

Although readers are entitled to baulk when they hear proposals for yet another inquiry, the recommendation for a comprehensive look at ways to improve Australia's health system is overdue. As the commission notes, a 10 per cent improvement in efficiency in the health sector would save \$8 billion a year.

No new inquiry is needed in areas such as nursing homes, where the merit of the commission's recommendation in favour of higher fees is already well established in the case of those

Belgium is a champion on the productivity front

who can afford them. With a large slice of Australia's estimated \$5 trillion in net private wealth in the hands of older people, it is blatantly unfair to expect younger members of the workforce to shoulder an increased tax burden to support nursing homes and other services for the aged.

If anything, the report is too tepid in some of its observations. It should have been much harsher in its condemnation of the way the US-Australia trade agreement extends copyright protection in flagrant disregard for the principles of free trade. If similar provisions had been included to protect the Australian car industry, for example, the commission would have been up in arms.

The commission's support for

making the Australian telecommunications market more competitive is also too lukewarm. But the report at least recommends that full privatisation of Telstra should not proceed until a proper review is completed of the competitive advantages of separating the telco giant into its network and retail components.

The standard pro-competition requirement to ensure even-handed access to infrastructure would be much easier to guarantee if Telstra was split up. All retailers would then be treated at arm's length by the network instead of the present arrangement, which is akin to letting one trucking company own most of the nation's highways and charge its rivals for access. Once split up, there is no reason why both the retail and the network arms could not be privatised if that made financial sense. The issue is one of competitive structure, not ownership.

Following his dismal electoral performance, Labor leader Mark Latham has hinted that the opposition might roll over and back full privatisation of Telstra in the near future. It should not do so until the Productivity Commission's recommendation for a thorough review of proposals to split up Telstra is complete.

For those who want a more competitive telco industry, this should hardly be regarded as a controversial proposal. Its implementation might assist Australia to go a little closer to matching the US in the productivity stakes, even if understanding what makes the Belgians tick remains a mystery.

Australian Financial Review 30.31. Oct. 04.

PRODUCTIVITY

When we attempt to define productivity why do we have so much trouble? Because it is a deep and complex subject, it means different things to different groups of people. Economists define it as "being the value of the output produced by a unit of labour or capital" and to some extent this is true but the understanding of productivity extends to a much wider field and a lot more inputs to achieve that result.

A manufacturer will have different expectations to a legal practice, a hospital will have different expectations to a farmer, a supermarket will have different expectations to a mechanical repair workshop and the comparisons are endless but they all depend on productivity for survival. Unfortunately it is a subject that has received little attention in Australia and since productivity determines real wages and therefore the standard of living, Australia generally trails most of the O.E.C.D. countries and while appearances would contradict this, that image is only supported by record household debt which is again reflected in our Current Account deficit. How can this be corrected? By introducing Productivity Improvement Programmes.

Before this can happen we have to gain some understanding of Productivity, what it is, what it does and how to achieve it. While the outcomes are measured by Accountants and Economists, the main concentration of understanding is with Neuroscience and Behavioral science to establish the "how to" factor. When the Manager says that to improve the Company's competitive position we need some good ideas, he is actually asking his people to use the most valuable asset within the company, BRAINPOWER. A smart Manager will engage all of his people in such an exercise because nobody has a mortgage on good ideas.

In seeking input from employees, it is important not to confuse education and intelligence. Neuroscience tells us that all brains have the capacity to produce good ideas whether they belong to educated people or not but brainpower can be enhanced by mental stimulation. It is only when technology is introduced to the requirement that those with education have an advantage but that advantage relates only to the technology required. Simply put, people occupying the lowest positions on the company ladder have an equal opportunity to introduce a good idea as those at the top,

It is vital that we encourage the participation of all our employees in programmes of continuous improvement, because Australia is no longer separated from the rest of the world by time, it is increasingly obvious that as part of the global economy, our performance as a Nation needs to be highly competitive and at the present time we have a lot of work to do to achieve this objective. Professor Michael Porter defines this well in his book "The Competitive Advantage of Nations" in which he points out that for a Nation to be competitive, all of the Industries within the Nation have to be competitive and all of the Enterprises that make up those industries have also to be competitive. In all of the studies of productivity, the recurring theme is that the attitude of employees working within the enterprise is more important to successful outcomes than the capital or the plant and equipment involved in the enterprise. It frequently happens that to develop the ultimate in co-operation from the employees to achieve maximum competitiveness for the enterprise, Management needs to change their ways to let it happen and this is true of most enterprises whether they are Government Departments or Private Enterprise.

