

NICOLI NATTRASS recently visited the giant Toyota City plant in Japan, as well as Toyota in Durban. Her conclusion? The SA automobile industry badly needs restructuring. But restructuring might require changes in union policy - like abandoning centralised bargaining.



No co-operation at TOYOTA

The transformation of Toyota Motor Corporation from a war-ravaged, strike-crippled and technologically handicapped company in 1950, to world leader by the late 1970s, is synonymous with the Japanese economic miracle. Quality circles, just-in-time production techniques and flexible specialization were started or applied early in Toyota car plants. Toyota's stress on quality, elimination of waste, reducing inventories, quick die-changes, reprogrammable robots, the assembly of several models on the same line, and the use of worker-initiated productivity improvements, is widely regarded as a manufacturing ideal to be emulated in the 1990s.

A comparison between the Toyota plants in Durban and in Toyota City, Japan, is thus important for the debate about industrial restructuring. Although I can

provide little more than impressions, the visible differences between the plants raise a number of issues.

Japanese production, South African production

At one level the comparison is misleading. It takes the plant in Toyota City less than one week to produce as many vehicles as the Durban factory does in a year. Toyota (SA) is a poor relative, operating under a franchise agreement and importing engines complete from Japan. Nevertheless, the Durban plant is a pretty big fish in the small South African pond. It supplies roughly one third the domestic automobile market and employs about 4 500 workers.

The most striking difference between the production line in Durban and in Japan is the degree of mechanisation. In Durban, cramped groups of untidily

dressed spot-welders cluster in the gloom at key points along the line. Directing their flames at the car bodies as they trundle steadily past, they evoke images of the industrial revolution's dark Satanic mills.

In Japan, well-oiled shiny mechanical arms do the welding with chilling speed and accuracy. Workers, smartly dressed in uniforms, with striped caps showing their rank, are visible only when the computer-operated quality control mechanism stops the line. The first time workers appear on the scene is after the body shells have been assembled and spray-painted.

I asked one of the Japanese executives familiar with the South African set-up about the differences. He leaned on a railing and gazed down at the spotlessly clean and brightly-lit Japanese production line. "The quality is better here," he ventured cautiously, "but it's still

* Nicoli Natrass is based at the Economics Department, UCT



1991 national auto strike: Toyota workers toyi-toyi

Photo: NUMSA

cheaper in South Africa to use welders." He watched the snake-like welding robot speculatively. "But if labour in South Africa gets much more expensive, this might all change."

The issue of cost

The issue of cost is vital. It is a widely held misconception that Toyota's technological and managerial innovations have replaced 'economies of scale' with 'economies of scope', and that quality has replaced cost as the basis of economic decision making. This either/or formulation is misleading. Toyota's success in the small car market was the result of a winning combination of *high quality at low cost*. By developing

the technological capacity to assemble several models on the same line, Toyota was able to continue reaping advantages of scale while producing shorter production runs on each model.

Understanding the continued importance of cost factors also helps explain why flexible automation technology can be applied in different ways in the labour process in different countries. When management adopts new technologies it is not necessarily committed to developing a highly paid, multi-skilled workforce as well (see Baumann, 1991). The nature of the local market and the existing system of industrial relations,

both play an important role in determining how technology is matched with labour relations.

Different attitudes to skill

Take for example the use of highly trained labour. The Toyota production system in Japan relies heavily on the multi-skilling of workers. Toyota's flexible use of workers within and between its shops and factories can only succeed if workers are able to handle several machines or stations and perform many jobs. The development of workers' ability to handle different types of jobs is linked to promotion, and forms part of their on-the-job training (Shimokawa, 1986).

Toyota Durban seems to have a rather different approach to multi-skilling. 'Rotational training' is only 'an option' for workers. There is little incentive for workers to move out of familiar routines. "Why move out of a job you know to one you don't?" one worker said to me. "You only expose yourself to being shouted at by a white supervisor."

Management, of course, has a different interpretation of why relatively few workers request rotational training: "Blacks like repetitive tasks," explained the trainee manager who guided me around the plant. "They want to do the same thing over and over. Even if you show them a faster and easier way of doing a job, they want to stick to the old way."

The bargain between capital and labour

Racist attitudes on the part of management are but one aspect of the difference between management practices in Durban and Japan. The nature of the bargain between labour and capital is the crucial factor.

In Japan, employment is understood by labour and management to be a 'life-time' commitment to the company. Rather than 'hire and fire' at various points in the business cycle, Toyota Motor Corporation attempts to keep a relatively stable labour force. The implicit bargain is job

security and production-related bonuses, in return for worker loyalty, co-operation and dedication to increasing productivity.

