



# ENTERPRISE RESTRUCTURING AND WORK ORGANISATION

Research Paper

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# **T A B L E   O F   C O N T E N T S**

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## PREFACE

The Action Programme adopted at the 29<sup>th</sup> IMF Congress in San Francisco (1997) makes the following references to “work organisation”:

1. *"The IMF should undertake a number of initiatives, including assisting its affiliates in analysing the changes in the organisation of work and their impact on different groups of employees in order to effectively represent their increasingly diversified interests and needs and to counteract trends that undermine solidarity". [Section 5.1.4]*
2. *"The gathering, analysis and distribution of key collective bargaining related information for the metalworking industries is a high priority for the IMF. This includes improving the availability of information on companies and industrial sectors, in particular concerning: technological changes and innovations in the organisation of production; working time; negotiations and collective agreements; pay and classification systems; industrial action, demands and achievements (Section 5.2.3.)".*

This paper is the outcome of joint research undertaken by the IMF Working Group on Work Organisation at its meeting in Washington in February 2000. The purpose of the paper is to capture the impact of restructuring trends on collective bargaining, work organisation, and work content, and explore trade union responses.

The first part deals with current trends, particularly evidence of measures that enhance flexibility, contingency and individualisation, and the repercussions on workers. The second highlights union responses to these changes and achievements. Obviously there are important differences in the manner in which trade unions approach these issues. In Northern Europe, work organisation has historically received more emphasis than in other parts of the world. Nevertheless all unions, in one way or the other, are faced with industrial restructuring and new forms of work organisation and have to meet to these challenges.

The organisations which contributed to this paper are the CAW (Canada), CO-Industri (Denmark), IAM (USA), FLM (Italy), IMF-JC (Japan), and SIF & Svenska Metall (Sweden). The CAW's input focuses on the auto industry in Canada, and more particularly in terms of its membership and bargaining relationship with what is referred to as the Big Three, i.e. General Motors, Ford and Daimler Chrysler.

Economic and financial globalisation together with cutthroat competition continue to provide the impetus for mergers, take-overs and enterprise restructuring throughout the world. Pressures for profit maximisation and economies of scale are fuelling this global structural change which is being accelerated by the rapid development in communications and information technology. Most industries are now operating with over-capacity. In sectors such as automobile, steel, computers and household appliances, actual capacity is much larger than market needs.

In order to survive companies are restructuring and reorganising through take-overs, new relationships with suppliers, intensive rationalisation and the development into service companies among other things. By doing so, benchmarking (i.e. identifying best practices) is a method corporations are increasingly using to improve both their performance and efficiency.

Collective bargaining and work organisation are almost invariably affected when enterprises change their structure and management, i.e. when they reorganise or rationalise the management system or the production process.

As a result, trade unions are confronted with a number of interrelated trends. Production re-organisation or relocation, whether in the same country or outside, means dislocation for workers. When work is outsourced, unionisation suffers under heavy strain as this often means replacing union jobs with non-union workers. Moreover, workers have to be more flexible and adjust continuously to new working methods, deliver faster and make better products and services at lower prices. Apart from threats of job cuts and work intensification, the reorganisation of production imposes a great deal of stress on workers.

## **I. CURRENT TRENDS AND IMPACT ON WORKERS**

### **1. Enterprise and Industry Restructuring**

Generally speaking, there is a clear trend that production can no longer be considered as essential to profits as it used to be. Many companies, particularly larger firms, are restructuring around the concept of "core competence". What were previously considered as core competencies, i.e. centres of production or manufacturing, are now increasingly being provided by contract manufacturers. In other terms, companies are redefining what they consider to be their core competence. Some are shifting their focus to retailing or finance activities rather than production because this is where the greatest opportunities for profit occur. The result is downsizing or the elimination of operations previously done in an integrated fashion. Production is outsourced, as for example in Volvo and Scania in the truck industry or at Ford, which is shifting its focus to retailing rather than production.

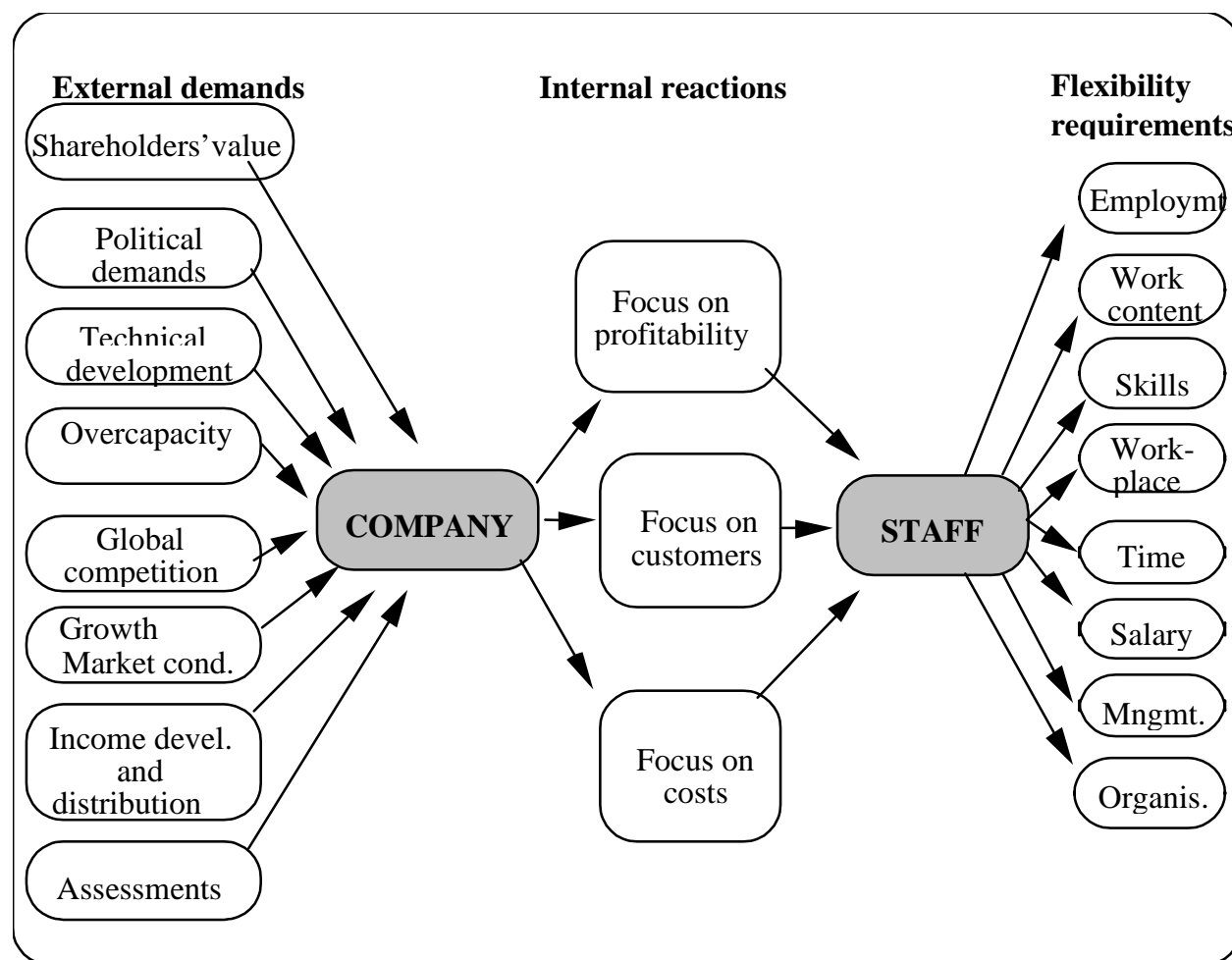
Other industrial companies are switching to services taking on assignments such as financing or transforming themselves into financial organisations. General Electric is an example, financing relationships with airlines, providing services as well as becoming an important transport company itself. Fiat is another, accelerating