Many of you here will be familiar with the story of the famous American Manufacturer, Tom Watson who had a large machine shop making parts for automobiles with a workforce of around 5,000 employees. It is on record that he knew all of those employees, their families including the names of the children and their ages, the circumstances under which the families lived. He worked among them all during the working day if anyone was in trouble or needed assistance in any way, he was there to help, he organized social events throughout the year to promote a family atmosphere throughout the organization and became a very wealthy man. When asked why he spent all of his time in the factory instead of in an office, he replied that it was easy to get people to look after his money but he made more money by looking after the people who helped him make it. While he was not noted for paying high wages, if you wanted to work there, there was a waiting time of some years for a vacancy, after you had lodged an application. The quality and reliability of work produced was used as an Industry benchmark.

We are reminded of the time that W.D. Scott & Co. Management Consultants, were asked to look at improving productivity within an office of a medium sized company in Brisbane and when they asked the receptionist for suggestions, she said that productivity would improve substantially if the boss said "good morning" with a smile instead of stomping into the office with a grouch and slamming the door of his office. Most people work better when people around them have a co-operative attitude rather than confrontational.

When mention is made to employees that a productivity improvement programme is being contemplated, there is, in a lot of cases, a suspicion that their job is at risk. We need to be up-front and honest with the programme and yes it could happen that fewer people

will be required for existing jobs but it may equally be true that as a result of the programme, other more satisfying jobs may be created by increasing demand for our products and services in addition to an increase of existing jobs.

Employees need to be fully informed of the benefits that will flow to them. It is unlikely that full co-operation will happen immediately, particularly if management attitude requires adjustment. It is worth putting a lot of time into encouragement, working with employees to establish formats, objectives, reporting and consultation, agendas etc., because the results can be dramatic. It is important to understand that if a reward system is set up, rewards do not have to be monetary. They can range from Certificates of Appreciation, gifts, holidays etc., which can be presented at an awards night. (for benefits to employees, refer to handbook)

Because every enterprise is different it will require a different approach to the work done by each group. In a manufacturing plant, we would ask our groups to look at improving designs with a view to optimising function, eye appeal, ease of production, look at the materials used, could we select better materials, are those currently in use best suited to changes in design or function, look at the logistics of our supply line to reduce costs. We would expect that they would ask the Accountant to supply a list of all of the inputs listed under cost of manufacture and examine all of those costs in detail, with a view to cost reductions. They would review safety with a view to eliminating injuries, look at reduction of waste or alternatively selling the waste, look at materials handling to avoid damage to incoming and outgoing stock, look at packaging, does it play a role in the selling process? if so involve sales people in discussion. Checks should continually monitor

quality controls and productivity groups are very aware of this requirement. They would look at the production process continually to be aware of any possible improvements, they would be aware of maintaining continuous production flows wherever possible and make recommendations for plant replacement. They would seek to use natural light wherever possible, they would look to turning off gas lines when not in use and generally, the organization becomes operative at a much higher level of thinking than a normal operation that doesn't have productivity groups. It is a fact that when you listen to a factory you can hear the difference between a well run plant and an also ran.

People in sales would liaise with production to discuss design, quality control, production targets, forecasts etc., but would work in their own group to examine all costs relative to the sales department, promotions, efficiencies in advertising, deliveries and vehicle maintenance.

People in Administration would do all they could to reduce costs by checking mailout lists for redundancies, having Reports on time, posting invoices quickly to maintain cash flows, they would also examine waste, look after office machinery maintenance, look after paperwork and review "systems" to ensure that efficiency was paramount.

In all of this, we are looking for employee participation right from the encouragement and generation of ideas through to the implementation conclusion of those ideas. Management's role is to give direction and guidance, the employee's role is to give the energy, drive and enthusiasm to make it all happen. All of the productivity generated within the enterprise is referred to as being micro oriented but becomes macro when that productivity moves up to being industry dominated or between industry and government,

A good example would be to look at a single sea port: if all of the people involved in the operation of the port, together with the stakeholders contributed to the discussions based on improving efficiencies, improvement of service and reduction of costs, these activities are all seen as being at Micro level. If those and suggestions from other ports were used at a combined ports conference, this would then move to Macro level. It makes sense to make this differentiation as it involves a different line of thought and action. This also opens the channel of communication to Government for total industry involvement to develop Policies to benefit the Nation as a whole.

