

**Employee Relations  
in the  
International Automotive Industry  
in an Era of Global Change**

by

Tom Kochan  
Russell Lansbury





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*Thomas A. Kochan  
MIT*

*Russell D. Lansbury  
University of Sydney*

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## EMPLOYEE RELATIONS IN THE INTERNATIONAL AUTOMOTIVE INDUSTRY IN AN ERA OF GLOBAL CHANGE

Thomas A. Kochan and Russell D. Lansbury

The automotive industry has been the locus of many innovations in employment relations since the era of Henry Ford. A major contributory factor has been the central role played by the industry in developing the manufacturing base in many countries. This was the case in the United States early this century, applied to Europe and Japan after the Second World War, and is currently the experience for many of the newly industrialising economies. However, with the end of the long post-war boom, which had provided rising wage levels and an expanding job market in manufacturing for many industrialised economies, the automotive industry entered a period of stagnation and decline in North America and Europe. Nevertheless, some countries such as Japan were beneficiaries of this process. Between 1955 and 1986, for example, the US share of the world automobile market fell from 75 per cent to 27 per cent, while Japan's share rose from 0.2 per cent to 24 per cent. (Carr, 1990: 63)

The rise of the Japanese automotive industry resulted from a wide range of factors (see Cusamano, 1985). Some automobile manufacturers in North America and Europe responded to Japanese competition by seeking to reconfigure their production systems and employee relations practices in order to shift towards 'lean production' and thereby increase their levels of productivity and quality. Key elements in lean production have been identified, inter alia, as the application of simultaneous engineering, the zero buffer principle, total quality control, continuous incremental improvement, integrated supply chains, team work, and the use of the 'pull' system of production (see Womack et al, 1990; Sengenberger, 1993). Although there has been considerable debate about the meaning of 'lean production', there is general agreement that Japanese innovations in automobile manufacturing has significant implications for employee relations policies and practices at the enterprise and plant levels. (see Kenney and Florida, 1993; Williams and Haslam, 1992)

Changes in the automotive industry at both local and international levels should be viewed in the context of global market developments. In recent years, the changing terms of international competition and technological innovation have radically altered markets and the organisation of production in the automotive industry around the world. Markets have become simultaneously globalised and segmented, and new technologies have provided opportunities for individual firms to experiment with alternative business strategies and structures. Hence, firms in some newly developing countries, such as South Korea, have rapidly expanded their manufacturing of automobiles and have successfully challenged the well-

established Japanese companies in segments of the international market (Park and Lee, 1995). These developments cannot simply be explained in terms of single concepts such as lean production or the availability of cheap labour. However, it is clear that a variety of factors, including employment relations, are important in the success of these new entrants as well as the continued dominance of established producers in the international marketplace.

Much of what is required of firms to compete successfully in international markets- such as the development of new products or the introduction of new process technologies, the reconfiguration of subcontracting relationships or rationalisation of internal managerial hierarchies, or simply enhancing the efficiency and quality of workplace operations and relationships- depends on corresponding changes in industrial relations and human resource practices. Many firms which are using new technology to enhance their market position, for example, have discovered that they need more broadly-based skills among their workforce in order to operate the technology effectively. In many cases, this has led to a blurring of traditional distinctions between various functions and hierarchies within the firm as well as between employees and management in general. Similarly, efforts to enhance product performance have led firms to transcend traditional boundaries between engineering, manufacturing, marketing and so on and to establish more cross-functional teams within the enterprise. These new organisational relationships have required the acquisition of new skills and greater attention to human resource issues (see Kochan and Osterman, 1994).

While new approaches to employment relations appear to be developing in the automotive industry in both the developed and newly industrialising economies, the particular forms which have emerged, and the extent of their diffusion, varies considerably. Much depends on the particular institutional arrangements which exist between governments and industry, between labour and management, as well as historical traditions (see Bamber and Lansbury, 1993). The research project which is reported in this paper has been conducted in a wide range of countries with varying historical, political and economic backgrounds. Both individually and collectively, the case studies which are presented illustrate a general trend towards the increasingly strategic role of employee relations within automotive manufacturing firms, regardless of the country in which they are located.

Among the more successful firms, whether in North or South America, Europe or Asia, the new competitive strategies build upon a variety of approaches to employment relations. While no 'one best way' emerges from this study, it is clear that the more successful strategies are those which enhance the skill base and flexibility of the workforce and promote greater

communication, trust and coordination among the firm's various stakeholders. In order to explain these developments, however, it is necessary to examine the linkage between theory and practice.

