Industrial relations and restructuring in manufacturing: Three case studies in the United Kingdom

John GOODMAN *

We propose here to explore a number of labour relations issues associated with industrial restructuring through case studies of three manufacturing firms in the United Kingdom. The industries and companies chosen – shipbuilding (British Shipbuilders), automobiles (Jaguar Cars) and electrical goods (Volex Group) – reflect differing degrees of product market and organisational change during the period from 1979 to 1987. Although there were earlier indications of a recession in British manufacturing, the pace of contraction and restructuring was particularly rapid between 1979 and 1983. The year 1979 also marked the transition from a Labour to a Conservative Government, which has been in office since then and has pursued distinctively different policies from its predecessors on the economy, manufacturing and industrial relations.

The national context

In the period 1979-83 around 1.5 million jobs were lost in manufacturing, i.e. about one in four, and since then employment in the sector has continued to fall. Manufacturing output did not regain its 1979 level until 1987. Total officially recorded unemployment rose rapidly to over 3 million (10.8 per cent) in the early 1980s and has only recently fallen below 2 million (7 per cent). With the decline in employment, trade union membership fell from a peak of 13 million in 1979 to around 10 million in 1987. In an attempt to survive the recession, many manufacturing companies closed plants, contracted their labour forces, explored new products and markets, altered their production processes and introduced more efficient working practices. In general the climate produced by contraction, high

* Frank Thomas Professor of Industrial Relations, Manchester School of Management, University of Manchester Institute of Science and Technology (UMIST). The article draws on a fuller study carried out by the author for the ILO, which was based on interviews conducted between May and September 1987 with company personnel specialists and trade union representatives, as well as on an analysis of textual material. The assistance of two UMIST students, David Calder and Andrew Slevin, in the preparatory work for two of the case studies is gratefully acknowledged.

unemployment, changes in industrial relations law and the failure of some prominent strikes allowed managements in manufacturing (particularly those in sectors hit hardest by the recession) to persuade employees of the inevitability of change or to press through changes despite their opposition. Some made changes unilaterally (e.g. British Leyland), but more commonly managements took the initiative confidently under established collective bargaining arrangements. Frequently the success of such moves may well have been facilitated by the switch made by many larger manufacturing companies in the 1970s from multi-employer to company or plant-based bargaining, which enabled bargaining processes and outcomes to be closely linked to specific market and economic circumstances.

The climate in industry was thus conducive to employer-led changes aimed at higher productivity and increased competitiveness. In some cases the changes have been dramatic and controversial, as with the adoption of new technology in the national newspaper industry. The focal points of change have often been attempts to re-establish the links between organisational success and employee security and rewards (for example through new systems of direct communication with employees and new forms of payment), and to achieve more flexible workforces. Key elements here have been moves to increase numerical flexibility – the ability to adjust the size of the workforce – through the greater use of subcontracting, part-time and fixed-term contracts for "peripheral" labour tasks in uncertain market circumstances, and functional flexibility, illustrated by the redrafting of job definitions.[1] The case studies illustrate some of the changes and innovations associated with restructuring in particular instances.

British Shipbuilders

During the period since the 1973 oil crisis many heavy industries have experienced declining demand. However, in few has the recession been so protracted or restructuring so severe as in the shipbuilding industry, which has contracted sharply in many Western European countries. British Shipbuilders (BS) was formed after the nationalisation of the industry by the Labour Government in 1977. At that time BS comprised 32 subsidiaries covering 70 manufacturing sites, including merchant and warship building and a range of ancillary or related activities (e.g. ship repair, marine engine building), and employing 87,000 people. Only the specialist warship building yards (many with contracts on a cost-plus basis) were profitable. Subsequently world demand for new merchant ships remained low, and shipbuilders in many countries made substantial financial losses. Competition for orders was acute, particularly from the Far East, and in EEC countries the industry attracted limited government financial assistance through the

[1] J. Atkinson: "Manpower strategies for flexible organisations", in *Personnel Management* (London), Aug. 1984.

Intervention Fund.[2] By March 1987, following several rationalisation programmes, closures and the 1986 privatisation of the warship yards (with the transfer of 30,000 employees), employment at BS had fallen to 6,500.

Between 1977 and 1987 over 47,000 employees were declared redundant, and many yards and related facilities were closed or sold. Against this background BS negotiated a number of major national agreements with the trade unions aimed at improving labour productivity, covering such issues as mobility of employees, flexibility within and between occupational groups and, more recently, the greater use of both fixed-term contract labour and subcontracting. These radical changes had some success in raising productivity in an industry where rigid trade demarcation lines had traditionally been a prominent feature of work organisation, but the efficiency gains were overshadowed by the continuing shortage of orders.

The story of BS from 1977 to 1987 is therefore one of major changes in industrial relations and work practices, and in product development and productivity, coinciding with the world-wide slump in demand for merchant ships and severe overseas competition, especially from Japan and the Republic of Korea, and leading to almost continuous contraction to the point where its future existence was cast in doubt.