Conversely, the whole brainpower operating at Micro and Macro level becomes available to Government, Industry and Management to develop answers to problems such as "How do we dispose of unwanted CO₂?", "Is there a better system of controlling Monetary levers, other than Interest Rates or Credit Squeeze? In seeking and getting suggestions, Government must acknowledge and report on any action taken, hopefully through a Productivity Journal or at least through Industry media.

A good example of the two levels of thinking not being engaged, is explained, ^{with} the relatively minor success of National Competition Policy as pointed out by the Productivity Commission. All discussions were held at Macro level and investigation showed that people working at Micro level were not involved and had no knowledge of any action being undertaken to make their industries more competitive. Are we then surprised at the result?

Government Departments at Federal, State and Local level, have outstanding opportunities to develop better methods for delivering improved services at lower cost, better inter-departmental networking,

better opportunities to work with community groups who could be invited to discussions regularly at all levels of Government and at all levels within Departments. It is the interaction between the public service and the public that will deliver the most substantial benefit to the Nation. While flexibility of casual employment has been used within the workforce of many departments, bringing job satisfaction to many, it has also been a source of dissatisfaction to many, causing substantial staff turnover at very high costs.

(refer to handbook for some hints on staff turnover costs)

Research and Development is a key component in any Productivity Programme but unfortunately Governments have failed to understand the true value of this vital input. In some attempts to stimulate this activity there have been some taxation benefits on offer but with onerous conditions attached, with Government believing that only Research Scientists or Professional Engineers would be able to provide results. The facts are that ideas for Inventions and for Innovation are capable of being produced by any brain and this activity should be encouraged as part of the gathering of good ideas within the enterprise. It should also be seen in the context that some Inventions are patentable and some are not. Most innovations are difficult to patent at all. Most progress is made through innovation and with the high cost of patenting and the difficulty in having Intellectual Property recognized in many of the emerging Nations in the world, patenting is becoming less attractive, but it is still the number of patents issued per Country that recognizes the success of Research and Development. Perhaps it is time for our Federal Government to tip this whole concept on its head and rethink the approach from bottom to top and encourage our smaller firms to actively engage in this valuable resource.

Many Primary Industries are aware of their need to increase productivity and their work at Macro level is quite good. They are investing in Research and Development, innovation of farm machinery, development of new seed varieties, new plant varieties, new breeds of livestock, studies of better irrigation techniques, better Marketing, and better liaison with Governments but generally more needs to be done to understand the competition generated from global trading and value adding to increase trade within Australia. European industries appear to do this much better, whether it is as the result of efforts from Manufacturers, Primary Industries or Governments, is not clear but one has only to study the imports from Europe to supply Australia's Christmas trade to realize that the opportunity exists for Australian producers of fruits, nuts, biscuits, wines, confectionery, cakes to meet that market which represents many billions of dollars. A very brief review of this trade has revealed a number of commercial impediments that would need attention to assist our smaller suppliers to this trade.

Within Primary Industries at Macro level, there is still a reluctance for groups to talk to each other and to collectively develop markets within the global context, preferring to seek out markets individually, whether it is for wheat, specialized grains, sugar or beef. There has been some changes within the sugar industry, for example the milling sector and the farming sector had been in competition with each other for priority within the industry to the extent that scientists employed in the milling sector would not talk with scientists employed by the farming sector. Fortunately a spirit of industry focused co-operation has now developed and open discussion takes place. Much has changed in the research and micro areas to try and re-establish the competitive advantage that used to exist within the industry but much more needs to be done at micro level. All of these factors are reflected in lower productivity,

lower incomes to farmers and less money contributed to the economy. Primary Industries would do well to take a long and careful look at the Import Replacement Market as a whole and use an aggressive approach to it rather than putting it in the too hard basket. This should start at Macro level and work downwards.