#### UNDERSTANDING PROCESSES OF CHANGE AND ADAPTATION

The purpose of this project is to develop a better theoretical and empirical understanding of the factors that influence changing patterns of employment relations within the automotive industry, as it responds to competitive pressures in the global marketplace. To achieve this goal, we have sought to use a common analytic framework, shown in Figure 1, in which certain industrial relations and human resource practices have been chosen as a focus for the study. These are: the nature of work organisation, skill formation, compensation systems, employment security and staffing and corporate governance.

We see these practices as being shaped by a combination of external pressures of adaptation, the competitive strategies and technologies which automotive firms choose to employ in adjusting to increased international and domestic competition, the role of government and other national and/or industry-level institutions and the changing role of other key factors in the employment relationships. In studying automotive firms in particular economies, we have been especially interested in understanding how employment relations strategies relate to overall governance of the firm, to industry-level structures and institutions and to the macro-economic and political institutions in each country. We see these broader institutional arrangements in industrial relations having a significant effect on how well the industry operates in both the domestic and international marketplace.

From the studies which have been undertaken in a wide range of countries for this project, some general patterns have emerged. Yet there are considerable variations in the pace of change and the degree to which both firms and industries in different countries have been able to adapt through incremental adjustments as opposed to fundamental transformations.

One common aspect of the adaptation process is the search for greater flexibility in how work is organised and labour is deployed. Those systems which already have institutional arrangements that promote flexibility, and are generally decentralised in terms of their employment relations, have been able to adapt through incremental adjustments. These include mature industrialised economies such as Japan, as well as some of the newly developing economies. By contrast, economies which have traditions of more rigid forms of job regulation, such as the US and UK, or more centralised systems such as

Sweden, have experienced more fundamental changes in order to adjust to greater international competition.

Another feature of the global automotive industry, as pressures for greater productivity and quality intensify, is a new premium being placed on workforce skills. New technologies require a higher order of both analytical and behavioural skills. Firms are having to adjust their payment systems accordingly, in order to attract and develop employees who have the required skills to ensure that the new production systems are successfully implemented and maintained. Some countries, such as Germany and Japan, which have well developed systems for skills enhancement have fared better than others. This is despite the fact that Germany and Japan have contrasting approaches to the way in which skills are acquired either on or off the job. In most economies, however, automotive firms are adapting their systems of remuneration to reward employees for skills rather than other criteria such as years of service.

A third common factor in the experience of firms in the automotive industry is the challenge of providing appropriate forms of employee participation or 'voice' at the workplace level. In most developed industrialised countries, the trade union movement has been the traditional channel for employee representation in the enterprise. Indeed, the automotive industry has been one of the strongholds of unionisation featuring some of the world's leading unions such as the UAW and IG Metall. However, declining rates of unionisation in many mature economies, such as the United States and Europe, as well as the development of non-unionised plants (particularly those owned by the Japanese in North America), has greatly weakened the union movement within countries which previously were their stronghold. Some European countries such as Germany, which have legislated systems for employee representation, have experienced a smaller decline in unionisation. Newer industrialised economies such as South Korea, however, have experienced a rapid rise in unionisation. The issue of employee representation and involvement, nevertheless, remains a concern for the automotive industry in all parts of the world.

In order to gain a deeper understanding of the processes of change and adaptation which the automotive industry is undergoing in each of the countries in our study, each of the employee relations practices referred to in Figure 1 will be considered in greater detail.

**Work Organisation**

Flexibility in work organisation has become a key source of competitive advantage within firms in all of the countries in our study. There has been a great variety of experiments with team work, employee participation in problem solving and productivity improvements, quality



circles and the use of total quality management. However, diffusion of these practices remains uneven.

Data collected for the International Motor Vehicle Project (IMVP) within assembly plants, by John Paul MacDuffie and Fritz Pils, provide evidence of variation between countries with regard to work organisation. These data were collected by questionnaire in 1993 from more than 90 plants, at least half of which were also visited by the researchers. MacDuffie and Pils used an index of work systems to compare assembly plants in various countries. The index includes items such as the percentage of the workforce in teams, employee involvement or quality circle groups, the number of suggestions per employee and the percentage of suggestions which are implemented, the extent of job rotation, and which personnel take responsibility for quality inspection, statistical process control and the programming of flexible technology. A scale has been developed which has a maximum score of 100 for a work system which is totally multiskilled and zero for one which is entirely specialised. Three groups stood out as being at the upper end of the scale : Japanese assembly plants in both Japan and North America and assembly plants in Korea. Within the middle group were Australia, Northern Europe, Britain, France, Spain and Italy. Within the lowest group were the US and Canada.