Collective bargaining

As we have seen, the nationalisation of the industry in 1977 brought together over 30 subsidiary companies. Although coverage by the multi-employer collective agreements in the shipbuilding and engineering industries was extensive, these agreements set only minimum standards in several areas, notably pay, and consequently the new corporation was faced with a wide range of existing pay rates, allowances and earnings levels and structures, with over 150 different bargaining units at local or subsidiary company levels. It was decided to move to centralised bargaining across BS as a whole, with the aim (achieved in 1987) of eliminating fragmentation and of gradually arriving at an integrated wage and salary structure throughout the new corporation. Agreement was reached with the 16-member Confederation of Shipbuilding and Engineering Unions (CSEU) that future negotiations on pay and related matters would be conducted with the Shipyard Negotiating Committee (SNC) at the national level.

The SNC thus became the recognised channel for the negotiation of changes in pay and terms and conditions of employment of BS employees, and of the many changes in working practices and arrangements introduced since 1977. These have been achieved largely through the limitation of local bargaining on pay-related issues and the linking of SNC pay negotiations with

[2] The Intervention Fund was a regulative mechanism under the EEC Fifth Directive setting conditions under which governments could grant aid to the shipbuilding industries. The aid had to be linked to planned restructuring objectives and to be degressive.

changes in working practices sought by BS. In this regard the SNC was an "enabling" body, reaching agreements acceptable to BS and the trade unions on the nature of such changes and on the corresponding compensation or rewards. As a national body, however, the SNC could not "deliver" actual changes at the different local yards and sites, and as time went on the SNC agreements therefore became more precise about the working practice changes to be made, with the associated pay increases being triggered only when local acceptance of the specific changes was confirmed workplace by workplace.

Consultation arrangements and practice

With hindsight the immediate post-nationalisation period appears as one of some euphoria among the trade unions, employees and the BS Board. Joint discussions on reshaping the industry, on investment plans, and on standardising pay structures were all underpinned by statutory support for industrial democracy. For a while that aim was energetically pursued at the national level, BS and the unions collaborating closely on forward plans. Locally, however, shop stewards were hesitant if not sceptical about involvement in managerial decisions, and joint monitoring committees rarely took root at that level. Management styles also changed over the period, reflecting changes in top-level staff and government policy as well as the deteriorating market situation.

The "industrial democracy" provisions in the nationalising statute were repealed by the Conservative Government in 1979, and subsequently the unions became increasingly critical of the corporation's style of consultation. The SNC at the national level and joint consultative committees in subsidiaries were increasingly used by management simply to provide a flow of information on the state of the industry and to raise specific problems such as restructuring. The unions considered that consultation had been reduced to tokenism, offering them little opportunity to influence the direction of change, and were particularly critical about their lack of involvement in preparing successive corporate plans submitted to the Government. They also generally felt that the new emphasis BS was putting on direct employee communication conflicted with the unions' consultative role.

Capacity reduction, rationalisation and redundancy

Given the steadily worsening conditions in the merchant shipping market and the financial losses being incurred, it was apparent that if BS was to survive, major improvements in competitiveness and some capacity reductions would have to be made. The trade unions were at first opposed to contraction and run-downs, and they agreed to initial moves in this direction only on condition that capacity was retained on a "care and maintenance" basis. The CSEU was strongly opposed in principle to compulsory redundancies, and adopted a policy of supporting local action wherever a majority at the yard contested them.

The early reductions in manpower were achieved fairly easily, since many workers accepted the benefits offered by the special improved redundancy compensation scheme; the effectiveness of this scheme, which was funded by successive governments and applied until the end of 1986, was furthered by union agreements covering transfers between sites and recruitment freezes. With the exception of some total site closures, the run-down of the workforce was achieved largely by a combination of voluntary redundancy under the special statutory scheme, transfers between sites, and retraining. Occupational redeployment ran up against some long-standing demarcation practices in the industry, and the unions found it easier to agree to this only on a temporary basis. BS reserved the right to enforce compulsory redundancy, but tried not to do so – not least because of the unions' position on the issue. When the needed labour force reduction was not forthcoming by voluntary means, BS offered "counselling" and, where possible, transfers to other company locations. Initially, given the geographical concentration of worksites, transfers could be offered within reasonable daily travelling distances. However, as the number of yards decreased such moves began to involve greater distances and to become less attractive. In general the warship building yards often offered transfer opportunities for employees from the rapidly contracting merchant shipping yards, but the privatisation of the warship yards in 1986 closed this avenue.

However, even before this happened it had proved increasingly difficult to place surplus workers for whom transfers could not be easily arranged. The willingness of BS temporarily to carry surplus workers varied both in time and according to the site; after 1983 it was more inclined to apply pressure to squeeze reluctant volunteers out of the industry, and in certain cases residually to impose redundancies, particularly where only small numbers remained after substantial run-downs.

Widespread knowledge of the industry's difficulties and the extent of overcapacity limited the likelihood of effective industrial action being taken against closures. Under British labour law an employer can dismiss striking workers without compensation if that action breaches their employment contracts. Hence taking industrial action against closures in circumstances of demonstrable overcapacity not only was unlikely to make the employer stay his hand, but was likely to entail the risk of dismissal and loss of some or all potential redundancy benefits. In general the contraction took place without major industrial action, though there was some resistance, including a prolonged strike at Cammell Laird and an occupation at the Robb Caledon yard when its closure without compulsory redundancy seemed impossible. Given BS's status as a deficit nationalised industry dependent on government subsidies, protracted union-led industrial action against capacity reductions provided for in corporate plans carried the risk of provoking cutbacks in government financial support.