diversification into services by the creation of a new subsidiary. Its aim is to reduce the share of manufacturing activities and increase that of its services, from 20%-25% today to 35%-40% by 2005. Services now account for over half of IBM's turnover. Swedish companies are also developing more services, financial and others, close to their customers.

A second related trend is the focus on shareholder value. Whatever drives up the price of the stock is seen as a good thing and, unfortunately, shareholders tend to view downsizing as a positive factor. This destructive logic favours shareholders' profits to the detriment of workers' interests and a genuine industrial policy. In recent years, profitability demands have increased, benefiting first and foremost capital owners.

Equally critical are developments in trade policy. The establishment of free trade zones and economic blocs in North and Latin America (NAFTA, Mercosur), Asia (ASEAN) and Europe (EU) affects companies' strategy and the reorganisation of production networks on an international scale. The creation of the European Monetary Union will impact the corporate environment and make it more global.

SIF and Svenska Metall have developed a model analysis describing the various driving forces at play – both endogenous and exogenous – in the corporate world and how these forces affect employees in the workplace.



The external driving forces expose companies to pressure from competitors. As a result, these companies act internally, using three focal points to reinforce their competitive edge.

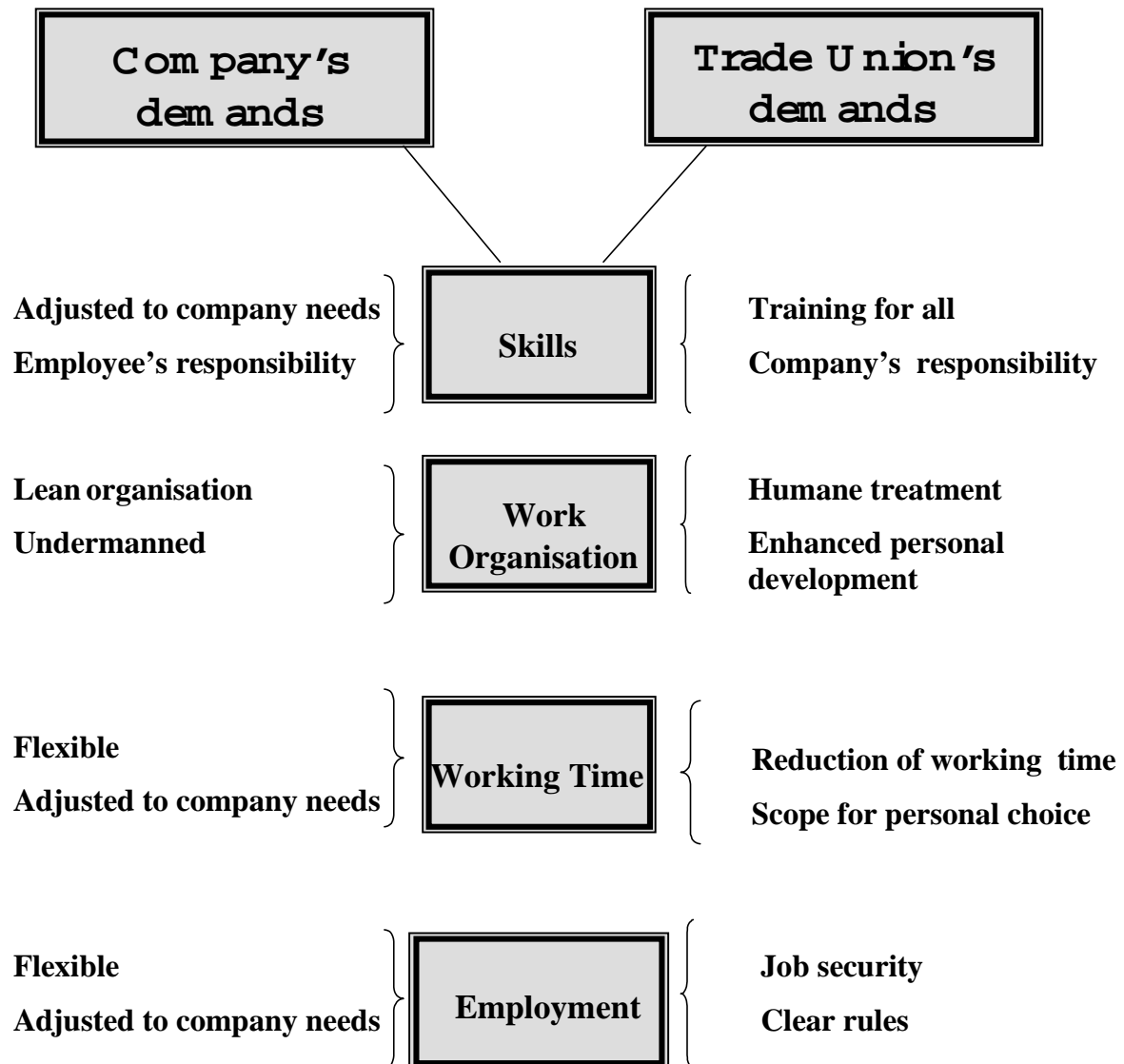
- ***Focus on profitability*** to get shareholders' approval and meet the high return requirements. Operations which are not profitable are likely to be sold off and the products or services necessary for the running of the enterprise acquired outside.
- ***Focus on customers***, i.e. development, design and services close to the customers.
- ***Focus on costs*** through mergers/takeover (cost reduction by means of synergy effects), rationalisation and downsizing, and focus on core activities.

Flexibility is not just about how work is organised but also how it is scheduled and remunerated. As the picture shows, flexibility requirements are to be found in a number of areas:

- ***Employment***: companies are shifting away from relying on permanent workers by a growing recourse to part-time, temporary, contingent and contract workers.
- ***Job***: jobs entail a greater variety of tasks.
- ***Skills***: new work practices raise skill levels and requirements. Workers/employees have to upgrade their competencies so as to be able to cope in a changing world.
- ***Workplace***: homework is developing thanks to new information and communication technologies. On the other hand, as a result of outsourcing, there can now be a number of enterprises on the site where the old "workplace" used to be.
- ***Working time***: increases in demand are met by overtime work or a more flexible approach as to when and how to work so as to extend operating hours without having to pay for overtime.
- ***Remunerations***: Profit sharing and various types of bonuses are becoming more and more common.
- ***Management***: a more flexible world demands a different kind of management and philosophy.
- ***Organisation***: there is a trend towards flatter organisational structures.