While the IMVP data should be treated with caution, as they are broadly based and rely on reports by plant managers about their work practices, some useful indications are provided about national differences. Clearly, the Japanese and Korean plants are the most advanced in terms of multiskilling, according to the measures used in the IMVP study. By contrast, plants in the US and Canada remain the most specialised in their work systems, despite considerable debate about the need for work reform during the past five years. Most plants in Europe and Australia were in the intermediate position, with Australia having made considerable gains since the first survey was conducted in 1989.

Comparative data for productivity were obtained, in terms of 'hours per vehicle', for various regional groupings. A comparison was made for the two survey periods of 1989 and 1993. The Japanese assembly plants in Japan and North America are clearly superior to the rest of the groups. However, the assembly plants in both Northern Europe and the newly industrialising economies of Asia (which include Korea, Taiwan and Malaysia) have shown the greatest degree of improvement over the four year period. Plants in the United States exhibited the least improvement between 1989 and 1993, and the gap between them and the other 'middle level' performers has narrowed. There was some improvement in the Australian plants, but they slipped to the bottom of the table as the Asian plants sharply lifted their performance. While there are obviously many factors which

influence the levels of plant productivity, it is not without significance that those assembly plants with the most multiskilled work systems also exhibited the lowest number of hours per vehicle.

While the Japanese automotive industry is well known for its emphasis on team work, many producers in other countries also have extensive experience in this regard. However, caution is needed when seeking to compare team or group work in Sweden, for example, with that of Japan. Furthermore, while there appears to have been a relatively easy transition from specialised to multiskilled forms of work organisation in some countries, for others it has represented a fundamental change which has been adopted slowly and has met with strong resistance from groups such as middle managers and supervisors.

Those countries with the strongest tradition of job control by unions, such as the US, Britain, Canada and Australia, have experienced the greatest pressures to transform their work organisation arrangements. However, within these countries we see some of the most profound departures from traditional work practices. This is particularly the case where a new 'greenfield' plant or worksite is established or when major technological changes are introduced. In some situations, management has involved the unions and the employees in decisions about the introduction of workplace change, while in others it has been a unilateral approach. Research indicates that the greatest commitment to change tends to occur where employees and their unions (when applicable) are involved at appropriate points in the decision-making process.

In automotive manufacturing, in which there is strong influence from international competition (especially from the Japanese), new forms of work organisation have been reasonably common. In settings where new union-management partnerships have been created, such as the Saturn Corporation in the US, there has also been considerable work reform. However, in the non Japanese-owned plants in North America, innovation in work organisation practices is only partially diffused and often remains fragile. This is the case in Britain and Australia, although the past 5 years have witnessed significant reforms in Australia with strong union and government support.

There has been considerable experimentation with new forms of work organisation in assembly plants within Northern Europe, particularly in Sweden and Germany. While there are considerable variations in approaches between different automobile producers in these countries, the union movement has been sufficiently strong (particularly the metal workers) to influence the direction and pace of change. The system of co-determination in Germany has provided a channel for participation by employees through works councils. In

Sweden there has been a long tradition of experimentation with group work and participative approaches to work design (see Berggren, 1992, Brulin and Nilsson, 1995).

Despite the fact that there has been strong influence of Taylorist-Fordist systems of production in Northern Europe, especially in the German auto industry, increased emphasis on flexible approaches to manufacturing, has facilitated a trend towards more decentralised forms of organisation. Although the Germans and the Swedes are direct competitors in the international market place, they have learned from each other and have developed systems of work organisation which rely on a highly skilled workforce being involved in decision making at the plant level. The forms of group work which have been developed in Northern European auto plants appear to allow for greater employee influence and autonomy than those which are found in Japanese plants

In France and Italy, mass production using Taylorist-Fordist principles arrived later than in some other countries, but then spread quite rapidly. In France, where union density is low, the state took a leading role in fostering experiments with worker participation from the late 1960s onwards, culminating in the Auroux laws of 1982, which promote the expression of employee views. However, the process of work reform in the French automotive industry has been haphazard, at best (see Goetschy and Jobert, 1993). In Italy, the unions were very active in the 1980s promoting group-based work organisation, but the employers preferred weaker forms of employee involvement such as quality circles. As shown in the case of Fiat, however, there appear to be a number of new initiatives being taken, especially in greenfield sites such as Melfi which emphasize the importance of work organisation and teams (see Camuffo and Volpato, 1995).