Working practices, pay and conditions

As mentioned earlier, after the industry's nationalisation collective bargaining was conducted centrally between BS and the CSEU through the SNC. Between 1977 and 1987 a series of (usually annual) agreements (known as Phases 1 to 8) were reached, often linking pay increases to changes in working practices. Thus in exchange for improved pay rates, the phased movement towards a single wage and salary structure across BS, and improved conditions (such as standardised holiday and pension arrangements for white-collar staff and manual workers), employees were required to accept new working arrangements and manning levels aimed at reducing costs and raising productivity.

Starting with an agreed "declaration of intent" providing for the "most effective use of resources", these agreements progressively addressed an enormous range of traditional and new practices in the industry – overtime arrangements, absenteeism, self-financing productivity schemes, geographical and occupational mobility and transfers, new technology and manufacturing methods, increased flexibility and interchangeability of labour within trade groups, composite working groups, retraining, area (rather than trade) supervision, manning levels, balanced workforce, shift work, and greater use of temporary (fixed-term) employees and of subcontractors. Many of these changes challenged long-established practices and union principles, and provoked considerable opposition, not least among the local rank and file.

The extent of change sought by management, and the range of matters on which it was sought, gradually increased. The Phase 5 agreement in 1984 is illustrative: BS noted that local management had encountered some difficulties in putting into effect some of the changes negotiated earlier at the SNC, and stipulated that pay improvements would be implemented on a yard-by-yard basis only after explicit local acceptance of the linked work changes. This agreement (with its major provisions on interchangeability and integration within trades and trade groups, area supervision and shift work) was hard for the unions to swallow and was accepted only after a six-month pay freeze, industrial action at some yards and the threat of an industry-wide strike. Similarly strong opposition arose also over the negotiation of the Phase 8 agreement in 1986 when BS sought to make greater use of both subcontractors and fixed-term employment contracts, thus creating potential divisions between its "core" workforce and more easily disposable "peripheral" labour.

Overview

Since its establishment in the late 1970s British Shipbuilders has operated in a severe market environment, and despite many changes and innovations its survival has remained in doubt. The dominant feature has been continuing contraction of both manpower and capacity. In these circumstances major steps have been taken to cope with a number of factors that placed the corporation at a competitive disadvantage. Prominent among these were labour matters, particularly manning levels and working practices, as well as related issues of capital investment and new production techniques. In Britain the industry has a long history of carefully guarded trade specialisations and demarcation, with concomitant rigidities in the deployment and use of labour. In the period since 1980 major changes have been made in these areas, through collective bargaining, as the corporation has pressed for fundamental modifications in former practices. The agreement on functional flexibility between and within trades – and indeed all employee groups – followed early agreements on geographical flexibility, and brought major changes. Subsequently the emphasis shifted to greater numerical flexibility and a much reduced direct workforce, and again this was secured following lengthy negotiations. Certainly the depressed state of the industry, and its highly uncertain future, have played a great part in reconciling the trade unions to these radical innovations.

Jaguar Cars

Jaguar Cars produces luxury cars, mainly for export markets, well over half of them often going to the United States. It had a successful history as an independent company before joining the British Motor Corporation (subsequently British Leyland (BL) Motor Corporation) in 1966. In 1979 the BL Group as a whole, including Jaguar Cars, was recording substantial losses, and its restructuring programme relied heavily on government funds. The BL Group pursued massive rationalisation under successive corporate plans, involving major capital investment programmes, a reduction in the number of models produced, plant closures and a large-scale contraction of the workforce. Jaguar's reputation for product quality was declining as was its market share. Major layoffs were made at Jaguar in the early 1980s, and employment fell from over 10,000 to 7,500 in 1982. However, following a ten-day strike over imposed changes in terms and conditions of employment in 1980, and the appointment of a new Chairman and Chief Executive, Jaguar's corporate performance began to improve. Its attachment to BL was loosened, and it was relaunched as an independent company under the Government's privatisation programme in 1984. Between 1981 and 1986 sales of Jaguar cars nearly trebled and a loss of £50 million was replaced by profits of over £100 million. Labour productivity rose from 1.4 cars per employee per annum in 1980 to 3.8 in 1986, and major investments were made in new engineering facilities using the latest technology and in launching a new model.

Contraction and change

Many factors combined to produce this turnaround, but major changes in industrial relations and personnel policies played a central part. Some had their roots in policies pursued by the BL Group, with its determined centralisation of collective bargaining arrangements and the reassertion of managerial control on the shop-floor.[3] Others were associated with new policies and practices introduced by Jaguar itself. Perhaps the best illustration of the former was the imposition in 1980 by BL on manual workers in all its plants of new conditions of employment set out in what was known as the "Blue Newspaper". These conditions established a new wages structure, plant-level incentive schemes, and detailed requirements on wide-ranging "control" issues such as the use of industrial engineering techniques, mobility, training and other working arrangements and practices.[4] Although rejected by a ballot of BL employees in February of that year, two months later they were introduced unilaterally by the management, who had come to the view that "the changes could not be won by intellectual argument . . . and . . . decided to implement the new work practices regardless of opposition" (see note 3). The method of doing so was to announce that employees who did not report for work on the date of their introduction would be deemed to be dismissed. When the time came, only a small proportion of BL employees stayed away; the majority, in the management's words, "voted for the Blue Newspaper with their feet", though the agreement had not been signed by any of the trade unions. Four of the 36 BL car plants – including the two Jaguar plants – were nevertheless affected by industrial action protesting against the new terms. Probably central to the opposition shown by the Jaguar employees was the imposition of wage rate parity across all BL plants under the common wages structure.

