ASIAN TNC MONITORING NETWORK BOOK SERIES

AUTOMOBILE WORKERS AND INDUSTRY IN GLOBALISING ASIA



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PREFACE

COMPETITION, RESTRUCTURING, AND SOLIDARITY

CHANG DAE-OUP

Global competition and Asia's automobile industry

Since the end of the Post World War II boom and subsequent regional and global recessions, the methods introduced by businesses to overcome intensifying competition have taken a particular trend. This trend takes a few primary forms: 1) a truly global integration of human needs and population into the profit-making process, as either producers or consumers and 2) faster adjustment of production to market fluctuations on and beyond the production line. Global integration again appeared primarily in two forms, such as unlimited liberalisation of access to commodities (including the labour force) and investment markets, and commodification of human needs through the privatisation of public services. Capital began to fly globally in search of places with better profitability, i.e. 'cheaper cost of exploitation'[1] and wider markets for capital to realise produced value. In the meantime, necessity of faster adjustment of production to market change created 'new' management methods to maximise logistic efficiency in utilising resources and diversifying products. This often led to a full-scale reorganisation of the industrial structure, accompanying changes in supply chains and the development of outsourcing methods. Effective introduction of those methods presuppose that there should be no barrier against the movement of capital in pursuit of better profitability from one to another production, industrial sector, and country. Indeed, the movement of capital necessarily involves one or other form of labour restructuring. In other words, there is no pure industrial restructuring that does not ac-

company reorganisation of labour within and beyond the firms. Regulation over labour practices and markets, either on the basis of state intervention or trade union power, has been regarded as an obvious barrier to the attempt by capital to move internally as well as externally and therefore came under severe criticism and attacks. Flexibility has become a buzzword for not only industrial structure and supply system but also reorganising labour. In this sense, the reorganisation of labour through deregulation and flexibilisation is the other side of the restructuring of capital.

It is in this context that Asia's auto industry and its labour relations have been reshaped. Restructuring of Asia's auto industry that workers now face shows an typical case of these new trends in global capitalist development. Car firms, which are famous for leading the restructuring process from the beginning of the twentieth century, utilise two major strategies: 1) externally aggressive global strategy and 2) internal flexibilisation of industry including that of labour. The global strategy of car firms reflects their aggressive attempts to dominate markets by maximising market accessibility as well as cost-effectiveness of exploitation. In every domestic market, the distinction between local and foreign carmakers is increasingly blurred due to the rapid relocation of production of major car firms, joint-ventures, and mutual equity investments between firms on the one hand, and breaking down tariff controls and other forms of non-tariff protection and regulation on the compulsory use of domestically produced car parts on the other. Automobile makers in Asia's developing countries, either foreign or local firms, are becoming more and more fully exposed to sheer competition with other firms that also adopt globalisation strategies in terms of both trade and production. Reorganisation of industrial structure as well as labour has also accelerated. In the meantime automobile workers pay the cost. More and more workers in assembly toil under non-regular employment contracts while many parts of production are outsourced to firms that employ mostly contract-based workers without any forms of social insurance. Behind this trend, there is growing competition and unresolved over-accumulation in the auto industry, which has been dragging down the profitability of the industry. Somewhere around the globe, more than 20 percent of production facilities are not moving. Even major firms suffer from the threat of bankruptcy all the time. The growth rate of world's auto industry has steadily decreased for last three decades

from about six percent in the 1960s to slightly more than one percent in the 1990s.[2]

Response to this gloomy picture from Asia's carmakers is to pursue a more aggressive globalisation strategy to dominate the limited market. There has been a significant relocation of capital from Asia, particularly to North America, where they can enjoy maximum accessibility to consumers and avoid tariffs. As Kaneko shows in this volume, Toyota's global strategy is a good example. Toyota produces more and more abroad, particularly for the world's existing biggest market, North America while planning aggressive penetration into China. For other major Japanese firms, such as Nissan and Mitsubishi, production abroad appears even more significant, accounting for 49 percent and 39 percent of total production respectively. Lagging behind in developing the global strategy, Korea's Hyundai, as seen in HMWU's paper, is also increasing production in India, China, and Turkey and prepares to increase production in America by building a large-scale factory in Alabama. As assemblers rush to profitable places, so does the component industry. Taiwanese component firms seem to be preparing a major relocation to the mainland, as explained in Liu's paper.

In spite of increasing relocation of capital from Asia's major car producing countries, the global production strategy taken by all major carmakers has increased Asia's role as a production site for automobiles, rather than reducing it. Production capacity of Asian countries increased throughout the 1990s because of increasing capacity of Asian firms in parent countries, notably Japan and Korea, intra-Asian foreign direct investment particularly from Japan to South East Asia, and increasing penetration of Western carmakers into Asian countries such as ASEAN 4 and later China. As of 2002, Asia's traditional major carmakers, Japan and Korea, accounted for about 69 percent of total car production in Asia-Pacific (19,293,518 units), producing 10,239,949 and 3,147,584 units respectively.[3] The most impressive development is found in China, on the basis of skyrocketing direct investment from both Eastern and Western auto-makers, now appears to be catching Korea by producing about 15.1 percent of total car production (2,913,530 units) in Asia; following them, India and Thailand produced 4.45 percent and 2.8 percent of production respectively. These minor producers are most likely to challenge China as they try to introduce more and more condi-

tions favourable to the car producing TNCs through introducing free trade agreements and removing protective measures for local parts industries.[4] As a whole, cars produced in Asia accounted for 32.37 percent of total global car products in 2002, showing about a three percent increase from 1999. In contrast, the importance of car sales in Asia is not yet as significant as production. As of 2002, the Asian car market consumed merely about a quarter of world products. However, Asia also represents the fastest growing market in the world, largely thanks to growing demand in China and India.

Restructuring and labour

The imminent consequence of the globalisation strategy and increasing competition in domestic and international markets appears in the reorganisation of labour and subsequent deterioration of workers' quality of living as automobile firms squeezed profits at the expense of workers in producing countries. At the core, Japanese and Korean automobile firms introduce restructuring of industry and labour, threatening job security. As the Nissan, Hyundai, and Isuzu cases shows, firms do not hesitate to implement dramatic methods, e.g. mass dismissal of workers. Relatively stable and secure employment, symbolised in the term 'life-time employment', in car firms both in Japan and Korea has already become a myth. So-called voluntary or early retirement plans are introduced in most firms as crisis management and has become routine practice. Job vacancies are no longer filled by recruiting full-time permanent employees so that the number of full-time employees is steady or decreasing in all major auto firms. Instead, it is general practice for automobile firms to adjust labour forces by employing temporary workers or in-house subcontracted workers whose employment contracts are seasonal or at best renewed annually. Lack of protection for temporary, seasonal, and contracted workers ultimately means that labour forces are individualised in relation to capital. Employment relations become truly individual relations between individual capitalist and individual worker without intervention by the state and collective union. Industrial restructuring also brings harsh impacts to workers. Many functions and services previously handled directly by big assemblers have been transferred to small businesses, without however completely losing assemblers' control over the functions. As Oidon and HMWU describe in

following chapters, Nissan outsourced its textile division to a newly established company in spite of worker protests while Hyundai management accelerates module-based production through which assemblers can minimise direct production in assembly plants therefore reducing labour and logistics costs. Full-scale restructuring of the whole subcontracting chain seems inevitable and will cause suffering among workers in the supply chain. Reform also involves new personnel management systems. In particular, the spread of merit-based pay systems finds an extreme example in Toyota that is trying to apply the same logic to retirement payments despite its success in global competition.

Then, what about workers in countries that face a boom in the car industry? It may be that the relocation of capital will create jobs in host countries. However, none of the workers in Asia's car industries seems capable of avoiding becoming a victim of continual restructuring. Indeed, it is exactly the distinctive feature of recent restructuring that workers are subjected to continual employment restructuring regardless of the relative success of the firms or increases in productivity. The Chinese auto industry's market that sustains a rosy perspective of the world's car industry, is no exception to this trend. Xu Xiaohong's observation of the First Auto Works Group and Dongfeng Hangzhou Motors shows that Chinese workers are increasingly subject to market-based labour management that is not at all distinguishable from others in Asia. Security of jobs is under threat as firms introduce competitive employment adjustment methods, such as mass dismissals, early retirement schemes and contracted workforces gradually replacing permanent workforce. On top of this, seniority-based wage systems are being replaced by skill level and individual contribution to business, increasing pressure on low-skilled workers. Socialist elements supporting workers' livelihood to a certain degree seems no longer to protect individual workers as public housing, health care, and education are individualised and marketised. In sum, it is a gross misunderstanding that Chinese autoworkers benefit from increasing investment in China at the expense of autoworkers in other countries. Major market analysts expect to see massive growth in the automobile industry in the next decade in India. However, workers and unions tell a different story from these market analysts. Employment adjustment, such as voluntary retirement schemes and utilisation of contracted workers, seems to be common in all of the major firms, including one of the most popular car-makers in India,

Maruti-Suzuki. Shrinking assembly companies lend themselves to flexibility in general. However, the effective business of the major assemblers is made possible on the basis of what Shrouti called 'dispersed production' though which assemblers benefit by squeezing workers in subcontracted factories. Increasing outsourcing of sub-assembly lines to outside assemblers, as done by Maruti-Suzuki, is most likely to push forward this trend.

The consequences of restructuring both in core and newly emerging automobile producing countries are increased working hours, intensified work, less labour protection, and finally difficulty for unions reacting to such methods.

Automobile unions' strategy

Unfortunately, most unions that protested against restructuring in Korea, Japan, India, and elsewhere have experienced major defeats. As irregular workers increased, union density decreased. In the meantime, the establishment of industrial level unions that can bring more effective collective bargaining power to the unions has been delayed under the union-hostile conditions in most Asian countries. In most of the countries, trade unions in automobile industries are enterprise-based and this seems to undermine effectively co-ordinated responses from unions to automobile capital in general. However, it also seems that effective bargaining power cannot be fully attributed to the institutional structure of unions as we find the most impotent reaction to restructuring in the Japanese Auto Workers' Union with 800,000 members. Likewise, the centralised leadership of Chinese unions barely manages to represent voices in the work place and changing sentiment among workers whereas enterprise unions began to realise the new roles required in the fast restructuring process following China's full integration into global competition.

It seems to me that the discussion about whether unions can create a logical alternative to 'competition to death' comes down to effective solidarity. The limit of enterprise-based unionism is imposed not by the lack of a representative body of a whole industry and industrialised bargaining channel; rather it is imposed by the lack of solidarity between individual trade unions. As long as individual branches of industrial unions consider themselves as a part of management with an attach-

ment to capital, solidarity will remain ineffective under 'formal solidarity'. Globalisation of the automobile industry drives autoworkers in sheer competition against each other. However, in the meantime, it offers an opportunity for individual workers to recognise that no one single worker is free from the pressure of global competition and restructuring. It is in this sense that, to organise effective challenge to globalising auto industry, we need to develop a basis of different forms of solidarity, which go beyond the interests of workers in particular employment forms, firms, and countries. Contributions in this volume show that there are developing forms of solidarity that rupture formal solidarity and shame the lip-service of industrial unions. The co-operation between Isuzu Branch Union and Yasaka Kenko Company shows that workers in major companies and subcontracting firms can be organised together. Although it was a primitive development, the solidarity between Dae-Woo GM and Isuzu workers also has to be enlightened since it shows the possibility of solidarity building between workers in firms in different countries but invested by a giant automobile company. On-going support from Protest Toyota Campaign to Toyota Motor Philippines Corporation Workers Association also implies a lot to solidarity building between workers in the host countries of investment and labour activists in countries of the parent company. The examples above are particularly important because it is most likely to be one of the core strategies of companies investing in different countries to routinely adjust their production scale according to the performance of each country and thereby promote antagonism between workers and unions in different countries. Hyundai unions' slow but continual attempt to organise in-house-subcontracted workers is also worth attention as division between regular and irregular workers is a key to new forms of solidarity. These attempts might be too small. However, they are precious because these are the bases on which labour activists have to start building protest against restructuring.

The articles chosen for this book were presented in an automobile workshop in Delhi, 30 November – 1 December, 2003, organised by Asia Resource Monitor Centre and the Centre for Education and Communication. The workshop was a part of an attempt of CEC, AMRC, and other labour groups in the Asian TNC Monitoring Network to identify the basis of new solidarity between workers in different countries that are however under the same management. This round table aimed

particularly to share experiences of independent unions and workers' groups in the automobile industry to defend and build up more democratic unions and solidarity against global restructuring . The articles presented here focus on:

- Investment trends of Asia-originated car manufacturers in Asia
- Restructuring of auto industries by Asian car manufactures in home and host countries
- New employment strategies deployed by Asian car manufacturers in an attempt to push forward the restructuring of the industry
- Union strategies, roles of NGOs monitoring TNCs, and solidarity action model in capital intensive industry to enhance working conditions as well as secure the stability of jobs

Throughout the discussion in the conference, we were able to find (not to mention well known exploitative industries, such as garment and textile) different forms of labour rights abuse in supposedly technology-driven capital-intensive industries like the automobile industry. In many cases, automobile unions are largely subject to management control and lack democratic decision-making. Struggles are often isolated from other unions and international solidarity. However, we were also grateful to witness small but continual attempts of unions and activists to organise reaction to the restructuring of auto industries in solidarity with workers and activists in other industries and countries.

All the participants agreed to have a second round of the meeting to develop the discussions further and build up a network of researchers, activists, and union members. In organising the conference and producing this book out of the discussions, we owe many. First of all, on behalf of the ATNC Monitoring Network and editorial team of this book, I thank the activists and researchers who participated in the two full-day discussions in Delhi and again worked with us in revising the articles. I also thank the staff in CEC. Without their hard work, both the conference and this book could not have been achieved. I believe that this book will contribute to promoting further discussion among those who want to see continually improving working conditions for the automobile workers' movement and the dignity of their lives.

Notes

1 This means not only cheap labour, but also all cost that capital has to pay to extract value from labour, including management cost, material input, machinery, and taxes. See Holloway 1996, 'The Abyss Opens: The Rise and Fall of Keynesianism', in W. Bonefeld et al (eds.) *Global Capital, National State and the Politics of Money*, Basingstoke: Macmillan, p. 24

2 *Economist: The World in 2004*, p. 115

3 Auto News Data Center, 'Market Data Book'
www.autonewsdatacenter.com

4 See Peter Wad's contribution in this volume.

Section 1

SECTION 1

AUTOWORKERS IN ASEAN-4

INDONESIA, MALAYSIA, THE PHILIPPINES, THAILAND

PETER WAD

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1. Introduction

While global production of light motor vehicles (LV) is estimated to increase 16-17 percent from around 55 million units in 2002 to 65 million in 2010, the Asia-Pacific region is forecast to increase LV production by nearly 25 percent in this period implying that 45 percent of total growth 2002-2010 will stem from the Asia-Pacific (AP) area[1]. However, even within the AP region auto production growth is unequally distributed, with China accounting for a third of global growth and 75 percent of AP growth.

With a global production capacity utility rate being around 75 percent in 2002, AP countries are doing well with 73 percent, being close to Western Europe level at 77 percent and well above for example South America with around 45 percent. The North America Free Trade Area (NAFTA) keeps the highest utility rate of 85 percent. As the utility rate

is predicted to be below 80 percent in 2010 but with a general trend towards increased utility in all regions, this implies a shift of production capacity to the Asia-Pacific area, with new investment in AP and reduction of capacity in the North - if global free trade is not instituted rapidly. This condition does not seem to be realised as the freeing of trade seems to be regulated in terms of regional free trade areas (NAFTA, EU) and less in accordance with the spirit and terms of the World Trade Organisation (WTO).

The 'old' Association of South East Asian Nations (ASEAN) (Indonesia, Malaysia, Philippines, and Thailand) are set to form a free trade area for automotive products in 2005[2] - with Malaysia the laggard[3] and the auto industry being among the most problematic and protected industries in the region. Yet, even Thailand with a neo-liberal approach to auto manufacturing, e.g. having abandoned restrictions on foreign direct investments (FDI) and local content requirement on component/part import, is creating a lot of non-tariff obstacles to the free flow of auto parts into Thailand protecting its domestic (and Thai) auto supplier firms against competition from abroad[4]. The implementation of the auto free trade area (AFTA) will therefore be a negotiated political process requiring some kind of balanced and fair trade among the AFTA parties.

Predicting the future is a difficult art within social sciences not least because the future is created by the very stakeholders and actors of the present societies within a context of international, political, economic, and socio-cultural relations. India, for example, is emerging as a new auto growth centre and export platform for foreign transnational companies (TNCs) which may change forecasts in other areas, including Southeast Asia. The questions to be addressed in this paper are, what is the situation of the auto workers and unions in the ASEAN-4 (Indonesia, Malaysia, Philippines, and Thailand), what concerns do they have and are they able to influence the direction of the auto industry and its employment and industrial relations?

Answering such questions demands a lot of insight and data, and this is a problem because it seems that auto workers in ASEAN-4 are more or less forgotten or hidden in existing statistics and research. This paper relies especially on my own research of the Malaysian auto industry and trade unions and on material produced through the two IMF

(metal) Asia-Pacific Auto Conferences, undertaken in Bangkok in October 2002 and 2003 (I participated in the first one). One of the problems faced in comparing conditions in various countries and using different sources of material is that they do not necessarily use the same definitions of categories and concepts (e.g. industrial classification of the auto industry like assembly and components/parts, or products included like passenger cars, light commercial vehicles (CV), and medium/heavy CVs).

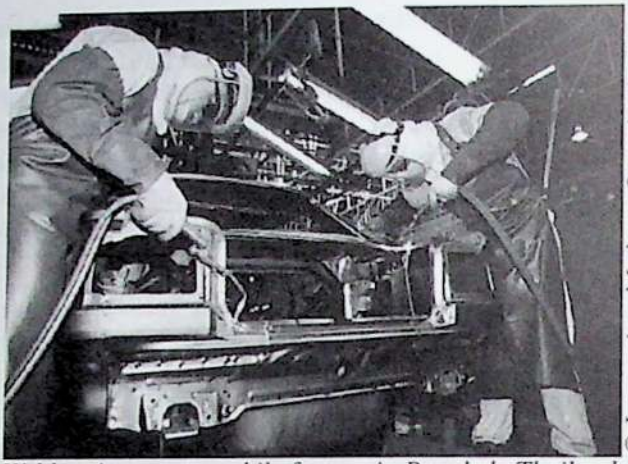
The paper is structured in the following way. Firstly, I describe similarities and differences in auto production, employment and wages among the ASEAN-4 at the country level. Secondly, I outline the position of various auto TNCs in the region. Thirdly, I look into the industrial relations of the countries, including the union organisations, institutions of collective bargaining, mediation, and industrial disputes. Fourthly, I try to assess the present problems facing autoworkers' unions and how they strategise in order to pursue their objectives. Finally, the questions are answered in the conclusion.

2. Production, employment, and wages

Motor vehicle (MV) production in ASEAN-4 increased around 15 percent from around 1,140,000 units in 2001 to nearly 1,315,000 in 2002, compared to an AP regional growth rate of 11 percent[5]. Thailand is the main production site with nearly 600,000 units in 2002 and growing 30 percent 2001-2002, but not (yet) the 'Detroit of the East', as Malaysia manufactured nearly 400,000 units and Indonesia nearly 300,000. Only the Philippines are marginalised with a little above 50,000 units, but the country had a growth rate at 27 percent, well above the expansion in Malaysia and Indonesia and close to the Thai rate. I have not compared Thailand with China.

There are also vast differences in the growth prospects of the four ASEAN countries according to the forecast of *Autofacts* (2003). For the period 2002-2010 Thai auto manufacturing is expected to increase 90 percent, more than double the growth forecast for Indonesia (40 percent), three times that of the Philippines (33 percent) and nearly four times the Malaysian scenario (24 percent). If this prognosis is valid Thailand will have more than 50 percent of total ASEAN-4 LV production in 2010 and more than double the output of Malaysia, triple the output of Indonesia, and be nine times the Philippines volume. As such

Thailand at least qualifies for the title 'the Detroit of Southeast Asia', and the country has become a global production platform of several auto TNCs for pick-up production.



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Welders in an automobile factory in Bangkok, Thailand
Photo: J Maillard

Another significant difference among the ASEAN-4 is the types of motor vehicles produced. Based on the International Organisation of Motor Vehicle Manufacturers (OICA) statistics (2003), Malaysian and Philippine auto manufacturing is oriented towards passenger car production while Indonesian and Thai manufacturing favour light commercial vehicles (e.g. pick-ups and light vans). Malaysia produced more than 100 percent more passenger cars than Thailand in 2002. Heavy truck and bus production is rather insignificant compared to LV manufacturing, yet with some assembly in Indonesia, Thailand, and Malaysia.

Estimating employment levels in the auto industry is even more difficult than to get a precise picture of auto production now and its prospect in the future. IMF (metal) only provides employment data on Indonesia and Malaysia in the IMF Auto Reports 1998-1999 and 2000, and the data only partly covers the years 1994-1998. In 1994, the Indonesian auto industry employed 53,600 employees and the Malaysian, 26,400 employees; these figures increased to 61,400 and 37,100 employees in 1996 respectively. The IMF only gives data on Indonesian auto employment for 1997, showing a slight decrease to 59,000 employees (probably caused by the emerging impact of the 1997 financial crisis). A recent assessment of employment development in the Philippines says that the Philippine auto industry employed 50,000 persons in 2003, comprised of 10,000 in assembly and 40,000 in component

and part manufacturing (IMF Conference 2003). This figure is different in structure compared to Malaysian data, where assembly of motor vehicles employed nearly as many as component and parts manufacturing did (but of course, the Malaysian figure does not include the auto supplier firms with less than 30 employees). Using a V/E ratio of 10 (equal to Malaysia), we can estimate that the Thai auto industry employed around 60,000 persons in 2002. In the Philippines the 'number of vehicles produced per year per employee' (V/E) is lower due to lower scales of production and probably the workforce is around 10,000-20,000 employees and not 50,000.

The best case in terms of data and time series is Malaysia (Thailand is notoriously difficult to access for information especially in English). From 1993 to 2002, total employment doubled from 22,000 to more than 45,000 employees, of which 37 percent were in motor vehicle assembly, 51 percent in auto components and parts, and 12 percent in motorcycles (MC) and scooters[6]. Over the past 10 years the employment structure changed slightly towards component/part production.

Analysing the industrial structure and performance in units and value terms is extremely difficult due to lack of comparable evidence. A crude measure is V/E, but this indicator does not signify labour productivity (in value terms) because it says nothing about the complexity of the vehicle manufactured, how many pieces are made in-plant, and how much is outsourced etc. Comparing auto industries in Malaysia and Indonesia and with other more advanced countries is not a comparison of industries (and employees) having more or less similar product structures (and hence value levels). IMF (2000) estimated V/E 1996 to be 10.0 in Malaysia and 5.3 in Indonesia and in 1997 a bit down to 9.5 in Malaysia and 4.8 in Indonesia. Similar figures for China are 2.0 and 2.1 respectively, while for Japan the figures are 43.7 and 45.0, and for Korea 27.3 and 27.4. Yet, V/E in Germany and Sweden is below 10! The employment figure for Malaysia at least seems to be the total auto industry employment and not only employees making vehicles and engines. If Malaysia's V/E is only calculated on the labour force in vehicle manufacturing, excluding components and parts, the figure doubles!

In the case of Malaysia there are more detailed time series data from 1997 to 2002 in Table 1 below.

Table 1: Malaysian auto manufacturing industry, 1997 and 2002

Company	Year	No. of workers	Sales value per worker	Wages per worker
MV mfg.	2002	1127	733,801	27,157
	1997	1184	506,812	21,461
Com& parts mfg.	2002	239	220,740	17,858
	1997	239	181,766	14,504
MC& scoo. mfg.	2002	280	213,298	18,370
	1997	246	288,072	15,100

Source: DOS (2003) October Monthly Manufacturing Statistics.
Note: Survey, with complete coverage of MV manufacturing firms, and cut-off point at 30+ employees in component and parts manufacturers and MC and scooter firms.