The Japanese automobile manufacturers have implemented a wide range of strategies in recent decades to ensure that the organisation of work in their assembly plants remained flexible and adaptable. Some researchers have questioned the degree of autonomy available to work groups in Japanese assembly plants to make decisions (eg Dohse et.al., 1986). However, the Japanese producers have introduced continuous improvements in productivity and quality, given extensive training to supervisors who play a key role in workplace change and used extensive job rotation and workgroup activities to enhance the skills of the workforce. Aspects of the paternalistic employment system which has operated in Japanese enterprises for many decades appears to be in a process of change. Yet the Japanese transplants in the United States and Britain have successfully introduced forms of management and work organisation which have yielded much higher productivity rates and quality than the local manufacturers. Indeed, some of the locally-owned firms in North America are now

successfully emulating Japanese management practices and work organisation.

### Skill Formation

During recent years, greater emphasis has been given to training and skill formation of employees in the automotive industry within all of the countries in this study. Furthermore, wage systems are increasingly linked to the attainment of skills as well as to productivity. Not surprisingly, the institutions and practices for skill formation have come under intensive debate. Some countries, such as France and Australia, have implemented national training taxes. Their objectives were to increase the amount of training and to reduce the cross-firm variation in private sector investment. However, Australia abandoned their compulsory training levy on companies after only a few years, following sustained opposition from employers and doubts whether the policy had actually achieved increased aggregate investment in training.

Approaches to skill formation within the automotive industry appear to be strongly influenced by national traditions. In Germany, for example, vocational training has long been a significant feature of the educational system and has provided a steady supply of skilled workers. Germany has a more regulated system than many other countries and greater union involvement in decision-making about skills development. Works councils play an important role in training issues at the enterprise and plant levels. However, there has been criticism of the ability of the system to meet the changing needs of industry. Hence, in 1987, training regulations in the German metal industry were reformed in order to foster a broader and more flexible system. Skill formation has played an important role in facilitating the introduction of technological change, as well as new forms of production.

In Japan, which is also regarded as a leading nation in skills development, there is less regulation by government and a lower level of union involvement than in Germany and some other European countries. However, employers in the automotive industry has emphasized the importance of continuous on-the-job training as a key element in developing and maintaining Japan's competitive edge. Since the oil crisis of the early 1970s, Japanese industry has sought to raise quality while containing costs by using more flexible systems of production and procurement, based on microelectronics and JIT delivery techniques. Although state-run vocational education has not been developed as much in Japan as in Germany, companies have consistently increased the amount and levels of training within the enterprise. Many maintenance and other technical skills which are the province of skilled tradespersons in other countries have

been 'built into' the jobs of production workers in the Japanese automotive industry.

All countries in our study appear to be attempting to raise the levels of skills among their workforce and to improve the methods of delivery. All are searching for ways to encourage, if not require, more firms to increase their commitments to training and to allocate more investment to upgrading the competence of their workforce. In Italy, for example, there has been a long-term decline in vocational training and fewer apprenticeships, compared with some other European countries. However, a national agreement was signed between unions and employers in 1989 on vocational training, involving the establishment of joint committees. In recent years there has been an expansion of formal systems for the accreditation of skills attainment. In countries such as the US and Canada, however, which have more highly decentralised systems of industrial relations, training investment is very uneven and lower overall. Yet there is discussion of how to develop stronger joint public-private initiatives to overcome inherent market failure problems that inhibit individual firms from investing more in skills development.

In the Australian automotive industry, since the introduction of the Vehicle Industry Certificate (VIC), all new employees have been required to undertake formal training on the job to acquire necessary competencies. Wage increases are increasingly based on skills acquired and demonstrated levels of competencies. The VIC was introduced with the support of both employers and unions to formalise the training process and to recognise skills acquired. Progression by individuals within the industry will ultimately depend on having passed all stages of the VIC course. Although financial support is also provided by the government for the development of training within the automotive industry, the new emphasis on competency-based wage systems was the result of negotiations between employers and unions over the restructuring of awards. While the new system is generally regarded as successful, there are considerable variations between firms in terms of the speed and extent with which they have introduced the VIC (see Lansbury and Bamber, 1995)