A major feature in company restructuring in Sweden is the development of the IT sector. This sector is experiencing strong growth and in the process of becoming the largest employer in the country.

## Company Restructuring



## 2. Outsourcing

Consistent with the core competency effort, most companies are moving to outsource work that does not tally with the main mission of creating shareholder value. Outsourcing aims at cutting production costs by lowering the vertical integration of

the firm. Vertically integrated firms are becoming a relic in the majority of countries and being replaced by firms networking.

Changes in ownership entail reorganisation with transfers of production (spin off), outsourcing of parts of the process (management, logistics, maintenance, etc.) particularly in big companies with mass production. In some of these companies, logistics (warehousing and internal supply) has been sold to another firm with a collective contract different from that of the metal industry. Such a firm operates within the parent company with a mixture of workers who used to have a single employer, but now have two or more.

In small and medium-sized Italian enterprises, especially in the production of capital goods, these phenomena are more complex. The division of the process requires logistical resources, know-how and elements of integration among the various parts which are less easy to acquire.

What is increasing in these enterprises is the network-company, in which several enterprises specialise each in a part of a particular product or technology, the entire process being managed and then integrated with the other companies.

Over the past decade, most carmakers have increasingly outsourced supplies of entire subsystems from engines and suspension to car interiors. In Canada, cushion rooms and wire harnesses were among the first operations to be moved out of the assembly plants. Now, although its extent is uneven across plants, the list of outsourced sub-assemblies includes bumpers, instrument panels, wheels and tires, seating, headliners, bumpers (fascia), door panels, and exhaust systems. Cafeteria, janitorial and gardening services are also contracted out.

About 80% of a vehicle value and 70% of an Airbus are now generated by subcontractors. The same trend is discernible in the information and communication technology sector. Big players such as Ericsson and Nokia are outsourcing a growing part of their mobile telephone production. A few years ago, Ericsson had some 8,000 employees on its payroll in Italy and today just over 1,800.

Outsourcing is also a major feature in Japan where, according to research carried out by the Ministry of International Trade and Industry (MITI), over 65% of corporations have recourse to it. It is widely used in data processing, facility maintenance and security, administrative work, logistics, etc.. In manufacturing, 22% of the corporations are using outsourcing. In August 2000, Toshiba announced that it planned to increase outsourcing of semiconductors from 10% to up to 30% by 2003<sup>1</sup>.

Outsourcing reduces the skill base of the workforce, jeopardises apprenticeship programmes, and tends to increase the work assignment of the remaining workforce, because usually the workforce is reduced to a greater degree than the amount of outsourced work. The more companies refocus on their core activities, the more the number of employees with unlimited duration contracts diminishes. At the same time, multi-tasking, work teams and kaizen activities are introduced in many cases. The elimination of certain types of relatively unskilled tasks together with the introduction of teams makes it more difficult to find workplaces for older or disabled workers. The overall result is an increase in both psychological and physical stress at work.

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<sup>1</sup> Toshiba and Amkor in Japanese joint venture, Financial Times, 29 August 2000.



Outsourcing lowers union density as work is outsourced from organised Original Equipment Manufacturers (OEMs) to non-union suppliers. While this is true in both the US and Canada, there is a difference in the degree to which it has occurred. In the USA the independent parts sector is now largely unorganised. Less than 20 % of auto parts workers are employed in unionised workplaces in the U.S. compared to about 80% at the start of the 80's. In Canada the number is about 50%.

Conversely, in a small open economy like Denmark, outsourcing is a well-known phenomenon and not a major issue. Many Danish enterprises supply larger, international companies, and outsourcing is not considered a major problem for workers or unions.

It should also be pointed out that insourcing also occurs, usually as a result of external pressure. This is for example the case in Sweden in the truck industry which has insourced activities previously performed by hauliers, and in the IT sector.

### **3. Changing work organisation**

The globalisation of production has resulted in the drastic restructuring of work organisation, creating slimmer organisations and with increased multi-skilled workforces. To cut production costs, work is reorganised around concepts such as cellular production, just-in-time, quality circles, quality of working life programme, teamwork and total quality management.

All major auto companies and other sectors as well in Canada are moving to lean production. In recent years the process of getting there has involved the development of fairly elaborate, albeit shifting, operating systems. Ford has its Ford Production System, Chrysler has its Chrysler Operating System, GM has its textbook of the manufacturing practices of Lean Manufacturing.

While the company systems are generally the same, and all are heavily influenced by the Toyota Production System, there are some differences. These differences are not so much in the approach to manufacturing practices as in human resources, industrial relations and the social organisation of work.

In addition to the differences across companies, there are also changes within the companies as they replace executive officers or are bought up by other players. The Ford 2000 system has undergone changes under the new chief executive. Similarly the programs of the Chrysler Operating System are now subject to the influence of Daimler management.

The twin goals of lean production are to take time out of labour and labour out of production. If unchallenged and unmodified, lean production will reshape workplaces in ways that are detrimental to workers and consequential for unions. Despite early managerial and academic claims of more challenging and more rewarding work under lean production, the evidence from research and the experience of workers points in a different direction.

Jobs in lean plants are more stressful, work content shifts toward more short cycle, repetitive tasks and a faster work pace. There has been a replacement of technical skills and production know-how with more abstract cultural skills, routinized problem solving methods and corporately defined personal attitudes and attributes. While there

are pockets of improved jobs, for the most part, work in auto plants has been re-Taylorised rather than transformed.

In the 1980's a number of innovative forms of work organisation were implemented in Sweden. These were new concepts, which were often initiated by the trade unions. One example was the group work at Volvo's Uddevåla plant. In the 1990's, concepts inspired by Toyota instead have dominated Swedish industry. These included Kaizen (continuous improvement), QLE, T-50, CPS, PU and were all variants of lean production from different companies. Attempts were made to combine the Swedish model with the Japanese model of production.

Rationalisation processes are now underway for both manual and non-manual workers. They include staff reduction and changes in work organisation. The difference between both categories is vanishing as companies introduce work contracts with similar provisions.

Experiments with work teams are of less importance in Italy. There are union agreements, which define the modalities of team work, regulate the definitions of tasks, roles and hierarchies. But these experiments have not been widespread and thus do not permit to arrive at a clear assessment of the metal and machine sector as a whole. The same goes for telework, a phenomenon which is presently limited to a few service sectors (such as telephony) or a few companies, which apply the metal and machine contract (such as IBM) but operate in specific areas.

Quality circles have not caught on in the Italian system and are limited to a few isolated cases. However, the typology of Italian industry in the most advanced sectors, often based on small and medium-sized enterprises, has favoured an organisational model in which the formalised quality circle is replaced by a system of informal relations which achieves – and achieves better – the same results which quality circles aim at. Regarding teamwork, there are some union agreements, which define its modalities, regulate the definition of tasks, roles and hierarchies but these are not widespread in the Italian metal and machine sector as a whole.