Most adjustments to changing market demand are achieved by altering over-time hours, shifting production and workers between plants, and, as a last resort, by altering sub-contracting arrangements. Although greater over-time pressure is placed on the individual worker in times of high demand, the reward is relatively high wages and almost impregnable job security. Under these conditions, it makes sense to management and labour to devote substantial allocations of time and resources to training.

The crucial issue is how the interests of workers are made synonymous in key respects with those of management. Given the life-time employment commitment, and profit and productivity-related bonuses, Japanese workers clearly have a direct stake in the firm's economic performance. The existence of enterprise-based unions rather than industrial unions is thus not surprising (Okayama, 1986).

Trust

Trust is a fundamentally important aspect of Japanese industrial relations. Introducing productivity-enhancing changes is a very different

process when the parties trust each other. In the absence of trust, workers will insist on bargaining over employment and wage implications *before* such changes are made.

However, where workers operate in the faith that the benefits will be fairly distributed, then productivity growth is much faster, smoother and draws more on the intimate knowledge of the production process accumulated by workers themselves. In Toyota City, Japan, over two million suggestions (about 35 per worker) for improving productivity were handed to management in 1990. Of these 97% were implemented.

Trust is encouraged in various ways. Firstly, regular consultation between management and workers is built into the labour process. Labour-management council meetings are held ten times a year to discuss wages, bonuses, working hours and the company's economic performance. These are supplemented by monthly plant and shop level meetings, and weekly work group meetings. Regular consultation has been prioritised by management ever since strikes crippled the company in 1950. It is thus a mistake to explain Japanese labour-relations in cultural terms. Co-operation and consultation was a strategy borne out of intense industrial conflict during the early post-war period.

Secondly, the relatively



Japanese labour relations in Durban?

Graphic: Labour Research Review

limited social distance between workers and managers makes co-operation and compromise easier. Again, this is not just a question of culture. For example, Toyota insists that all university graduates entering the company spend between three and five months on the production line. The public relations manager at the Toyota City plant started off life in Toyota as an ash-tray fitter. He claims to have several friends on the production line.

Thirdly, the earnings gap between top managers and production workers is far narrower than in Western capitalist countries (Dore, 1982, p xxxi). All employees are covered by the same salary scale and welfare benefits, are evaluated by the same performance rating system and undergo the same step-by step promotion process. There is a strong commitment to 'fair' treatment.

Industrial relations in SA: 'us vs them'

It goes without saying that industrial relations are very different in South Africa. When I visited the Durban factory in late July, NUMSA was building up to a wage dispute. There was a palpable air of defiance in the plant, and the production line ground to a halt four times in the hour I spent in the body shop. There seemed to be problems with workers running out of parts and with the general speed at which tasks were being performed. The tour guide was becoming more irritated by the second.

"The blacks just think it's a big joke," he informed us testily. "They're supposed to call for more parts when they have less than ten items in their bin. But not *these* guys. They wait for them to run out altogether, *then* they call for more."

"Can't they be disciplined for it?" asked a fellow visitor.

"Phmp!" snorted the

guide. "You complain about *anything* and you get the union on your back. Look at those guys smoking! It's against the rules, but you can't stop them. They just call a shop-steward, stop the line and then you have a big hassle on your hands."

Many of the workers were indeed smoking - a sight you would never see in Toyota City. Japanese security guards ensured that cigarettes were extinguished long before smokers entered the factory buildings.

Safety seemed generally lax in the Durban plant. Not all workers were using the protective gear provided to them. I asked our guide about it. "When these guys are employed," he explained, "they sign a form saying they are going to use the safety equipment. If they choose not to, then it's their problem."

The 'us' versus 'them' mentality was thus clearly evident on both sides of the labour-management divide in Durban - even to the most casual of observers.

Japanese labour relations in Durban?

Nevertheless, Toyota management in Durban has attempted to introduce some aspects of Japanese labour relations into the plant. These include quality circles and various other schemes to encourage individual workers to make productivity-improving suggestions.

The high point of the

Durban tour was a brief stop alongside a worker engaged in placing rubber seals on windscreens. Part of his job was to remove brown-paper backing from the sticky side of the seal. The paper was then drawn backwards by means of a wind pipe into a large rubbish bin.

The guide pointed to the ingenious contraption and informed us proudly that the worker had designed and constructed it himself as part of an effort to "improve his working environment". Beforehand, the worker had apparently been knee-deep in brown paper.

"What did he get for it?" I asked.

The guide became enthusiastic: "This improvement falls under our 'siyacabanga' scheme. *Siyacabanga* means 'we think'. The company is trying to turn the workforce into thinking people. If a worker comes up with three of these kinds of improvements, he gets a key-ring and a mug. If he does more than that, he gets a T-shirt."

