The question is often asked whether the efficiency of an industrial unit can be quantitatively measured, and if so, what should be the standard of measurement which can be applied with reasonable accuracy? While it may be generally agreed that the absolute measurement of efficiency is neither feasible nor practicable, the relative efficiency of different units can be measured with reasonable accuracy. The word 'efficiency' as it is commonly understood, is a relative term, and we characterize a particular unit 'efficient' or 'inefficient' not in an absolute sense but in relation to some other units. It, therefore, presupposes some existing standards of valuation. Viewed in that perspective, we believe, such efficiency can be quantitatively measured, if not with scientific exactitude, with at least reasonable accuracy.

The serious difficulty, therefore, arises mainly in the choice of suitable standards. The suitability of any unit of measurement will depend much upon the significance we attach to the word 'efficiency'. If industrial efficiency consists, as Mr E. A. G. Robinson has observed, "in trying to do with eight men what we have hitherto been doing with ten men", "labour productivity per worker", or, to use a more scientific term, "labour productivity per man hour" may be regarded as a satisfactory criterion. If, however, the term is used in a more comprehensive sense, meaning a "measure of securing the greatest results at least cost", "Cost of Production per Unit of Output" can be regarded as a most satisfactory and reliable standard of efficiency. An industrialist will, however, view "efficiency" from some different perspective. His aim is to produce goods with as much profit as can be obtained in the prevalent circumstances and from that standpoint his success will be judged by his "earning capacity". Rate of profit can, therefore, also be one of the standards of measuring "efficiency". If, however, the word "efficiency" is to be used in its widest sense, it will connote a higher standard of living for the worker, lower prices for consumers, and greater returns to investors. But since in practice these objects are often in conflict with one another, we cannot think of one common standard of efficiency which can be applicable to all. This limitation prevents the use of "efficiency" in its widest sense.

Thus we see that the standards of measuring efficiency will vary according to the purpose in view. It is also significant to observe that none of the several methods by which "efficiency" can be measured is in itself entirely adequate. If all these criteria are used there is every possibility that the distortions, attributable to any one criterion taken singly, can be easily offset. Moreover, if the application of all of these standards, reveals the dominance of the same tendencies, the general conclusions can be further verified and confirmed.

We can, therefore, use the following standards of measurement for comparing the industrial efficiency of different units: (i) "earning" or "profit-making capacity" of different units; (ii) labour productivity per man hour (p.m.h.), and (iii) cost of production per unit of output. The lower the cost, the greater is the industrial efficiency.

It is significant to enquire how far the rate of profit is truly indicative of the efficiency of the industry. While, no doubt, gains or losses are the chief criteria by which we judge the success or failure of an enterprise, they can by no means be regarded as the sole or even the most important determinants of the efficiency of the industry. Profits are the result of a variety of factors, and since efficiency is only one of them, it will not be wholly correct to establish any correlation between rates of profits earned and standards of efficiency attained by different units. The rate of profit as an index of efficiency will, therefore, have to be judged in the light of several qualifications and reservations. Firstly, the rate of profit may vary, even in the same centre, from unit to unit according to differences in capital structure, and particularly according to the relationship between the "owned" and "borrowed" capital; secondly, the rate of profit may vary as a result of the variations in the amount of invested capital; and thirdly, the variations in the rate of profit may be caused by the operation of cyclical influences. All these factors tend to show that causes other than efficiency, may also sometimes explain and account for variations in profit-rates. Hence the rate of profit as an index of efficiency, has its own limitations.

While no doubt, theoretically,
"labour productivity per man hour (p.m.h.)" is a fairly satisfactory method for measuring the relative efficiency of different units, in practice a number of important limitations render its general application exceedingly difficult. For certain obvious reasons, it is difficult to measure, with mathematical exactitude or scientific accuracy, labour productivity per man-hour. Even if such computations were possible, it would still be questioned whether the statistical data of different units were truly homogeneous for comparison with one another. The types of goods produced by different units show wide variations in respect of dimensions, texture, design, finish and quality. The result is that differences in "productivity" as measured by physical volume of output may only reflect differences in the character of goods produced by different units. Again, the equipment of mills shows such a vast range of variation, both in the character of the machinery employed and in capacity and actual output, that it is difficult to find any satisfactory basis for evaluating the relative efficiency of different units. Moreover, for any comparison, we shall have to start on the postulations that conditions of work in different units do not show significant variations, that the units under comparison derive the same benefit in respect of location and that the hours of work and the composition of labour force are the same in all the units. All these assumptions, are, of course, too far-reaching in character, and the generalizations based on them may even be regarded as untenable.

The most reliable and dependable measure for comparing the efficiency of different units is the cost of production per unit of output. The lower the cost per unit of output, greater is the efficiency attained by the industrial unit. Costs, in a competitive economy, can, therefore, be characterized as a "barometer" by which we can measure and compare the relative efficiency of different units.