The arrival of the new Chairman and Chief Executive and the end of the industrial action over the Blue Newspaper in April 1980 are widely regarded as a watershed. However, they did not remove the serious problems the company then faced, which in management's view were principally: (i) falling sales and slackening market penetration, as a result inter alia of a diminished reputation for product quality (regarded as crucial in the luxury car market) and currency fluctuations; (ii) low productivity; and (iii) surplus manpower. Dramatic action was taken in an attempt to ensure the company's future. In the course of 1980-81 the Jaguar workforce was reduced by over 25 per cent (c. 2,500), mainly by voluntary redundancy on better severance terms, though ultimately with some compulsory redundancies which led to

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[3] M. Edwardes: *Back from the brink* (London, Collins, 1983).

[4] For a further analysis of developments in the British motor industry and at BL see D. Marsden et al.: *The car industry: Labour relations and industrial adjustment* (London, Tavistock, 1985); T. Manwaring: "The motor manufacturing industry in Britain: Prospects for the 1980s", in *Industrial Relations Journal* (Nottingham), Autumn 1983; P. Willman: "The reform of collective bargaining and strike activity at BL Cars 1976-1982", ibid., Summer 1984.

threats of industrial action, though they did not materialise in the end. Despite earlier union opposition to the BL incentive scheme, detailed negotiations in the crisis atmosphere of 1980-81 led to acceptance of plant-wide bonus schemes at Jaguar. Following the redundancies, the need to raise both productivity and product quality was accepted by local union representatives, the reduction in the workforce having created conditions that offered substantial potential earnings improvements for higher productivity despite significant cuts in the time allowed for many jobs. Indeed, bonus earnings subsequently have usually been close to the maximum level available under the scheme, reflecting high productivity performance.

As we have seen, in the early 1980s organisational changes in BL resulted in Jaguar Cars again assuming the status of a separate company, and as improvements took place in productivity, product quality and financial performance the way was prepared for privatisation. This was announced and took place in 1984, and a large proportion of employees availed themselves of the opportunity to acquire shares.

Many Jaguar employees had never fully accepted or adjusted to the company's incorporation into BL, identifying themselves more with Jaguar and its distinctive "up-market" products than with mass-production car factories or bus and truck plants. As we have seen, there were strong grievances over reduced pay differentials, and over the apparent downgrading of much of the Jaguar workforce in the new BL-wide grading structure which in the workers' opinion failed to reflect the greater skills required for the production of high-quality luxury cars.

Changing industrial relations policies

Management regarded employee relations as a key factor in its drive to raise both productivity and quality. Jaguar Cars, in common with the rest of BL, was highly unionised and continues to be so. There is no closed shop agreement, but it is the company's policy to encourage all eligible employees to join the unions, and a check-off system is operated. The rigorous statement of managerial rights set out in the Blue Newspaper is still in effect at Jaguar, but it seems to have been applied in a less rigid or authoritarian manner than in some BL factories. The shop steward organisation at Jaguar survived the crisis of 1980-81 and remains cohesive. Its leaders recognised the need for major changes following the redundancies, and they continue to play a very important role in the company's collective bargaining processes. Indeed, it is their view that the scope of collective bargaining has not been reduced or narrowed as a result of the changed external environment or the many internal developments. One exception, however, is the new employee share ownership scheme, under which the amounts employees can acquire are determined unilaterally by the Board. The stewards have, of course, made concessions, and have adjusted to developments (especially the enhanced level of direct management-employee communications) instead of opposing them with industrial action. This has meant that management has been able to pursue certain initiatives to which some or many of the stewards were opposed: for example, the national policy of the largest manual union was opposed to the introduction of quality circles, but the preamble to the 1986 Jaguar agreement provided for "active involvement in quality discussions".

The formal structures of collective bargaining necessarily changed following Jaguar's move out of BL. Two Jaguar Cars Joint Negotiating Committees (JNCs) were created – one to deal with manual workers, on which seven trade unions are represented, and the second to deal with white-collar staff up to managerial level, on which four trade unions are represented. The first two major rounds of negotiations held after the company was privatised resulted in two two-year agreements (November 1984 to November 1988). The agreements of both the white-collar and the blue-collar bargaining units lapse at the same time. Financial rewards for employees have increased significantly, reflecting the company's trading performance during the period and perhaps further strengthening the link desired by the management between corporate performance and employee earnings. As a result of JNC negotiations, for example, rates of pay for grade 3 manual employees rose by almost 20 per cent between November 1985 and November 1987, while the maximum bonus also rose by 9 per cent.