With one exception, the model of industrial relations has not basically changed in that country. Demands for new models get bogged down in practice when it comes to reaching a concrete agreement. One experiment, in a class by itself, is that of Zanussi Electrolux. Committees have been set up at various levels (national and company) to deal with issues such as the general strategies of the group (information level) and, in particular at company level, with work organisation, health and safety and equal opportunities.

#### **4. Changing work content**

The traditional work system was founded on the concept that each employee should be given an extremely narrow definition and should only focus on those few tasks. Today, job definitions are much broader and tasks more and more wide-ranging. There is a shift away from supervision and employees, who simply obey orders towards management by objectives, flatter hierarchical structures and delegation of responsibilities. Teamworking, in particular, leads to a flat organisational structure, with the devolution of what had previously been managerial and supervisory layers to lower levels with the company. A flexible labour force erases the distinctions between

the different groups of workers and allows companies to delegate a number of previously specialised tasks to the operator level.

As reported by the Italian affiliate, these changes can be described as a gradual transition from decreasingly executory work to more "responsible" work. Work in which it is no longer enough to execute orders and instructions, but in which knowledge, creativity, self-monitoring and decision-making (problem setting and problem solving) skills are increasingly demanded. Workers have to be able to handle a multiplicity of tasks and be very flexible. They are not supervised in the same way and the area in which they have the authority to make decisions is much broader.

The same observation can be made for the assembly line. Here the work pace is accelerating, flexibility of working hours and shifts is high and the worker is asked to interact with the process, however repetitive it may be, coping with variability and unforeseen problems which even the assembly line must confront and resolve.

This raises important issues for unions in particular that of workers' classification. In Italy, for example, the former system of classifying workers – single organisation for both blue- and white-collar workers – goes back to the early 1970s, and reflects the industrial model of that time. That is a fordist/taylorist system, based on fragmented work by mass worker, static and executory. Despite the absence of unifying national criteria, unions have tried to develop new approaches on a regional basis.

Training is among the most frequent subjects occurring in documents and debates, and is considered by everyone to be essential. It is a value which is entering the sphere of rights, but the exercise of that right has not yet been entirely achieved in all countries and enterprises.

In Sweden, two contradictory tendencies can be observed. On the one hand, companies are demanding more and more skills from their employees. They have to perform an ever-larger variety of tasks, including in certain cases customer services, and be flexible. The new information technologies enable companies to decentralise their distribution of tasks. On the other hand, many workers have less and less work to do. Tasks are being simplified and work on the conveyor belt has become the norm again.

In Canada most production jobs in the auto industry are short cycle and repetitive. While there have been facility, equipment and, more unevenly, workstation improvements, many jobs are getting tighter. Over the years there has been a shift from bad jobs which were characterised as heavy, dirty or dangerous to those which are described as more tightly loaded, with more repetitive motions.

Jobs are being redesigned to eliminate indirect activities. The goal of industrial engineers at all companies is to get rid of walk time, thinking time, waiting time and material handling time on the line. Management wants to define cycle time as 'pure' work effort with as little time as possible spent in operations other than fastening parts to the vehicle. As a result, management is more aggressively and more effectively setting benchmarks and clear targets for workstation and job assignment efficiency.

Shorter work cycles make it possible for management to more effectively load jobs closer to the actual cycle time. Shorter cycles usually mean that the proportion of shorter tasks within the cycle increases as do the number of repetitive motions over

the shift. Prior to the recent slowdown in the industry line speeds were very high. Even though line speeds are being reduced jobs with longer cycles are not necessarily easier or better jobs. It depends how many and what kind of tasks are packed into the available time.

The use of predetermined time systems allows management more opportunity to micro-manage work assignments than any observed time system.

Workload issues are seeming more pronounced because of other changes and other factors which influence how people respond to workload issues in their workplace.

### ***Fewer Off-line Jobs***

*In assembly plants there are fewer off-line and sub-assembly jobs and there are fewer preferred jobs such as inspection. Workers on the line are seeing that there jobs will continue to be line based with few opportunities to post to better jobs in the plant.*

### ***Closing gap between 'good' and 'bad' jobs***

*Programs of work station optimisation together with targets for job loading levels has resulted in more 'efficiently balanced' jobs on the line. As a consequence the difference between good and bad jobs is narrowing as more and more of the jobs are approaching cycle time targets.*

### ***Indirect Jobs are getting tighter***

*As a result of changes in material handling —material flow and pull systems (Kanbans), small lot containerisation, sequenced delivery, parts supermarkets, jobs which have been 'free effort' jobs are now becoming more controlled.*

### ***More strains, sprains and repetitive strain injuries (RSIs)***

*Despite facility improvements, despite the introduction of more appropriate tools and better-designed equipment there is a growing problem with RSI's. There is also a significant percentage of the workforce with restrictions.*

### ***Rotation***

*Despite the claims there is little opportunity for job improvement either through strategies of enrichment or enlargement.*

### ***Workers are getting older***

*In some plants the age of the workforce combined with the above changes make the issue of workload more pronounced.*

### ***Skilled Trades***

*The impact on skilled trades workers is more uneven. As equipment gets more complex and plants more complicated the demand for skill increases. Similarly skilled trades workers have opportunities for upgrading through participation in design and launch teams and related activities. On the other hand new diagnostic*

*systems and management information systems are directed to controlling skilled trades time and routinizing more skilled trades work.*

## **5. Changing employment practices**

Contingent and precarious work, temporary, casual and part time jobs, core and contract workers – these are all hallmarks of management's push for increased labour flexibility. These new employment practices make it easier for employers to increase or decrease the size of the workforce to accommodate changes in demand and adjust according to profit requirements.

The introduction of agency independent contractors and contingent work or part-time work is increasing radically in the United States. Manpower, Inc. is now the largest employer in the world and the unions are seeing the introduction of practices in the United States as well. Often these practices are used to break organising efforts or to bust currently existing unions.

In the Canadian auto sector these trends are far less pronounced than in other economic sectors. And in the unionised auto plants they are less evident than in the Japanese non-union transplants.

In Japanese auto transplants there is a relatively permanent group of full time temporary and contract workers often supplied by employment agencies. In the offices of Big Three operations, among non-bargaining unit ranks, there is a growing number of contract positions and among supervision on the floor (non-union), there are more contract supervisors.

While the structure of the internal labour market in the major auto companies is relatively stable, there is constant job insecurity as a result of a long history of cyclical downturns and the more recent wave of corporate restructuring.

New typologies of employment are burgeoning in Italy. Their main characteristic is that of making employment uncertain and insecure, flexibility in connection with temporary work<sup>2</sup>, interim work (through agencies which rent out workers), employment training contracts (the employee may be hired at the end of the training period, but his/her contract may also be terminated). In the labour policy debate the idea of introducing the principle of the individual employment contract is also gaining ground.