My mind boggled. I couldn't think of anything that could be more insulting and less motivating to the worker than the knowledge that he was one third of the way towards a key-ring and a mug because of his innovative efforts.

Interestingly, when I looked for his equivalent in Japan, all I found was a robot humming happily to itself as it spewed out sealed window screens at an alarming rate.



Graphic: Labour Research Review

Incentives for improving productivity

The question of providing workers with adequate incentives to come up with productivity-enhancing improvements is an interesting one. Neo-classical economics suggests that the worker be paid close to the savings accruing to the company as a result of the innovation. The better the invention, the higher the reward.

In Japan, however, the rewards are small. The best ideas are "usually rewarded with prizes, generally of not much more than token size,

and generally consumed in drinks at a work-group party" (Dore, 1982, p xxvii). In the Japanese social environment, praise by superiors, recognition by peers and improved promotional prospects, make social status an important part of the reward. The material side can thus be downplayed.

But there is more to it than this. Workers on the production line in Toyota City are organised into teams which compete with one another for productivity-bonuses. There is thus a strong incentive for workers

Restructuring SA industry: four views

South African industry is in a bad way. The manufacturing sector seems incapable of dynamic growth, sustained job creation and significant export production. Everyone agrees that something needs to be done. The problem is what?

The buzz-word these days is 'restructuring'. COSATU, the ANC and big business are all calling for it. However very different things are meant by these organisations.

There are four broad views on restructuring:

- *The free market*: Free-marketeters argue in favour of removing all obstacles (such as tariff barriers) to the smooth operation of the market, and letting the profit motive restructure investment by guiding it into high-growth areas. The extreme version rejects all forms of state intervention.
- *Central planning*: Old-style socialists suggest that the state should directly restructure the economy. Since the collapse of the centrally-planned communist economies, this option has little credibility. Too much control seems to lead to corruption, structural inefficiencies and stagnant productivity growth.
- *Developmental state*: Advocates of this view rely on market forces - but not necessarily the initiative of private capitalists - to restructure investment. The argument is that individual investors may lack vision, guts or the resources to make the best economic decisions. Hence the profit motive is not enough and the state ought to encourage (and even coerce) capital into certain high growth areas. South Korea is a good example. For this model to work, however, the state needs to be efficient and have the capacity to pick and support 'industrial winners'.
- *Reshaping capital-labour relations*: Social-democrats argue in favour of a market economy characterized by institutions which encourage a co-operative and constructive relationship between capital and labour. A strong welfare state is usually assumed. The most cited examples are the German and Scandinavian models. Reshaping capital-labour relations, can however, involve changes at the level of the firm rather than in centralised institutions.

Most new-style socialists advocate some variant or combination of the third and fourth options. The idea of a future South African 'developmental state' has wide support. The underlying rationale appears to be that if capitalists are unwilling to invest in priority areas, the state must ensure that such investment takes place, and takes place in socially acceptable ways.

Another popular view is that capital and labour must enter into a more harmonious relationship, and that labour must have a greater role in decisions relating to investment, production and distribution.

The problem with this particular mix of ideas is that what the state regards as being in the best interests of industry, might well conflict with the aims of the labour movement. For example, the repression of labour was a crucial element in the South Korean success story.

It may be the case that promoting industrial winners involves restructuring industrial relations and forms of worker organisation in ways that run counter to the objectives of the present labour movement. Using Toyota as a preliminary case study, I argue that this could be the case as far as the automobile industry is concerned. ❖

to co-operate in quality circle activities.

Different processes are at work in South Africa. Tatty cardboard signs proclaiming "quality sells" and other insipid slogans adorn the production line at various points. It is difficult to imagine anyone being inspired by them. It is equally difficult imagining workers throwing themselves whole-heartedly into team efforts when (albeit puny) rewards exist for individual effort - as in the *Siyacabanga* and *Eyakho* (meaning 'my own') schemes (see Dewar, 1988).

Judging by interviews with several Toyota shop stewards in Durban, workers have mixed feelings towards the schemes. On the one hand, they accept that the recognition workers receive when they participate in the programmes has a certain rewarding element. However, workers expect the recognition to take them further in terms of promotion than it seems to do. Management appears to regard a round of applause as the main content of recognition. Workers see it as a starting point and are peeved when nothing more is forthcoming.

Workers also expressed dissatisfaction with the scheme whereby, if a worker comes up with an improvement which clearly saves the company money, then the worker gets paid a proportion of such savings. Workers, however, do not

feel equipped to estimate the extent of the savings. They tend to be suspicious of the role middle-level management plays in the process, believing that ideas generated on the shop floor get used by those higher up in the company, who then estimate the savings and pocket the reward. Whatever the truth, the fact is that workers suspect the system lacks fairness. This obviously undermines its success.