The trade union composition of the two JNCs reflects their proportional membership among the Jaguar workforce, and is strongly dominated by senior shop stewards (i.e. Jaguar employees) rather than by external full-time union officials. Senior shop stewards continue to hold regular meetings – once a week at plant level and once a month at company level – with management to discuss production, bonuses and other industrial relations matters. Together with external union officials these senior stewards also attend twice yearly "company reviews" led by the Chairman.

New communications and personnel policies

In addition to these regular discussions with trade union representatives, the Jaguar management has initiated major changes in direct management-employee communications, giving much more emphasis to such communications than is usual in British manufacturing companies. The cascade system of regular information flowing down the structure (known as briefing groups or team briefing) was introduced in 1982. Upper-level management passes packaged information ("briefs") down the line to successive layers of subordinates, during working hours usually each week. This process reinforces the management hierarchy as the chain of communication, and contrasts sharply with the practice (formerly widespread in British manufacturing) of allowing information to reach employees mainly through their shop steward representatives.

Another innovation is the extensive use of video films to convey information on a range of topics, each film being followed by a question-and-answer session. In addition, an upgraded company magazine is distributed to all employees every two months. Quality circles were introduced despite the hostility of some union representatives and continue to operate in many white-collar and blue-collar areas. More recently an extensive opinion survey was carried out to ascertain employee perceptions of the company, its policies and practices, and possible areas of improvement. This exercise also created some tension, partly because of shop stewards' fears that their role as employee representatives was being or might be undermined or bypassed.

In addition, the company has taken other initiatives to link employee and corporate interests. A major development was the introduction of the above-mentioned employee share ownership scheme at the time of privatisation. This scheme has been joined by many employees, whose shareholdings enjoy tax advantages and are increased every year by further share entitlements fixed annually by the directors in the light of the company's financial performance. On a different level, but with similar objectives, the company now runs a much larger programme of social and sporting events, family visits, etc., revealingly called the "Hearts and Minds Programme".

More broadly, the company has made major efforts to improve its image both externally and internally, aimed in part at building up pride in the product among employees and at the same time improving quality. The Chairman and Chief Executive of Jaguar (Sir John Egan) has played a key part in improving the company's performance since 1980. He has repeatedly emphasised the interdependence between a strong corporate spirit among employees in the newly independent company and high-quality output on which its success in the luxury car market largely depends. A significant feature of this strategy has been a marked increase in the funds devoted to employee training, to the unusually high level of 2 per cent of total sales revenue. The training effort is further supported by a programme of "open learning" which allows employees to use company facilities during their free time to broaden their knowledge and improve their skills.

Jaguar Cars has thus adopted and indeed pioneered many of the policies and practices associated with the concept of human resource management, particularly in the areas of employee share ownership and communications. In consultation with employee representatives, it has developed operating principles on all major aspects of the business, including customer satisfaction, product quality, productivity, financial and investment policy, competitive pay and conditions and security of employment. It has also taken steps to reduce differences in conditions of employment between white-collar staff and manual workers, most notably by bringing their different pension schemes into line, standardising holidays and the basis of overtime payments, and moving towards common sick pay entitlement. It has recently concluded an equal opportunities agreement with the trade unions.

However, the company has not pursued other trends sometimes associated with changing employment practices in the United Kingdom in recent years, e.g. the development of a two-tier workforce and radical changes in the job boundaries of skilled tradesmen. There has been no significant increase in subcontracting or the use of temporary, fixed-term contract labour. Similarly, the company has not sought change for its own sake in respect of workforce flexibility and multi-skilling. Its management considers that specialisation has its advantages, and that sensible flexibility can be achieved as the need arises. Indeed, there have been several examples of internal transfers between jobs to meet new requirements, e.g. changes in technology, the introduction of new processes and the new model, including approximately 400 job changes at one plant alone. Such transfers take place following consultation with trade union representatives, who naturally seek to protect their members' interests in these circumstances. When the need for such changes is demonstrated, the new arrangements are usually worked out in a less markedly adversarial framework.

Overview

The restructuring at Jaguar Cars during the 1979-87 period appears to have been very successful. Employment has risen substantially and, despite its continuing vulnerability to exchange rate fluctuations and the higher productivity rates of its international competitors, the company is much more secure than it was in 1979-81. It has made notable innovations in employee share ownership, communications and employee involvement, where trade union opposition and scepticism have been overridden. The Jaguar management now has much more direct access to its employees independently of the trade unions, and has sought through various initiatives to strengthen employees' commitment to corporate goals and enhance their understanding of its product market. It is difficult to establish objectively whether, or how much, employee attitudes have been changed by these programmes. Measurement of attitudes is notoriously hazardous, but it is not contested that most of the employees retained on the payroll prefer their present situation to that of 1979-81. The trade union representatives share this view. They doubt the compatibility of some aspects of management policies with traditional trade union principles, and also the durability and effectiveness of the new communication techniques. Significantly, they have retained an important role in major collective issues and are confident of union cohesion in the company and the continuing trust their members place in them for protecting their interests concerning the traditional subjects of pay, working conditions and related matters. That confidence has indeed been recently demonstrated by industrial action in support of wage claims and opposing some further productivity measures.