A new form of employment, which has appeared in the discussion with management, is "jobs on call". This was introduced in the recent proposed enterprise agreement in Zanussi, but rejected by 70% of the workers. The lack of job security can only worsen the conditions of workload, fatigue and stress – all phenomena, which are on the rise not only in direct production but also among white-collar employees.

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<sup>2</sup> A recent study shows that there is a sharp rise in temporary working in Italy, following a relaxation last year of legislation governing temporary work. Temporary work almost doubled in volume over the past twelve months and it is likely that 2001 will see another big increase. The largest concentration of temporary workers is in the metalworking industry (35%) and its use is more widespread in the industrialised North. The service sector is another major user.

Japanese companies also hire non-regular employees, such as contract employees, temporary employees and part-time workers more and more as a way of slashing total labour costs. Looking at the Labour Force Survey, currently there is no increase in regular employment whilst the number of temporary and daily workers rose by approximately 5% in 2000 compare to the preceding year. A research carried out by the Ministry of Labour (MOL) in September 1999 shows that non-regular employees accounted for 28 % of the total workforce and women are particularly hit by these developments (47%). Unions report that corporations have no intention of increasing the share of regular employees on their payroll, not even young workers who, as a result, have been deprived of the opportunity to acquire skills. In manufacturing, “contract work” is widely used.

As from April 2000, a “Discretionary Working Scheme for Administrative Jobs” was introduced for clerical staff. In the past, this scheme was limited to 11 occupations such as the development of new products and technology, analysis and planning of data processing systems. It will be applied to jobs dealing with “planning, drafting, research and analysis” regarding “business steering” at head offices. The unions are demanding that when these schemes are introduced, a labour-management joint committee be established with at least half the members workers’ representatives. The major role of this Committee is to decide to which category or type of jobs the scheme is to be applied and this should be agreed upon unanimously.

According to a research done by the Japan Institute of Labour (JIL) on October 2000, out of the 288 companies which answered, 1.5% of them had already introduced the “Discretionary Working Scheme for Administrative Jobs”, 25.0% were examining its introduction and 5% had decided not to adopt it.

Another development worth mentioning is the amendment of the Temporary Working Act in December 1999, which specifies that temporary workers/employees can be hired for all types of occupations, generally for one year. Beyond this limit, companies should seek to make these workers part of their regular workforce.

In Sweden as in other countries, the most significant trends are the increase in job flexibility and the number of “external” workers hired by other companies, even though these latter still represent a marginal group. This creates a general feeling of insecurity among the labour force and is not conducive to promoting a positive work organisation in the enterprise. As a rule, companies seek to reduce manning levels more rapidly whenever problems arise.

## **6. New Working Time Arrangements**

Generally, the pressure from employers towards more flexible working hours is increasing. The trend towards flexitime is based on production requirements and the workload. As a result, working hours may vary within a certain period of time.

A major feature in Sweden has been the rise of project work. As far as clerical and technical employees are concerned, more and more work is done in the form of projects. This increases both work content and commitment but it also leads to stress and longer working time. It is not unusual for project managers to actually work 70 hours a week. As a result, a growing number of people, particularly those working in industries such as IT, are suffering from symptoms of burnout.

Regarding clerical staff, companies increasingly tend to draw up individual contracts with respect to overtime work. This means that clerical employees are not paid for working overtime but receive an extra week's holiday and/or salary compensation instead. This is one of the methods used by employers to circumvent the restrictions relating to overtime in contracts or legislation.

In Italy, the worsening of working conditions has been reflected in policies regarding working hours. The reduction of working time has in fact disappeared from the discussion and the unions' initiatives as a general topic. The actual weekly average in the metal and machine sector is around 44 hours, as opposed to 40 hours according to the agreement.

Another type of flexibility sought by management, in particular in medium to low technology processes, is weekend work. Agreements provide for employment, mainly of young people, from Saturday afternoon to Sunday evening, approximately 16 hours of work per week.

In the USA, very few changes have occurred regarding working time arrangements. These are a matter of collective bargaining and partnership decision making. In the same way, there have not been any new developments concerning working time for blue-collar workers in Japan.

In Canada, existing legislation provides minimum standards for holiday and vacation time. In Ontario, the country's most industrial region, workers are only entitled to two weeks paid vacation and eight holidays a year. Moreover, right wing governments at the provincial level are introducing new legislation which is increasing the hours of work, reducing requirements for overtime pay and providing employers greater flexibility in the use of workers' time.

## **7. Changing pay systems**

Most companies have introduced various kinds of flexible pay, particularly profit-sharing, bonus and performance-related pay.

In Sweden, different kinds of profit-sharing systems and share option agreements are common in most companies. In Denmark wages are defined as pay for time. The rate can depend on a number of parameters such as quality, amount and environmental impact. Bonus accounts for around 20% of the total wage costs.

In Italy, remuneration systems have also been showing the effects of the changes underway. Management has been seeking to introduce extreme forms of individual pay, both in the form of bonuses and in fixed monthly pay; but the prevailing trend is to aim for forms of flexible pay linked to performance or other variables.

In the present context, collective bargaining provides for national pay increases with the national collective contract based on expected inflation. The actual forms that pay will take are negotiated at enterprise level and linked to company results which the parties agree to achieve. Italian employer associations have been pressing hard for this form of pay, trying to make such pay increasingly variable and uncertain, linking it to results which are less and less related to the effective industrial result or to control by the workers.

In the USA, there have been some movements towards incentive-based pay such as sharing of stock options. The IAM reports that these consist of relatively modest amounts of total compensation in the range of 5-10% and in no instance have incentive systems replaced regular wage compensation.

As stressed by the CAW, the major auto companies in North America have tried to make pay more contingent upon other elements. Their efforts have included the introduction of profit sharing, the establishment of two-tier wage agreements, longer grow-in rates for new hires, lump sum payments and bonuses. The goal is to make labour a more variable rather than a fixed cost of production.

Contingent pay acts in insidious ways on the union. It undermines the union's solidaristic wage policy, which stressed a link between wages and the job rather than between wages and the attributes of individuals or the current financial status of a company. It re-introduces wage competition in a sector where unions had successfully taken wages out of domestic competition. It threatens union bargaining strength (i.e. going on strike would jeopardise profit sharing cheques) it breeds internal dissent (new hires against older workers, etc) and it erodes workers' standard of living as lump sums or profit sharing do not increase the base wage to which other benefits are pegged.

Traditionally, the Japanese wage system consisted of two parts – one "based on age" and the other "based on ability". Employers, however, try increasingly to introduce performance-related schemes, using the excuse of intensification of international competition and the extended recession in Japan. The new trend in wage systems is "short-term" performance-related schemes, and management wants that corporate performance be more prominently reflected in the determination of bonus payments. The traditional wage system reflects life-long achievement. The annual wage increment based on ability will be reduced or transferred to duties and the part based on age will be reduced or abolished. Employees in managerial positions have annual salaries.