Interestingly, for the period 1997-2002, the average size has gone down slightly in MV manufacturing, while it has increased in MC and scooter manufacturing firms and is at the same level in component and parts manufacturing. The table does not tell that the sizes of the establishments decreased as they were during the crisis year 1998. Except in MC and scooter firms, employee productivity in sales terms has increased quite a lot since the crisis made its impact especially in 1998. In all sub-industries there was an increase in remuneration per employee, surprisingly also in MC and scooter industry although sales per employee did not increase. Sales value per employee increased 45 percent 1997-2002 in MV manufacturing, compared to an increase of 27 percent in remuneration. In components and parts, sales value per employee increased by 21 percent while remuneration per employee increased 23 percent, and in MC and scooters the figures are a decrease of 26 percent in sales per employee but an increase in remuneration of 22 percent. All in all, the remuneration level is higher in MV-manufacturing than in components and parts and two-wheel motor vehicles, but salary and wages increases are quite similar across the sub-sectors, ranging from 27 percent to 22 percent. These increases do not reflect the total value manufactured in terms of sales per employee. Drivers from the labour market, for example trade unions, may explain this divergence between sales value and earnings per employees and convergence between remuneration trends. Unfortunately, nothing can be said about value added, labour productivity, and the profitability of the firms

because other costs of manufacturing are unknown, but a guess would be that the cost of imported items has increased quite a lot due to depreciation of the Malaysian ringgit and the import content of motor vehicle manufacturing in the Malaysian supply chain may still be high although is low at the point of the original equipment manufacturer.

Finally, the most difficult thing is to compare wages within specific industries and across borders. IMF (metal) publishes biannual reports on purchasing power of working time in various metal industries in various countries worldwide. Unfortunately, the reports' sections on the motor vehicle industry does not include the same countries every time, and Thailand is only included in 1997! The data presented is based on the net earnings of the industry average, meaning that corporate related social expenditures of employees (EPF, SOCSO) are deducted but not taxes.

The figures on average hourly earnings and their purchasing power from 1997 to 2001 (Table 2, annex) indicate that in local currencies, Malaysian auto workers saw a big reduction from 5.41 RM/h to 3.65RM/h, while Philippine workers saw a big jump from 24.68 P. to 42.52 P, as did Indonesian auto workers, from 3500 Rupiah/h to 5275 Rupiah/h. In US$ terms, the difference is less, with reductions in Malaysia and Indonesia while in the Philippines earnings keep the same level. All in all, the much higher earnings level in US$ in Malaysia in 1997 have considerably reduced, but are still higher than in Indonesia and the Philippines.

In terms of purchasing power, Malaysian and Indonesian auto workers have to work more and now the same amount of time to buy one kilo of rice, while Philippine workers have reduced the working time for rice to nearly half the level of 1997. To buy a midsize car Malaysian workers still work less than in Indonesia and the Philippines, but the time they must work to earn the money has nearly doubled.

In sum, Malaysian auto workers have been hard hit by the financial crisis using the IMF data while the industry data of the Department of Statistics Malaysia (DOS) tells another story; average earnings increased from 1997-2002. The data contradict each other, and no simple explanation seems to account for the differences. If the IMF figures only included wage earners and not salary earners one explanation could be that the distribution of income within the Malaysian auto industry

had become much more unequal. Another possibility is that reduction in overtime work explains the fall in average net hourly earnings in local currency in Malaysia, but this contradicts the fact that yearly earnings per employee increase, because this would require that total normal working time to expand quite a lot, and this is not the case. The discrepancies are still a puzzle, but the DOS-data are more transparent and appear at present more reliable than the IMF data in the case of Malaysia.

3. Transnational corporations in ASEAN-4 auto manufacturing

Vehicle production in ASEAN-4 is dominated by Japanese TNCs: Toyota/Daihatsu, Honda, Mitsubishi (MMC), Mazda, Nissan, Isuzu, and Suzuki. Yet, several of these firms are allied with or controlled by Western TNCs: DaimlerChrysler has equity in MMC and both have equity in Hyundai Motor Company (HMC), Renault has around 40 percent of Nissan shares, GM controls Isuzu and Suzuki, and Ford controls 33 percent of Mazda having among other things formed a joint venture in Thailand (AAT). Finally, Malaysian Proton is equity controlled by Malaysian interests (government controlled), with MMC as a minor shareholder. Proton is the largest volume producer in ASEAN-4. The company has used MMC technology and complex components/parts but is incrementally developing own design and engine technology. At present Proton is squeezed in Malaysia by cheaper high quality Japanese models launched by Toyota and Honda, and is not doing well in export markets.

In the ASEAN-4, MMC is the dominant auto TNC if we include Proton (as MMC does when reporting production figures), with Toyota/Daihatsu second, but without Proton Toyota/Daihatsu is the largest auto group. Country-wise, Toyota/Daihatsu is dominant in Thailand, Indonesia, and the Philippines, and second in Malaysia. MMC is second in Thailand, Indonesia, and the Philippines with Honda and Isuzu closing.

With auto AFTA on the horizon Western auto TNCs are lining up to increase competition in order to improve market share. Ford has in the past five years invested US$1.3 billion in Asia and is now planning to invest millions more primarily in Thailand but also in the Philippines and Indonesia. To Ford Malaysia is uncertain as long as the national auto policy persists. In practice, Ford is increasing its stake in

AMI to 49 percent and has taken management control to improve productivity. Ford is taking a regional view on AFTA and is shifting from a duplication of production to specialisation at a regional level with one model in one plant[7]. Recently, VW's Audi plans to invest six billion baht to build a plant with a capacity of 50,000 units in 2006 in order to turn Thailand into its production base in ASEAN[8].

Hyundai, Honda, and Daihatsu have put FDI in Malaysia since the financial crisis, with Daihatsu gaining ownership of most of the former national auto manufacturer, Perodua's manufacturing companies (assembly and engine). In the Philippines, all foreign auto makers left the country in 1981 except MMC, but returned later. In Indonesia, the 1996 national car project, a joint venture with Korean Kia, was closed by the financial crisis and the defaulting of Korean Kia, acquired by HMC.

4. Trade unions, collective bargaining, and industrial disputes

The trade unions in the auto industries of the ASEAN-4 are working in a union-hostile environment with restrictive labour legislation or state practices on the one hand and more or less anti-union oriented employers on the other. Most unions are constituted at enterprise level as enterprise or in-house unions undertaking enterprise-based collective bargaining and agreements. Only in Malaysia did a centralised industrial relations system evolve in the 1970s, and although centralised collective bargaining and agreement disappeared during the 1980s the industrial union with jurisdiction in Peninsular Malaysia was sustained and is again expanding membership. Moreover, the industrial union has taken on the chairmanship of the IMF-Malaysia Council and is the driver behind an initiative to form a federation of auto unions in Malaysia. In the other three countries autoworkers' unions are affiliated to labour centres. In no countries have auto firms formed an employers' association, as employers prefer to tackle problems with unions in bilateral negotiations and/or co-ordinate their activities informally through personal networks or in federations of manufacturers. If any, employers' national associations will only provide labour market services to their company members and not act as collective bargaining units.

Indonesia underwent tremendous changes with the fall of the Soeharto regime in 1998. The Metal Workers Union of Indonesia (SPMI) was established in 1999 and became the Federation of Metal Workers Union of Indonesia (FSPMI) in 2001, composed of five metal workers'

unions comprising 188 plant level unions/branches in 2003. One of these affiliates is the Automotive, Machine, and Components Workers Union (AMCWU) with 16,757 members in 57 plant level unions/branches, with 10,064 employees in the auto industry. The AMCWU has expanded since 2002 when it was reported to have 45 plant unions/branches with 15,855 members (FSPMI IMF-report, Bangkok 2002).



Photo: NUTEATW Malaysia

Workers picketing after deadlock in CBA negotiation at Union Sangyo Malaysia SDN.BHD, owned by Japanese Manufacturing: Auto Parts

Malaysia faced political turmoil at the highest level of government during the financial crisis, but the old guard won the power battle and tightened its grip on the country with the application of controversial currency and capital control measures in September 1998 and finally won the parliamentary election in 1999. Rudiments of social corporatist political involvement of unions appeared during the 1997 - 1998 crisis but vanished with recovery followed by a new split in the top ranks of the labour centre, the Malaysian Trades Union Congress (MTUC). The industrial union (NUTEAIW), organising non-national auto assemblers and suppliers, represents around 7,700 employees in more than 40 companies (March 2002). Today it is a 'pragmatic' union while it was more 'radical' in the 1970s and 1980s when it left the MTUC and worked closely with grassroots movements. The union is struggling to unionise upcoming assembly plants, and it has been able to organise the 'national' truck and bus project (AMM) but the employer refused to recognise the union and the case is now pending in the Industrial Court. The union also tried to unionise Honda's new factory but it lost the battle and could see an enterprise union emerging with the support of management. The normal working week in Honda's new plant is 48 hours which is four hours more than the normal work-

ing week and a serious drawback in employment conditions!

Enterprise unions count around 13,600 members in national and non-national sectors of the Malaysian auto industry, or 64 percent of total union members, down from 70 percent in 2000 (author's calculations based on Department of Trade Union Affairs (DTUA) 2001 and 2003). The Proton Union and the Perodua Manufacturing Union are big unions with around 5,500 and 2,400 members respectively in 2002. The Perodua Union was split up when the engine plant was incorporated as a separate company for tax reasons and the management insisted that a new Perodua Engine Union be established. Although the Perodua union protested and the DTUA agreed to a common union for the two companies, the management appealed and won in the High Court, after which the Ministry did not appeal. With the start-up of the new Proton factory in 'Proton City' the Proton Union also faces a potential split into two unions based on corporate boundaries. The industrial union and the two biggest in-house unions in the national sector are now negotiating the formation of a federation of autoworkers' unions aiming to give auto unions and their members a united and public voice in relation to the upcoming auto-AFTA and the automobile policy pursued by the Malaysian government. Union density in the motor vehicle industry was estimated at 34 percent in 1997, up to 40 percent in 1999, down to 39 percent in 2000 when union membership counted 15,726 out of 40,679 employees, and up again to 47 percent in 2002 with 21,300 members out of 45,000 employees (author's calculation based on DOS 2003 excluding firms below 30 employees, various DTUA/MHR annual reports).

The Philippines was less severely hit by the 1997 financial crisis, yet nearly 7,000 employees lost their jobs in the auto industry from 1997-1999. Only 10 percent of the 290 companies are unionised, and 10 percent of the 50,000 employees of the auto industry are union members (AIWA 2002, 2003). The Auto Industry Workers Alliance (AIWA) claims to be the only independent national organisation for autoworkers with members in auto assembly and auto supplier firms (AIWA IMF report, Bangkok 2002). The AIWA was founded in 2000 by non-affiliated union leaders and it became registered with the Department of Labour and Employment (DOLE) in 2002. The same year, AIWA reported that the alliance had 2,170 members including members in nine

core assembly companies: Mitsubishi Motors Workers Union-Philippines (837), Mitsubishi Motors Philippines Corp. Salaried Union (150), Mitsubishi Motors Philippines Corp. Supervisor Association (170), Isuzu Philippines Corp. Workers Union (260), Toyota Motor Philippines Supervisors Union (300), Toyota Motor Philippines Corp. Labour Union[6] (200), Nissan Independent Workers Union (123), Nissan Motors Philippines Supervisor Union (130). The AIWA includes several non-worker unions with large memberships, and the Mitsubishi Motor Corp (MMC) Philippines forms the largest group in the AIWA, holding its presidency. However, the president of the legitimate, but unrecognised union of Toyota rank and file workers, the Toyota Motor Philippine Corporation Workers Association (TMPCWA), declares that it is not part of AIWA, because the AIWA is a loose network of yellow unions among other Japanese controlled companies in the Philippines (CEC/AMRC Conference 2003). In fact, the TMPCWA has been engaged in a struggle with Toyota for union recognition since 2000 (see ection on industrial disputes). Finally, the Lakas ng Nanggagawang lagkakaisa sa Honda - Ind. (400 members) belongs to another federaion, the Organized Labor Associations in Line Industries and Agriculture (OLALIA). None of the Philippine auto workers' unions are affiliated to the IMF (metal).

Thailand saw a shift in auto policy in early 1990 opening up to TNCs, and abandoning local content requirements in 2000. These moves boosted TNC investment before the crisis, and FDIs are again picking up, with one unionist claiming that there are 30,000 regular jobs and 300,000 contract workers employed in the Thai automobile industry. Moreover, a democratic breakthrough came in 1997 in connection with the financial crisis, yet again followed by a setback – a government headed by a businessman. The Federation of Thailand Automobile Workers' Union (TAW) was established in 1997 by five enterprise unions including both assembly companies (Siam Nissan, and Hino) and auto suppliers (NHK Spring, Siam Part, and Denso Thailand) (TAW pamphlet 2002). It dates back to 1992 when four autoworker unions (Hino, Denso, NHK, and Toyota) formed an association. After 1997 Nissan workers unions stopped collaborating with the TAW unions, preferring to work in solitude based on their own federation of Nissan-related unions. In 2002, TAW had 24 enterprise unions with a total of

15,672 members, among which are affiliated companies of Toyota, Mitsubishi Motor, Isuzu, Hino, Kawasaki, and Honda. The Ford-Mazda Auto Alliance Thailand (AAT) company was not affiliated in 2002. The stated objectives of the TAW are to protect the benefit of trade unions' and workers' rights, and to promote good co-operation between trade unions and between workers and employers (TAW pamphlet 2002). The TAW federation claimed to have more than 20,000 members in late 2003.

5. Significant industrial disputes in the auto industry

Industrial disputes are endemic to the globalisation of the auto industry but in Southeast Asia they seldom become known internationally. What happened in significant industrial disputes involving automobile workers since the financial crisis?

Thailand: At AAT, established before the financial crisis erupted in 1997, a union was formed around 2000/2001 soon after an industrial dispute arose. It escalated into a wider conflict when management dismissed the union leadership, but Thai unionists informed unionists at Ford, Mazda, and the IMF (metal) and with concerted pressure the dispute was settled through negotiations. Industrial relations at AAT improved quite a lot after this confrontation.

Indonesia: At Honda Prospect Motor Indonesia, negotiations for wage improvements deadlocked in 2002. The union staged a strike, and the management retaliated with a lockout of 208 workers (IMF Bangkok Conference, 2002; Metal World No. 1, 2003). A few months later 160 workers were retrenched. The union claims that it was a legal strike and that dismissed workers should be reinstated. This claim was followed by arbitration. Again Honda management took the conflict to the Jakarta Administration Court (High Court) where it stalled. A meeting between IMF (metal) and Honda HQ made the management of Honda Indonesia promise to reinstate workers and restart negotiations, but nothing happened. The conflict turned violent when police and former Honda employees met outside the factory in the early days of the strike. Honda management seems determined to get rid of the union by recognising a union with 40 members and employing contract workers through an employment agency. Honda HQ has also been bombarded with E-mails after the IMF began a campaign, but so far nothing has changed the mind of the Honda HQ or its subsidiary. The Honda

HQ and the Honda workers union in Japan insist that the dispute must be settled locally, making IMF remark that investment decisions, product choice etc. are not left to local decision-making in a TNC!

Malaysia: In the Ford-controlled Associated Motor Industries (Malaysia) (AMI), wild-cat action took place in May 2002 after four workers were suspended for not wearing safety glasses, and a domestic inquiry was called to decide whether they should be dismissed. The following day 40-45 workers took medical leave and management selected 11 for suspension. When the workers left the factory gate the next day the NUTEAIW organised a 'briefing gathering' looking like a picket as a message to management. Picketing continued in following days (interview with general secretary of NUTEAIW, May 2002). In the end the dispute was mediated by the Ministry of Human Resources and the case was settled without any dismissals.

Philippines: At the MMC Philippines two strikes erupted during the 1997 - 1998 financial crisis (Kuruvilla et al. 2000). A one-day strike in 1997 took place when a new union leadership resisted management's attempt to rationalise activities and turn production into big volume assembly. Management did not negotiate the redeployment of workers as was normal practice and was determined to suspend workers who refused relocation. The strike ended with mediation by the Labour Department. A 13-day strike erupted in 1998 in reaction to retrenchments, but the company persisted in reducing the workforce (Kuruvilla et al). The financial crisis thus weakened the union considerably.

Philippines: At Toyota Motor Philippines Corporation (TMPC) a severe industrial dispute broke out in early 2001 and is still ongoing. The dispute began when the TMPC refused to start collective bargaining with the TMPC Workers Association (TMPCWA) representing rank-and-file employees at TMPC's two plants in the Philippines. Actually, the dispute was the latest outcome of a decade long struggle by TMPC workers to organise an independent union and obtain recognition by the authorities and the management. Toyota started production in the country in 1988 adding a second plant in 1996. In 1992 workers registered the first union, the Toyota Motor Philippines Corporation Labour Union (TMPCLU). The company challenged the registration and finally the Supreme Court ruled in favour of Toyota arguing that the union had included both supervisors and rank-and-file and hence devi-

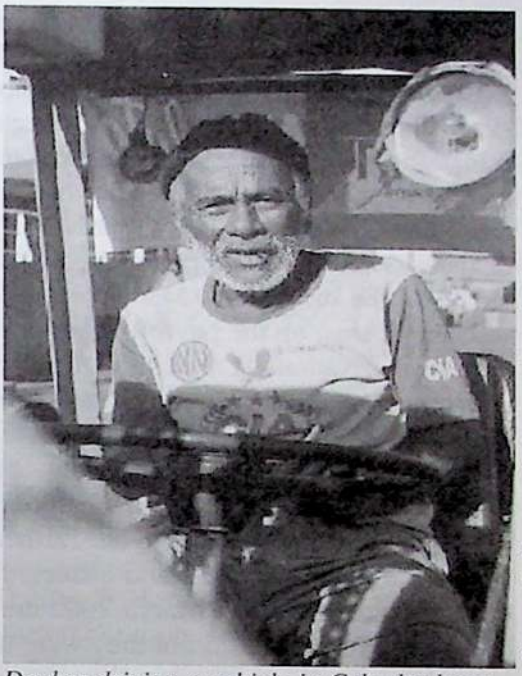


Photo: P Lissac © International Labour Organisation

Docker driving a vehicle in Cebu harbour, Philippines

ated from Philippine labour law. Meanwhile, the union president had been promoted. A second attempt to unionise followed with the registration of the Toyota Motor Philippines Corporation Employees and Workers Union (TMPCEWU), but management persuaded some members to cancel registration. To avoid a prolonged legal dispute the leaders registered a new union, the TMPCWA, in 1998. In 2000 a certification election was held at the company, and 503 workers of 948 were in favour of the union. However, the company claimed that an additional 120 employees were eligible to vote, and 105 of these voted against separately, which if successful would have made the 503 votes less than the 50 percent legal requirement. Their votes were quashed by the labour arbiter who recognised the TMPCWA as the proper rank-and-file union of the company. Toyota appealed the verdict and used the appeal to reject starting collective bargaining. When Toyota lost this appeal, the union filed another request for collective bargaining, but again Toyota refused using a new legal excuse. In January 2001, the union gave notice to strike to the DOLE to force the company to accept collective negotiations. When the DOLE surprisingly called a hearing to clarify the case in February 2001 both parties mobilised employees in order to prove that they represented the majority of the employees. When the union wanted to prove its case by bringing 300 members to the court, management refused to approve their leave applications, but they left anyway. On return after the court hearing the company accused the absentees of staging an illegal strike on 21 – 23 February and asked them to show

why they should not be dismissed. When the court finally recognised the union as the representative union and agent for collective bargaining with management on 16 March, Toyota dismissed 227 workers and six union officers. During the following days there were 291 new terminations and 30 suspensions. The union declared a strike on 28 March by 900 workers that paralysed Toyota for two weeks. The union contends that after Toyota and 10 other Japanese companies threatened to disinvest from the Philippines, the DOLE took charge of the dispute, called off the strike on 10 March, and ordered the company to reinstate workers at least on the payroll if not in practice. DOLE passed on the case to the National Labour Relations Commission (NLRC), a very corrupt state agency according to union opinion. Four months later, the NLRC declared the two strikes illegal and upheld the 233 dismissals. The lower level NLRC decision was appealed to the national NLRC which upheld the ruling. Again the union and the company appealed to the Court of Appeal and Toyota furthermore filed criminal charges against 25 union members and officers for intimidation of employees during the picketing. In March 2002 the Metropolitan Trial Court ordered the arrest of the 25 but they were bailed out temporarily. In February 2003 the Court of Appeal confirmed the verdicts and even nullified the severance payment awards. Toyota management then offered severance pay if the employees cancelled their union membership, and hence, withdrew from the dispute. In October 2003, 156 employees of the 233 were still holding out. At that time the union appealed to the Supreme Court and the warrants on 18 of the 25 were recalled.

In sum, the key automobile TNCs in the ASEAN-4 countries have more or less successfully applied union busting tactics, irrespective of Western or Japanese roots, and also of their global corporate viability (Toyota, Honda), problems (Ford), or decline (Mitsubishi). Autoworkers' unions have only in two instances won or at least not lost the case (AAT Thailand and AMI Malaysia), and both cases involved Ford and interventions by IMF (metal). The Mitsubishi case in the Philippines is blurred, while the Honda case in Indonesia and the Toyota case in the Philippines are ongoing uphill struggles in urgent need of increased international support. The Japanese controlled auto TNCs (Toyota and Honda) have so far resisted international solidarity activity, including work undertaken by the IMF (metal).

6. Union problems, objectives, and strategies 2002-2003

During the 2002 IMF Asian Autoworkers Union Conference in Bangkok union representatives described the current outlook for their company, the biggest challenge facing the union, and the priorities of union goals. Only businesses in Toyota (Thailand), Suzuki (Indonesia), Ford (Malaysia), and Honda (Thailand, Indonesia, and Malaysia) were interpreted as promising, while in other companies unionists assess the situation as uncertain (MMC Indonesia and Philippines; HMC and Proton Malaysia) or bleak (Toyota Philippines). This picture is more or less in line with the global outlook for the TNCs, with Toyota and Honda on the rise and MMC in decline.

Based on the differences in company outlooks, jobs were perceived as insecure in most plants. The subcontract/outsourcing problem was felt in well-performing Toyota (Thailand) as well as in less well performing MMC (Indonesia) and average performing Daihatsu/Perodua (Malaysia). Job reduction was a problem in Toyota (Philippines) and MMC (Philippines). Management-union problems were acute in several workplaces like Nissan (Thailand), Honda (Indonesia), Hino (Thailand), Daihatsu/Perodua (Malaysia) or unions felt that wages and working conditions were under pressure, for example in Proton (Malaysia), GM (Thailand), Hino (Thailand) and Nissan (Thailand). Toyota unions did not report industrial relations problems as such, but management-labour conflicts do exist as indicated by the Toyota Philippines dispute (see above).

Union goals related to problems like job insecurity, hiring of temporary workers, use of unorganised workers, and disputes with management. The Suzuki Indonesia union wanted to strengthen the union, while making the government protect regular workers was a priority of the MMC Indonesia union. At Nissan (Thailand), Honda (Thailand), and GM (Thailand) unions aimed at improving industrial relations, and at Honda (Indonesia) the union wanted to be recognised by management considering that an industrial conflict was running high in 2002 after the strike and dismissal of 300-400 employees including union leaders. One enterprise union (Proton Malaysia) expressed a wish to become more active outside the company and the MMC union in the Philippines wanted to strengthen the autoworkers' union alliance.

In sum, the voices of auto unions in 2002 reflected ongoing changes in the industry in the ASEAN-4 and the challenges posed by company

strategies to shift from regular to irregular employment on the one hand and on the other to weaken or avoid unions and collective bargaining whenever possible.

The second IMF (metal) Asia-Pacific auto conference in 2003 emphasised again the attack on employment and working conditions but added as a priority strengthening union work through increased centralisation of unions by forming industrial unions or federations.

7. Conclusion

The paper has addressed the following questions:
- What is the situation of the companies, auto workers, and unions in the ASEAN-4?
- What concerns do they have?
- Are the unions able to influence the direction of the auto industry and its employment and industrial relations?