Data from the IMVP for 1993 indicates wide variation between countries within the automotive industry in terms of the number of training hours provided for assembly workers. The aggregate number of training hours provided for newly hired production workers (during their first six months of employment) was highest for Australia, followed by Japan. As noted above, the high figure for Australia may be explained in terms of the introduction of the VIC which has required all new employees to be provided with comprehensive training. However, the number of hours training provided for experienced production workers was greatest, by a considerable degree, in the

North American plants of Japanese-owned assembly plants. This may be due to the fact that when the Japanese firms either took over existing plants or built new ones in North America they found that there was a considerable skills deficit among the workforce which needed to be rectified. This would certainly be borne out by the statistics for the non Japanese-owned plants in the US and Canada, which showed the lowest number of training hours provided for newly hired workers.

According to indices of training, which takes account of hours provided for all employees (including production workers, supervisors and engineers) the North American plants owned by Japanese firms provided the most skills development, followed by the European countries (France, Italy and Spain) and then Australia. These countries achieved fairly similar scores, although the Japanese firms again showed a considerably higher level of training hours being devoted to experienced workers in their North American plants. Once again, the 'laggards' in terms of training hours were the non Japanese-owned assembly plants in the US and Canada, which were at the bottom of the comparative table for both new and experienced employees.

### **Compensation**

The world-wide slow-down in economic growth and productivity in the past decade held back real wage growth in most advanced industrialised countries. Real wages were most stagnant in the US and grew only modestly in Japan, Germany and several other European countries. Inequality in income grew generally within most of these countries, again to the greatest extent in the US and to only a modest amount in Germany and Japan. Those economies with more centralised wage setting structures and traditions tended to hold down expansion of wage differentials. However, in Sweden, the long-established solidaristic wage policy gave way as employers pressed hard to decentralise bargaining structures.

As well as wage restraint, a great variety of forms of payment emerged during the past decade. In some countries there was a growth in contingent pay, which is compensation that is contingent on some measure of performance which can be assessed at the level of the individual, work group, plant or firm. Examples of contingent pay include profit sharing, employee stock ownership plans and bonuses. In most countries, as noted previously, there was also a modest trend towards compensation based on skills or competencies attained rather than for specific tasks performed or on the basis of seniority. An increasing proportion of firms also moved their employees from wages to salaries as part of the process of reducing status differentials between blue-collar workers and salaried staffs

Although Japan tends to be seen as highly developed seniority wage systems, they apply to only a relatively small proportion of the workforce who are located in the larger enterprises. During recent years, ability-based wage systems have been more widely introduced. For many employees, however, a significant proportion of their annual income is related to the profit performance of their employing organisation. In Australia, despite a tradition of centralised wage determination, there has been a movement towards enterprise-based bargaining which is designed to take greater account of the economic performance of the firm in wage negotiations. There has also been a trend towards employment contracts with complex compensation packages negotiated for a fixed period of years. In theory, the renewal of such contracts depends on a number of factors, including the achievement of agreed performance targets. While this approach was initially confined mainly to professional and managerial staffs, it is increasingly applied to the unionised workforce.

The IMVP data indicates, somewhat surprisingly, that contingent forms of compensation were more extensive within the automotive industry in Japan, Australia and Europe than in the US and Canada. This may be due to employers and unions outside of North America demonstrating a greater willingness to negotiate over issues of wage flexibility and apply a wider diversity of methods of compensation in return for wage increases. By contrast, North American employers have focussed more narrowly on simply reducing the level of real wages. An analysis of trends over a longer time period is needed, however, before firm conclusions can be drawn.

### **Job Security and Staffing Trends**

High labour turnover has long been a characteristic of the automotive industry and was one of the factors which motivated European manufacturers such as Volvo to embark on programs of job redesign and work reform during the 1970s. It was hoped that by making the jobs more interesting, the automotive industry might become a more sought-after source of employment. In some other countries, such as the United States, higher hourly rates of pay and employment benefits were used in an attempt to attract and retain labour. In many European countries, guest workers were used to fill the vacancies in the factories as local labour sought more desirable jobs. Even in Japan, the automotive industry was known as the employment of last resort and was regarded as 'dirty and dangerous'. The industry also tended to follow economic cycles of boom and bust. Hence, workers were used to being either hired or fired in large numbers as the automobile sales waxed and waned.