The Volex Group

The period since 1979 has also been one of marked change for this electrical goods manufacturer. Though the change has been less dramatic and has certainly attracted less public attention than the changes in British Shipbuilders or Jaguar, in many ways Volex is perhaps more typical of large numbers of British manufacturing companies. In the late 1970s and early 1980s the Group experienced falling demand as the recession deepened. Profits dropped, and a substantial trading loss in 1982 threatened its survival. There were considerable job losses, and a major restructuring of the Group's activities and management was carried out. Several plants were sold or closed, including the closure of what was the company's largest single division. Significant changes were made in senior management personnel, in internal structure and in operating methods, resulting in reduced centralisation and greater divisional responsibility. These changes stemmed from the adoption of strategic planning and a determined search for new products and greater efficiency, backed by substantial investment in product development, advanced processes and modern manufacturing facilities. The changes have been successful. In recent years the company has become increasingly profitable and its workforce has started to grow again after having sharply contracted in the early 1980s.

The Volex Group is the direct successor organisation of a long-established electrical goods manufacturing business based in north-west England. In 1979 the company employed some 6,000 people at ten different sites. Its most important activities were the manufacture of electrical cables, electrical wiring systems for vehicles, and electrical accessories. The company also manufactured small plastic products, alarms and other goods. By 1984 its workforce had been almost halved. The financial and other difficulties faced by the Group in the early 1980s had a number of causes. Although it had started an ambitious programme of acquiring modern factory premises and of updating capital equipment, much of its capacity remained in outdated facilities, with consequent effects on costs and efficiency. The company made attempts to add to its product range and to diversify into new products and markets. These innovations, however, were internally generated, the result of organic growth rather than acquisitions, and their relative importance for the Group was small. The markets for its established products were all affected by the deep recession in Britain generally, but also by more specific developments. The main customers for one product, vehicle wiring systems, were British car manufacturers – including British Leyland which was rapidly losing its market share. Orders were falling sharply, and the company cut back employment in this division by around 1,000 through a redundancy programme in an attempt to reduce capacity and avoid losses.

Market contraction caused by the recession was even greater in electrical cables, and the consequent excess capacity led to an aggressive price war. Although the cables division was historically the largest component of the Group, it was one of the smaller suppliers in the electrical cable market, and thus was put under considerable pressure. The situation continued to deteriorate and presented the management with particularly difficult decisions. Closure would have eliminated one of the Group's core businesses, entailed substantial costs and involved the risk of industrial action not only in that division but across the Group as a whole. Union organisation in the cables division was strong, earnings were relatively high and the unions exerted extensive influence over working practices and arrangements. While acquiescing with transfers and *voluntary* redundancies, the unions were opposed to closure and to *compulsory* redundancies, inevitable though they seemed to be. However, senior management took the view that the division's present and prospective losses could not be sustained without jeopardising the whole Group. A loss of £9 million had been recorded in 1982. The company's share price was falling at an alarming pace, and survival depended on whether support was forthcoming from financial institutions. In August 1983 the division's closure was announced.

Significant changes were then made in the senior management, a new Chairman and a new Managing Director being appointed to replace two members of the founding family. These and other managerial changes led to radical changes in overall policies, in organisational structures and in management style. Several smaller operations peripheral to the Group's main activities were either closed or sold. The divisional structures were strengthened as the Group concentrated on a more limited range of activities within a more decentralised operating structure. Head office staff, important to the earlier pattern of detailed central control in an old family-style business, were cut by over half as the new Group sought to adjust to the major reduction in its business and turnover. Considerable emphasis was given to strategic analysis as part of a sustained attempt to end the former reliance on "crisis management". A system of rolling five-year strategic plans was introduced, a major feature of which was greater divisional autonomy and responsibility. The strong emphasis on forward planning, and the consequent move away from highly centralised and often unpredictable decision-making on many matters of detail, were supported by further investment in new higher technology processes and products.

Changes in industrial relations

A key change in industrial relations was made in 1982-83. The former Chairman had regarded his personal accessibility to employees and senior union representatives as an important element in the company's style of management. Although that accessibility was used sparingly by the senior stewards, it created uncertainty in the management structure, and a reluctance to make decisions which might be overturned. It also greatly enhanced the status and importance of senior union representatives. Some management levels could be bypassed or overruled.

Under the new, more decentralised and less paternalist pattern, top management has held aloof from direct participation in trade union negotiations and industrial relations. The former access of senior shop stewards to top management has been withdrawn and their influence thus reduced. Personnel policies and negotiating mandates and responses are determined by the directors but the negotiations themselves are conducted by appropriate functional managers, which bolsters their positions. Management decision-making in industrial relations has become more formally structured and is much more closely synchronised with the needs of the business. Management has moved from a mainly reactive stance to a more demanding mode in which it too (like the unions) puts forward proposals for change. Indeed, changes have at times been pressed through despite union opposition.

The company has long recognised trade unions, and the level of union membership is high among the manual workers (although there are no formal union membership agreements), but somewhat lower among white-collar staff. The structure of collective bargaining is rather complex. There are five bargaining units, the largest being a multi-employer industry-level unit which covers semi-skilled and unskilled manual workers in three of the Group's four divisions. This agreement is supplemented by plant-level negotiations, e.g. on incentive schemes. The other four bargaining units are company-specific, covering maintenance crafts, a major production division, and white-collar staff. Individual payment by results and group bonus schemes are significant features of the payment systems for manual workers in all the divisions.