In general the situation for auto workers and their unions are changing and confusing with a lot of uncertainty, even in Thailand where prospects for the domestic auto industry seem most positive. Before the financial crisis Thailand chose to develop its domestic auto industry with FDI and TNCs, while Malaysia and Indonesia aimed for national car industries. During the financial crisis 1997-98 the Indonesian project collapsed but Malaysia's project was only temporarily suspended and continued with economic recovery. The AP region is also destined as THE growth region in years ahead. Thailand is supposed to nearly double production from 2002 to 2010 and the other ASEAN-4 countries are predicted to achieve at least the average level of growth. Employment will not grow as fast as output, assuming that increased productivity comes with economies of scale. For the time being (2002) employment in the auto industry is estimated to be 60,000 in Thailand, 40,000 in Malaysia, 20,000-30,000 in Indonesia and 10,000-20,000 in the Philippines. Auto workers in all countries faced a steep decline in wages and working conditions during the financial crisis, but employment was saved relative to the decrease in production. The Malaysian workers seem to be hit hardest in income terms compared to Indonesian and Philippine workers (no data on Thai workers). Yet, Malaysian workers still earn more than workers in the other ASEAN-4 countries, and contrary to IMF (metal) reports, Malaysian data indicate that remuneration per employee increased after the crisis. Malaysian

autoworkers have the highest union density (around 40 percent 2002) and are organised in both an industrial union with 36 percent of the all industry's workers and several enterprise unions where a few are quite large. Although Malaysian unions try to form a federation they have not yet succeeded, while in other ASEAN-4 countries, auto union federations (or alliances) have been established or strengthened after the financial crisis.

The concerns of auto workers' unions are not surprising when they are related to the ASEAN-context of the emerging AFTA and the inflow of FDI from auto TNCs building up capacity and competitiveness at regional level and aiming for volume production by specialising plants into single model producers with a regional (and even global) reach. The use of outsourcing and contract workers, acquisitions and mergers, downsizing and productivity improvements through rationalisation are widespread and create insecurity about employment, wages, and working conditions.

Autoworkers unions are not strong in ASEAN-4 considering the political and legal obstacles against unionism in general but they are probably stronger compared to the average level of union density and organisation in the region. They have been able to undertake collective bargaining at a bilateral, enterprise level – or at a cross-level between an industrial union and individual employees in Malaysia and setting a standard of 'no retreat' in collective agreements (in local currencies and conditions) even during the financial crisis. They have often achieved a higher than average income level in a protected industry. But auto TNCs try again and again to lower the standards or increase productivity as seen at Honda in Malaysia, and even fight unions to the point of destruction as seen in Honda (Indonesia). With regional and international support some conflicts can be won (AMI Malaysia, and AAT Thailand), and the attempts to form more encompassing and stronger union networks, federations, or industrial unions in the separate countries will certainly improve the 'union case'.

The most difficult challenge to overcome is the tendency of employers to take industrial disputes out of the industrial relations system and transfer it to civil courts where they can take advantage of their comparatively huge financial power and probably also draw upon political connections and corrupt practices. To fight this strategy unions

need to establish funds, even across international borders, and gain political influence in order to re-establish a just legal system. Hence, the upcoming AFTA is also a call on auto unions to form stronger ties at a regional level (a 'regional' union) and continue to pressurise governments and employers, TNCs, as well as local firms, to create a more union-friendly industrial relations system. One way of doing this would be to generate better information about the auto industry and its employees in ASEAN-4 and disseminate that locally and abroad. The outside world knows far too little about what is going on in the auto workshops of Southeast Asia.

Notes

1 *Autofacts*, Quarterly Forecast Update, 2003 Q4.
2 This free trade is conditioned on at least 40 percent ASEAN local content.
3 The former Prime Minister of Malaysia, Mahathir Mohamad, announce before his departure that Malaysia would accept the AFTA already in 2004, but then introduce excise duties on auto import from other ASEAN countries in order to protect its domestic auto industry. At present it is unknown whether this policy strands after he left.
4 President of the Malaysian Automotive Association, NUTEAIW-workshop October 13, 2003, PJ, Malaysia.
5 OICA Statistics 2002
6 DOS October 2003, own calculations. The DOS Monthly Manufacturing Statistics is not complete, being a survey covering the complete sub-sector of motor vehicle assembly but only firms with 30+ employees in component/parts production and motor cycle and scooter production.
7 Ahmad, A. NUTEAIW workshop, October 13, 2003.
8 *Bangkok Post*, 21 November 2003.

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Annex

Table 2: Purchasing power in motor vehicle industry, selected countries, 1997, 1999, and 2001

Country Industry (LV & MHV)		Net hourly wage local currency	Net hourly wage US$	Time worked for 1 kilo rice	Time worked for midsize auto
Malaysia	1997	5.41 R	1.81	20 m	7,460 h 57 m
	1999	n.a.	n.a	n.a.	n.a.
	2001	3.56 R	0.94	41½ m	12,359 h 33 m
Thailand	1997	45.91 B	1.51	29 m	17,425 h 4½ m
	1999	n.a	n.a.	n.a.	n.a.
	2001	n.a.	n.a.	n.a.	n.a.
Philippines	1997	24.68 P.	0.86	45 m	n.a
	1999	48.32 P.	1.24	33.5 m	10,347 h 41 m
	2001	42.52 P.	0.86	28 m	14,110 h 28½ m
Indonesia	1997	3500.00 R.	0.76	25½ m	20,000 h 00 m
	1999	n.a.	n.a.	n.a.	n.a.
	2001	5275.34 R.	0.51	42 m	25,590 h 46 m
Korea	1997	5805.36 W	6.67	35½ m	1722 h 33 m
	1999	5470.14 W	5.11	26.5 m	
	2001	8784.04 W	7.12	16½ m	1623 h 24 m
Japan	1997	1986.99 Y	18.43	12½ m	1016 h 43 m
	1999	2121.89 Y	18.36	11 m	959 h 30 m
	2001	2042.79 Y	17.78	1 h 56 m #	996 h 39 m
Mexico	1997	n.a	n.a.	n.a.	n.a.
	1999	20.55 P	2.16	20.5 m	5838 h 29.5 m
	2001	25.72 P	2.76	28 m	4664 h 50 m

Source: IMF (metal) (1998, 2000, 2002) The Purchasing Power of Working Time. An International Comparison. Geneva: IMF (metal).
Notes: # probably wrong.

Table 3: Auto companies production of motor vehicles by country, 2002

	Indonesia	Malaysia	Philippines	Thailand
DC	1,203			
MMC	73,602		12,840	105,739
*HMC**				
Proton #		223,530		
GM				74,000
Isuzu	17,139		8,495	80,354
Suzuki	50,976			
Ford/Volvo ¤		674		1,211
Mazda		5,760	560	80,800
Toyota	76,580	23,120	18,480	135,310
Daihatsu #	17,150	120,750		
Hino				
Honda	7,140	4,920	11,760	73,390
Renault		140		
*Nissan**	1,040		1,104	34,984
PSA	24			264

Source: OICA Statistics 2002, reported by auto TNCs on transplants, subsidiaries.

*Notes: * HMC and Nissan vehicles are assembled in Malaysia on licence by local owned companies, Oriental Assemblers and Tan Chong respectively. Figures are not available.*

¤ Ford owns Volvo in Malaysia, while AMI assembling Ford vehicles is not a subsidiary of Ford in 2002, hence no data on Ford vehicles manufactured in Malaysia.

 # Perodua Manufacturing Company is equity controlled by Daihatsu and considered a subsidiary. Figures for MMC in Malaysia are interpreted as Proton figures.

Table 4: Union perception of company outlook 2002

	Indonesia	Malaysia	Philippines	Thailand
MMC	Uncertain – tariff reduction and delocalisation of supply		Uncertain – lower production in 2003 a possibility	
HMC		Uncertain – reduced demand		
Proton		Uncertain – stable position but changes expected		
GM				Suffering from Asian crisis and poor economy
Suzuki	Grave crisis since 1998, but recovery for Suzuki products			
Ford		Ford No. 4 aiming for No. 2		n.a.
Mazda				
Toyota			Bleak outlook	Good outlook, taking up truck production
Daihatsu #		n.a.		
Hino				Parts production better than CVs
Honda	Production may increase, new plant	n.a. [Honda established new plant]		75 percent of motorcycle market
Nissan				Sales up with improving economy.

Source: IMF Asia-Pacific Auto Conference, Group work. Bangkok 11/2002.
Notes: # Perodua Manufacturing Company is equity controlled by Daihatsu and considered a subsidiary.

Table 5: Union perception of biggest union challenge 2002

	Indonesia	Malaysia	Philippines	Thailand
MMC	Sub-contractors. Need national union federation		WTO pressure, import and plant closure, government corruption. Consolidate union	
HMC		Import of labour, CA end of 2002 to catch up with other unions		
Proton		Reorganise production with smaller workforce, To improve OHS, skill problems, retirement of old workers		
GM				Defending their achievements
Suzuki	Contract workers			
Ford				Weak welfare program and no worker voice led to union formation
Mazda				
Toyota			Two plants merged, threat of loss of 2nd shift jobs	Subcontract workers
Daihatsu #		**Perodua:** Outsourcing, maintaining industrial relations, transfer of workers to new jobs. **Daihatsu:** Employment security, temporary & part time workers +30 percent of workforce		
Hino				Companies merged, different management cultures, redundancies, new working hours, temp workers with lower wages
Honda	368 workers dismissed without pay	New Honda plant, owners may lose Honda assembly		Copy product from China and Vietnam a threat
Nissan				No more management-worker dialogues. Increased production without new hiring. Contract labour with minimum wages

Source: IMF Asia-Pacific Auto Conference, Group work. Bangkok 11/2002. Notes: # Perodua Manufacturing Company is equity controlled by Daihatsu and considered a subsidiary.

Table 6: Priority goals for unions 2002

	Indonesia	Malaysia	Philippines	Thailand
MMC	Get government to protect regular workers contrary to contract labour.		Make auto union alliance and strengthen national cooperation. Responsible union.	
HMC		Regulation of non-regular labour.		
Proton		Enterprise union outward-looking, job security, in need of VVS.		
GM				Establishing good IR and peaceful co-existence.
Daewoo				
Suzuki	Dealing with contract labour and impact on workers, families and union.			
Ford *		n.a.		Help company grow and benefit union members.
Mazda *				
Toyota			Keep Toyota production in Phil., employment security.	Temporary workers to become regular after 3 years.
Daihatsu #		Perodua: Dealing with outsourcing of logistics, knowledge and recreation need of workers. Daihatsu Organise non-union members.		
Hino				Maintaining tripartite relations. Temporary workers to become regular after 3 years.
Honda	Early settlement of conflict and recognition of union.	Employment security and maintaining working conditions.		Improve working conditions and living standards. Make company recognise union cooperation.
Nissan				Improving labour relations climate. Resolve contract labour issue.

Source: IMF Asia-Pacific Auto Conference, Group work. Bangkok 11/2002
Notes: * Ford-Mazda's AutoAlliance Thailand

Perodua Manufacturing Company is equity controlled by Daihatsu and considered a subsidiary.

Nissan Revival Plan and Autoworkers in Japan

Oidon

On 18 October 1999, Carlos Ghosn, the CEO of the Nissan Motor Company announced that the company would implement the 'Nissan Revival Plan'. The main objective of this plan was to downsize the company in Japan to reduce the number of plants and payrolls by 2002, and open alternative factories in mainland China, in Beijing and Hubei province under a joint venture with France's Renault and China's Dongfeng Automobile Company. Under this plan, three vehicle assembly plants in Japan - Murayama, Nissan Shatai Kyoto, and Aichi Machine Industry Minato - and two plants producing engines - Kurihama and Kyushu - were shut down, while tens of thousands of employees were made redundant.

In the Nissan group as a whole, a total of 21,500 employees lost their jobs – 4,000 in the production department, 6,000 in sales management, and 6,500 in sales outlets across the country, while 5,000 workers were displaced as a result of the sales of some businesses. In addition, the number of parts-producing companies trading with Nissan was reduced from 1,145 to less than 600 by the end of 2002. This appeared to be Nissan's new restructuring plan, yet in fact it was only a copy of the 'Global Business Innovation' that was disclosed in May 1998 by Nissan's then president, Mr Hanawa. The Revival Plan put the Global Business Innovation into a concrete shape.

Following is the gist of the Global Business Innovation:
- increasing the operating profit of consolidated net sales by five percent, and reducing the consolidated interest-bearing liabilities by one trillion yen in year 2000;
- reducing the number of kinds of car body from 25 to 14 by the year 2000, then to 10 kinds by 2002;
- downsizing the domestic sales channel from the current four systems to two systems;
- rebuilding the business in the US;
- rearranging the production lines to increase production efficiency;
- reducing overall costs by 400 billion yen by year 2000;
- realising a 'small headquarter' under the business innovation scheme;
- selling its real estate and securities;
- reducing the inventory by 250 billion yen by year 2000.

In addition, the plan aimed at reducing the number of indirect employees and improving its operational style to enable the company to earn profits from the domestic production of 1.7 million cars.

Equipped with the Global Business Innovation, Nissan intended to raise as much capital as possible. However, the plan did not work as the company had hoped. Meanwhile, Nissan decided to merge with Renault by receiving 640 billion yen, and invited Mr. Ghosn in as a cost cutter.

Nissan's management policy

As a main reason for the Revival Plan, Mr. Ghosn (CEO) raised poor business results pointing out its drop off in global share, production amount, and domestic shares since 1991, as well as the fact that the company incurred losses seven times in the eight years to 1999. So in those eight years, what policy was taken by Nissan management? The following explains it briefly.

In 1991, Mr Kume, the company's then president announced 1991 - 1993 medium-term business management plan, which aimed at 'establishing a profit-making business style'. In order to achieve the goal, it emphasised increasing overall productivity, implementing cost reduction for domestic production as well as for purchases, while increasing efficiency at the headquarters and overall production efficiency by combining development and production. However, with the collapse of Japan's bubble economy, the business results of the company also deteriorated.

As domestic demand decreased further in 1992, it re-identified its goal as building a structure that produces reasonable profits with the production of two million cars (1.2 million cars for the domestic market and 0.8 million for export), while implementing measures promoted by the 1992 - 1994 medium-term business management plan such as 'corporate reform toward a high profitability style of business' and 'securing reasonable profits between 1992 and 1994'. Though hoping for a current account surplus, the result was a deficit.

In 1993, Mr. Tsuji, the company's then president regarded its 1993-1995 medium-term management plan as a business structural reform, and made drastic restructuring plans, closing the Zama plant, firing its 5,000 workers within two years, and transferring its textile machine division to a new company. Moreover, with the intention of avoiding three consecutive years' deficit, the plan reduced the amount of the year-end bonus by 60,000 yen (US$565) for each worker. In spite of the restructuring, however, the company recorded a current account deficit for the first time in its history.

As domestic and overseas demand remained low in 1994, Nissan announced implementation of a structural reform plan to achieve a 1.8 million domestic production system by accelerating the 1993-1995 medium-term management plan, following the 1994-96 medium-term plan. Besides, in order to reduce electricity bills, it decided that employees should work on weekends during the summer. The result of these measures was a loss of profits three years in a row.

In 1995, the 1995 - 1997 medium-term management plan was drafted, with the intention of rebuilding the company. The three year goal was maintained, aiming at establishing the 1.8 million production system (already 1.6 million in 1994), improving sales and brand power, while reducing direct and indirect employees by 20 percent. With the closure of the Zama plant as well as the weekend working during the summer, the company somehow had a current account surplus.

In 1996, a labour cost reduction scheme was implemented. This reformed the salary system for the worse (increasing the percentage of the merit-based system) and reducing the salaries of middle-aged and older workers. Also, it recommended an early retirement plan for senior workers as it hoped to reduce labour costs further. As a result, consolidated accounting got into the black in the second year of the 1995-1997 medium-term plan.

In 1997, president Han-awa announced a new goal: it would increase domestic share to 25 percent by 2000, and to 30 percent by 2010. In order to raise sales, 30,000 sales personnel were trained with the necessary skills.

The Global Business Innovation mentioned earlier was introduced in 1998, and working two consecutive shifts was also introduced at some vehicles assembly plants to reduce labour costs.



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Mechanic in a Tokyo factory *Photo: J Maillard*

In 1999, the business of Nissan's textile division (Nissan Texsys) was transferred and the Fuji plant was converted to a new company, while the forklift division was sold off. It was also this year that the capital alliance with Renault and the introduction of the Revival Plan were announced.

The number of Nissan employees in Japan reduced from 57,000 in 1990 to 38,000 in 1998. It became obvious that Nissan's management policy was to cut the number of employees as easily as cutting the tail off a lizard. Without knowing the pains experienced by the workers, it gave up the idea of company reconstruction and quickly turned to foreign capital without shame.

Labour Union of Nissan

Despite the gloomy situation surrounding Nissan, the Nissan auto workers' union, consisting of 40,000 members, had never raised its voice in objection, and conducted no protest actions to the plan. But it was not only the Nissan auto workers' union that failed to raise its voice. The Nissan workers' union had set up the Confederation of Nissan Workers' Union (200,000 members) with Nissan-related companies and dealers, which joined the Confederation of Japan Automobile Workers' Union, or JAW (800,000 members). Neither the Confederation of

Nissan Workers' Union nor JAW had lodged protests against the plan.

The Nissan workers' union and the Confederation of Nissan Workers' Union made a public announcement on 18 October saying, "... considering the current situation surrounding Nissan Motor Company, as well as the Nissan group, it is unavoidable to accept the structural reform plan of the company". By saying this, it was clear that they accepted the revival plan, which brought about the closure of five plants and dismissal of the workers, without asking the members whether or not they approved. It was not until 27 October that the union officers finally reported to the members that they would:

- secure employment for workers, which meant that no union members would be forced to leave the company against their will;
- create a situation whereby members could share the pain caused by the plant closure, while also taking the members' will into consideration;
- ask for better conditions when transferring members to places where it would be impossible for them to commute to;
- secure jobs for members who could not transfer to another plant because of family or financial reasons;
- give sufficient consideration to members affected by the closure of the Zama plant as well as the business transfer of Nissan Texsys.

Brief history of the Nissan union

The Nissan workers' union was formed in 1953 for the purpose of dissolving the Nissan affiliation to the national centre of all automobile workers' union, which was called a leftist union at that time, and it made quite an achievement in implementing its objective. It also gained a reputation as a rightist union when Prince Automobile (formerly Murayama plant) and Nissan merged in 1966, as they succeeded in breaking up the national centre of the metal workers' union - Prince automobile division, and violently attacked those who did not surrender to the break up and stayed in the union. In the 1960s, the union played a part in the rapid growth of the automobile industry and enjoyed a honeymoon period of labour relations. Meanwhile, it acted as a dictator at the workplace, threatening and being violent to rank and file members. However, when the automobile industry faced serious low cost competition and internationalisation while moving into a low

growth period, the then president Ishihara and Mr. Shioji, a chairman of JAW, and a 'boss' of the Nissan workers' union were in deep disagreement over further restructuring plans and strategy for the company. After chairman Shoji was finally deposed in 1986, the Nissan workers' union proceeded in typical Japanese labour relations - cosy relations where the union expresses no complaints and conducts no protest actions - neglecting its role to monitor management and represent the interests of workers. It is thus quite obvious that the Nissan workers' union is partially responsible for implementation of the Revival Plan.

Struggles with the Revival Plan

The Japan Autoworkers Network made an announcement on 30 October that they were "... opposed to Nissan's grave restructuring plan". In the announcement, we pointed out:

"The plan imposes many sacrifices upon workers while disclosing the company's negligence and responsibility for the past management system as well as its social responsibility as a well-known company."

"There is no doubt that as a result of the plant closure, the workers will be transferred to other plants located in remote areas where they are unable to commute, or forced to accept early retirement."

"The plan will not only destroy the lives of workers at the plants and the parts-producing companies as they may be pushed into bankruptcy by low-cost competition, but also will affect the local economy where host plants and companies are located."

"We will never allow such merciless plans that impose many sacrifices upon the workers. We will stop the company from implementing this grave restructuring plan and struggle for such a well-known company to accept its social responsibilities towards our members who work together and continue the struggles at Nissan Motor Company Ltd."

While releasing the protest announcement, we also set up the 'No to restructuring plan of Nissan! Hotline Committee' with friends from the network of small- and medium-sized labour unions as well as the Kanto region branch of the All-Japan Shipbuilding and Engineering Union.

The Hotline Committee had conducted a telephone consultation programme across Japan several times, aiming at organising workers who were concerned about the Revival Plan. This telephone consultation programme turned out to be very successful in getting so much

attention from society as it was well-covered in newspapers. Meanwhile, a minor labour union of Nissan, which serves as Nissan Motor branch of the All-Japan Metal and Information Machinery Workers Union (JMIU), challenged the Revival Plan making demands such as no more downsizing and providing the workers with an environment where they can continue to work and live without fear of losing their jobs. They also organised workers and set up an organisation called the Office of Local Struggles Against the Nissan Restructuring Plan in co-operation with the national labour centre, the National Confederation of Trade Unions (Zenroren). While their energy was focused on opposing the plant closure, they tried to seek international solidarity with a Renault labour union by inviting a representative from CGT Renault Workers' Union to their protest rally.

However, their struggles were not enough to prevent the Revival Plan from being implemented. To our surprise, the plan became a model for rationalisation and downsizing tactics taken by other well-known Japanese companies. Nevertheless, the possibility became clear that the workers were able to impede Nissan's unforgivable rationalisation plans by making tireless efforts at the workplace and seeking solidarity as well as co-operation among the workers at local level. The struggles of the All-Japan Shipbuilding and Engineering Union, the Isuzu Motor Affiliated Society, and the Yasaka Affiliated Society are successful cases that benefited from local co-operation. These cases clearly showed us the importance of local co-operation and solidarity beyond the frame of the companies. For the Japan Autoworkers Network, the international co-operation and solidarity that the Network established with Toyota Motor Philippines Corporation Workers Association (TMPCWA) became a critical aspect.

The situation at Toyota is similar to Nissan's

Despite the fact that Toyota Motor Company was recording the highest current account profits in its history, it did not stop attacking workers using 'economic depression' as an excuse. Production has already reached the limit of plant capacity, yet the downsizing tactics were still on the way to being implemented. Many workers are exhausted from overtime work every day. They say, "When I get home, all I can do is take a sip of alcohol and go to sleep. How could I possibly remove my exhaustion?" It is no wonder that the number of sui-

cides is increasing, and there is no guarantee that we will have no accidents at work as happened at big-name companies like Bridgestone where workers also suffered from restructuring. All those troubles can be attributed to a failure of management and its malicious proposal.

Nevertheless, attack from the management never stops. In addition to the recent degradation of the salary system, the company abolished the age-based salary system totally and proposed a change in the retirement allowance system. The company and the union officers held several meetings to discuss 'possibilities to change the company's several systems'. Through the months of discussions Toyota management tried to abolish the age-based salary system of the plant workers, as it had already done to the office workers. This way the management developed an integrated pay system, the 'merit-based system'. Management emphasised that with the current salary system, we had no chance to 'win the international economic war with countries like China'. They also told workers that the 'age-based system is already out of fashion' and 'even if you make an effort at work, you won't be rewarded properly under this salary system'. In fact, they were only making poor excuses such as the rapid growth of Asian countries and domestic economic repression for exploiting workers. In order to increase company profits, it does everything from forcing workers to compete with each other to exploiting them with unacceptable salaries.

The exploitation can also be observed in the change of the retirement allowance system from the 'basic amount of salary at the time of retirement times the coefficient' to 'evaluating one's performance every year during one's employment period, and convert the total points to the retirement allowance'. This implies that the workers are only used as slaves while employed by Toyota, while the gaps between workers are expanded. These detrimental changes in the systems are a harsh attack on the middle-aged and senior workers – one third of Toyota employees. There is no doubt that senior employees who noticed the company's intention to profit by reducing payrolls are starting to show strong opposition to the plan.