Restructuring means losing jobs

Although racial prejudice, paternalism and ignorance are important factors shaping South African management practises, there are rational dimensions to them as well. Firstly, with production geared towards the over-supplied but protected domestic market, there is little incentive for management to force the factory onto the cutting edge of technological advance. Adequate profit can be made by combining automation with labour-intensive production as part of a cost-cutting exercise. Given that technology can be transferred relatively easily from Japan when necessary, there is little need for the Durban factory to build up its own technological capabilities by systematically multi-skilling its workers and seriously encouraging productivity improvements.

If, on the other hand, the plant was exposed to

international competition, the story might be different. For this reason, it may well be in the interests of the labour movement to include the gradual removal of protection in its demands for industrial restructuring. Thus some elements of free-market restructuring could be in order.

However, removing protection will drive some firms out of business. This would be in the interests of economic efficiency, because there are simply too many automobile manufacturers in SA to allow for adequate economies of scale. But that means unemployment for those workers unfortunately employed in the firms which are driven out of business.

It is this problem of economic efficiency and rationalisation which may create tension between the strategies favoured by a developmental state in post-apartheid SA [see box on p...], and those demanded by a defensive labour movement. A developmental state could, for example, actively restructure the industry into fewer plants with longer production runs. Such a radical move would probably be good for efficiency, but bad for employment in the industry. The labour movement would thus probably oppose it.

A potential compromise solution would be for the state to re-train and provide jobs for those workers made redundant as a result of the restructuring. However, to

Everything keeps going right ? TOYOTA

the extent that this imposes limits on the options of the state, the conflict between the demands of the labour movement and the most economically efficient state strategy remains. Furthermore, by privileging workers made redundant in the automobile industry, other unemployed workers are moved further back in the queue for jobs.

Problems of centralised bargaining

In the cut-throat world of automobile production, there is a greater convergence of interests between workers and bosses in each particular company than there is between workers across the industry. Given the over-supply of automobiles world-wide, this is the case every-where. A global shake-up is imminent and it has been predicted that Chrysler in the US may not see the end of the recession. It is a sad fact that workers in Ford and General Motors would be better off if Chrysler did indeed collapse.

In such a situation, organising workers on industrial rather than enterprise lines carries certain disadvantages. If industry wages are set through central bargaining, the wage levels would tend towards those which the average firm can afford. Less profitable firms would be

penalized by a higher wage bill than they could afford, and possibly even driven out of business. More profitable firms would be rewarded by a lower wage bill than they could afford.

For these reasons centralised wage bargaining might facilitate restructuring by forcing weaker firms into bankruptcy. But the cost would be that some workers may lose their jobs when they might prefer to keep them at lower pay. Furthermore, if the high profitability firms choose to pocket the increased profits, the labour force forfeits potential gains. If, on the other hand, the high profitability firms pay wages above the centrally negotiated level, their labour force will have little incentive to organise alongside and act in solidarity with the struggles of the average-paid workers in other plants.

Unfortunately, restructuring the automobile industry towards fewer producers with longer production runs implies an increase in unemployment, unless the remaining firms expand into the export market. However, the export option appears limited given the already over-supplied nature of the international market and South Africa's distance from it.

If the post-apartheid state does not adopt a develop-

mental state strategy, restructuring the automobile industry will have to involve elements of the first and fourth alternatives [see box, p 34], namely some market-related changes and some alterations in the relationship between labour and capital.

Firstly, the industry needs to become less protected and more exposed to international competition.

Secondly, labour and capital in each enterprise must enter into a more constructive relationship as the fate of each company will hinge upon it. Workers from different firms will be pitted against one another in a struggle to survive. That is an unfortunate consequence of the need to restructure along more economically efficient lines. ☆

References

- Baumann, T, 'New Production Technology in South Africa: An Exploratory Survey', Paper presented at the ASSA conference, University of Cape Town, July, 1991.
- Dewar, S., 'Total Worker Involvement at Toyota', in *Worker Participation*, ed. M. Anstey, Juta, Johannesburg, 1990.
- Dore, R., 'Introduction', in Kamata, S., *Japan in the Passing Lane*, Pantheon Books, New York, 1982.
- Okayama, R., 'Industrial Relations in the Japanese Automobile Industry 1945-70: The Case of Toyota', in *The Automobile Industry and its Workers: Between Fordism and Flexibility*, (eds), Tolliday, S. and Zeitlin, J. Polity Press, Cambridge, 1986.
- Shimokawa, K, 'Product and Labour Strategies in Japan', in Tolliday, S. and Zeitlin, J. above.