During the past decade, however, jobs in the automotive industry have become more precarious as the result of

economic recessions and increased global competition. Until recently, Japanese automobile manufacturers were an exceptional case due to their dominance of many segments of the market, as well as the exceptionally strong Japanese economy. However, the concept of life-long employment (which only ever applied to a relatively small proportion of the workforce in large organisations) is in slow decline even within leading firms such as Nissan, which began to lay off workers during the recession of 1991-2. Japanese automobile unions have even sought to prevent companies opening plants in other countries because they feared that this could threaten jobs in Japan, although they have not been successful in the long-term. It is also often difficult to distinguish between what is voluntary severance and outright dismissal, due to the practice of older workers being 'patted on the shoulder' and thereby being asked to leave a company. Furthermore, the Japanese have long used subcontractors and temporary workers as a means of providing large scale employers with a relatively high degree of labour flexibility.

Most continental European countries have laws which require employers to follow certain procedures when redundancies occur, in order to afford some protection to employees and give them a period of warning before they lose their jobs. However, during harsh economic times it is difficult to enforce some of these provisions. In France, for example, the whole system of social protection is under severe strain. Firms are now permitted to depart from general provisions of the law, providing that the parties give their consent. Employers in the auto industry and elsewhere are increasingly using temporary workers and short-term contracts to reduce their liabilities. In Germany, where the automotive industry remains vibrant, there is still high employment security for the core labour force, but the government has permitted greater use of temporary and part-time workers who are not covered by the same level of protection. However, in Sweden, where there is the strongest degree of legal protection against job loss for both permanent and temporary workers, the general economic recession hit the automotive industry particularly badly. During the early 1990s, Volvo closed a number of plants and Saab sold half of its automobile business to General Motors. Although an economic recovery began in Sweden by the mid 1990s, the automotive industry has remained depressed and there are still high levels of unemployment.

The US is at one extreme of the debate about job security since employers have no obligation, contractual or otherwise, to provide security of employment. This has led strong unions, such as the United Auto Workers (UAW), to seek job security for its members through rules governing job classifications and seniority. While many older unionised workers have been able to gain a degree of job security through agreements on reverse seniority



lay-offs, others have not. As unionisation has declined and union bargaining power has been weakened, many employers have sought to regain control over these areas. Indeed, by increasing the proportion of part-time, temporary and contract workers, employers have gained greater flexibility over the way in which the workforce is deployed, as they are able to vary the size of the workforce to meet fluctuations in demand. There is a growing discrepancy between the job security and conditions of 'core' employees who have long-term or even permanent contracts of employment and 'peripheral' workers who are casual, part-time or on fixed contracts.

A number of newer greenfield auto assembly plants have been built in both the US and Britain, some of which are owned by Japanese companies, and are deliberately non-union so as to ensure that management has greater discretion over issues such as conditions of employment and tenure. For some years now employment has become less secure in Britain as economic conditions have deteriorated and union strength has declined. Conservative governments in Britain have also reduced the obligations of employers to provide redundancy payments.

In Australia, following an unprecedented rise of unemployment to more than 11 per cent in 1994, the federal government sought to strengthen the laws governing job security. However, the automotive industry has undergone considerable rationalisation in the past decade. Of the five companies assembling vehicles in 1985, there are now only three manufacturing groups, and total employment in the assembly plants in the past decade has declined by more than one third. Most of the firms have shed labour either through natural attrition or voluntary redundancy and the unions have focussed mainly on seeking to secure the most generous severance payments for their members.

The gradual reduction of tariff protection for the Australian automotive industry, which will reach 15 per cent by the year 2000, is designed to make the industry more efficient and export oriented. However, it has resulted in the proportion of imported vehicles growing faster than those manufactured locally, thereby further reducing prospects for future employment in the industry. The main hope for the future lies in the possibility of an increase in exports based on the decline in the value of the Australian dollar against the Yen and the rising quality of local production. Both Toyota, which has recently opened a new assembly plant, and Mitsubishi which has expanded production, are increasing their exports from Australia to the Asian market.

### **Enterprise Governance**

There is wide variation between automotive firms in different countries regarding the degree to which

employees are represented in corporate governance through institutions such as works councils, and the extent to which workers are consulted informally by management. Those countries which have long had strong formal institutional arrangements, such as Germany, have strengthened them in marginal ways in recent years. European Works Councils are also being introduced within the European Community (see Dankbaar, 1994).