At a union discussion, officers were unable to give any convincing explanations to the member's angry comments like, "I cannot make my retirement plans!", "Are you [union officers] aware of the pains and difficulties that the members are facing now?" When a worker asked

the officers how much workers' wages would be reduced and to exactly what level, their answer to him was, "We don't know yet, but be prepared for a great reduction." As soon as the members heard the answer, they showed the officers their strong rejection of the plan. As this is a major issue among workers these days, their anger towards management never subsides.

World Investment in Japan's Automobile Industry - the case of Toyota

Kaneko Fumio

Japan is one of the biggest automobile producers in the world. Globally, 57,963,000 cars were produced in 2002. Of these, the US produced 12,272,000 cars (accounting for 21.2 percent). Japan followed the US, producing 10,257,000 (17.7 percent) while 5,469,000 cars (9.4 percent) were produced in Germany.

In 1992 a total of 47,958,000 cars was produced in the world. Japan accounted for 26.1 percent, producing 12,499,000 cars. While the US recorded a production of 9,729,000 cars (20.3 percent), the number of cars produced in Germany amounted to 5,194,000 (10.8 percent).

It seems that the Japanese automobile industry has weakened over the past 10 years. The situation however is to the contrary. Now that vehicle manufactures in Japan have shifted some car production overseas, mainly to the US, the number of cars produced in the US increased and Japan seemed to suffer a decrease.

Of the Japanese automobile manufactures, Toyota Motor Corporation is the most powerful competitor of all other domestic manufacturers. The reason for this may be that they make full use of the so-called 'Toyota Production System'. What characterises this system is avoiding irregularities, excessive effort, and minimising waste, eventually forcing the workers to be overburdened. Success of the Toyota Production System helps the system to spread to and influence not only other

domestic automobile production, but also to sites all over the world. Let's see first how powerfully competitive Toyota Motor Corporation is in terms of production, sales, investment, and profits, and discuss secondly the reason for this and how the workers are affected.

Toyota's overwhelming power

Before going into details, I would like to mention some facts covered by recent newspapers and magazines.

First, the interim settlement of September 2003 (April to September 2003) as published on 5 November 2003 shows that sales amounted to 8,000 billion yen (US$74.3 billion – US$1 = 107.677 yen), recording a net profit of over 500 billion yen. If things continue this way, annual sales will be up to 16,000 billion yen (higher than the previous six consecutive years) and the net profit will exceed 1,000 billion yen (higher than the previous five consecutive years). The annual sales of Honda Motor and Nissan Motor, which compete fiercely with each other to rank as the second largest domestic producer, are expected to reach a combined total of not more than 8,000 trillion yen with a net profit of not more than 500 billion yen, leaving a big difference between Toyota Motor and them. The number of cars sold all over the world by Toyota Motor Corporation reached 3.17 million units from April through September 2003, ranking second in the world ahead of Ford.

Secondly, *Weekly Toyo Keizai*, a Japanese economic magazine Japan featured Toyota Motor Corporation in its 1 November 2003 edition, citing some interesting statistics.

One is the percentage accounted for by the Toyota group (Toyota Motor Corporation and its 112 invested companies) of all the listed companies in Japan. Of all the listed companies, the group accounted for 12.2 percent in terms of recurring profits (with an exception of banks, security companies and injury insurance companies), 11.2 percent in terms of the number of employees and 13.9 percent of the total amount of current stocks value. These indications show how big the Toyota group is.

Thirdly concerns where Toyota ranks among big businesses in the world. Toyota ranked ninth in sales amount in 2002, and fourth in the automobile industry, following General Motors, Ford, and Daimler Chrysler. It ranked twelfth in net profit, and was second to none in the

automobile sector. While Toyota recorded a net profit of $6.247 billion, Daimler Chrysler $4.947 billion, and General Motors $1.736 billion, while Ford suffered a deficit of $980 million. In addition, the total amounts of current stock prices of these big three companies was only 70 percent of the Toyota's total amount.

The final thing to be noted is the article "Who can stop Toyota?" in the 17 November 2003 edition of *Business Week*, an American economic magazine. The article mentions that complete quality control and cost reduction have enabled Toyota to achieve remarkable success, and foresees that it will attain a world share of 15 percent and rank with General Motors, outrunning Ford currently ranking 2nd in the number of cars sold in the world [Toyota nudged Ford into third place in January 2004].

Toyota's global production and sales

As mentioned earlier, domestic car production in Japan reached 12,499,000 units in 1992 and 10,257,000 units in 2002, a decrease of more than 2,000,000 units. 5,668,000 cars were exported from Japan in 1992, sharply reducing to 3,712,000 cars in 1996. There was a minor recovery in 2002, with exports at 4,699,000 cars. 6,730,000 cars were exported in 1985 indicating that there is a tendency of long-term decrease in export.

Because a strong yen and trade friction have handicapped Japan from exporting cars and forced her to begin to shift production overseas, domestic production and exports decreased. However Japanese manufacturers produced 3,804,000 cars in foreign countries in 1992, and 7,652,000 cars in 2002, about double in 10 years. Because the increase in overseas production outran the decrease in domestic production, the output of automobiles at home and abroad was 16,303,000 in 1992 which increased to 17,909,000 cars in 2002. The rate of overseas production (of total domestic and overseas output) was 23.3 percent in 1992, rocketing to 42.7 percent in 2002. Therefore domestic industry is declining more due to restructuring domestic plants and expanding those overseas.

Toyota's achievements

The output of automobiles in 2002 by the Toyota group (including Daihatsu and Hino) reached 4,139,000 at home and 2,175,000 overseas, totalling 6,314,000. The ratio of overseas production amounted to

34.4 percent. 2,218,000 cars were sold at home and 3,949,000 cars overseas, totalling 6,168,000. The ratio of cars sold abroad accounted for 64 percent. This must be compared with the record marked by Toyota alone in 1992 because Daihatsu and Hino did not belong to the Toyota group at that time.

Toyota itself produced 3,931,000 cars at home in 1992 and 3,485,000 cars in 2002, showing a slight decrease. But it produced 765,000 cars in 1992 and 2,155,000 cars in 2002 abroad, nearly triple. The total output increased from 4,696,000 to 5,640,000, an increase of about 1,000,000. The ratio of overseas production marked a sharp increase from 16.3 percent to 38.2 percent. Although domestic sales went down from 2,229,000 to 1,681,000, overseas sales increased from 2,412,000 to 3,838,000. In total, Toyota saw an increase from 4,641,000 to 5,519,000. The ratio of overseas sales went up to 69.5 percent from 52.0 percent. As shown above, the ratios of overseas production and of sales are constantly increasing, which suggests that Toyota is growing as a multinational corporation.

Turning to overseas sales by region, in 1992, Toyota sold 1,125,000 cars in North America (46.6 percent of all overseas sales), 423,000 in Europe (17.5 percent), 325,000 in Asia (13.5 percent) and 538,000 (22.4 percent) in other regions. In 2002, it sold 1,941,000 cars in North America (accounting for 50.6 percent); 756,000 (19.7 percent) in Europe, 455,000 (11.9 percent); in Asia; and 687,000 (17.9 percent) in other regions. The North American market is more important than ever, where more cars were and are sold than in Japan in and after 2001. The European market is also expanding, but growth in the Asian market is slow. When it comes to the distribution rate of automobiles in the world (in 2001), Europe, North America and South America have a diffusion rate of one car per 2.7 persons, but Asia's distribution rate is one car per 21.4 persons. It is expected that the Asian market will grow and Toyota will work more on it, focusing on the Chinese market. Incidentally, in 2002 Toyota was the top seller in Indonesia, Thailand, the Philippines, Malaysia, Vietnam and Brunei.

Looking at overseas production by region, in 1992, Toyota produced 490,000 cars in North America (64.1 percent of total overseas production), 141,000 (18.4 percent) in Asia, 12,000 (1.6 percent) in Europe, and 122,000 (16 percent) in other regions. In 2002, Toyota

manufactured 1,205,000 cars (55.9 percent) in North America, 346,000 (16.1 percent) in Asia, 345,000(16.0 percent) in Europe, and 260,000 (12.0 percent) in other regions. While overseas production is on the increase as a whole, it should be noted that production in North America remains important and that it is expanding in Europe.

Investment strategy

Toyota is enjoying a continuing increase in sales and profit; its investment strategy is to develop new technologies and products at home and expand production overseas. Production scale in domestic plants shows a slight decrease, but on the whole the firm continues to invest a huge amount of capital on plant and equipment without large scale restructuring. The total amount of investment in the automobile business, including the subsidiaries, is increasing annually, exceeding 1 trillion yen in 2002.

Toyota Motor Corporation itself annually invests more than 200 billion yen on plant and equipment to market new products. The number of employees has been some 65,000 (except detached employees) for the past five years with slight change.

As of March 2002, the number of employees was 65,551 with an average age of 37.2 whose average years of service were 16.1 and average annual salary was 8,056,000 yen. The statistics excluded temporary workers. It is supposed that the work force is adjusted by increasing or decreasing temporary workers. There is another fact that cannot be overlooked; Toyota has subsidiary body makers



Worker on the assembly line at a Tokyo machine-tool factory
Photo J Maillard *© International Labour Organisation*

to adjust production.

In contrast, the number of employees, including connected subsidiaries, increased by 50,000 from 210,000 to 260,000 over the past three years, mainly because overseas subsidiaries expanded. The number of connected subsidiaries was 211 at home and 132 abroad, totalling 343 as of March 1999 while the number had reached 581 by March 2003, with 355 at home and 226 overseas. The main reason for this must be that the group expanded chiefly overseas although there was a change the accounting method.• @Toyota began to build production bases overseas in the 1960s, first in South-east Asia, then in North America in the 1980s to 1990s, and in Europe and China in the 1990s and 2000s. The number of overseas production bases as of the end of 2002 totalled 46, including 17 in Asia, 11 in North America, and 6 in

Region	Company name	Year opened	No of workers	Annual car output
Thailand	Toyota Motor Thailand	1964	4,000	140,000
Malaysia	Assembly Services	1968	1,800	28,000
Indonesia	Toyota-Astra Motor	1970	5,000	85,000
Taiwan	Kuozui Motors	1986	2,600	89,000
Philippines	Toyota Motor Philippines	1989	1,200	21,000

Europe. Of these bases, those built in North America are large scale. The Kentucky Plant has 7,000 employees, and records an annual output of 500,000 cars. There are also plants in California (joint ventures with GM), Indiana, and Canada, in each of which more than 3,000 employees produce more than 200,000 cars. Additionally it is planned to build new plants in Texas and Mexico as well.

In 1992 the UK hosted Toyota's first plant in Europe; the French plant opened in 2001. Toyota is planning a joint venture (with Peugeot Citroen) in the Czech Republic and another in Poland. It is expected that this will enable them to attain a 10 percent share, from only 4.4 percent in 2002, in the European market.

Toyota was fast in establishing production bases in Asia, but is slow in expanding them. The main subsidiaries in Asia are shown below as of the end of 2002.

Toyota lagged other companies to invest in China, but decided in 2002 to have a comprehensive tie-up with FAW, a leading Chinese group,

to establish production in Tianjin. Toyota's strategy is to attain a 10 percent share in the Chinese market by 2010.

Toyota announced in 2002 the '2010 Global Vision' as a management strategy for the time being, according to which global society will be 'a recycling society' through IT networking and motorisation will develop on a global scale. Within the vision Toyota is intended to grow as a global company. The vision sees Japan as "home ground to secure profits in a steady manner from business in Japan, and to establish a global headquarters system to lead and support other regions", and North America as "the most important region to support management and secure profits steadily and to build an autonomous business system". In Europe it is expected that "Toyota will have a presence comparable to other European manufactures and Europe will grow to be the third region to attain steady profits". In addition, Asia is seen as a "region where an efficient business system must be established as groups including Daihatsu and Hino". It can be said that Asia has not been positioned yet as a basis to attain profits.

Toyota's structure of profits

As mentioned earlier, the consolidated settlement of Toyota in the fiscal year 2003 will break the record both in sales amount and net profit. The sales in 2002 amounted to 16.0543 trillion yen, marking an increase over the previous five consecutive years. Net profits reached 944.7 billion yen, marking an increase over the previous four consecutive years. For the past four years consecutively Toyota ranked first in terms of corporate income tax return, almost triple of second ranking Tokyo Electric Power Company.

Now to look at Toyota's report of securities on a consolidated basis in the year 2002. The report shows the sales amount by region. Japan recorded 11.2652 trillion yen, North America 6.2627 trillion yen, Europe 1.591 trillion yen, and other regions 1.6958 trillion yen; Japan and North America distinguish themselves. In profit by region, Japan achieved 1.0328 trillion yen, North America 289.8 billion yen, Europe 3.9 billion yen, and other regions 52.5 billion yen, indicating that Japan made most profit. According to the way of calculation, the profits of cars produced in Japan and sold in North America are added to Japan's profit on the basis of origin of production. When the profits are added up according to where cars are sold, North America accounts for 70

percent of total profits, equivalent to 1 trillion yen.

What lets Toyota make high profits in North America - the biggest car market in the world? The answer is that Toyota's cars are high quality, low cost; they are durable and cause little trouble, putting Toyota well ahead of other manufactures. This will help buyers to resell used cars at higher prices. Other strong points are that Toyotas enjoy high ecological performance and low fuel consumption. Toyota was the first to succeed in mass production of a hybrid car driven by a petrol engine combined with an electric motor. Toyota is also the top runner in the development of the fuel battery. Despite having high performance and quality, Toyota cars are relatively cheap because the 'Toyota Production System' is highly efficient.

The securities report details what has made the profits increase or decrease. Toyota recorded in 2002 an increase in profits of 240.2 billion yen (21.4 percent) over 2001. The factors that served to increase such profits were improvement in first cost equivalent to 300 billion yen, business efforts amounting to 90 billion yen, and exchange fluctuations to 60 billion yen, totalling 450 billion yen. The factors that decreased profits were, research and development (R and D) costs and labour expenses totalling 209.8 billion yen.

The 2001 securities report showed that Toyota had increased profits by 253.3 billion yen (29.1 percent) over the previous year. The factors that increased such profits were improvement in first cost equivalent to 260 billion yen, and exchange fluctuations to 410 billion yen, totalling 670 billion yen. The factors that decreased profits were sales equivalent to 90 billion yen, R and D costs, IT promotion and labour expenses totalling 326.7 billion yen, totalling 416.7 billion yen.

The 2000 securities report said that Toyota had marked an increase in profits of 94.1 billion yen (12.1 percent) over 1999. The factors that increased such profits were business efforts equivalent to 210 billion yen, and improvement in first cost to 190 billion yen, totalling 400 billion yen. In addition, the factors that decreased profits were exchange fluctuations equivalent to 170 billion yen and labour and R and D costs to 135.8 billion yen, totalling 305.8 billion yen.

As is shown above, improvement in first cost and business efforts were the factors for increased profits while R and D costs and labour costs were the factors that decreased them. Exchange fluctuations

worked for and against profit increase. It can be said that improvement in first cost on the basis of the 'Toyota Production System' is the fundamental factor to have made Toyota so powerful and competitive.

Contradictions in the 'Toyota Production System'

In order to control production, Nissan closed some plants. Toyota did not attempt wholesale restructuring. Instead Toyota's power derives from daily restructuring in a soft manner, involving subsidiaries.

Toyota distributed a copy of 'Toyota Way 2001' to each employee all over the world in May 2001. It shows the common concepts which they must share, focusing on 'Continuous Improvement' (kaizen) and 'Respect for People'. Kaizen includes 'Challenging' (creating added value through producing things, having a long-term view, deliberation, and decision), 'Improving' (building a lean system, intensifying organised learning), "Actual Things at an Actual Site" (practicality and achievement-oriented), "Respect" (respect of stake holders, mutual confidence and responsibility of management and labour), and "Team Work" (respect of individual humanity and demonstration of each team's comprehensive power).

It can be said also that these ideas developed alongside the 'Toyota Production System', the name of a system which seeks constant improvements with the least irregularities, unreasonableness, and waste. The core at worksite is 'Just in Time' or 'kanban'. The power or effectiveness has been acknowledged widely, spreading to other companies, other types of business rapidly.

The Nissan Revival Plan proposed by Carlos Gohn aimed at cutting parts provision costs by 20 percent, forcing parts makers to bear the burden. But Toyota has been with parts makers from scratch, including design, production technologies, and provision of parts with a view to cutting manufacturing costs jointly. It seems that improvement in first cost as mentioned in the securities reports is an expression of such success.

The 'Toyota Production System' inevitably forces workers to be overloaded. In particular, the burden is placed on employees working for subsidiaries who are in a weak position. The Labor Standards Inspection Office (LSIO) in Toyota city, where the Toyota HQ and main affiliates are located, conducted in 2001 a survey into the actual working hours at worksites in response to an appeal saying that workers are

forced to work excessive overtime. According to the survey, the annual average working hours at worksites covered by the LSIO reached 2,434 hours (ordinary working system) and 2,505 hours (flexible working system). These figures are far greater than the national average of 1,992 hours and the internationally approved 1,800 working hours. In one miserable case workers were forced to work 3,650 hours. Calculated by month, at 80.5 percent worksites, employees worked more than 45 hours overtime per month which is the standard signalling death from overwork (Karoshi). At 26.8 percent of worksites, overtime of 90 hours or longer was observed. In the worst case, the employees worked 266 hours overtime, or nine hours of overtime everyday without a holiday.

There were many cases where employees worked unpaid overtime. The LSIO recommended rectifying the situations at Toyota of unpaid overtime and of overwork. It should be noted that unpaid overtime still goes on without being recorded.

Conclusion

Toyota has sacrificed the workers to attain high profits under complete union-management co-operation. There is a simple example of this. The Toyota Labor Union was quick in deciding not to seek a basic wage rise in the 2003 Spring Struggle. In the 2002 Spring Struggle the union had requested a 1,000 yen raise of the basic wage rate and accepted management's offer of no raise. This affected other labour unions greatly. Because Toyota would not agree to a wage rise despite the company recording high profits, it became apparent that companies with less profit would also attack wages. Toyota however was smart enough to provide the employees with a special benefit to remove any complaints.

As seen above, Toyota attained high profits thanks to the co-operation of workers, and acted as a model for other companies. How well and how far does union-management co-operation, seemingly natural in Japan, succeed overseas? The more Toyota's overseas business expands, the more Toyota has to face labour issues. For example the labour dispute at the Toyota Motor Philippines Corporation is typical.

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Labour Relations in China's Automobile Industry

Xu Xiaohong

I. General Situation

A. Brief History of China' s Automobile Industry

Since the 1950s China's automobile industry has undergone three historic stages- establishment, growth, and overall development as follows:

Stage	Date	Main Events
Establishment	1949 - 1965	On 15 July 1953 the First Auto Works began construction in Changchun city, Jilin province. Then 'one big, five small' auto works emerged with an annual capacity of nearly 60,000 cars in nine models.
Growth	1966 - 1980	Constructing 'third tier' auto factories to prepare for war; key products including medium-size and heavy-duty trucks and off-road tipper trucks for minerals developed at the same time.
Overall Development	1981 – now	Upgrading old models; adjusting the structure of commercial vehicles to change the 'shortage of heavy and lack of light' condition; introducing technology and funds to build saloon production, which boosted saloon manufacture; reforming the auto industry managerial system and the operational system of companies, which boosted capacity, quality, and models of cars and motorcycles.

B. Status Quo of China's Automobile Industry

In recent years, China's automobile industry has developed progressively. Structural adjustment was going well and the leading position of some key enterprises, with the Big Three (the First Auto Works Group-FAW, the Second Auto Works Group and Shanghai Automotive Industry Corporation-SAIC) as the core, had been further confirmed. The market for local cars flourished as new products came out constantly and the quality of cars was continually improved, which satisfied market demand. Exports of automobiles and components also increased steadily as international exchanges further strengthened. The overall economic benefits of the industry were enhanced by a large degree amid general rapid economic growth.

1. General Situation

By the end of 2001, the automobile industry had incorporated 2,401 manufacturers, of which 116 were auto works, 525 were car refit (special car) plants, 148 were motorcycles works, 54 were engine factories, and 1,558 were accessory plants. The number of employees reached 1,500,000 in the same year, of who 156,000 were technicians. According to the China Association of Automobile Manufacturers' statistics, output of cars throughout the country in the first eight months of 2003 added up to 2.7812 million, an increase of 35.99 percent compared to the same period of the previous year. Saloon car production took the highest increase. In the first eight months, there were 1.2234 million saloon cars produced, an increase of 115.7 percent. During the same period, the FAW Group, with a yield of 581,490 vehicles, was first among China's motor factories, with production increasing by 38.13 percent compared to the same period in the previous year. SAIC (525,372 vehicles) and Dongfeng Motor Corporation (328,805 vehicles) ranked second and third. Changan Automobile (Group) Liability Co., Beijing Automotive Industry Group, Hafei Motor Co., Jinbei Automotive Co,. Guangzhou Automotive Industry Group, Changhe Airplane Industry Group, and Nanjing Automobile Group Corporation ranked fourth to tenth respectively.

2 Main Problems

Firstly, our independent design ability is weak. There is a big gap between China's automobile industry and those abroad. China's was in a vicious circle known as 'more dependence leads to less capability;

while less capability leads to more dependence' and 'introducing the new soon becomes obsolete; introducing more new soon leads to more obsolescence'. Secondly, sales and service systems were poor; sales channels and circulation of cars in China was confused; while international marketing techniques were not popular here and after-sales service was poor. Markets for vehicle renting and second-hand cars and recycling scrap cars did not match the industry's development. Thirdly, the growth of components and parts production was outdated. Components and parts production is low level and small scale, while distribution and duplicated production has still not undergone radical change. Demand for upgrading products cannot be satisfied, and technology develops only slowly.

3. Market Share of Saloon Models

According to the *China's Saloon Market Research Report,* October 2001, Santana, Audi, Hongqi, Xiali, and Mercedez Benz ranked most popular in China, with Santana the first. From the point of market share, Santana had taken, with absolute advantage, 30 percent in family saloons, while Auto, Xiali, Fukang, and Jeta took nearly 40 percent. Honda and Toyota took 10 percent. Brands with good market share were those in middle and low level economic types. Sales of Auto and Xiali exceeded those of Audi and Hongqi, which were more famous. They also exceeded sales of Fukang and Jeta which were middle level economic types. The former two brands gained in the market by low price.

Brand	Percent
Santana	29.17
Auto	9.91
Xiali	9.2
Fukang	8.62
Jeta	8.11
Honda	5.15
Toyota	4.45
Audi	2.22
Hongqi	1.83
Passat	1.64
Buick	1.56
Mazda	1.44

Source: China's Saloon Market Research Report, October 2001

C. Foreign Investment in Automobile Industry

1. 'China's Big Three' will be the 'Foreign Big Three'

According to incomplete statistics, over 600 joint ventures were set up in China during the 20 years after opening and reform worth a total US$20 billion, or over 40 percent of China's automobile industry as a whole. Over 1,000 projects were introduced from abroad.

The government hoped that FAW, Dongfeng, and SAIC would con-

stitute the mainstay of China's automobile industry, or the big three plus Guangzhou Honda and another nine factories would form a '3 plus 9 pattern', but this was not the case. According to incomplete statistics, there were only 17 new joint ventures in 2001 with a total investment of US$0.725 billion, an increase of 43 percent over 2000. At present, there are few famous local brands except Hongqi and a few others. According to the survey by the China Social Investigation Institute published on June 26 2003, nine of the most popular 10 brands were from joint ventures. Foreign parties held a 50 percent share in most joint ventures. Now, major products of the Big Three are without exception foreign brands. As the co-operation between FAW and Volkswagen, FAW and Toyota, Dongfeng and PSA, Dongfeng and Nissan, SAIC and GM, and SAIC and Volkswagen expanded further, and research ability for an independent group's existence failed, the 'Big Three' were changing into 'investment companies'.

The global '6 plus 3' automobile companies dominate China's automobile industry. The global motor industry tended to be dominated by big enterprises and groups. Since the 1990s, the world auto industry formed the '6 plus 3' competition pattern, namely six super big TNCs - GM, Ford, Daimler-Chrysler, Toyota, Volkswagen, Renault –Nissan, whose manufacture and sales covered 75 percent of the global market plus three comparatively independent factories - Honda, PSA, and BMW. Manufacture and sales of these nine groups reached 92 percent of the global market. In China, joint ventures founded by the '6 plus 3' system controlled 95 percent of the market. It is likely that one day we would found that the 'Big Three' in China's automobile industry are actually the 'Foreign Big Three' - Volkswagen China, GM China, and Toyota China.