Because so many factors influence productivity outcomes, any Programme should be looked upon as being only the commencement of the project and because of the differences between industries and enterprises, formats will change, driven by the requirements of the participants, because productivity is continually changing with new ways of doing things, better equipment developed by innovation, changing markets and technology, development of special skills through education and a host of other reasons but the underlying principles of productivity will be the same only expanded. No attempt has been made in the presentation of these ideas to deliver a regimented format of right way or wrong way but rather with the idea of creating foundation stones for thought building, development of ideas and expression, to bring good ideas forward and just do it.

An excellent check on our performance as a group within an enterprise, is to check that performance against the performance of other enterprises with a similar capacity. It can be measured by turnover, number of employees or any other measurement as may be agreed and is known by the term Inter-firm Comparison and is generally set up within Industries so that all of the participants agree on what is being measured, with all information being confidential. It is still a good idea to set up your own benchmark for competing against yourself, ^{whether} this is weekly production, monthly sales turnover, number of units processed or any other suitable method of comparison. When measuring the performance by employees, it is

normal procedure to exclude all staff not included in the activity being measured.

Design is a very important concept in productivity but it is unfortunate that not a lot of attention is paid to it in Australia and as a result a lot of design work for our companies is carried out in other countries. Some work has been done by some T.A.F.E. Colleges and Universities but a whole lot more needs to happen. We in productivity promotion see this as a fabulous opportunity for businesses to come together as manufacturers, producers, packers and marketers, to be innovative in the use of materials for products, containers, packaging etc. To take a case in point, we are thinking of giving Grandma some preserved fruit for Christmas. We look at two products, an Australian product being a tin with a paper label for \$3 or an imported product with a very nicely shaped container in clear plastic clearly displaying the contents for \$12. The natural instinct is to buy the nicely presented product. We know that to meet the daily competition of price, we have to have the tin with the paper wrapper label and we also know that Australian industry can deliver products equal and better to any in the world and we should strive to have it.

On this occasion as part of our quest for productivity we have concentrated on labour productivity or general productivity improvement but if we were to introduce Capital as part of the study, this would then be termed Multi-factor productivity and not to confuse the issue we will leave those discussions for another day, save to say that Capital can do nothing on its own and needs people with ideas, enthusiasm and knowledge to make it effective. For this reason our Federal Government needs to take a long hard look at the method of financing equipment for business to be more productive.

In the use of the word business, we have used it in the widest sense possible to include all economic activity in the same way we have included productivity to include every activity within Primary Industries, Secondary Industries, Tertiary Industries and some not defined. If we have left you with the thought that because the Science of Productivity is not an exact science you have complete freedom to create formats to suit your own enterprise and to question every aspect of its activities, to encourage all of the people in that enterprise to participate in a productivity improvement programme, then our time together has been well spent. Thank you for your attendance.

Handbooks includes:-

Principles of Productivity Improvement.
Who benefits from Productivity Improvement
Productivity Pie Chart
What do Productivity Groups do?
Suggested Scope of Dept. of Productivity
Addressing Staff Turnover.
Australia's Underutilization of Human Capital
Addressing Staff Turnover.

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SUGGESTED SCOPE OF DEPARTMENT OF PRODUCTIVITY

1. To actively promote the use of productivity improvement in every business and industry in Australia.
2. To make known through publications, the various opportunities that arise from sources in both export and domestic markets.
3. To promote improvement through voluntary use of inter-firm comparisons, showing industry norm, top and bottom performers in that comparison (all information confidential).
4. Collecting good ideas and passing them through to business and industry.
5. Collecting names and addresses of all specialist consultants who are available to assist in Research & Development for individual businesses and for Productivity Improvement Programmes.
6. Promoting Awards for Productivity Improvement.
7. Collecting voluntary information from Researches to enable them to work to-gether and exchange ideas on a voluntary basis.
8. Helping inventors & innovators to expand their ideas and bring their developments to commercial maturity.
9. Circulate all new inventions & innovations to all businesses so that we reduce wastage of expenditure on research and development (to avoid spending money on re-inventing the wheel).
10. Circulate business opportunities to Australian financial institutions where opportunities arise to increase the productivity of capital and to use those opportunities to develop export, particularly in the Australasian region.
11. Work with all Government Departments to develop manufacturing and business opportunities.

When thought is given to these possibilities the opportunities are endless.