## II. THE TRADE UNION RESPONSE AND ACHIEVEMENTS

### 1. Outsourcing

In the 1996 round of Big Three bargaining (GM, Ford, Chrysler) the Canadian Autoworkers' Union (CAW) decided to challenge the practice of outsourcing work to lower bidders and this became the union's top priority. Under the rubric of "work ownership" the CAW forced employers to include provisions in the collective agreement which limited and regulated outsourcing and protected its members against possible job loss.

The language in the agreement was first negotiated at Chrysler but then the union had to go on strike against GM (including a plant occupation to stop the company from shipping out dies) to win similar language there. Ford, the third company, in the bargaining round accepted the language without a strike.

The **Work Ownership** provisions have a number of parts:

*a) A Moratorium on Plant Closings:*

*"The company will not close or sell any plant, in whole or in part".* This provision only lasts for the three-year life of the agreement and had to be renewed in subsequent bargaining. This was done in 1999.

*b) No Outsourcing of Major Operations:*

*"The company will not outsource any major operations".* Major operations encompass both production and support departments and include such activities as instrument panels, doors, material handling, repair, etc..

*c) Protecting Community employment levels against outsourcing:*

*"There will be no reductions in community employment levels as a result of outsourcing".* Here the intent was to protect the number of plant level jobs in a given community against a constant trickle of minor outsourcing decisions which could see plant populations reduced in small increments by outsourcing a job here, there a few, and so on. etc. It also recognises the company's right to outsource under certain situations but with an employment level protection.

*d) Protecting Skilled trades work:*

Concomitant with the language on outsourcing the CAW developed provisions in the collective agreements in 1996 and improved upon in 1999 that limited the company's ability to 'contract out' or to 'contract in' the work normally done by the skilled trades members of the union (electricians, tool and die, machinists, etc.).

## Improving the Language

Between 1996 and the 1999 round of bargaining the language was repeatedly tested. The same language worked well in some companies but not without major fights in other companies. In 1999 the CAW made improvements to the language and added a new section to deal with another development in the companies outsourcing strategy-- that is modular production, which blurs the lines between assemblers and suppliers. Modular production is more advanced in jurisdictions other than North America but it became an issue leading up to the 1999 collective bargaining because of GM's plans to introduce modular production in projects associated with its new investments in small car production (code named 'Yellowstone').

In 1999 the CAW added provisions in the agreement that put modular production under the work ownership language in the agreement and extended this understanding to include not only changes in plant production but to changes in company structures that were related to modular production.

The 1996 language was also strengthened by writing into the agreement a list of operations that are considered as major outsourcing, and by putting in place a procedure for regular union notification of minor outsourcing decisions and the corresponding plans to maintain community employment levels.

While the language on outsourcing, work ownership and contracting out cannot be used to reclaim work that had already been outsourced it has made a tremendous difference in protecting the work and the jobs that still exist. It also generated considerable public support when workers were on strike in 1996 as communities saw them fighting for their jobs.

## Non-Union Suppliers

In a related development the union has been responding to the growth of non-union auto parts suppliers. As mentioned earlier auto parts sector growth has led to an erosion of union density. A case in point is Magna, which now has 50 plants and 15,000 workers in Canada. In 1999 bargaining the CAW put pressure on the Big Three and in particular Chrysler to acknowledge the need for its suppliers to maintain good labour relations and for management in auto parts plants to stay neutral in the event of an organising drive. The union negotiated a new supplier letter in 1999 which reads in part that “***employers respect workers right to decide whether or not to join a union in an atmosphere free of intimidation, interference or risk of reprisal***”.

This letter and the attendant pressure put on Chrysler by the union leadership was instrumental in its success in organising a Magna plant which produces seats for the Daimler Chrysler minivan plant in Windsor, Ontario. While Magna has still not formally accepted the results of the vote, negotiations are finally underway to arrive at a first collective agreement.

The union has an ongoing campaign to organise workers in the parts sector.

In the USA, innovative approaches to outsourcing are being developed. For example, the IAM and Boeing now have a full-time team that evaluates outsourcing proposals. The parties have agreed to a common yardstick for evaluating the costs and benefits of outsourcing, and where applicable, work is kept within the bargaining unit.

Swedish trade unions have no specific position concerning outsourcing. Whether or not it is a positive development depends on the cause and the company. In some cases, the unions promote outsourcing in others they oppose it. The position taken depends on what is beneficial for workers and the company in the long term.

In the same way, outsourcing is not considered a major issue for workers or unions in Denmark.