2 China's Co-operation with Foreign Companies

In the early 1980s, establishment of the Beijing Jeep Corporation (a Sino-American joint venture) marked China's co-operation with foreign companies in the auto industry. After twenty years of development, nearly all local motor factories now have some relationship with international companies. Furthermore, China's auto industry still relies on collaboration with foreign partners after China's entry into WTO.

Events of China's Listed Companies and Foreign Auto Companies

Jiangling Motor Importing techniques for light trucks from Japan's Isuzu; collaborating with Ford US in manufacturing full line commercial vehicles with the latter holding a 29.96% share as the second biggest shareholder

Changan Automobile Establishing a joint venture with Suzuki to produce mini and economic saloon cars with Suzuki Japan (9.99% share) and Suzuki US (2.85% share) as the second and the third biggest shareholders; setting up a joint venture with Ford US with a plan to manufacture economic saloon cars with Changan Automobile holding a 26% share, Changan Group 24%, and Ford US 50%

FAW Car Setting up a joint venture by FAW Group and Volkswagen Germany to produce saloon cars with FAW Group holding a 60% share, Volkswagen Germany 30 %, and Audi Germany 10%; looking for new foreign partner

Ankai Automobile Introducing techniques for luxury coaches from German Heuliez Company

Tianjin Automobile Importing techniques on economic saloon cars from Japanese Daihatsu Company; establishing a joint venture with Toyota Motor Japan to manufacture economic saloon cars with a 50% share for each

Dongfeng Motor Importing technology on B diesel engine from Cumminis US; setting up a joint venture with Comminis each with a 50% share; (DMIC) co-manufacturing economic saloon cars with Citroen France; Collaborating with Nissan for producing Fengshen saloon cars; establishing a joint venture with Nissan to manufacture chassis for large- and medium- size buses; setting up a joint venture with Honda Motor Japan to produce gasoline engines for saloon cars; co-operating with Japanese Mitsubishi Company to manufacture MPV cars; planning full co-operation with Renault-Nissan

Yutong Bus Setting up a joint venture with German MAN to produce bus chassis each with a 50% share

Shanghai Automotive Holding a 20% share in Shanghai GM; (SAIC) setting up a joint venture with Volkswagen Germany to produce saloon cars each with a 50% share; establishing a joint venture with GM US to manufacture saloon cars with the former holding a 30 % share

Yaxing Coach Setting up a joint venture by shareholders and Benz Germany with the former holding a 50 % share

Changhe Ltd Importing technique on mini cars from Japanese Suzuki

Jianghuai Ltd Importing technique on commercial vehicles from Korean Hyundai

Jinbei Motor Importing technique on light bus from Toyota Japan; setting up a joint venture with GM US with the former holding a 50 % share

Xiamen Motor Planning to set up a joint venture with Nino Motor Japan to produce buses

Main saloon car companies in joint ventures in China

	GM-Suzuki-Fiat	VW	Chrysler/Daimler-Mitsubishi-Hyundai	Ford-Mazda	Toyota	Renault-Nissan	Peugeot-Citroen	BMW	Honda
SAIC	Shanghai-GM SAIC-GM-Wuling	Shanghai-VW							
FAW		FAW-VW		FAW-Mazda Hainan-Mazda	FAW-Toyota				
DF	DF-Yueda-Kia					DF-Nissan	DF-Citroen		DF-Honda
Beijing			Beijing Jeep Beijing-Hyundai						
Brill Auto	Jinbei-GM				Brill Jinbei	Brill-Renault		Brill-BMW	
Changan	Changan-Suzuki			Changan-Ford					
GZ Auto					GZ-Toyota				GZ-Honda
Others	Nanjing-Fiat Changhe-Suzuki		Southeast Auto Hafei Auto						

Note GZ = Guangzhou DF = Dongfeng Brill = Brilliance

II. Labour Relations in China's Auto Industry

A. General Features and Formation

Generally speaking, labour relations in China's automobile industry, compared with that in other areas, had two major features: 1) standardised; 2) still strong features of a planned economy.

Two points could account for it. *Firstly*, most automobile companies are still owned by the state. Jili in Ningbo city could be considered outstanding. Hence, labour relations based on private ownership has no position in the industry. Even in joint ventures, labour relations have not changed substantially. Foreign sides do not intervene in labour relations. They often directly engage in capital operation, marketing, and sales. Most foreign sides in join ventures are large TNCs with normative labour relations. *Secondly*, reform for state-owned auto companies, compared with that in other fields, is simple. It had progressed with 'adjustment and reorganisation', mostly through mergers with the Big Three, which were originally state-operated. Their capital is still controlled by the state without the privatisation that happened in other fields. The Big Three have not reformed labour relations much. For instance, they did not lay off workers by giving massive redundancy payments. Hence labour relations in these companies are comparatively smooth and stable.

B. Trade Unions in Auto Companies

The above features are fully displayed through the concept and work of trade unions.

Nearly all companies in the automobile industry have set up trade unions subordinate to the All-China Federation of Trade Unions. The organisation rate is quite high, generally reaching 99 percent or above. The union's work is quite standardised. For example in collective bargaining, collective contract, collective negotiating for salary, the work-

ers' congress, staff club, transparent factory operations and so on are quite complete. Vivid and dramatic activities are conducted.

Trade unions in auto companies have a special feature – keeping close relations with the company's administration, which is a basic feature of all unions in China. Its essential work is to conduct activities to develop the company by working with and centring on the administration, such as emulation campaigns, skill competitions watched by the masses, and technical innovation. Most union work focuses on the company's development and production.

Of course, as China adopts a market economy, unions are beginning to recognise the need for reform to match the new circumstances. The FAW Group's union for instance started to change concepts and thoughts. In reality, labour relations in the FAW Group also changed. In terms of labour employment, the Group shifted to a labour contract system in line with the Labour Law. By the end of 1998, the company had terminated labour contracts with over 3,100 employees. By implementing the 'Temporary Provisions for Job Competition, Transfer, and Lay-off of Surplus Personnel and Re-employment', the company continued to deepen the reform of administrative and allocation systems. Within 1999 it had cut five percent of standard workforce, resulting in a decrease in personnel in six successive years. By June 1999, the company had laid off 2,460 workers. In terms of economic distribution, the company adopted a wage system based on skill and a policy linking wage increases with enterprise profit so as to enlarge differences and make salary allocation depend on contributions and skills, especially rewarding good talent, those in key posts, and those who had contributed to the company. Economic pressure on low-skilled workers increases visibly while their lives become more difficult. In terms of livelihood protection, the company used a method that combined overall social planning with personal accounting; an individual insurance account was set up for every worker. Meanwhile the accommodation system was reformed. The welfare-oriented public housing distribution system was turned into purchasing at workers' own expense. The medical system was also reformed, with people paying some medical charges.

Realistic changes in labour relations also caused the union of the FAW Group to change its approach. In the text 'Pondering the Changes

in Labour Relations and Practices of the Union', the FAW Group's union recognised that there are different interests in labour relations between the two sides and those interests are polarised while undergoing reform. The union recognised that reform had changed the labour relationship from one where the state and workers shared the same interests to one where the former and the latter had different but mutually beneficial interests.

Operations and administrative control conducted by the government changed into regulation through the market with enterprises at the centre. Meanwhile, the union also realised that it should be the workers' representative in labour relations where conflicts helped it to find its place. It should develop social strength to legally represent workers when bargaining collectively in disputes. If it dodges conflicts in labour relations it would not be playing its role in resolving those conflicts, and the workers then would reject it. In the planned economy, the main tasks of the union were to make the company's production and workers' lives well by working with administrative departments. But in the market economy mass workers who are in a weak and inferior position in labour relations should demand that the union represents them to protect their rights and interests. Otherwise, workers will abandon the union. One big problem that the union faces now is that it has lost contact with mass workers. It cannot play its role in adjusting labour relations, hence workers do not consider it reliable. Based on the above understanding, FAW's union put forward a new work concept and countermeasures. It emphasised that labour relations must be well handled.

Meanwhile we see that the union is still limited by its former system. For instance, FAW's union suggested that the basic principle for adjusting labour relations by a union was to 'develop work under the lead of Party committees at different levels and actively win the wide support of administrative organisations'. The first task of the union was to 'push forward economic construction and promote reform of the company'. It was emphasised that a union should consider and handle its work in the overall situation of a company.

C. Company Rules for Adjusting Labour Relations

Nearly all big motor groups have set up fairly complete company rules and regulations for adjusting labour relations. Dongfeng Motors for instance had a detailed 'Code of Conduct for Staff'. Its General Codes of Conduct addresses norms for appearance, behaviour, words and deeds, answering telephones, writing letters, visiting, meeting, daily office work, and workshop production. The Workplace Code of Conduct – contains norms for work safety.

In addition there are specific rules and regulations, such as 'Group and Team Leaders' Responsibility for Work Safety', 'Collective Contract System', 'Collective Bargaining for Salary', and 'Regulation of Work Discipline'. The second chapter about 'rights and interests of employees' in the Code of Conduct for Staff issued by Dongfeng Motors, stipulates that employees have rights to join the union and take part in its activities according to law, and that they have rights to participate in management through workers' congresses, and the right to protect their lawful rights and interests through equal consultation with the factory. The fourth chapter on 'penalty provision' stipulates that the penalty for employees who violate discipline is divided into economic punishment and administrative measures; when an administrative measure is taken, a fine can also be imposed; for a violation not serious enough for an administrative measure, a notice of criticism may be circulated according to the degree of seriousness. There are 10 paragraphs and 23 articles that prescribe economic punishments, for example a 5-20 yuan fine is paid in the following cases: not wearing ID at work; in and out of entrance door or office building without wearing ID; not observing check-in and inspection systems at the guards' room. A 50-100 yuan fine is paid for: listening to the radio while working; bringing children or friends to the factory while working; smoking in non-smoking area; keeping a dog or fowl in the factory or living area.

D. Case of Dongfeng Hangzhou Motor Co.

Dongfeng Hangzhou Motor Company is a holding company of Dongfeng Motor Corporation. The latter had a 44 percent share while the government of Hangzhou city held a 38 percent share and Huarong Investment Company holds an 18 percent share. Dongfeng Hangzhou Motors now has six factories, one industrial company, and twenty two departments. In 2001, sales of the company reached 1 billion yuan with

a profit of 40 million yuan while 11,001 cars were produced. In 2002, its sales also reached 1 billion with a profit of 20 million yuan while 8,338 cars were manufactured. In the first half of 2003, it lost over nine million yuan due to SARS. Cars produced by the company were exported to Vietnam, Africa, Congo, and Malaysia.

The company now employs over 2,400 workers, of who over 1,600 are productive workers, 600 are technicians, about 80 middle and above managers, and 60 administrative managers. It has undergone staff reduction twice. The first time, 1,111 employees were lost through layoff and reposition, including retirements and those with expired contracts. The second time, 330 persons were lost through early retirement in 2003. The company did not keep any peasant workers. During the reductions, it fired all peasant workers, but is still responsible for over 1,800 retired people and 330 early retirements.

Reform of Labour System

This year the company reformed the early retirement system. The policy was that men approaching 55 and women 45 should have early retirement. Pay for early retirement is 90 percent of a full retirement pension. For example, an early retired person with 30 years of service could be paid about 500 yuan per month after deducting four kinds of insurance and costs (retirement insurance, medical insurance, housing expenses, and medical charges). Of course, the actual amount depends on length of service.

Labour Contract System

All staff who entered the factory before 1983 signed permanent labour contracts. For those after 1983, one-year contracts were signed for workers, two-year contracts for cadres, and three-year contracts for technicians or university graduates.

Staff Mobility

Remuneration of the company, such as income and welfare caused lost talented workers. College graduates and technicians usually leave the factory after they become familiar with some technology, e.g. nearly 30 percent of technicians resigned in one year.

Promotion

Workers may have the chance for promotion to group leader or workshop section leader. But further promotion is difficult. The company has set up a human resource management centre. At group level it

was ranked as the first grade while the company level was ranked second. Only 42 persons entered the second grade centre this year with their monthly allowance increased by 100 yuan.

Training

Newly recruited workers undergo training (usually for one week) to obtain a work certificate. There were also other training classes. Recently, a Japanese class was held. Staff could enrol in it without any limitation. After passing the test, employees could reclaim enrolment fees by the company.

Earnings

The average annual salary per capita in 2002 was 18,000 yuan. A piecework system was adopted for workers. Wages were composed of 370 yuan fixed pay, length of service pay (2 yuan per year) and a piece rate wage. But management salaries consisted of skills wage, length of service pay, merit pay (bonus), allowances (e.g. housing allowances, book and newspaper costs, inflation allowances). Bonus was only paid out when company sales reached over 50 million.

The company bought various insurances for the staff, such as for pension, unemployment, medical care, and serious illness. But there was little welfare, e.g. the company neither provided nor subsidised accommodation.

Work Safety

Rules and regulations for work safety and labour protection are comparatively complete, strict, and perfect. For instance, a cigarette stub in a workshop should be fined 50 yuan. Much work has been done on labour safety, for which the company gained the 'safety and well-being cup' in two successive years.

In recent years, no serious labour disputes occurred. If there were a conflict between a worker and a manager, such as a fine for late arrival, or the arrangement for overtime working, it would usually be settled after explanation and conciliation by the union. If there is a need for collective action, problems could always be resolved by collective negotiation. In one case many workers pointed out that dust masks should have a thicker filter. After collective bargaining, the company finally agreed.

Trade Union

There were six full time staff in the company union, which was chaired by the vice secretary of the Party committee.

According to the chairman, key work for union should not be restricted to safeguarding actions, but should be composed of participating, safeguarding, constructing, and educating functions. It is supposed to coordinate and deal with different relations. A union's daily work was to help and promote the development of the company instead of safeguarding all the time. He also considered that the union should help workers when labour disputes occurred, but should abide by laws and regulations.

Collective contracts and collective negotiations for salary are also well established. The union represented workers to conduct collective bargaining and sign collective contracts with the administrative department. Results were regularly checked. Except for provisions in labour law, the collective contract also stipulates specific terms and conditions according to the company's actual situation. For instance, the contract stipulates that: 'If the company wants to reduce the number of employees due to their production and operational problems, the administration department should firstly put forward an overall reposition plan, which should be approved by the workers' congress before being put in practice' ... ' When making a salary system or salary reform plan, the company should listen to suggestions from the trade union and the workers' congress and the said plan should be approved by the said congress before being put in practice' ... 'The company should circulate a quarterly report to the union informing of the utilisation of public and welfare funds. Major projects and plans for welfare purposes should be settled by the company and the union together and sent for examination by the workers' congress with democratic supervision. The company should carry out an assistant system for workers in hardship and pay them monthly hardship living allowances based on a standard. The company should guarantee that a fund would be used for the staff's cultural activities and sports as well as their convalescence, and the said fund should be listed in a specific plan and be assured of implementation on time. Workers who have contact with poisonous materials should have recuperation once every three years' ... 'The company should submit the annual training plan for workers as

The company's union conducted its four functions: the following are daily arrangements for April 2003

1 Draw up, plan, prepare, advertise, and implement programmes for employees' skill learning and quality strengthening through training and competitions

2 Draw up, assess, collect, and commend a plan for improving quality and reducing consumption while increasing income

3 Arrange conference on propaganda, education, culture, and sports, and work out a plan to celebrate the 11th Membership Day of the union 4 Promote and implement 'cost reduction' and mobilise people to join in by working with the administrative department

5 Prepare a gallery describing movements concerning 'capability improvement', 'cost reduction', and 'construction of teams and groups'

6 Finalise the plan for the competition among women workers entitled 'achieving standard and striving to be the best'

7 Inspect the key work of the company's democratic management (workers' congress, collective contract, transparency in factory operations, salary agreement)

8 Improve the system for evaluating base unions' monthly and quarterly work

9 Check the financial reports of the union and technical assistance department

10 Settle straitened living allowance for workers with administrative department

11 Apply for and check out workers' straitened living allowance, labour insurance for workers' family members, and medical coverage; allot money for the said items

12 Check and assess the sanitation of workers' dining hall

13 Inspect the construction for groups and teams

14 Inspect technical assistance for workers

15 Inspect the labour protection on site and implement competition plans entitled Health and Safety for labour safety purpose

well as report on the utilisation of the education fund to the workers' congress for consideration' ... 'An administrative measure or economic punishment of a worker should not be decided before an administration meeting is held and the union gives its suggestion. Meanwhile the person being punished has the right to argue for himself. Punishment of a worker should not be decided before the union agrees with it. If the union considers it improper, he has the right to give his suggestion and to settle the matter by consultation with the administrative department' ... 'The company and the union should conduct collective negotiating once every half a year to consult with each other about the implementation and alteration of a collective contract as well as the major events of the company and other matters about staff's legal rights. If it is necessary, one side can ask for an interview with another side at any time' ... 'In order to guarantee full implementation of the contract, the company and the union should select seven representatives respectively to constitute a collective contract's supervision group by Dongfeng Hangzhou Motor Co., Ltd to supervise the implementation of the contract.'

E. Conclusion

China's auto industry adopted the 'moving outward' strategy. On 13 October 2002, SAIC announced that it would purchase a 10 percent share in GM Daewoo automotive and Technology Company, and the chief executive officer of SAIC would become a member of the board of directors to represent China's party. This move set an example for China's auto enterprises to buy shares in foreign companies.

It is obvious that labour relations in China's automobile industry are normative and smooth. Concept and work of a trade union remained as for the planned economy system. A union's main tasks are to support and centre on the production of an enterprise and implement its four functions. It plays a supporting role in the enterprise and is an assistant to the latter.

SECTION 2

SECTION 2

The Struggle of Isuzu Workers in Japan

From Protest Toyota Campaign, Newsletter No 5, 14 June 2002

Dear Friends of Toyota Motor Philippines Corporation Workers Association

We are grateful to you for the solidarity message addressed to the members of Isuzu Branch Union and Yasaka Branch Union, affiliated with Zen-Zosen, the Kanto Regional Council of the All-Japan Shipbuilding and Engineering Union.

We will give you full support in order not to isolate your labour union by looking for solidarity and by firmly protesting against Toyota Motor Philippines Corporation (TMPC) management's pressure on you by subjecting 25 union members to a criminal case. It may be very difficult for you and for this reason, we labourers must be united with confidence in each other and make an international labour movement jointly and severally to appeal against Toyota's foul play socially and reproach it internationally. We regard the Toyota Motor Philippines Corporation Workers Association's (TMPCWA) struggle with respect. We would like to inform you of our struggle and the present situation is as below.

Isuzu Motor's Restructuring Rationalisation: 'Isuzu V Plan'

Isuzu Motor Co where we work is a manufacturer of diesel trucks and buses with its head office in Tokyo, factories in Kawasaki, Tochigi, Fujisawa, and Hokkaido, and a workforce of 12,500 employees. After

its tie-up with General Motors (GM) in 1971, it continually invested in 'passenger and recreational vehicles' without success in sales and had to withdraw in 1992. GM has owned 49 percent of Isuzu shares since 1999.

Resulting from slackening in management's performance Isuzu has interest bearing liabilities worth approximately over one trillion yen and was urged by GM to take measures to emerge out of the red quickly. Toward the end of May 2001, Isuzu drafted a medium-term management rationalisation plan, called the 'Isuzu V Plan' which aimed "To strive for slimming and restoring corporate structure in real value; to establish a global enterprise system by making the best use of Isuzu Group's ability and tie-up with GM".

Among other things the plan calls

- to reduce the group's total workforce of 38,000 to 13,000 employees, a 34.5 percent cut, by the end of March 2004.
- to reduce its 109 affiliated companies by 40 percent; and
- to close down the Kawasaki factory (manufacturing large trucks and engines with 2,100 employees plus 26 sub-contracted companies with approximately 500 employees) by the end of 2005. On the other hand and in accordance with GM's global strategy, Isuzu has invested in factories to produce trucks and buses in Asian countries such as China and Thailand, and also in factories producing diesel engines in Poland (in 1997) and in the US (in 1998).

Isuzu Motor has sacrificed workers

Isuzu Motor is trying to make workers pay for their management failure. Isuzu Motor's liabilities, in excess of assets, amount to 19.25 billion yen (US$180,267,193 – US$1 = 106.786 yen) (the second worst of listed companies) and bearing excessive deficit and loans, the company has not yet extricated itself from the weak financial position, and as business slumped was rated as the Government's (synthetic) measure to counter deflation. It would inevitably be pressed by financial and other facilities to cope with the situation, was the explanation given by management to freeze wages and hold down the 'one-time allowance' to as low as 2.8 months in response to the unions' 2002 Spring Labour Offensive demand for wage hikes lodged on 15 March. Management's immediate response was to cut wages by seven percent, estimated to save three billion yen annually, insisting that with the Isuzu Labor Un-

ion (Confederation of Japan Automobile Workers' Union) with the majority!

Having agreed this position, Isuzu Labor Union expected the Isuzu Branch Union in the minority should follow suit (making an expanded application). The Isuzu Branch Union has been negotiating (protesting) against it.

With the accounts closing at the end of March, Isuzu discarded sub-contractors on the premises one after another. Four members of the Yasaka Branch Union were also suddenly dismissed. Yasaka Kenko Company (with 25 employees), one of the sub-contracted companies at Isuzu, abruptly gave notice on 29 March to discharge all employees as of 31 March, giving as a reason that the contract with Isuzu expired on this day. 29 March was the Inventory day for the end of the financial year; no operational work was scheduled and almost all employees were absent (to use up paid holidays by company order) on that day, with the exception of Mr Shimizu, General Secretary of Yasaka Branch Union, who was present and heard of the notice accidentally. Mr. Shimizu rejected the notice, protesting to management, "A notice relating to such an important matter cannot be accepted without collective bargaining in advance," and returned the notice to management.

To cope with this situation, at an extraordinary meeting, Zen-Zosen decided to launch a protest to struggle to retain employment, demanding collective bargaining not only with Yasaka Kenko but also the Isuzu Motor as the parties responsible for employment.

Our Struggle

After the announcement of the 'Isuzu V Plan', management became more aggressive to workers. In reaction the Joint Conference for the Support of Isuzu Workers was formed, consisting of the member organisations of Zen-Zosen, local trade unions, and others. The Isuzu Branch Union and the Yasaka Branch Union continued the protests together with the Joint Conference for the Support of Isuzu Workers.

Struggle Timeline

11 February 2002

Under the slogans 'Reject the close-down of our factory!" and "Cancel rationalisation plans that fire 13,000 employees!' 320 people rallied in front of the Kawasaki Factory gate, filed a protest with the man-

agement, and then paraded around the factory, applauded by local onlookers. During the rally, a solidarity message from The Daewoo Motor Workers' Union was read out.

14 March 2002

We joined a rally organised by 'Kanagawa Spring Labour Offensive One Day Action' and at the Kawasaki Factory, lodged a protest with management, and then joined a protest action by the Sumitomo Uraga Branch Unions who were also fighting against the a rationalisation paln, and then 500 people paraded near the Kawasaki Station.

11-16 April 2002

On 11 April, in response to the sudden dismissal of the four workers, a demonstration took place at the Isuzu Motor's head office, lodging a protest, and requesting the company to act responsibly towards employees. We staged a sit-down demonstration to protest Isuzu's lack of sincerity. A notice was then given to the management to the effect that we would repeat this sit-down protest all the next day, and on 15 and 16 April, when we called it off as the management conceded to negotiate with us.

17 April 2002

We joined the rally organised by the 'No to the Koizumi's Reform! No to War! Joint Action For Spring 2002', covering the Kanto region.

In the evening, 750 of the rally participants marched to the Diet Building. Zen-Zosen protested to GM Japan regarding the Isuzu Motor dispute, the Toyota Motor Philippines Corporation's attempt to disband the trade union, the Tokyo Head Office of Toyota in relation to the dismissal of Japanese-Latino workers by the Hino Motor, and the head office of Sumitomo Heavy Equipment in relation to the dismissals and salary reductions inflicted on the members of the Sumitomo Uraga Branch Union.