Formal collective bargaining arrangements formed a strong strand of continuity throughout the period of restructuring. The pattern of annual wage negotiations has been maintained, but economic circumstances have made the negotiations difficult and industrial action has been taken by the trade unions on several occasions in an attempt to secure better conditions. Overall, however, the 1980s have seen a decrease in the use of industrial action, particularly of small, sectional action within plants on issues unrelated to the formal annual negotiations. This is consistent with national trends in manufacturing.

The pattern of bargaining and settling disputes over issues arising on the shop-floor has also continued along established lines, but in the context both of the different industrial, economic and legal climate of the 1980s and of clearer, written procedures for resolving such issues as discipline. While the nature and scope of informal bargaining on issues limited to particular sites or sections have not changed dramatically, both management and union representatives consider that in the changed circumstances management has adopted a firmer stance and has been less prepared to draw back from announced positions. The number of shop stewards has fallen with the decline in the workforce, their constituencies have been redefined and there has been some tightening of management control in several areas. However, there has been no major or sustained assault on the position of the trade unions as representative organisations at a time of relative weakness.

The changed environment and balance of employer initiative and trade union resistance can be illustrated by two examples. The company was well aware of the unions' opposition to the closure of the cables division and the resulting compulsory redundancies. Following the announcement of the closure decision, it increased the compensatory benefits provided for under its voluntary redundancy package, and those terms were accepted by most employees. Eventually, the small number remaining after the closure were offered a more favourable redundancy package on condition that all of them accepted it – thus avoiding compulsion in the literal sense and with it the possibility of union sanctions being applied elsewhere in the Group. The closure of this division, central to the Group for many years, is commonly held to have shaken everyone concerned – management, unions and employees. It had removed a core activity, a major centre of trade union strength, and the events surrounding this controversial decision had led to the departure of the former Managing Director.

The second example concerns the company's investment in modern plant and higher technology processes and the negotiation of associated changes in working practices, manning levels, etc., illustrated by its new accessories component factory. The new plant's efficiency depended on the introduction of new shift systems, reduced overtime work, new working arrangements and lower manning levels. Trade union officials had fought successfully to ensure that the new plant was located nearby, with employees being offered transfers, but were aware that new and potentially unpopular terms of employment would be required in the more capital-intensive factory. Extensive negotiations took place, but the new terms proposed were finally rejected by a mass meeting of the employees. The company's response was to present the employees with an ultimatum – either to accept the terms and conditions offered by a specified date or to leave the company. It was put to the employees, not through the trade unions, but by individual letters to their home addresses. In the event, despite their resentment, the employees accepted the terms and moved to the adjacent new factory.

Management's perception is that such events demonstrate a new, firm and consistent stance. The need for change is explained to employees through informal consultation and the new direct communications systems. What management considers to be adequate time is allowed for negotiation and the search for an agreed basis of change. However, in the final analysis, the policies it regards as necessary are introduced and pursued firmly. Management feels that it has gained credibility with its employees as a result of the actions taken, and of the financial results it has achieved. The unions tend to take a rather different view, regarding the company's approach as more stringent and authoritarian than formerly. Industrial action over pay reviews has been supported by the unions which argue, inter alia, that earnings have not reflected the growth in profits.

New policies: Communications and flexibility

As in many other manufacturing companies, the management of Volex has put substantial effort into articulating the interdependence of the company and its employees. Perhaps the clearest innovation has been in *direct* communications with employees through "team briefing". This is aimed at increasing both the level and the frequency of communications to and with employees and also at helping to restore the status and position of line management and supervision. Team briefing was introduced in 1985 and reflects a determination to alter a situation where communication with employees was often made largely via the shop stewards and management's right to communicate directly and regularly to employees had been virtually lost by failure to exercise it. The new system reflects an assertion of that right, rather than an attempt to undermine trade union communication systems, which remain. More broadly, great emphasis has been given to product quality, to company-based social activities and, since 1984, to a voluntary scheme whereby employees can acquire shares in the company conferring clear tax advantages.

The company has also explored several forms of increased flexibility. Fixed-term or temporary contracts for employees have long been used where demand is seasonal, and more recently have been adopted for experimental work associated with new technology. New flexible patterns of working hours have been introduced, particularly in areas where the company has invested in highly automated technology. In the traditional craft areas no radical moves towards multi-skilling have been proposed, but several service functions formerly performed directly are now subcontracted to external suppliers, e.g. road transport, cleaning, catering and some specialist plant maintenance services.

Some employee scepticism of recent management moves doubtless persists, and shop stewards continue to protect their members' interests by keeping a close watch on management policies and actions.

Overview

The Group has adopted a more forward-planning strategy for all of its operations, and a more "pro-active" and less reactive approach is also being taken to personnel policies. The formal institutions of industrial relations have shown remarkable durability, but while continuing to consult and negotiate through established arrangements management has adopted a more assertive stance. The company has not felt that all the innovations adopted by some large British companies in the 1980s are suited to its circumstances at this stage, e.g. employee profit-sharing, quality circles, standardising conditions for manual workers and white-collar staff. Rather it has taken a pragmatic approach in assessing the appropriateness of these options to its own situation, while maintaining a close watch on cost control within its system of divisional accountability.