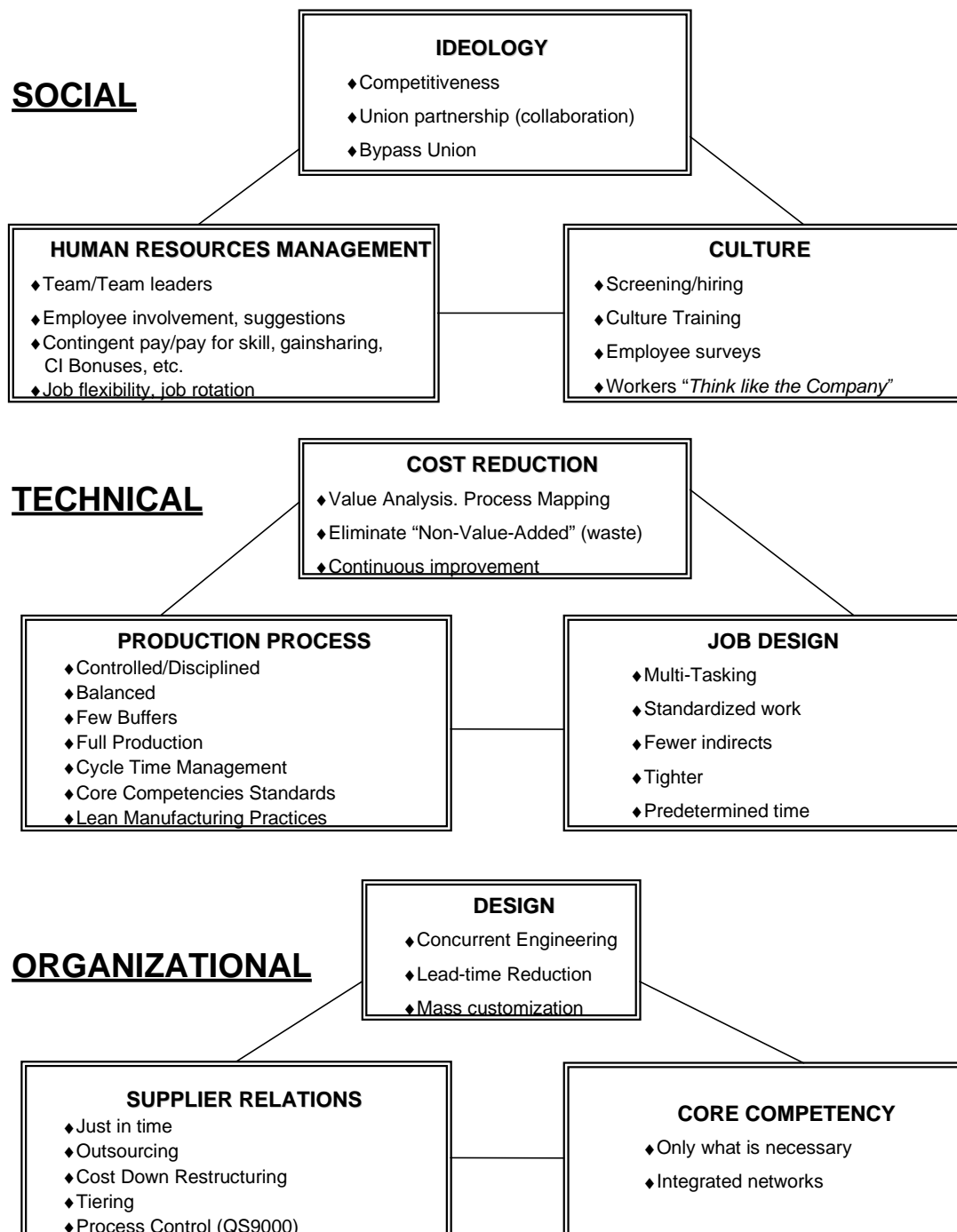
## **2. Work Organisation**

In the USA, the IAM has developed the High Performance Workplace Organisation Partnership (HPWO). It is successful at some traditional command and control system of work organisation companies where it is now being replaced by a full partnership. The pyramid style work organisation where decisions are made at the top of the organisation gives way to a work system in which decisions are made at the appropriate level of the organisation with input from those involved to arrive at decisions through a consensus. Instead of management and labour being locked in a deadly embrace, the two parties define and implement jointly a new form of work organisation, which changes dramatically the way work is done.

The CAW's approach is to understand lean production as a system that has a number of layers. It is not sufficient to respond to one set of changes and ignore changes at other levels. Some of the changes the union supports, other elements it modifies, still others it resists and some it has to live with.

The schema below briefly illustrates the set of changes that are part of a Lean Production strategy.

## Changes in the lean Production Strategy



Source: Canadian Autoworkers' Union

Although they represent an integrated system they can be presented on three different levels ----- social, technical and organisational. The union's response parallels the sets of initiatives.

Overall the CAW position can be described as a rejection of the ideological framework of lean production. The union has argued that competition is a constraint not a goal, and its role is to represent the independent interests of workers rather than as some junior partner in a managerially defined agenda. In the place of partnership, the union has argued for the development of mature working relationships with management.

Similarly, the union's position has been to resist the new Human Resource Management Practices including contingent pay (pay-for-skill, profit sharing), Lean Production notions of team concept, Kaizen-based definitions of employee involvement and the managerial job flexibility inherent in job rotation and multi-tasking initiatives.

The union is aware of the need to respond to the changes in production associated with Lean Production and has developed a bargaining response to the various aspects of lean production.

Since lean production can increase work stress and reduce the number of workers the union has bargained (among other initiatives) more time off, so workers can get out of the plants but in a way that they are replaced by additional workers. Where lean production leads to increased managerial efforts at cultural (corporate) indoctrination, it has bargained training time at work where the union gets to provide, for example, union awareness courses for the members. Where there is a risk of work intensification, it has responded with more union resources and collective agreement provisions around ergonomics. Where management wants to move to more contingent forms of wages, the CAW has resisted and actually strengthened its job and bargaining approach to wages, and so on.

In the initial wave of lean production, reviewed by the first and second round of the International Motor Vehicle Project (IMVMP), the authors argue that there was growing international convergence in both direction and degree towards the manufacturing and work practices associated with lean production. The IMVMP team noted however that Canada was an exception to the general trend. They pointed out that Canada was **different in both direction and degree**.

The union has argued that it can be concerned with production --- cost, quality and productivity issues without endorsing Lean Production.

More recently, the CAW has conducted a special task force on operating systems. The task force made up of local leadership and national staff toured various plants across Ford, General Motors and Chrysler and reviewed developments at different locations. While there were differences in opinion on various aspects of operating systems, there was consensus on a number of points:

First, company operating systems, as defined by management, are not in the best interests of the union members. They are driven by lean production and are modelled on the Toyota Production System.

Second, there was a developing understanding that operating systems have different effects on different groups of workers. And those differences have to do with the nature of the work, the leverage workers have, the extent of union control and the trade-offs that are made. While companies want lean production, it does not mean they need it or that they will get it.

Third, and most important, while the taskforce rejected a “cookie cutter” approach to fit all locations, it did favour a national response with a set of guidelines, terms of participation and negotiated safeguards for “if” or “when” the union get involved.

The taskforce found that, while there were different levels of engagement or involvement with the company operating systems, the union has not bought into the company programs. In no location has the union or particular part of the union accepted the program on management’s terms. Instead the union wants to influence the process, control the outcomes and negotiate the terms.

In the eighties in Sweden, unions were at the forefront of new forms of work organisation (e.g. Volvo’s plant in Uddevalla). In the nineties, attempts were made to combine the Swedish and Japanese production models.

### **3. Work Content**

The CAW has been active on four fronts:

#### ***Bargaining***

In the last few rounds of bargaining the union has emphasised improvements in workload language and ergonomic provisions. There is a three-pronged bargaining approach:

##### **1. Improve Collective Agreement Provisions**

The improved language refers to how jobs are designed (the use of ergonomic checklists), how job elements are timed, the goal of stable work assignments, ergonomic assessments, what is taken into account in setting production standards, protection against non standard conditions and overcycles, etc.

##### **2. Increase Union Capacity and Resources**

The CAW has negotiated full time union ergonomic representatives and production standard representatives in auto assembly plants. In addition, there are full time national union ergonomic co-ordinators paid for by the employer. Once representatives are selected, they are provided with extensive education in the areas of ergonomics and production standards.

##### **3. Develop Better Dispute Processes**

In both areas, ergonomics and production standards, the union has bargained language in agreements that identifies members’ concerns,

establishes processes for addressing concerns on the floor, and when necessary provides an expedited process for resolving grievances.

### ***Education***

As part of the union's efforts to increase union capacity weeklong Production Standards courses and ergonomic courses are regularly offered at the union's education centre. In addition, every CAW member employed in the Big Three will be given a 4-hour course on ergonomics taught by union trainers on negotiated company time.

### ***Research***

The union has launched a pioneering study on hypertension in the auto industry.

Working with medical staff and university researchers, the union has designed and is now implementing a major study of the relationship between work organisation and blood pressure levels of autoworkers. This builds on other research initiatives undertaken by the union.

### ***Political Action***

Among other initiatives, the union is currently involved in a political campaign to get ergonomic regulations put in place in the province of Ontario (most auto production is located here).

The Swedish Trade Union Confederation LO has created an interesting instrument to upgrade work organisation. LO has established a system by which the development level of a job or an organisation can be assessed. This evaluation tool – **The Rewarding Work Organisation, ReWO** – has been developed through experience and through several years of trial in improving work organisation in Swedish workplaces. An important requirement for the development of the **ReWO** is that change requires co-operation between both parties in the workplace. Once these have agreed on how work organisation should be improved, it is when the joint efforts on development start.