In such ways, we have struggled against the reckless attempts by private corporations, together with our comrades. The dismissed members of the Yasaka Branch Union continued going to the workplace to distribute handbills every day. In our request, we repeatedly denounced the restructuring as a result of irresponsibility by management at the expense of the workers. However, the management never responded to our request, as of 14 June 2002.

International Solidarity and Our Strategy

In the process of 'Globalisation' under GM's managerial strategy, Isuzu is taking an active part in discharging local workers. However, not only Japanese workers are targeted. Under GM's affiliation in Korea, a formal contract was signed to purchase Daewoo Automobile. The oppression of the Daewoo Motor Workers' Unions including mass personnel cuts, not only by the management but also by Korean Government intervention, was subjected to worldwide criticism. GM Daewoo Automobile Company is to be established. GM, owning 49 percent of Isuzu's shares, is considered to be in a position to form a plan for Isuzu's future according to its worldwide strategy.

The following Korean labour organisations sent solidarity messages to our protest rally at the Kawasaki Factory: the Korean Confederation of Trade Unions; the Korean Metal Workers' Federation; the Daewoo Motor Workers' Union; Joint Struggle Headquarters against Daewoo Motor; and Daewoo Automobile Sales Workers' Union. They said, "Fighting against GM capital could be a key to the victory to fight together with the Isuzu's labour jointly and severally" in their messages.

We shall not tolerate oppression of trade unions by transnational corporations (TNC) based in Japan and the US. It is the responsibility of Japanese workers not to tolerate reckless attempts by Toyota Motor. We firmly determined to establish international solidarity among workers in the automobile industry. We shall fight against persecution by management! TMPCWA shall overcome! Workers of the world, unite! Let's fight together!

This article was written by the Kanto Regional Council of the Japan All Shipbuilding and Engineering Union (Zen-Zosen)
Forohashi Osamu, Chairperson of Isuzu Branch Union

New Management Strategies and Automobile workers in India

Arvind Shrouti

There are various kinds of automobile products in India such as heavy vehicles, trucks and lorries, cars, and two wheelers. Earlier there were two major players in the heavy vehicles industry such as Ashok Leyland and Telco. In the car industry also there were two major players, Hindustan Motors and Premier Automobiles (i.e.) Fiat. In the scooter sector the major market share was held by Bajaj, the company belonging to Rahul Bajaj and a small market share was held by a public sector company, Scooter India Limited; in the tractor division it was HMT Escorts. In all these automobile sectors there were mostly two or three players that enjoyed cartel status and there was not much competition.

After liberalisation and globalisation there has been a shift in government policy and lots of changes have taken place. Due to the package of LPG, that is liberalisation, privatisation, and globalisation - competition started especially in the car sector and numerous international players came onto the scene.

The structure evolved where about 3,000 small ancillaries were supplying the main companies, with workers' pay and conditions at very low levels. These small units were dependent on the main companies which enjoyed monopoly or cartel status. After liberalisation, competition changed the structure. Now, conflict is not only between mo-

nopoly capital and monopoly labour but also between competitive capital and competitive labour.

The emerging situation is a challenge to Indian Trade Union movement. Earlier the formula was very simple for any kind of negotiation or collective bargaining, it was 'cost plus profit equals price', but there has been transformation and it is now 'price minus cost equals profit'. It has happened because in all areas new players have entered. For example earlier in the car industry there were two players, now there are more than 10. Earlier when anyone wanted to buy a scooter he had to wait for five to 10 years. But now just paying Rs 5,000 is enough to secure the scooter and the remaining amount given in 'equated monthly installments'. There are a number of small scale units that supply the main company, but ultimately the pressure is on the workers in the main units or in the small units.

Various Management Strategies

Managements of big units such as Telco, Bajaj Auto, and Ashok Leyland adopted various strategies to tame workers and reduce costs to make products more competitive. **Reduction** in rank-and-file workers was management's foremost strategy. Firstly, they stopped new recruitment and secondly, reduced manpower by giving voluntary retirement schemes. VRS drastically reduced workforces. Then they increased **outsourcing** over the last 10 years. They closed stores departments and gave VRS to all the workers. There are no inventories and no stores any more. Normally they place orders and tell the suppliers that when the shift starts they must bring their material directly on the line.

The second most important aspect of restructuring has been the **increasing work intensity** in the big units. Earlier in all organisations employees worked for about 400 minutes, but now the situation is changing. In August 2003 the management of Bajaj Auto made an agreement with the workers' union that workers will work for 460 minutes and they will not be given any overtime allowance. Wherever we have our union we opposed it on the basis that work norms can be decided according to International Labour Organisation (ILO) guidelines and we did not want to compromise on this point. Management said forget about ILO guidelines we want 440 minutes but even increased this to 460 minutes. To increase pressure on workers they changed the ratings to 170 rating and also the speed was increased by 70 percent. On one side

they increase the speed and on the other side they increase the number of minutes to boost the volume of production.

Workers signed agreements for high production, however workers cannot achieve the targets. The impact of the work intensity agreement is that in Bajaj Auto 1,100 charge sheets were given to the workers and now management is telling them to take VRS or else they will be thrown out. If they want to go to court they will have to fight for 15 years; there is no way out.

Another management strategy has been the use of VRS. The basic fact behind introduction of VRS is that there is an Industrial Disputes Act (India) 1948, section 5(b), which says that if there are more than 100 workers in a company, management cannot remove these workers without government permission and generally government does not give it except in some cases the government did give permission but it is a very difficult task. To avoid this situation management devised the VRS strategy to defeat the section 5(b) of the Act, saying that they did not remove workers - they went voluntarily. In reality it is not voluntary, generally it is compulsory because they have increased the workload, and increased the number of minutes, in violation of ILO norms. Therefore, it is very difficult for workers to maintain production levels.

Under another strategy they **dispersed production** to thousands of small units with less then 100 workers; they never exceed 100, employing only 99 permanent workers, but there are 300 to 400 contract labourers also, to whom the law does not apply. Contract workers can be retrenched anytime. There is no law to restrict this kind of activity. All the big automobile companies have reduced prices by 20 percent per year. So there is tremendous pressure on these small units to reduce their costs as well. But it is not easy for them because input costs are increasing as electricity charges and various overheads are constantly going up. In this situation the only solution for them is to reduce the wages of permanent workers even though the wages of workers are very low, and small companies are also getting very small. In this process, value is generated by small units and appropriated at main ones. To some extent the share of that appropriated value of these workers also goes to the workers of main units. In this process the interests of these two categories of workers are conflicting. There is a necessity to develop some kind of linkages to evolve a strategy to align their interests.

The State of Trade Unions

There are lots of problems in the auto industry. On the basis of balance sheet analysis of 15 companies in Pune it was found that the situation is more or less the same everywhere. In the last 10 years the unionised workers' share fell drastically in value addition. In 1994 one company's workers were getting 15 percent of value addition, now the workers share is down to seven percent. Managers' and executives' share has risen from 15 percent to 45 percent; executives are looting the company. In the name of cost-saving, workers have reduced benefits and facilities; competition has brought a lot of pressure to workers.

There is a decline in the membership of auto trade unions. By adopting union-busting strategies management is intentionally eroding their base. One strategy is sub-contracting, forcing acceptance of VRS, prevalent use of contracts, and casual, temporary, and trainee workers to weaken the unions. For this purpose they also transfer jobs from bargainables to non-bargainable status. Moreover advanced technology, mobility of capital, and transfer of production etc. has resulted in workers' reduced bargaining power; now it is difficult to go on strike. In the emerging situation many conventional trade union strategies are becoming outdated.

In an incident in September 2003 in Pune, temporary workers won a court case and were supposed to become regular employees. It was a good success for the union movement. Management appealed to the Supreme Court but was afraid that there was a 99 percent chance that workers might win this case. The pressure on management was that if they lost this case all temporary workers across the country would be made permanent, that is why they should try to have the workers themselves withdraw the case. Management convinced temporary workers that they would be taken back as permanent workers if they dropped the case; unfortunately all the workers withdrew the case, causing a big set back to the labour movement.

Management strategies are not only responsible for weakening the trade union base. Trade Unions so far restricted themselves to collective bargaining rights. Their functioning also has been based on the principle of management failure. Their objective should not be only collective bargaining rights but also for participatory rights. Trade un-

ions now need to talk about industrial democracy and find a way to achieve that right. In and around Pune we worked for participatory rights; in most companies we failed but succeeded in few.

This is traditionally considered as a management area, while our area was restricted to collective bargaining. Now we are strategically presenting a charter of demands that focus on only one major aspect - that we also benefit from value addition; whatever new wealth is created we want our share. In India there is no law which grants participation to workers. But this kind of strategy will gain for workers in two ways. Number one – we get some economic gain, a secondary gain because big companies' wage levels are definitely better. Another important gain is political, where workers can also input to policy formulation, which can lead to industrial democracy. We made presentations to a number of companies and referred mismanagement to the courts. Normally courts say that you are workers and get a salary every month. Therefore workers have no 'locus standi' (Latin for 'acknowledged right or claim') in the management process. Labour cannot become the aggrieved party if we cannot go strategically and make such agreements. If we make such kind of settlements then we can tell to the court that they are getting affected because income is affected from wrong management policies.

There is a need for labour to enter management's area but have no right to do so. However through collective bargaining unions can enter it by making an agreement.

We succeeded in a small foundry supplying various castings for the auto industry. In this factory union leaders have the right to ask management various questions. The foundry is very small and hardly has 90 workers. But workers succeeded when they asked for value addition, though it is very low. But in big companies it is very difficult and we are struggling to get that agreement. In two or three major companies, negotiations are ongoing but it is difficult to find out what is happening. In a multinational corporation that specialises in tools industry, where we made such a demand, it was interesting to realise that management has been always against long-term company interests, whereas workers considered its long-term interests. In this situation management said that they would give Rs 4,000-5,000 rise but did not talk about sharing value addition. But they do not want to give workers

participatory rights in management (meaning transparency). They talk about transparency and workers participation in seminars but in reality they are not interested. Therefore in big companies if workers need some power they have to go in for such strategies.

Human Resource Management Policy

Major automobile industry's managers use human resource management (HRM) policies. Through this strategy they opened a separate channel of communication with the worker and restricted unions only over wage bargaining. They established an unusual kind of communication channel with the workers. The visible impact of HRM in the last five years shows that whereas previously workers used to go to the union office once a week, now they do not go for years. Whatever issues and problems the union used to solve, now management directly solves with the workers, which is a big threat to the union. Therefore the union must have real participation. In this area there is scope for the union and they will get the workers support. Management is taking care of all kinds of grievance while the unions' conventional role is already irrelevant. Therefore unions have to find a new role to continue at the helm of industrial affairs.

Workers' Struggle in Maruti Suzuki, India

Mathew Abraham

Maruti is a joint venture between Japan's Suzuki Motor Company and the Government of India. When the Company, called Maruti Udyog Ltd (MUL) started its operation in India, the Government of India had a majority 76 percent stake and Suzuki 24 percent. Gradually Suzuki increased its share and took control over management. At present the Government holds 45.8 percent of equity share and Suzuki owns 54.2 percent stake.

On 12 October 2000, MUL management issued the following 'Good Conduct Undertaking', which was to be signed by individual workers before entering the factory: "I .... son of .... Staff No .... do hereby give this declaration of good conduct undertaking binding myself that upon joining my duties I shall neither indulge in go slow nor resort to tool down or strike or otherwise indulge in any other activities in breach of the Certified standing orders which adversely affect production and discipline. I further undertake to give normal output and work in a disciplined manner. I fully understand that acting in breach of the Good Conduct Undertaking as aforesaid shall constitute gross misconduct on my part and as such if I am found indulging in any activity in breach of this declaration of Good Conduct Undertaking, the management shall have the legal right to take appropriate legal action against me."

The background of serving the Good Conduct Undertaking by MUL

management to its workers was initially four emands by the workers: (a) revision of the production incentive scheme in place of the one that ended in March 1999; (b) implementation of a pension package agreed upon in the previous wage settlement between the union and management, entered on 6 February 1998; (c) contract workers to be made regular workers; (d) stop subcontracting sub assembly work outside the factory. While these demands pertained to the workers' participation in determining the intensity of work and commensurate compensation, in the course of the struggle, a fourth issue came up, which overshadowed the other three, threatening the basic democratic right to organise and engage in collective bargaining.

A struggle that started on 9 September 2000, wearing black badges during working hours, work to rule, slogan shouting, tool down strike, hunger strike, and demonstrations ended in a 26-day sit-in near the Heavy Industry minister's office, Udyog Bhawan, in New Delhi. An interesting aspect of the MUL workers' struggle was the way in which they could use information to enter into an enlightened dialogue with the management. They used the assistance of experts when it was required.

When the management tried to redefine incentive for issues such as increased production, quality of production, sales, warranty costs, and profits, workers reacted to the intensification of work. In a public debate organised on the issue by the Centre for Education and Communication, after analysing the Annual Reports of the company Gautam Mody of the Centre for Workers' Management pointed out that MUL's business plan in 1992 estimated 4,000 workers were needed to produce 100,000 cars per year. By 2000 production had increased by 400 percent, while employment had only increased by less than 65 percent. Since its inception, the wage bill (including incentives and all other benefits and employee related expenses) has been on an average around two percent of turnover. This for an engineering industry is an achievement by any standard. He further pointed out that in all but six years that the MUL had functioned, the capacity utilisation had been more than 100 percent and labour productivity higher than management's target, clearly showing a very high degree of labour intensification in MUL.

During the struggle workers were united and on strike but the company even achieved normal production with the help of scab workers

supplied by its vendors, apprentices, engineers, casual workers and others.

Management unilaterally announced a new incentive scheme on 11 October 2000, which would have raised the incentive per worker by Rs 500 but delinked from cost savings due to higher productivity. Though workers initially rejected this incentive scheme, they eventually accepted it as part of the final settlement with the hope that this loss could be compensated by a bigger gain of the right to organise and bargain collectively, and thereby, their very right to exist as Maruti Udyog Employees Union, which would be undermined if the 'Good Conduct Undertaking' were accepted. However the rights to organise and collective bargaining were short-lived for all practical purposes as management adopted various methods to defeat this right.

After four months the union called off the strike in January 2001. Management refused to take back 39 dismissed employees (mainly union leaders and activists) but agreed to take back another batch of striking workers providing they sign the Good Conduct Undertaking. But even after taking back some striking workers, subsequently they were dismissed and a court case on behalf of about 120 workers is pending in the district court of Gurgoan.

In September 2001 the Company announced a voluntary retirement scheme package that the union opposed. The General Secretary of the union was sacked in October 2001. Cases of illegal retrenchment of union leaders and activists are pending in the labour court. The sacked General Secretary still holds the post as he was re-elected in the last general body meeting of employees union. In the meantime a new sweetheart union with management recognition emerged, while the popular union was ignored.

Establishment of the pro-management union was much help to the company for its various drives against workers. The management compelled its workers to accept first VRS in October 2001, and reduced the strength of its workforce by 1,050 employees at a cost of Rs 65 crore.

In December 2003, management introduced the second VRS in two years and got rid of another 1,251 workers. But the VRS was not voluntary. Management targeted older workers and union activists for VRS. It prepared a list and harassed targeted workers to take it. If anyone did

not show interest then management increased work intensity to unmanageable levels to force acceptance. Other workers were transferred to far off places and non-production centres. Yet more were forced to sit idle on the roof in the chill air for long time, in some cases for one year continuously. But if someone resisted then they were retrenched, terminated, and dismissed.

By the various methods of VRS, termination, dismissal, and retrenchment management was able to reduce workforce by up to 50 percent. At present (February 2004) the number of total rank-and-file regular workers is around 2,100. Around 1,700 employees are supervisors and managers, however the numbers of contract and casual workers are surpassing both these categories. Five to six contracts have been supplying the daily wage contract workers. Earlier they had around 100 to 150 workers each to supply for the Company but now they have around 800 to 1,000 workers each for the same purpose. Some 10 – 15 percent VRS accepted employees now work as contract workers on one third of former wages.

MUL made a ten-year wage settlement with its pro-management union in the first week of November 2003, aimed at cutting costs substantially and simplifying the wage structure. The new wage settlement is effective for ten years starting 1 April 2001, provides for an annual wage growth of only 3.5 percent – while the existing settlement negotiated by the popular union provided for an annual wage rise of nine percent. Besides, the one-time increase owing to the new wage settlement is 5.9 percent; in the earlier wage settlement effective since 1996, this increase was 27.18 percent.

According to the new wage settlement, the 'dearness allowance' was also delinked from changes in the consumer price index and basic pay. Allowances for the employees were also delinked from changes in basic pay and dearness allowances, and instead they were merged to form a consolidated prerequisites basket.

Now management has introduced a Manpower Saving (MPS) section in each department, whose main task is to target particular workers for removal. After identifying workers managers intensify the workload beyond manageable levels, then when workers fail to meet targets, they are pressurised with accepting VRS or face termination. This kind of psychological pressure on workers has increased tremendously. Man-

agement has also withdrawn company transport for workers and due to this reason if worker is even five minutes late s/he loses half a day's salary.

In the whole process of the Maruti Suzuki workers' struggle management succeeded in its deliberate policy of harassment of workers and union, not only discrediting and destroying the popular union but also able to plant the pro-management union through which it introduces anti-labour policies. Management de-recognised the old union and its legal registration was cancelled by the Registrar of Trade Unions, Chandigarh. The Maruti Suzuki Employees Union has appealed in the District Court against de-recognition and subsequent cancellation of registration, which is pending in the court. Nowadays discrediting and destroying popular unions and taking away the basic rights to organise and bargain collectively have become the norm of the corporate sector and have been proved to work in this case. There were some solidarity actions by civil society organisations such as Centre for Education and Communication as well as a networking and solidarity campaign at international level and with parent company Suzuki in Japan could give more positive results in the long run.

Timeline of Suzuki Maruti Udyog Employees' Struggle			
Date	*Mode of Struggle*	*Date*	*Mode of Struggle*
9 Sep 00	Workers wear Black Badges	25 Oct 2000	Another negotiation with management
11 Sep 00	Workers leave plates on lunch tables	1 Nov 2000	Management hardens stand by saying that no amnesty for those who start work
18 Sep 00	Relay Hunger Strike at the Factory Gate	1 Nov 2000	Three executive members of MUEU split and resume work
30 Sep 00	Nine employees suspended	2 Nov 2000	Big demonstration in front of corporate headquarters
3 Oct 00	Two hour tool down strike in each of the three shifts. Tool down strike continues for eight days. MUEU president on indefinite hunger fast	3 Nov 2000	Government announces sale of its stake in MUL
5 Oct 00	Negotiation with management	7 Nov 2000	Government calls off a tripartite meeting scheduled for 7 November 2000
11 Oct 00	Management unilaterally declares a new incentive scheme. Not acceptable to workers	8 Nov 2000	A local court in Haryana rejects MUEU's petition against 'Good Conduct Undertaking'
12 Oct 00	MUL management issues 'Good Conduct Undertaking', and demands workers sign if they want to enter the factory	23 Nov 2000	Workers demonstrate in front of Parliament as issue is raised inside
12 Oct 00	Workers refuse to sign the contract and remain outside. Management calls it a strike, workers call it a lockout.	29 Nov 2000	Murli Manohar Joshi, Heavy Industry's Minister announces in the Parliament that government will not insist on 'Good Conduct Undertaking'
16 Oct 00	MUL employees and their families demonstrate in front of Parliament. Meeting addressed by Central Trade Union leaders.	12 Dec 2000	Altogether 92 workers dismissed
17 Oct 00	MUL management announces new incentive scheme. Workers reject the new incentive scheme on the ground that it is much lower than what they had been getting	13 Dec 2000	Sit-in (Dharna) in front of Heavy Industry Minister's office, which continues for the next 26 days.
17 Oct 00	Two employees die in mysterious circumstances. Workers accuse factory management and their goons of killing them. Management denies it	13 Dec 2000	Tri-partite meeting at Udyog Bhavan
21 Oct 00	Workers submit memorandum to the governor of Haryana	3 Jan 2001	Tri-partite meeting at Udyog Bhavan. Signs agreement. Management withdraws Good Conduct Undertaking. Workers agree on the incentive scheme suggested by the management.
23 Oct 00	Workers in nine leading accessory units of MUL express solidarity with MUL workers	Sept 2001	Management announced VRS which was opposed by union
24 Oct 2000	Workers march to Heavy Industry minister's office demanding his intervention	15 Oct. 2001	Management sacked union's General Secretary immediately after the elctions to the working committee

Violation of the Right to Organise and Criminalisation of Labour at Toyota Philippines

Ed G Cubelo

Toyota started its production line at Bicutan, Parañaque, in 1988. In 1996, another plant started operations, located at Sta. Rosa, Laguna. Corolla, Camry, and the Tamaraw Revo (an Asian utility vehicle) are produced here.

In the early years, some workers tried to build unions, but were always subdued by the management through promotions; travel abroad, training in Japan, and other privileges.

In 1992, workers were able to register a union, the Toyota Motor Philippines Corporation Labor Union (TMPCLU). But the legitimacy of this union was challenged by Toyota claiming that the union membership is a mixture of supervisory and rank and file workers, which is not allowed in Philippine labour laws. The case reached the Supreme Court (SC) and eventually the workers lost the case even though some officers including the union president were promoted to higher pay levels. The SC ruled that workers at pay levels 1 to 4 are rank and file and those at pay level 5 and above are supervisory, as defined by Toyota management.

In 1997, the year when the SC ruling came out, some members and key leaders including Mr Ed Cubelo decided to build a new union,

amidst warnings from the promoted union president, at this time already at pay level 7, not to continue.

Ed and company were able to register a union, the Toyota Motor Philippines Corporation Employees and Workers Union (TMPCEWU). Toyota then used its machinery and was able to reach to some members (seven in all) with bad company records. According to one of the seven, he was threatened with dismissal. He was convinced by the labor-management council chairman to sign the 'Cancellation of Union Registration' certificate, which as explained to him was just a simple retraction from the union, a cancellation of his membership to the union. But this was actually a legal document filed at the Department of Labor for the cancellation of TMPCEWU's registration, stripping the union of its legal status. The union leadership did not challenge the cancellation seeing that it would take a lot of time, and instead organised another union.

In 1998, TMPCWA was registered. Toyota then went to the Labor Department, this time as the company itself and not by using dummies, to bid for the cancellation of TMPCWA's registration. TMPCLU also intervened to further muddle the issue, but they did not succeed.

In 2000, after many obstacles (such as the attempted cancellation), the TMPCWA was able to force a certification election. This election would determine whether the TMPCWA would have the right to represent the rank and file workers. The votes would be 'yes' or 'no' to the union.

Toyota's tactic to delay if not to stop the election was to include in the voters' list 120 supervisors (loyal Toyota workers who would surely vote 'no') and claimed that these were rank and file workers. To avoid delay, the union agreed to let them vote provided that their ballots would be segregated and only be counted if they were proven to be rank and file workers. They were then labelled the 'challenged voters'.

The election was set for 8 March 2000. Out of 948 members (challenged voters not included), 503 workers voted 'yes' to the union and a margin of 63 votes was obtained. 105 of the 120 challenged voters participated in the election. The eligibility of the challenged voters was then tackled by the Department of Labor. Toyota pushed for the opening of the segregated ballots while TMPCWA prayed for the disqualification of the challenged voters.



In May 2000, the labour arbiter who handled the case at regional level declared that the 105 challenged voters were ineligible and that their ballots could not be included, so the TMPCWA gained the right to represent the rank and file workers.

Toyota appealed the decision to the Department of Labor at national level. When we submitted our collective bargaining agreement (CBA) proposal to them, they said they cannot have CBA negotiations with TMPCWA because the decision is under appeal.

In October 2000, the Department of Labor through its Under-Secretary denied Toyota's appeal and affirmed the arbiter's decision. We again submitted our CBA proposal but again Toyota turned it down claiming that the decision is not yet final. Toyota was entitled to a 'Motion for Reconsideration', which they had already filed.