Trends and prospects

As the three case studies illustrate, the years since 1979 have seen major upheavals and crises in many manufacturing industries in the United Kingdom. Though the contraction of demand during the 1979-83 recession varied in intensity from one firm and industry to another, few, if any, manufacturing sectors escaped unscathed. Declining product demand was met almost universally by run-downs in workforce size, involving many plant closures. Surviving plants generally have smaller workforces, and there are now far fewer of the very large industrial establishments which flourished in the 1950s and 1960s. Most larger plants in manufacturing were (and are) heavily unionised, and during the recession the unions opposed contraction and closures. However, despite unemployment figures that rose to levels unknown since the depression of the 1930s, in few sectors was such union or employee resistance sustained for long. The major exception, outside manufacturing, was in coalmining where proposed pit closures led to a bitter year-long strike in 1984-85 in all but one of the major coalmining areas. Elsewhere the job losses took place with remarkably little resistance.

The run-downs were facilitated by the availability of severance compensation, with the statutory minimum levels being improved by many employers and, in some cases – e.g. coal, shipbuilding and steel – by supplementary compensation from the Government. Generally, at the workplace or company level, trade union opposition was directed against the use of *compulsory* redundancy – though it could not always be avoided. Partial workforce reductions were widely carried out through the provision of voluntary redundancy and early retirement schemes.

The contraction in the British manufacturing labour force was most pronounced between 1979 and 1982, when it fell from 7 to 5.5 million, thus greatly contributing to the sharp rise in unemployment. Subsequently the decline was more gradual, and in 1987 the labour force in manufacturing was still over 5 million. However, technological developments, lower manning levels, use of overtime working and other factors suggest that any revival in manufacturing employment is unlikely to be dramatic.

The contraction shifted the balance of power between employers and trade unions as labour markets became slack and employers introduced changes aimed at improving productivity. Nationally, the failure of some long strikes in the public sector added to a growing picture of relative union weakness. However, it is important to distinguish between internal and external labour markets. Although in most heavily industrialised areas unemployment figures remain high, since 1981-82 most people in employment have achieved significant improvements in real wages despite the external labour market situation. In part these pay increases reflect a continuing reduction in manning levels, and thus suggest that employers' wage bills have often increased at a lower rate than employee earnings. Though trade union bargaining power is generally weaker than it was in the 1960s and 1970s, pay settlement levels indicate that it is by no means negligible. Often relatively high pay settlements have been linked to changes in working practices associated with greater flexibility. Certainly wage bargaining in manufacturing in the 1980s has been geared more closely to company performance and ability to pay than it was before the recession, and corporate profitability rose markedly in the mid-1980s.

Workplace industrial relations in manufacturing show elements of both change and stability.[5] The more coherent procedures and plant- or company-level bargaining arrangements introduced in the 1970s generally remain in place.[6] Although employers have in some instances enforced changes in working practices unilaterally, rarely have they openly abandoned the institutionalised framework of labour relations. On the union side, employees have understandably been more reluctant to take part in industrial action. Experience of job loss and insecurity in the early 1980s has increased their awareness of being dependent on their employer's fortunes. Consequently shop steward organisations have often been on the defensive, reacting to employer-initiated change and defending their existing negotiating rights rather than seeking to extend the scope of collective bargaining.[7]

As the case studies confirm, large employers in manufacturing have principally sought to regain market competitiveness by eliminating less efficient plants, establishing lower manning levels and introducing new production technology and processes. Employer attitudes towards trade union representatives have become more assertive, and concerted efforts have been widely made to restore direct communication links and improve the flow of information to employees. Reward systems have often been altered to reflect plant or corporate performance, and employee share-ownership and profit-sharing schemes have grown from a small base. The attempt to build a sense of corporate loyalty and identification, perhaps best illustrated in the case of Jaguar, is by no means unique. Traditional training schemes, e.g. apprenticeships, suffered heavily during the recession in manufacturing, and training – particularly in new technology – is often

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[5] P. K. Edwards: "Managing labour relations through the recession", in *Employee Relations* (Bradford), 1985, Vol. 7, No. 2; J. MacInnes: *Thatcherism at work* (Milton Keynes, Open University Press, 1987).

[6] N. Millward and M. Stevens: *British workplace industrial relations 1980-1984*, (Aldershot, Gower, 1986).

[7] M. Terry: "How do we know if shop stewards are getting weaker?", in *British Journal of Industrial Relations* (London), July 1986.

geared more to specific company requirements than to externally based criteria.

At the governmental level the long period of Conservative rule under Margaret Thatcher has brought many changes of approach. The emphasis has been on promoting a market enterprise culture, and the tripartite corporatism fostered by Labour governments has largely been jettisoned. The legislative, economic, technological and attitudinal changes associated with the events of the 1980s suggest that future industrial relations in manufacturing will generally be focused more on company-specific developments than on those at higher levels. Indeed, in some industries a greater "company centredness" is apparent among employees and shop stewards, and the trade unions appear more inclined to concentrate on pay and related financial issues than to engage in battles over issues related to managerial and job control.[8] Both developments are the result of the circumstances and experience of the recent period of recession and of restructuring in manufacturing industry in the United Kingdom.

[8] W. Brown: "The changing role of trade unions in the management of labour", ibid., loc. cit.