The evaluation is carried out on the basis of 23 different factors and a five-grade scale. The factors taken into consideration include: power/authority; planning; staffing; contacts with customers, guests, patients, students or clients; development; work rotation; coordinator/team leader; functional responsibility; continuous improvement; exclusion from the workplace; training; staffing and realisation; practical/technical design of the workplace; IT equipment at the workplace; IT software at the workplace; IT program – content; wage system; managers - development discussions; managers – training and recruitment; managers – commitment; union-related matters – organisation; union-related matters – work methods; union-related matters – commitment. Although the **ReWO** is not intended to be a full-fledged tool for the workplace, all the factors listed above cover a number of more or less important prerequisites to achieve a rewarding work organisation.

Three of the factors mentioned – factor 1 on authority, factor 3 on manning and factor 17 on wage systems – have a higher value scale than the other factors because they are of greater importance when it comes to work organisation.

In Italy some regional experiments have been made, for instance in the region of Emilia-Romagna to respond to the challenge of work classification. Unions have tried to negotiate company solutions of classification, experimenting with criteria of evaluating occupations of a non-traditional type, based on the extensive features of the work (problems management, relations with other workers in groups, transfer of knowledge, etc.). Generally speaking, however, the unions find it difficult to acquire the appropriate tools to assess the changes in work without abandoning a unifying character for the workers.

Skill development is a high priority for all unions. By upgrading their skills, workers enhance their possibilities to carry out tasks which promote their development and, at the same time, strengthen their position on the labour market.

In Italy, some union agreements do provide for training experiments. There are agreements with public entities, and institutions and enterprises do invest resources in training programmes. However, much more has to be done in this field in order to meet the needs.

Equally in Japan, the IMF-JC is encouraging workers to develop and improve their skills and promoting joint programmes between business, government and universities. Training skilled workers and the accumulation of industrial know-how are high on the unions' agenda.

#### **4. Employment practices**

The CAW has a history of dealing with cyclical downturns through bargained income security provisions, short work week benefits, and inverse layoffs. In the past decade, the union has strengthened these income protection provisions and has added new job security provisions to deal with downsizing, technological change and corporate restructuring. These initiatives have included special financial incentives for early retirement, long periods of recall rights, preferential hiring at other company locations, extended income maintenance programs, voluntary leave programs, etc.

On the political front the union has argued and fought for a managed trade policy instead of the free trade regimes of North American Free Trade Agreement (NAFTA) and now the Free Trade Area of the Americas (FTAA) and the WTO.

A major focus of union work in Sweden has been employment security. Unions are also trying to organise workers of hiring companies and ensure that these latter provide good agreements.

In view of the increasing number of part-timers, agency and contract workers in Japan, Denki Rengo - the Japanese Electrical, Electronics and Information Union (JEIU) – has worked out "Guidelines for Protecting the Rights of Contract Workers in the Electrical and Electronics Industry". These guidelines contain measures to be taken by unions at companies which supply and hire contract workers in the field of health & safety and the working environment, overtime work and annual holidays, the



handling of grievances, skill development and social insurance. They also deal with the issue of organising contract workers and provide for regular meetings between the unions and companies concerned to follow-up the implementation of the guidelines.

Moreover, in an attempt to help older workers secure an adequate living standard until they achieve pensionable age, i.e. bridge the gap between retirement and entitlement to public pension, the IMF-JC agreed, in the 2000 Spring Offensive, that the mandatory retirement age of 60 should be gradually raised to 65<sup>3</sup>. This would provide the opportunity for union members who wish to continue working to do so. Negotiations have already been concluded in a number of metal companies, particularly in the electronics sector to this effect.

## 5. Working Time

All unions are, in one way or the other, fighting for the reduction of working time and, in particular, of overtime work.

More specifically, Swedish unions are attempting to raise their members' awareness about the need for a good balance between work and leisure time. To this end, SIF has produced a CD titled "All har sin tid" (There is a time for everything).

At the end of the 1980's, Japanese unions strengthened their activities for shortening working time and achieved tangible results in the 90's. When economic recession set in in 1998, overtime declined but the trend is again upward. The IMF-JC is therefore pushing very strongly for the reduction of overtime work and encouraging workers to take full advantage of their annual leave.

Since its formation in 1985, the CAW has repeatedly bargained more time off. The goal has been to increase time off the job and to negotiate time off in a way that creates more job opportunities. The approach is varied – it can be more time off daily, over the year and over a lifetime.

At present, a worker with ten years' seniority in a plant will get 360 hours of time off in a year---9 weeks per year. This time-off is composed of 4-day weekends (3 or 4 a year tied to holidays), personal days off (52 hours), scheduled weeks out of the plant (2 a year) as well as vacation time (100 hours) and Christmas holidays (56 hours). A worker with 15 years of service gets 380 hours and with 20 years he/she gets 420 hours.

This does not include time off during the day in rest periods (7 minutes an hour in assembly plants on 8-hour shifts) or reduced hours in a 3-shift operation (7.5 hours paid at 8 hours).

In an effort to reduce lifetime hours, the union has bargained early retirement programs where workers get an attractive pension at '30 and out' (years of service), regardless of age. There are other early retirement provisions.

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<sup>3</sup> The argument over this issue is closely related to the raising of the minimum eligible age for the basic pension payment under the Employees' Pension Scheme, a public pension for salaried employees consisting of a basic, fixed part and a salary-linked part. The beginning of the pension payment was for many years fixed at 60 but the age for payment of the basic, fixed portion of the pension is to be raised to 61 in April 2001 and then gradually to 65. Although the salary-linked portion is still paid at the age of 60, this age will be raised after 2013.

In 1996, anticipating moves by the government to change the legislation regulating work time, the union was successful in bargaining the existing legislation into the collective agreements.

The CAW has been less successful, internally and in its negotiations with employers, at reducing the amount of regularly scheduled and peak overtime the industry works.

In Italy, unions have negotiated a few agreements on the reduction of working time in cases of continuous shifts or cycles. In addition, the latest national contract has introduced time banking, but it is too early to assess the results. Moreover, this tool is not effective if the average number of hours increases throughout the year, and when overtime is used as a solution to the wage problem.

## **6. Pay Systems**

The CAW was formed out of a major fight against concessions in the early eighties and it has continued to resist efforts by management to make compensation more contingent. The union solidaristic wage policy remains intact, and it has maintained a wage bargaining program that combines protection against inflation with an annual improvement factor in base rates in each year of the collective agreement. It has been successful in refusing to accept lump sums or profit sharing in lieu of annual wage gains. Similarly, it has maintained the rate at which new hires are brought in and the length of time it takes them to get to full rate. And there are no two-tier developments in the wage structures.

In recognition of the status of skilled trades work the CAW continues to negotiate a 20% wage differential between the skilled trades and production workers.