In January 2001, we filed a 'Notice of Strike' for management's continued refusal to bargain. Our labour law requires that a notice must be filed before a union can strike.

In February 2001, the branch of the Labor Department that handled the case called for a very unusual 'Clarificatory Hearing'. Reliable sources inside the Department of Labor and Employment informed us that to reverse a previous decision, a special hearing was necessary to justify a verdict. We approached the Under-Secretary, the one who affirmed the decision of the arbiter, who confirmed the possibility of a reversal; we later learned that she was transferred to another government agency.

On the first day of the hearing, 21 February, we mobilised about 60 members, who filed leave of absences (granted by the management)



and attended the hearing. Toyota representative claimed that the TMPCWA is a minority and that they were willing to bring the challenged voters the next day, challenging us to prove that we were the majority.

The next day, about 20 challenged voters attended the hearing by a shuttle service provided by Toyota, and were on official business. But more than 300 union members filed leaves of absence (not granted by Toyota) and went to stage a protest rally in front of the building where the hearing was being conducted, asking for a fair judgment. Since the leaves of absence were not granted, the TMPCWA leadership wrote to the management informing them that we were willing to work on our scheduled days off, even on Sundays and holidays, in exchange for the absences. The management received the letter but did not agree with the idea. The same thing happened on the third day, when even more members joined the protest.

On February 24, we all went back to work and production went smoothly. The next Monday production continued as if nothing had happened. The following afternoon memorandums of dismissal were distributed to all who were absent on 21, 22, and 23 February. Toyota claimed that we had joined an illegal strike led by TMPCWA and that we deserved to be terminated and we must explain why they should not terminate us. TMPCWA made an explanation on behalf of the workers but management demanded individual explanations. We again filed a Notice of Strike to prepare for the worst.

On 15 March, we staged a picket protest in front of the Labor Department building asking for a speedy and fair decision to the case. About 200 members planned to stay overnight but the Labor Secretary convinced us to go home. She promised us a fair decision the next day.

On March 16, Toyota would not admit to work 227 workers declaring them to have been terminated by failing to explain their February absences. On this very same day the Department of Labor declared 'with finality' that the TMPCWA was the sole bargaining agent of the rank and file for Toyota. TMPCWA's reaction to the dismissals was to stage picket protest in front of the gates demanding reinstatement and CBA negotiations. But Toyota continued to fire more; the number reached to 291, while about 70 others were given suspension papers.

Toyota left us no choice but to declare a strike. On the morning of 28 March, we formed picket lines. For two weeks, we paralysed Toyota production. Although scabs were able to enter work through alternative passages, all they could produce was the side member panels being exported to Vietnam, some pressed parts, and very few vehicles, some of which were very poor in quality. A helicopter was used to transfer these for export. The promoted union president of the TMPCLU led the scabs at the Bicutan plant.

On 10 April, the Labor Secretary assumed jurisdiction over the dispute and ordered the end of the strike. In the return-to-work order however, Toyota was given the option to merely reinstate a worker on the payroll. This came after Toyota, along with 10 unnamed Japanese firms, went to our national president, and threatened to pull out their investments from the Philippines if they could not get a favourable decision. Toyota did not accept back 227 workers, nine of who were union officers.

Then instead of acting on the dispute, the Secretary of Labor passed it to the National Labor Relations Commission (NLRC), one of the most corrupt labour attaché government agencies in the Philippines.

In a separate case, Toyota appealed a decision of the Department of Labor that declared the TMPCWA was the sole bargaining agent of the rank and file to the Court of Appeals. They then paid this court 500,000 pesos to obtain an injunction that stopped the implementation of the decision.

Our paydays are every eighth and 23rd of the month. On these days, those who were in reinstated on the payroll had to go the gates to get their pay slips. On 8 and 23 May, the 227 staged a peaceful protest in front of the gates demanding reinstatement. During break time, six workers not among the 227 and other members who were reinstated joined the protest.

On 23 May, Toyota ordered the dispersal of the protesters. One guard fired his shotgun in the air three times to signal the start of violence. Some of the members were beaten with night sticks by the guards; one of us was hospitalised with head and body injuries.

Toyota then filed manifestations with the NLRC claiming that we violated the return-to-work order and that we had staged an illegal strike on 8 and 23 May 2001.

In August 2001, without considering our position papers, the NLRC declared that the TMPCWA actions on 21, 22, and 23 February and on 8 and 23 May were illegal strikes and that the 227 deserved dismissal, the remaining six officers had forfeited their employment, and that the dismissed members would be paid one month's salary for every year of service but the officers as instigators would get nothing. On 23 August 2001, we were officially terminated from work (hence 227 + 6 = 233).

The NLRC did not address the real issues of the dispute, which were management's refusal to bargain and the illegal dismissals. Instead it dealt with Toyota's manifestations. Every citizen of this country has the right to stage rallies in front of any government building; we had done precisely that, a picket protest. On 8 and 23 May, we just stood in front of the gates, sometimes moving, but not blocking the gates, holding our banners, shouting our grievances, and eating our food; inside members went back to work after the break time lapsed, with no interruption to production. If we did violate Toyota's regulations, it was just absences of two or three days, which do not deserve termination. If however it was really an illegal strike, only the officers, as instigators, should have been dismissed, not rank and file members; this is according to our labour laws.

The Secretary of Trade and Industry then gladly announced to the media that the dispute at Toyota was finished after the promulgation of the NLRC's decision.

Our country's president then went to Japan to collect funds (loaned) from Japanese businessmen.

In mid-September 2001, Toyota used four Loss Control Office personnel and two LMC representatives to file criminal charges against 25 dismissed workers. The charge was 'Grave Coercion', that allegedly happened during the strike. They claimed that they were compelled from going to work by the striking workers. Two of the 25 were involved in all three cases, 16 were involved in two cases, and the remaining seven had one case each. We avoided imprisonment by posting bail bonds, helping each other, and seeking financial aid from friends and supporters of the union.

It is very hard for the 233 to find new jobs. Knowing that we worked at Toyota, companies will not accept us. Poverty is one of the biggest problems; but we were able to hold on to 165 of the 233.

The government will not help us because this is among the most corrupt in this world.

What Toyota management did was to isolate the entire union leadership and divide the membership. Toyota offered payment (the one month pay for every year of service in the NLRC decision) to the dismissed and struggling workers in exchange for resignation. Once a member accepted the payment, s/he can no longer fight against Toyota and is considered to have resigned.

Toyota also spread rumours that union officers, especially the president, already had a good life while ordinary members were struggling.

Criminal cases were also filed to further pressure the leadership due to limitations in union funds, and to lure the accused into accepting the payment. Toyota also sowed division among members who were still inside the company. Strong unionists were put on isolated assignments, or apprehended for little mistakes.

Those whom the company could convince joined another (company sponsored) union. Toyota also encouraged the dismissed workers to resign and accept the offer. Meanwhile the court battles progressed very slowly.

Toyota hired contractual workers, calling them trainees, to replace dismissed workers. They were paid minimum wages and were not entitled to benefits. After five months, new trainees replace them.

Update of the Struggle



Because of the difficult situation and poverty of the illegally dismissed union members some union members surrendered, accepting management's compensation offer.

As of October 2003, three union members accepted the company's compensation offer; the last being in July 2003. Of the 233 illegally dismissed union members, 156 members remain strong.

Since management cannot block the organising of TMPCWA, they nust think of something to divert attention from the issue of unionism within the plant. They even sought to stop the caucuses launched at every end of the week during break time by the union members inside the plant, by putting sing-along equipment (videoke) and billiard tables in both Bicutan and Sta. Rosa plants. This happened in May 2003, possibly because management believed they could not prevent the union organising totally, but at least management can split the workers with amusements. These were management's smoke screen preparations, not only to divert the issue of unionism but to hide the accurate condition of the workers in these creational programmes.

Toyota capitalists are hiding their plan of plant consolidation in March 2004. The union has seen another round of mass dismissals. If plant consolidation is implemented without solid union organising inside the plant, there is the certain possibility of kicking workers off the production line; of course the first to be dismissed will be the TMPCWA membership. Some jobs in the Parts Fabrication Plant in Bicutan, are now sub-contracted, the Toyota supplier is now producing exhaust pipes, fuel tanks, and seat frames.

Moreover, the crisis of over-production across the country has affected local production in the region. The local market is being flooded with imported Toyota VIOS, which are cheaper and have lesser tariff/ taxes than the locally made Toyota Corolla.

In September 2003, the management announced and implemented what they call a 'jishuken' programme in both plants. According to them, this will lessen job numbers and will improve production line area. This will also help to minimise accidents on the production line.

For the union, jishuken is a new form of restructuring programme and will not serve workers' interests. The truth is that this is the justification that the management is now preparing for future plans of plant consolidation.

The essence of jishuken on the production line means for example on the welding line where 20 workers welded one car, now there are only 15. The five workers that are removed are placed in 'floating status'; sooner or later they will be terminated.

The union opposes and exposes the sub-contracting scheme, flexibilisation in the form of multi-skilling, kaizen, job rotation, arborisation, jishuken and other forms of flexibilisation that drive workers to create huge profits for capitalists, whereas for the workers it compounds severe exploitation and wide-ranging dismissals.

On 24 September 2003, the SC issued a petition for certiorari (a writ sent from a higher court to a lower, requesting, for review, the transcript of a case tried in the lower court) of the union, to which the writ of preliminary injunction was issued on 12 July 2001, that stopped the CBA negotiations, which are now SET ASIDE and NULLIFIED (the union received the decision on 21 October 2003).

TMPCWA wrote to the management requesting the start of the CBA negotiations on 24 October 2003. Toyota answered our letter through their lawyers, reiterating that our request is apparently grounded on our belief that the SC decision promulgated 24 September 2003 had paved the way for CBA negotiations to start, but the case was not yet final.

These are clear manifestations of a rotten system in the region!

The General Situation of Taiwan Auto Workers

Liu, Wan-Ling

Due to the fact that highly diversified auto-parts industries could have certain positive consequences on the development of the whole industry itself, the Taiwan government has consistently encouraged its development with national policies, which includes demanding higher car-import tax and maintaining strict regulation on domestically-made parts, etc. At present there are about 81,000 persons working for the auto-related industries in Taiwan. In 1999 the total production value of all auto-related industries was about US$4.6 billion, constituting half of the total industrial production value in Taiwan.[1] Workers in the auto industry have contributed to this achievement, while the market is mainly within Taiwan.

Although there are 10 auto assembly factories in Taiwan, the production of critical parts are still controlled by foreign transnational corporations (TNC) mainly from Japan and the US. These TNCs include Nissan, Honda, Ford, and Toyota. Each year the Taiwan auto companies have to buy KD parts (knock-down parts means unassembled sets of parts for assembly at an overseas destination) from and pay profit and technical fees to the TNCs. Moreover, with the market largely limited to the domestic one, the liberal policy of the government has had a deadly impact upon the industry. On average, only 300,000 to 400,000 new cars are sold each year. Consequently there is serious competition among the 10 auto assembly companies. After entering the World Trade Organisation in January 2002, the government has been more aggressive in implementing liberal policies, such as removing the regulations

on domestically-made parts, reducing car import taxes, and opening car import quotas, all making the competition even more intense. Over the last ten years, the rising outflow of capital and factories to mainland China has raised yet another concern. In this situation Ching-Jen seriously worries about the future of Taiwan's auto workers.

Organised Labour in Taiwan Auto Industries

As can be seen from Table-1 most of the workers in auto assembly companies have their own trade unions. Apart from the seven trade unions in the auto assembly companies, there are 33 unions in the parts factories. According to Taiwan's Trade Union Law, most unions are factory-based (enterprise unions) with their own boards and have to join federations in their local counties. To date there is little connection among these auto trade unions, although they all belong to the same industrial category.

Table 1 General information of Taiwan's auto assembly companies

Company	Yulon	Sanyang	Prince	China Motor	Ford Lioho
Technical resource	Nissan	Honda (until 2001), Hyundai (from 2002)	Suzuki	Mitsubishi	Ford, Mazda
Capital base	Domestic	Domestic	Domestic	Domestic	JV
Established	1953	1961	1965	1969	1972
No of workers 2001)	2,600	3,181 (including motorbike dept)	1,520	3,003	1,800
Unionised status	Yes	Yes	No	Yes	Yes
Union affiliated to MVC	Yes	-	-	Yes	Yes
Investment in mainland China	Yes	Yes	No	Yes	Yes
Technical resource	Nissan	Honda (until 2001), Hyundai (from 2002)	Suzuki	Mitsubishi	Ford, Mazda
Capital base	Domestic	Domestic	Domestic	Domestic	Joint venture
Established	1953	1961	1965	1969	1972
No of workers (2001)	2,600	3,181 (including motorbike dept)	1,520	3,003	1,800
Unionised status	Yes	Yes	No	Yes	Yes
Union affiliated to MVC	Yes	-	-	Yes	Yes
Investment in mainland China	Yes	Yes	No	Yes	Yes

Note. MVC = Motor Vehicles Committee (see below)

The organisation rate in the parts companies is very low compared to that in the assembly companies. Up to now, while seven of the ten assembly factories have established trade unions, most parts factories have no unions at all. According to government statistics, only 3.8 percent of the factories hiring more than 30 staff have established trade unions, although 20.28 percent of industrial workers have joined unions. This means that most of the small- and medium-sized enterprises do not recognise trade unions. Unfortunately, most parts companies are small- and medium-sized enterprises, so it is quite natural to expect a much lower organisation rate in this branch of the industry.

Among the 41 trade unions mentioned above, 22 are affiliated to the Motor Vehicles Committee, composed of 41 unionists under the International Metalworkers Federation (IMF)-ROCC. The main goal of this committee is to exchange information between these unions and to communicate with the trade unionists in the Confederation of Japanese Automobile Workers' unions (JAW) every year. The Motor Vehicles Committee is a loose organisation. Nevertheless, it is the only sin gle labour organisation that can cross enterprise borders of the aut companies.

The elements of the factory-based trade unions make it impossible to establish closer connections between them. Competition between the companies also enhances distrust among workers at different plants, making the situation worse, as most trade unionists value their company identity more than their class identity. This makes most of the auto trade unions yellow (sweetheart/company/government unions), with the result that unionists seldom have the ability to really struggle for workers' rights. Of the 41 trade unions, no more than 10 have ever been on strike or campaigned against their employer. Only four of the trade unions have activists who really struggle for workers' rights to deserve to be called 'independent trade unions'.

Due to the limitations mentioned above, the Motor Vehicles Committee is not really a useful organisation for auto workers in Taiwan.

The working conditions of Taiwan auto workers

As shown in Table 2, the auto assembly workers have comparatively better working conditions. The main reason for this is the great profits of the companies; secondly is the existence of trade unions. Workers who work hard know that they should pressure trade union

representatives to bargain for higher pay. That is why even in the crisis of serious competition, assembly workers still have better working conditions than most workers. In general, the workers of the assembly companies are better paid and have better benefits.

Table 2 Working conditions in five assembly factories in 2003

Company	Kuozui	China Motor	Yulon	Ford Lioho	Sanyang
Yearly working hours	2,024	1,978	1,955	1,953	1,905
Yearly working days/holidays	253 / 112	258 / 107	255 / 110	242 / 123	254 / 111
Daily work hours/rest time	8 hrs/ 10 mins	7 hrs 40 mins/ 20 mins	-	Mon-Tue 8.6 hrs / 20 mins Tue-Fri 7.6 hrs / 20 mins	7.5 hrs / 20 mins
Overtime pay: first 2 hrs	1.5 per hr	1.33 per hr	1.33 per hr	1.33 per hr	1.33 per hr
second 2 hrs	2 x hrly wage	1.66 x hrly wage	1.66 x hrly wage	2 x hrlywage	1.66 x hrly wage
holiday pay up to 4 hrs	2.5 x hrly wage	2.33 x hrly wage	2.5 x hrly wage	2.5 x hrly wage	2 x hrly wage
holiday pay over 4 hrs	3 x hrly wage	2.33 x hrly wage	2.5 x hrly wage	3 x hrly wage	2 x hrly wage
holiday pay over 10 hrs	-	-	2.66 x hrly wage	-	-
Wage deduction when no work to do	(Never happens)	By month 1-3 days 50% 4-6 days 65% 7+ days 75%	By month 1-3 days 50% 4-6 days 65% 7+ days 75%	By year 1-12 days 100% 13-18 days 65% 19-25 days 75% 26+ days 90%	By year 1-6 days 100% 7-12 days 50% 13+ days 67%

Source Kuozui Ltd Co

Workers in the parts companies are in a different situation. Since the organisation rate is very low, we do not know their general situation. We obtained partial information from the existing 34 trade unions of the parts factories where we found different working conditions for assembly workers and parts workers: lower wages, less job security, more flexible working time, feeling powerless or without a trade union – these are all common in the parts factories. Table 3 shows a sample of labour conditions in four tyre companies.

Table 3 shows that with the application of complicated bonus, reward, and subsidies systems, the tyre industry could pay better wages. Companies with trade unions are the bigger ones, which means that the

Table 3 Labour conditions in four tyre companies *US$1 = NT$35*

	Federal	Nankang Rubber	Goodyear Taiwan	Taiwan Bridgestone
New recruit's salary	junior high school: NT$714/day senior high school NT$719/day technical worker NT$759/day	junior high school men NT$706/day women NT$610/day senior high school- men NT$710/day women NT$612/day	NT$727-827/day	men NT$728/day women NT$610/day shiftworkers NT$31,150/month other staff NT$26,520/month
No absence award	NT$1,200/month NT$1,000-5,000/year	NT$1,200/month	Blue collar - 2 days base pay White collar - NT$500/month	NT$1,500/month
Night shift subsidy	after 19:00 NT$15/hr	NT$120/day evening shift NT$70/day	night shift: NT$160/day evening shift: NT$80/day	night shift NT$160/day evening shift NT$110/day
Incentive reward	Carbon fog branch - ?95% NT$80/day ?95% NT$40/day ship-fitter reward- TB-60NT/day; LT,PC-36 NT/day Sender-60 NT/day Incentive Reward NT$3200-8000/month	Carbon fog branch- 150NT/day ship-fitter reward TB NT$150-180/day PC- NT$130/day Incentive Reward NT$750- NT$4,500/month	Carbon fog branch Blue collar NT$160/day White collar NT$85/day TB NT$310-390/day PC NT$320-370/day Incentive reward NT$200/month Work reward NT$2,250-1,0000/month	Carbon fog branch Blue-collar NT$380/day White-collar NT$240/day Incentive reward NT$1,000 - 5,000/month
Food subsidy	Food all supplied by employer	NT$1,800/month	Food all supplied by employer	NT$1,500/month
Post subsidy	Monitor NT$2,500/month post subsidy NT$940-4,000/month	Monitor NT$1,750/month foreman NT$2,650/month section chief NT$3,150/month	Branch director NT$3,000/month team chief NT$1,500/month	Monitor NT$4,500/month Technical NT$2,500/month
Shift allowance	-	-	-	NT$1,500/month
Yearly bonus	1999: 2.5 month base-pay = NT$51,000 2000: 1.5 month base-pay = NT$31,000 2001: 2.5 month base-pay = NT$52,000 2002: 3 month base-pay = NT$75,000	1999: 2 month salary = NT$55,000 2000: 1.5 month salary = NT$35,000 2001: NT$20,000 2002: 1 month base-pay + NT$20,000	2 month base-pay = NT$64,000	2.5 month salary + in 2000 = NT$92,000 in 2001 = NT$90,000 in 2002 = NT$93,000
Salary change	Every March: 1999: + 3.4% 2002: NT$900/month	NT$600/month	1999: + 4.8% (NT$600 + 2%) 2000: + 3.0% (NT$120 + 2.7%)	1999: NT$1700 = 5.6% 2000: NT$1,500 = 4.0% 2001: NT$800 = 2.0%
Bonus	1997: NT$14,080 per person	1997: NT$1,400	1999: NT$1,000 2000: NT$1,800 2001: NT$8,800	1999: NT$6,200 2000: NT$5,500 2001: NT$4,000
Capital source	Local capital, outflow invested in mainland China recently	Local capital, outflow invested in mainland China in recent years	FDI	FDI
Union?	Yes	Yes. In 1999, workers in Taipei went on strike	Yes	Yes

We use Table 4 when we first visit a trade union. Below is data from the Taiwan-Atsugi Labor Union as an example.

Table 4 - Questionnaire for trade unions in auto industries

Basic data of this union

Name	Taiwan-Atsugi Labor Union
Address	No 556, Taiping E Rd, Pinghen city, Taoyuan county 324, Taiwan (ROC)
Tel/Fax	886-3-4509108 886-3-4504618
Scale of trade union	Total 138 men:women = 1:1 No of shop-stewards = 12 No of representatives = 30 Blue collar:white collar = 2:1
Date formed	26 December1987 (now is the sixth Board)
No on Board	12, including 3 in the Executive Board and 3 comptrollers
Note	Workers in Jhongli City plant went on strike in June 1987

Basic data of the company

Name	Taiwan-Atsugi Company Ltd
Address	556 Taiping E Rd, Pinghen city, Taoyuan county 324, Taiwan (ROC)
Scale of company	Total 152 Men:women = 1:1 No of migrants = 2 (from Thailand) Own 3 plants in Taiwan. No of managers = 16
Capital	35% from Taiwanese capitalists, 65% owned by Hitachi.
Capital invested	NT$550 million
Lay off situation and pay	Sep 2001, 50 blue-collar workers were laid off Dec 2002, 23 blue-collar workers were laid off Dec 2003, 6 white-collar workers were laid off. The latest group laid off group got the highest compensation - 10 months plus the standard ordered by Taiwan Labour Law.
Location of plants	Jhongli City (main plants), Pinghen city, Sanyi township, Miaoli county
Investment abroad	Shang-hi T-ATSUGI and, one new plant just decided locate at Huado, Guangdong, China this year.

Products

Engine parts, tyre-axle, transmission shaft of steering-wheel, stern gear, cushion

Note 1 The majority of the T-ATSUGI production supplies to Yue-Loong, which accounts for 70 percent of total output, Ford Lio-Ho Motor (10 percent) and Chung-Hwa Moter. The "Just-in-Time" supply to Yue-Loong has to be delivered on one-hour intervals, and on immediate demand. Therefore, a Sanyi Plant was opened in 2002 with 6 employees.

Note2 Because of this adjustment in production, lines in the Chung-Li plant were dissembled. Parts of them were transplanted to Shanghai and others to

San-Yi. Ho-Li, one important parts suppliers of T-ATSUGI making steering gear bearings, was originally located in Shu-Lin but now seems in the process of relocating to the Mainland.

Note3 From August, T-ATSUGI uses TPM (Total Productivity Maintenance) making work harder, and each worker must handle more machines.

Labour Conditions

Health & Safety	Labour Health & Safety Committee: 3 workers' representatives from board
Health Check	Once a year
Injury on the job	Ever happened? Yes Compensation: according to Labour Standards Law
Labour Education	By trade union once a year to educate members on labour laws, trade union organisation, and other social subjects
Job security Lay off Salary	In recent years, workers' number is less and less under lay-off policy in this company. No salary cut, but no salary increase in recent years.
Work time	Day shift Evening Shift Work time: 08:00 – 16:45 ; 15:00 – 23:00 Rest time: 10:00 – 10:20 ; 14:00 – 14:20
Salary:	Day paid: 5th and 20th day of each month Average: NT$32,850/month (total) Base pay: NT$760/day*30 day = NT$22,800 Base pay/Total salary: 0.702 (70.2%) Efficiency reward: NT$1,350/day when production at 80% Others: incentive reward, no-absence prize, food-subsidy Bonus: for Dragon Boat Festival – 10 days pay for Moon Festival – 10 days pay Yearly bonus – 45 days pay Overtime pay: according to Labour Standards Law
Leave	Annual: 14 days a year Sick: 30 days a year
Lay - off compensation	Better than the standard ordered by the Labour Standards Law.