In Germany the evidence suggests that the role of works councils has increased relative to that of the unions, as 'qualitative' issues such as the introduction of new technologies, training and work organisation have gained in importance. However, the end of the 'economic miracle' in Germany has imposed considerable strains on the existing system and conflict has increased. Employers have sought to decentralise decisions, which were formerly negotiated with the union, to the plant-level where union representation is often at its weakest. Furthermore, a number of firms within and outside the automotive industry are promoting direct forms of employee involvement which do not require participation of the works council. Although unions remain strong within the auto industry, there has been a gradual decline in unionisation. Indeed, the structure of the labour market continues to evolve in a direction which favours white collar and service related occupations, which are less unionised than the blue collar and manufacturing-based jobs.

There are certain parallels between the German and Swedish situations, although Sweden does not have highly institutionalised works councils, the workplace reforms of the 1970s strengthened the role of union representatives in decision-making within the enterprise. While unions directly challenged management prerogatives and championed radical plans for wage earner funds, economic difficulties in the 1980s and 90s saw the balance of power swing back to the employers. Employers sought to end the centralised wage agreements between the SAF and LO, and some withdrew from cooperative arrangements with the trade unions. Yet, as a result of continued union influence at the enterprise level, direct forms of employee participation in decision-making persist (see Brulin and Nilsson, 1995). Since the re-election of a Social Democratic government, there are signs of a renewed interest in consultative approaches at the enterprise level.

Employee involvement programs have been prevalent in the US for a number of years, under various terminologies, but tend to be found more often in non union than non-unionised workplaces. However, there are some outstanding examples of union-management cooperation in the auto industry, such as the Saturn and NUMMI assembly plants (Adler, 1993; Rubenstein et. al., 1994). However, these are rather controversial and isolated cases at the moment. Whether they become pattern setters in the auto

industry remains to be seen. Canada has a similar pattern of firm level governance to the US, in that management has the right to make business decisions based on corporate law, regarding hiring and firing employees, investment, plant closures and technological change. Yet the Canadian Auto Workers' Union has gained significant influence through occupational health and safety laws which require joint labour-management committees to administer laws at the workplace level. Yet, as in the US, most strategic decisions remain the prerogative of management

In Japan, the presence of formal labour-management consultative committees tends to be highly correlated with union presence within a firm. Yet the Japanese approach to consultation tends to be highly idiosyncratic and difficult to compare with Western systems. Nevertheless, a number of activities which are present in most large Japanese enterprises, such as quality circles, have been used by automobile manufacturers in other countries.

Australia provides an interesting case as the result of the Accord between the federal government and the union movement, which has been in operation since 1983. This has given the Australian Council of Trade Unions (ACTU) unprecedented influence in strategic economic and political decisions. The union movement has cooperated with the government and employers in the introduction of greater flexibility in the wage determination system through enterprise bargaining. However, unions have remained weakly represented at the workplace level, even in the auto industry where there is a very high level of unionisation. This can be ascribed, in part, to many years of reliance on the centralised arbitration tribunals. Consequently, there has been little role for unions and employees in corporate governance, even though there has been a steady growth of interest in various forms of consultation (see Lansbury and Davis, 1991).

Finally, the extent to which human resource and/or industrial relations professionals play a key role in strategic decision-making within automotive firms in various countries is difficult to ascertain. While there has been a good deal of debate and some experimentation with new ways to engage human resource issues in a firms governance processes, relatively little seems to have changed during the past decade. It would appear, however, that the HR/IR function has the strongest influence where participation by employees is institutionalised, as under systems of codetermination based on legislation

From the IMVP study, there are statistics which compare some aspects of employee influence at the plant level. One must be cautious in drawing strong conclusions from these data. However, the results confirm the view that a very high proportion of the employees in Japanese auto plants are likely to be involved in some form of group

which undertakes problem-solving or quality control. A similar proportion is to be found in Korea. By contrast a very low percentage of U.S workers are likely to a member of such a group. Responses to the question concerning how much influence work teams are likely to have over decision-making is more difficult to interpret. The estimated level of influence is quite low overall and does not differ markedly between different countries. Influence appears to be greater in regard to work issues than personnel matters. Although the Japanese average the highest score overall, there is not a large margin between them and other countries. An important point to be made from these observations is the difficulty of measuring employee involvement in decision-making and the relatively low level of influence which employees perceive that they have.

### Conclusions

This paper has presented evidence from our studies of the automotive industry in a number of countries, which have focussed on the changing nature of industrial relations and human resource practices. There are at least two ways of interpreting the changes we have observed in practices in different countries.