This could be included with an existing Department that had similar objectives.

AN URGENT REQUEST TO ALL DEPARTMENTS

PRODUCTIVITY

The Problems arising from the global financial crisis and the actions taken by Government through the Budget will require a very high growth figure to be maintained over a number of years, to stabilize the economy. For this reason the Nation will require all of the growth factors it can muster and one of the easiest and cheapest of these will be the introduction of whole of Industry productivity programmes. The attached graph taken from Gary Banks book "The third wave" clearly indicates the fall in productivity in Australia over the last 10 years and if this was re-established it would form a very large part of the GDP growth required. In his book, Mr. Banks (Productivity Commission) has indicated that the book is from his own work and not the Commission but an understanding of the book will indicate the authenticity of these figures.

A productivity programme of this nature is designed to increase output from the same number of participants and at the same time reduce both internal and external costs. This is particularly helpful to export industries and is a very strong factor in designing Import Replacement Programmes with a combination of Industries. In the Micro setting, productivity programmes are developed within the Enterprise and are purely for use within that Enterprise. When the suggestions and ideas that are developed within the Enterprise have sufficient merit, they are then shared at Industry level when they become Macro. All of this arises from understanding Professor Michael Porter's book "The Competitive Advantage of Nations" in which he states that for a Nation to become truly competitive, all of the Industries that make up that economy should be competitive and for this to happen all of the Enterprises that make up each Industry must also be competitive.

While there are many ways of calculating our place on the global productivity ladder, from taking the standard formula to adopting some dubious methods of fudging, it is fair to say that our placing would be between 22 at worst to about 14 at best when measured against OECD Countries. Many who are familiar with our performance would say that our place is definitely to the higher end of the scale. It is fair to say that our present Government has made some serious attempts to correct the situation through a productivity programme, Enterprise Connect with the Department of Innovation, Industry, Science and Research which will concentrate on Innovation. The Department of Education, Employment and Workplace Relations has a very extensive programme called Productivity Places with a budget of \$2billion but some of this programme is unclear as to whether it is directed to increased production or productivity. Both of these programmes must be considered to be beneficial to productivity overall. However, it is extremely doubtful whether these programmes, both of which have long term objectives, will suffice to deliver the 4.5% growth required by Treasury. While details of the Whole of Industry programme has been submitted to various Departments there is a reluctance to accept the proposal and time is running out. The electorate will accept the challenge if they are involved and there is no better way than in this proposal. Some Industries have already adopted some of the points raised, in particular, the Sugar Industry which is very strong on

Productivity.

The Department of Innovation, Industry, Science and Research makes an excellent point in their publications, "Patterns of Innovation in Australian Businesses and "Venturous Australia" in examining the degree of innovation within Australian Businesses and found that totally foreign owned businesses performed best, that those businesses that were partly or majority foreign owned performed at the next lower level and those businesses that were totally owned within Australia performed last. At the last International Conference dealing with the Science of Productivity, the point was made that the world should move on now that most of the OECD Countries had achieved "best practice" and they should be looking to higher levels of Innovation to complement that milestone. Sad to say that Australia is still a long way from achieving "best practice" in productivity and will probably only achieve it with the proposed programme in mind.

A study in Europe involving 20,000 Companies divided into 10,000 that participated in employee engagement and 10,000 that didn't, resulted in those that did, increased earnings per share by 2.6 times. Such a result in Australia would deliver a massive result for Treasury and boost the Government's electoral acceptance. This study was only based on increasing Customer - Company relations and was not an all inclusive exercise such as that proposed. If the whole of industry proposal was adopted, the result could be expected to be much better. In my own work, the best result that was achieved was in a small engineering plant with 25 people who were able to lift production from \$7,000 per person per week to \$42,000 per person per week using basically the same plant in the same premises at very little cost.

There are huge opportunities available when we look at composites that could be used in programmes for import replacement, involving agricultural, horticultural and manufacturing industries to name but a few. Programmes like this would dramatically reduce the Current Account Deficit. I have enclosed a list of papers available to support the programme if you would like more information. Action is now required within the Government and Public Service to investigate what this programme has to offer and to seek ways to make it happen in the best interest of the Nation,

The next big hurdle to face will be Inflation immediately following the end of the Recession and there would be no better tool to fight it with than Productivity.

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