It need hardly be emphasised that the difficulties of obtaining and verifying costs of different units are infinitely great. Costs are always regarded as a "trade secret" to which an outsider can hardly have any access. Even the Tariff Board, in spite of their written undertaking that neither the identity of the mills nor the cost statements supplied by them would be disclosed in their published reports, were unable to obtain all the information they needed. Mill owners not only are extremely reluctant to disclose any information, but have also, in many instances, ingeniously concealed or manipulated the information available in their published balance sheets and annual statements. It must, therefore, be admitted that the paucity of statistical information and the extreme variability and complexity of statistical data may prevent a very thorough and searching analysis of the relative efficiency of different units.

Another difficulty arises with regard to the inter-comparison of costing data. The units are situated in different industrial centres and derive differential advantages in respect of locational economies. The distance of mills from the centres of raw-materials and from the sources of power the varying rates of wages and conditions of labour in different parts of the country, the marked divergences in the character and accessibility of the principal markets and other differences arising out of local environment of the industry are so great that the costing data, available for comparison, will not be truly homogeneous. Even if we confine our enquiry to industrial units situated in the same centre or area and deriving the same benefits in respect of location, there will still remain significant differences in the character of technical equipment and type of goods manufactured. These differences are so considerable and variable that the question is frequently asked whether, in the absence of uniform conditions prevailing in industry, any satisfactory basis does exist for inter-comparison of costing-data. The cumulative effect of these limitations may be so considerable as to materially influence the validity of the main generalisation.

Another difficulty of a strikingly similar character arises in examination of the cost-structure of different units. Whether, for comparative purposes, costs should be expressed as "per unit of output" or as "percentage of the value of goods produced" is a question which is difficult to answer without examining the nature of the industry and the character of industrial output. In industries like cement or coal, where the output data can be reduced to homogeneity, the costs per unit of output can form a satisfactory basis for measuring and comparing the relative efficiency of different units. But where there exist important qualitative differences in the character of output, such as variation in shape, quality or design, "cost of production per unit of output" will fail to throw any light on the comparative cost-structure of different units. For example, in the cotton-mill industry, a unit operating on yarns of less than 20 counts and producing cloth of
coarse varieties, capable of standardized production, will necessarily have lower cost of production per unit of output than an industrial unit operating on finer counts of yarn and producing goods of light, fine and fancifull varieties. In such cases cost of production per unit of output will vary with the variations in the character of output. Hence, the method of expressing costs as "per unit of output", cannot provide a satisfactory basis for cost-comparison unless comparisons are confined to particular counts of yarn or selected varieties of cloth.

The only method, therefore,

Evacuee Property

Aruna Mukerjee

WE ARE now no nearer the solution of the vital problem of evacuee property than we were in December 1947, when the question was raised for the first time between the two Dominions. Although it is a complex and difficult problem, it could no doubt have been solved, had both parties set about the business with determination and goodwill. The problem has, however, been further aggravated by the uncompromising attitude taken by Pakistan throughout the negotiations. Besides the Rs. 1500 crores of property that has been left behind by non-Muslims in Pakistan, there are also imponderables to be taken into account—the human suffering, frustration and misery which the situation has caused the refugees.

The history of the negotiations is the tragic failure of conference after conference. The proposals of the 1947 Conference were examined later by a joint official committee which worked out a scheme for the exchange of agricultural properties on a Governmental basis. Agreement was also reached regarding the transmission of rents of urban immovable properties and the setting up of official machinery to assess the value of the properties in order to facilitate their exchange. However, at the next meeting in July 1948, it was found that Pakistan was not prepared to accept the above scheme, holding that she did not possess sufficient data about lands. Regarding movable properties, agreement, however, was reached by the Pakistan Cabinet. At the January conference at Karachi this year, for want of relevant data, still no decision was taken about agricultural lands. Both Dominions agreed to provide facilities for the removal of movable properties which the owners could arrange themselves. By appointing liaison officers and custodians of evacuee property, each Government was to make available relevant information in order to facilitate exchanges and sales. Agreement was also reached on the principles and procedure to be followed in determining fair compensation of evacuee property.

By June last it was evident that the agreement had miscarried again, for hardly any sales or exchanges had taken place. Pakistan had not even then appointed a custodian of evacuee property and various other methods were subsequently adopted by her to impede the sale and exchange of property. An ordinance made it compulsory for any visitor to Pakistan to obtain a tax clearance certificate before leaving. Under the Capital Gains Tax, heavy assessment on the proceeds of the sale of property often resulted in leaving nothing to the seller after paying taxes. The value of urban immovable properties was drastically reduced by fixing its rent at a very low figure. The situation was made even more