The first interpretation sees change as being influenced primarily by the strategies that firms, unions and government policy makers adopt in response to changes in markets and technologies. This school of thought sees the enterprise as an increasingly important level of activity and analysis in industrial relations. Hence, it is fundamental to any study of this kind to collect data on individual plants from particular firms and see how they respond to changes in demands for their product. The statistical data from the IMVP study has provided a vital supplement to the qualitative research on particular plants in each country. The combination of selected cases from different countries and the IMVP data has enabled a very detailed picture to be drawn of differences and similarities in the way that various automobile manufacturers have adapted to changes in the global marketplace during the past decade, and how this is reflected in their employment relations strategies.

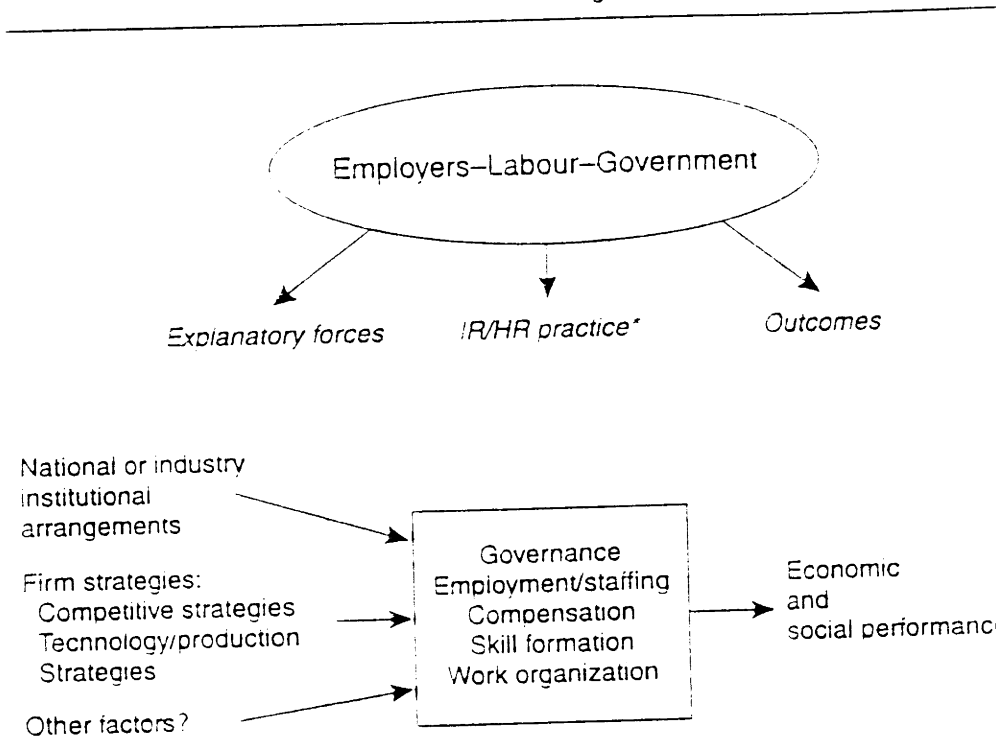
The second view is that while enterprise-level strategies and actions are important, they can best be understood as being structured and influenced by the national and/or industry-level institutional arrangements that exist among the key actors in society (ie government, business and labour). Hence, considerable attention has been paid by our contributors to the national context in which their case studies of the automotive industry have been located. Thus, it is possible to examine the political and economic circumstances in Korea which gave rise to differences between their auto industry and that of Japan and Taiwan. Even industries which look superficially

alike, such as the Canadian and US assembly operations of General Motors, have developed distinct employment relations policies and practices as a result of the different national contexts.

Hopefully, this project has demonstrated that both of the above perspectives or explanations are necessary to understand the processes which shape patterns of transformation and the adaptation of employment practices within different countries. Hence, changes in markets and technologies can and are mediated in their impacts on individual firms and workers through national institutions and policies.

Yet even where national institutions have been powerful historically, in advanced economies such as Sweden and Germany, the range of micro-level variation in response to global changes (eg in the international market for automobiles) appears to be increasing. This micro-variation can best be explained by examining the range of choices and strategic responses which the parties take within different countries. Indeed, these choices are critical determinants of the extent to which individual firms (such as Toyota or Volvo) can gain a competitive advantage through their investment in human resources (eg through advanced levels of skill formation or new forms of work organisation). The choices which firms make in this area not only affect the conditions under which their employees work but may also influence the standards of living in their society. Thus we need to comprehend both the role of national institutions and local variations as well as strategic choices made by the parties at the workplace or micro-level within the enterprise

Figure 1



## NOTES

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