Crises Taiwan Auto Workers face

Flexible working-time policy
Outflow of capital
More and more contract workers entering the industry
Threat of lay-off
Low organisation rate in parts factories

What labour NGO Ching-Jen does for auto workers

- Provides basic information on auto companies for local unions and labour groups abroad, to help labour campaigns.
- Educates domestic workers in the concepts about TNC operation and the global economy.
- Promotes the strength of grassroots organising, communication, and strategy-sharing among local unions to raise the effectiveness of collective bargaining.
- Advances international labour solidarity, to help the world workforce defend basic labour rights.

Restructuring of Hyundai Motor Company and the Union's Response

Hyundai Motors Workers Union

1. Restructuring at Hyundai after the Economic Crisis

After the boom with the sale of 1,310,000 cars in 1996, the Hyundai Motor Company (HMC), which enjoyed a stable increase rate in sales until 1995, started experiencing a decrease from 1997, with a rapid fall in value to two thousand billion won (US$1,702,758,175; US$1 = 1,175 won) in 1998. The rapid decrease in sales resulted from poor exports, which were caused by depression in international car markets beginning in the 1990s and worsened by the foreign currency crisis and the subsequent tight monetary policies in Korea. The foreign currency crisis and the subsequent introduction of neo-liberal economic policies by the Kim Dae-jung government significantly affected Hyundai's management strategy.

This paper examines the management strategy of the HMC by looking at three major restructuring areas:

1) corporate reorganising, which involves small grouping, globalisation, and introduction of a comprehensive flexible system;
2) utilisation of the labour force; and
3) trade union strategy.

Specialising in Car Making

Since the economic crisis, HMC management has focused on three major corporate restructuring policies.[1] First of all, HMC attempted to

separate itself from the parent Hyundai Group. Secondly it achieved large-scale expansion by acquiring Kia. In addition, it pursued specialisation within subsidiaries such as Hyundai Mobis that now specialises in component making. HMC aims to make the company into a world class quality car maker that embraces all aspects of car making, from making components to sales, with the Hyundai Car and Kia Car specialising in car production and the Hyundai Mobis specialising in components.

Hyundai and Kia aim to be the fifth biggest carmaker in the world by 2010. With the slogan 'Survival and Progress in the 21st Century through Innovation', they plan to strengthen competitiveness by developing environmentally-friendly and safety-first products, introducing popular major models, and pursuing corporate restructuring. In particular they will invest $7 billion in research and development over the next five years and unify the platforms into seven units by 2005.

The research and development departments of Hyundai and Kia were already unified in the Hyundai research centre in Namyang. With the $7 billion investment mentioned above, they aim to improve the quality of Hyundai products to that of US car makers within two years and then to the quality of Toyota and Honda in near future.[2] In addition to component and platform sharing between Hyundai and Kia, HMC will also co-ordinate production lines. Furthermore Hyundai and Kia have already achieved a unified management system by establishing five headquarters to manage (except finance and sales) product development, marketing, component supply for after service (A/S), resources management, and technology. According to *World Car Statistics 2000* published by the Korea Automobile Manufacturers Association, total output of Hyundai and Kia reached 2,480,558 (Hyundai: 1,584,074, Kia: 896,484), ranking HMC as a whole at ninth among world car makers (Hyundai: 11th and Kia: 15th).

By transferring component production to Hyundai Mobis, Hyundai and Kia are preparing for 'module production'. In 1999, car and machine tool production of Hyundai Mobis was separated from Mobis and taken by Hyundai. Hyundai Mobis, after taking over the component business for A/S from Hyundai and Kia, has specialised in components with 13 logistics centres, 17 component branches, and 30 component centres all over the country. To become one of the world's ten

biggest car component makers by 2005, Hyundai Mobis, which renamed itself in October 2000, seeks joint ventures in technology, skills, strategy, and development with overseas companies. Moreover, it plans to renovate the testing facilities in research institutes, build a new examination site, and employ more researchers by 2004.

Globalisation

The globalisation of management is another Hyundai strategy in response to the changing international car industry and market. Since the late 1990s, this strategy has been achieved by accelerating alliances with foreign companies and building plants abroad. In 2000, Hyundai started developing an alliance with Daimler-Chrysler in an attempt to survive the rapidly restructuring international car industry. This alliance co-operates in developing platforms for all models, reducing production costs through sharing component supply chains, running exchange programmes for managers, developing instalment car finance through Hyundai Capital, and running a joint venture for transmission systems. Hyundai sold 10 percent of its shares to Daimler-Chrysler. This alliance will continue for 10 more years. Furthermore, Hyundai and Daimler decided to establish a joint corporation by separating from Hyundai over 2.5 ton large- and medium-size car businesses, including the Jeon-ju plant with an annual production capacity of 100,000 cars, and push forward co-operation in development, production, and marketing of large- and medium-size cars. By gradually expanding the production size of the Jeon-ju factory to 120,000, 150,000 and 200,000, they plan to occupy 30 percent of the Asian market in the long run. For small commercial cars, the two companies will develop 'original equipment manufacturer' production, use a common brand for overseas sales, and share technology, components, and engines through importing and jointly developing them. A triangular alliance with Daimler-Chrysler and Mitsubishi is also developing, beginning with a joint venture called 'global engine alliance' for research, development, and production of passenger car engines. The globalisation strategy is also reflected in the financial structure of Hyundai. In 2001, Hyundai Mobis, Daimler-Chrysler, and Mitsubishi owned 10.99 percent, nine percent, and 5.98 percent of Hyundai's total share respectively. Meanwhile Hyundai is investing in Kia (49.65 percent of total share).

In addition to alliances with foreign companies, Hyundai focuses

Table 1 Relationship between Hyundai and Daimler-Chrysler

	Hyundai-Kia	Daimler	Chrysler
Specialisation	Cheap small- and medium-size cars and trucks; small recreational vehicles	Large trucks; luxury cars	Small trucks and cars, small vans, sports utility vehicles
Main market	¾ of total Korean products; developing countries (importing to 180 countries)	Europe (63%), NAFTA region (17%); relatively strong market dominance in newly developing Asian and South American countries	North America (95%), Europe (3%) Weak in overseas sales
Management characteristics	Firm domination of the Korean market; cheap development and production; geographical advantage in the Asia-Pacific market; Weakness: Quality, luxury product, various technologies and components	Luxury car image; good quality and sales ability in large-size trucks; environment, safety, electronic technology, and quality Weakness: poor price competitiveness	Better price competitiveness; managerial capacity for components suppliers, and well organised production lines, in comparison to Daimler Weakness: Competitiveness in luxury cars and large size trucks, products composition of small cars, engine and transmission for small cars, and overseas sales network

Source: Cho Seong Jae (2000), Background and Significance of the Hyundai-Daimler/Chrysler Co-operation, Korea Automobile Research Institute

on diversifying export markets and establishing overseas production lines. Above all, it seeks to extend exports from US to Asian markets. For example Hyundai Motor India, established in October 1998, appears successful achieving 100,000 aggregate products in May 2000. In September 2000, Hyundai took managerial authority over its Chinese partner by increasing its share to 50 percent, and subsequently increased annual production capacity to 25,000 units. In December 2000, seeking diversified exports and dominance over the Chinese market, Hyundai founded the 'Greater China Headquarters' to maintain markets in China, Taiwan, Hong Kong, Macao, and Mongolia. Also it has been exporting Mighty II to Indonesia through KD (knock-down means unassembled sets of parts for assembly at an overseas destination) since November 2000, aiming to export a total of 15,000 units. Hyundai started

building a factory with 300,000 units annual capacity in Alabama, US in 2002 while exports to US increased.

Establishing a unified flexible system: modularisation and platform unification

Based on the principle of 'unified flexibilisation', HMC seeks to realise modularisation and platform unification. First of all, to promote specialisation in Hyundai Mobis' component production, HMC unified the small sectors of component production in Kia and bought several component makers, merging them with Hyundai Mobis. In the long run, HMC plans to reduce the number of direct suppliers of components to 100 to 200, by supporting large and high quality component suppliers. It especially seeks to open component markets to overseas companies and thereby globalise its component-outsourcing network. Also, to encourage competition among component suppliers, Hyundai helps Mando Machinery specialise in component making. It is expected that the existing 640 component makers will be reorganised into three groups: primary component makers, module suppliers, and secondary co-operating firms.

The essence of the plan to reorganise component suppliers is the production of modules, which are large assembled sets of components.[3] Modularisation simplifies assembly by decreasing the number of components. Furthermore, because of easier assembly, it allows quality improvement and standardisation which consequently improve the effectiveness of assembly as a whole; also it saves production costs because it allows assemblers to transfer the process to supplier factories utilising cheaper labour. Likewise, it reduces time in developing new models by enabling the simultaneous development of products based on the module units and thereby removing unnecessary processes. Finally, because module supply companies concentrate only on the production of modules of particular components, the price of components can be reduced. In this way, it is expected that the future rearrangement of component suppliers will depend very much on module production as it is believed to bring a decrease in costs, improvement in quality, and the flexibilisation of production as a whole. Hyundai Mobis started module production in October 1999. Mobis focuses on chassis and cockpit module and plans to extend module production. To do so, the company decided to firstly increase the staff in the 'module development

team' from 30 to 100. However, so far module-based production in Korea has been limited to reforming component logistics and reducing a few steps in components assembly, mostly because module development capacity in small- and medium-size component suppliers is very limited. In this context, Hyundai Mobis will play an important role as a transmission belt between final assemblers, such as Hyundai and Kia, and component suppliers.

What is closely related to modularisation and has significance in the 'unified flexible production' is platform sharing or unification. Platform sharing means that different models can be produced on the same production line, sharing a basic structure including chassis, cockpit, driving seat, and fuel system. This allows carmakers to produce different models at the same time and increase flexibility in reacting rapidly to changing market trends and production without extra investment. Sharing platforms reduces costs also by reducing investment in component development and saves money by large-scale purchase of sets of components. By doing so, Hyundai expects to save between 600 and 1,500 billion won. Hyundai and Kia will reduce the number of platforms to seven by 2004.

Flexibilisation of labour

HMC began the flexible utilisation of labour in the early 1990s by freezing recruitment and decreasing regular employment by increasing outsourcing and subcontracting. Hyundai opened new factories and merged other carmakers from the 1990s. Instead of hiring new employees formally, it has relocated some formal workers. When expansion necessitates recruitment, HMC utilises irregular workers.

Suffering from a decreasing operation rate during the economic

Table 2 New factories, mergers, and acquisitions of HMC

Date	Factory	Capacity
1990.10	Ulsan No. 3 plant	250,000 units
1995.10	Jeon-ju plant	100,000 units
1996.11	Asan plant	300,000 units
1999	Acquired Kia and Kwangju factories	
2000.8	Integrating car making sector at the Hyundai Mobis	

Source: Hyundai Motor Company

crisis, HMC sought to solve the problem by mass retrenchments. While the trade union was negotiating with HMC in the 'Joint Committee for the Employment Stability', management retrenched 2,380 workers through voluntary and non-voluntary retirement from 1 Jan to 23 April 1998. Again, management submitted to the employer-employee council a suggestion for overcoming business difficulties and resolving the problem of redundant labour, arguing that HMC had to reduce 46.74 billion won from labour costs to complement a 40.6 percent decrease in production. By July a further 1,252 were dismissed. On 16 July the company dismissed 2,678 workers and forced 900 workers to take an unpaid two year lay-off.[4] On top of this, it informed the union that there would be an additional 6,842 retrenchments if it would not accept a 23.8 percent wage cut. Although total 8,194 workers had been sacked by the end of July 1998, management still insisted on reducing the workforce further, provoking union protests. After a general strike, the union and management announced the 'Agreement for Employment Arrangement and the Harmony of Labour and Management of the Hyundai Motor Company' on 23 August 1998, in which the two sides agreed to retrench 277 and an unpaid one and a half year lay off for 1,261 of 1,538 workers who had been notified of dismissal.

It is important to note that the mass dismissals were not because of managerial difficulty as the company claimed, rather they were in line with HMC's employment strategy, which had developed throughout the 1990s. In 1997, although business was relatively stable, the company argued that it had 5,000 surplus workers, provoking worries about job-loss among the workers. Furthermore, HMC ignored the collective bargaining agreement on the extension of retirement age. The economic crisis offered a timely excuse for management to carry out mass retrenchment, with which the company was able to start tough restructuring. The mass dismissals contributed to weakening trade union.

Apart from mass retrenchment, outsourcing and subcontracting were major tools for further flexibilisation before and after the retrenchment. In 2000, the union leadership and management agreed to employ subcontracted workers with a maximum rate of 16.9 percent of the total workforce. For the union leadership, a certain degree of expansion of subcontracted workers seemed not necessarily harmful to the workers because they believed that those 'flexible' workers could reduce the

impact of the unstable economy on its membership.

But there were problems in the agreement:

• First, the agreement was about the rate of subcontracted employment in Hyundai, not the portion of subcontracting in Hyundai's business. The employer could extend subcontracting in ways other than putting subcontracted workers onto main production lines. In the Korean car industry, there is a clear subcontract relation between component suppliers and assemblers; it is easy to outsource certain parts of production, instead of having subcontractors on main production line.

In fact, since the late 1980s, production processes have been increasingly outsourced, a policy that has not been limited to minor and secondary production. It is expanding to main production lines, including final assembly. Under this situation management is, thanks to the agreement on the rate of subcontracted workers in Hyundai, free from any barriers to extend outsourcing and at the same time, could justify officially sustaining a sizeable level of subcontracted labour on main production lines. Without clear agreement upon the level of subcontracting, agreement about the rate of subcontracting intensifies job insecurity.

• Second, it should be pointed out that the '16.9 percent' is applied to Hyundai as a whole, enabling management to reorganise labour production quickly in response to the market situation. Management can easily relocate labour to lines that produce popular models. It is even possible to run a production line only with subcontracted workers as long as they keep to the 16.9 percent in Hyundai as a whole. This is a serious threat to the union because it enables the employer to keep producing during strikes and other industrial actions, not to mention that it can make union activists redundant through relocation.

• Third, the way of calculating the rate of subcontracting can be questioned because it does not include seasonal subcontracting. In the Ulsan factory, the number of subcontracted worker was 2,000 in January 1990, but increased to 3,700 by November 1995, and to 4,700 in October 1996, accounting for up to 15 percent of the whole labour force. Therefore in practice there are a lot more than 16.9 percent subcontracted workers among total employees. According to interviews conducted by the union, especially on assembly lines where workers testified that there a lot more. Furthermore, seasonal subcontracted workers can be

very mobile and put into various lines, including production lines stopped by union. Worse still, it is common to extend seasonal subcontracts.

After overcoming the crisis, HMC agreed to return to the production line workers laid off without pay earlier than initially planned. However, it does not mean changes in the management policy. As one can see from Table 3, the company is still trying to solve labour shortages by rearranging the existing regular workers or having more subcontracted workers, rather than employing new regular workers. In other words, it seeks to reduce the number of regular workers by expanding irregular and subcontracted labour.

Table 3 Recruitment Plan for 2000

	Ulsan Factory	Jeonju Factory	Total
No. workers	856	76	932
Reason	Factory 2: SM promotion and increasing demand Factory 3: increasing demands for XD Factory 4: increasing demand for large trucks	Large trucks: material increase Medium bus: material increase	
Supply Plan	Second recall of discharged workers (73 of 133) Subcontracted workers Considering relocation of regular workers		

Source: Hyundai Car Company

Table 4 Change in the Production Labour of the Hyundai Car

	2000			2001		
	No. union members	Subcontracted *	Total	No. union members	Subcontracted	Total
Ulsan	18,856	2,352	21,208	19,004	3,271	22,275
Jeonju	1,826	576	2,402	1,829	544	2,373
Asan	1,650	594	2,244	1,602	669	2,271
Total	22,332	3,522	25,854	22,435	4,484	26,919

* excluding seasonal subcontractors

Source: Hyundai Motor Company

Management's endeavour to reduce the regular workforce is now clear; while the size of regular labour is steady, the rate of irregular labour is steeply increasing.

Considering that production scale is increasing continually and does not include seasonal subcontracting, the real number of subcontracted workers is many more than the numbers above.

2. HMC overseas investments and problems with moving capital: *Decreasing domination over the domestic market and the slowdown of international car sales*

The domination of Hyundai and Kia Car in the domestic market decreased from 75.2 percent in 2001 to 67.1 percent in 2002. Worse still, as other makers are recovering quickly and more and more foreign cars are imported, it is expected that Hyundai's market domination (including Kia) will be a mere 63 percent in 2005 and 52 percent in 2010. The emergence of GM-Daewoo and the expanded production of Renault-Samsung Motors (500,000 units per annum), are the main threat to Hyundai and Kia. Also international car experts including the Autopolis, an international car industry research institute, predict that there will be no big change in demands in the big three regions (North America, Europe, and Japan) before 2010. Besides, in the North American car market (US, Canada, and Mexico) that constitutes 30 percent of the world market, major car makers, such as GM, Ford, and Daimler-Chrysler are suffering from poor sales, largely because of 9 11 and the War on Iraq causing delay in economic recovery. In the meantime, the international car industry is undergoing massive restructuring due to 20,000,000 units of over capacity and the economic depression. It is expected that in all major markets except China and Asia, the car industry will slow down.

Hyundai's overseas capital movement will inevitably cause deindustrialisation in Korea

The Korea Chamber of Commerce and Industry expects deindustrialisation in the manufacturing sector in the coming four to five years (49.5 percent) and in five years (40.7 percent). Although for business a survival tool is to select more profitable places in terms of labour cost, interest, location, taxation, and tariffs, it still breaks the industrial basis of the national economy. Many economists argue that

10 years of economic depression in Japan originates in the mass movement of domestic industry. As Hyundai has huge influences on the national economy, the problems arising from overseas investment need to be discussed not in terms of individual corporations but as a problem of national economy. Therefore, decisions regarding relocation of capital should be agreed with trade unions and discussed at national level.

Influence on the Lives of Union Members

Hyundai exported 53 percent of its products in 2001. If production of some models moves overseas, exports reduce and the reduction of domestic production must follow. Also, it causes employment instability and reduction of working hours, thus threatening trade unions.

Overseas investment will cause a crisis of financial mobility due to increasing financial costs at HMC

Hyundai is jointly investing with US and Chinese corporations; Kia is investing thousands of millions of dollars in Dongfeng Yueda Kia. Hyundai Mobis, investing tens of millions of dollars in large module factories in the US and China, is investing massively in order to achieve the GT-5 (project name for Hyundai's global business strategy) of the HMC. In particular Hyundai Car has reported to the stock market that it will launch a new investment of 151 billion won and 126 billion as guarantee extension, increment of the guarantee, and grant guarantee. Additionally, it made a new investment of 126 billion won in the form of grant guarantee on the existing investment of 880 billion won (1,472 billion won in total) to Hyundai Motors America in Los Angeles. Plus, there is $1 billion for the Alabama plant and another $1 billion for the China factory; total investment in the overseas market by the HMC is becoming too large to imagine. When the construction of US and Chinese factories is completed, direct overseas investment will be over 3,000 billion won.

It is not difficult to find disastrous cases of over-investment; when Nissan, second of Japan's biggest carmakers, sought to globalise management, it over-invested unlike Toyota. As a result, it was left with $17 billion debt, and its decision to build a grand factory in Smyrna, Georgia, US was a failure. Over-investment and poor decisions led to Nissan's acquisition by Renault. In Korea, we witnessed the disastrous result of Daewoo's global management when Hyundai's investment failed in the Bourmont factory, Canada. Hyundai, rather than recklessly

expanding overseas investments, should focus on developing competitiveness against advanced carmakers. One of the worst results from the state-led economic development was that the nation should shoulder financial losses caused by bad management and unwise investment expansion. The problems made by carmakers such as Daewoo, Kia, SSangyong, and Samsung were normalised only after investing a lot of public finfance, burdening the whole national economy. Risky business should no longer be a burden of the people.

Is global strategy realisable?

Hyundai plans to sell 250,000 - 300,000 Santa Fe and NF models from its American factory. This means that 300,000 domestic products need to be sold in other than the American market. The price competitiveness of Hyundai cars is also under threat. It is said that the North American models (EF Sonata, NF) cannot keep the price as low as domestic products. After all, the company cannot make profit without making the price almost as high as major carmakers. Thus, the company needs to focus on marketing quality. However, many are sceptical about whether Hyundai's quality strategy will turn out successful or not. The essential element in the high quality strategy is the brand image, but the reality of Hyundai quality according to a recent report is that its products do not even have above-average durability. HMC plans to sell 1,000,000 cars by 2010 through co-operation with Bijing Locomotive (for the Hyundai Car) and with Dongfeng Yueda Kia (for the Kia Car). Simply put, plans for the Chinese market appear unrealisable. Considering that the size of the Chinese car market is about 3,000,000 to 3,300,000, this unrealistic plan intends to occupy almost 30 percent of the Chinese car market. The number of vehicle makers operating in China in 2000 was 118 (21 for motorcar). Volkswagen occupied 53.4 percent, whereas Toyota, Citroen, Suzuki, Honda, and GM share the rest. It is impossible for HMC to sell 1,000,000 cars in China.

Advanced car makers are planning to dominate American and Chinese markets, especially Toyota, which supplies 10 percent of the world car market, plans to expand to 15 percent by 2010, becoming second following GM.

The globalisation plan will also accelerate the deterioration of small- and medium-size domestic component suppliers. Hyundai, Kia, Hyundai Mobis, and Mando are shaking the domestic component market by in-

troducing a global component supply strategy. This is a clear threat to small- and medium-sized component makers in the domestic market. The global plan of Hyundai needs to be re-examined.

3. Union Strategy against the globalisation plan

We need an equal relationship with the management. However, in the process of the current overseas investment and capital movement, the trade union has not been able to participate, regarded as a passive group to be reported to later about developments. We cannot keep silent any more as the above processes will bring deindustrialisation to the national economy, breakdown of the domestic component industry, and crisis in the lives of trade union and union members of Hyundai. The union's request to participate is recognised in the collective agreement (CA) made with management: Article 29 Clause 2 says '... upon a plan making big influences in the employment stability such as business expansion, augmentation, movement of factories, separation or transfer, the management needs to first report to the union and make a labour-management committee to discuss and decide the matter'. Based on this, the trade union needs to safeguard its participation in decision-making regarding overseas investments of HMC.

Union's right to regulate capital overseas investment

Overseas investment of Hyundai and Kia Car and Hyundai Mobis is growing. The decision making process regarding Hyundai's overseas investment is led by CEO Jeong Mong-gu and a few people at the upper executive level. Overseas investment of Hyundai can critically influence the national economy. Now, the trade union needs to be involved in its regulation. Regulatory rights should include:

- Examination of overseas investment and decision on the cost of it
- Decision on investment plans for domestic factories
- Examination on the investment rate of domestic and overseas capital, production size, and types of products
- Decision on the priority of closing down overseas production in case of economic depression
- Decision on the establishment of a tripartite agreement body of labour, management, and state regarding the development of the domestic car industry and protection from deindustrialisation
- Decision on the distribution of profit from domestic and overseas business

- Decision regarding the basic rights, including pay, welfare, and life long employment decided by joint agreement
- Decision on the application of management responsibility to the executive team
- Decision on the social and local responsibilities of the company
- Decision on the establishment of the social (philanthropic, welfare) funds

It is important for the union to secure lifetime employment, pay, and welfare of union members amid the increasing relocation of capital. The employer has been accelerating relocation of capital without resolving problems at home. Given the fact that car markets will not expand to a large extent, the increasing production of models in overseas factories will directly reduce domestic production in Korea, thereby causing insecurity about employment, and reduction in pay and social welfare consequently threatening the basic rights of union members. Thus, while the union strategically focuses on protecting lifetime employment, pay, and social welfare in the process of overseas investment, it also has to develop methods to reinforce the union and empower members.

Union Strategy

Firstly, the union needs to have clear strategies for handling industrial disputes and identify the core subjectivity of struggle. Given the fact that Hyundai, rather than Kia or Mobis, drives the relocation of capital, it is important for the Hyundai union to initiate discussion. The union needs to draw up a concrete strategy and direction, in order to empower rank-and file-workers and consolidate surrounding groups. The union will request a tripartite discussion to resolve the problems of the domestic car industry as a whole, including deindustrialisation and the threat to basic union rights, on the basis of a social agreement between labour, management, and the government. In order to organise effective protest against deindustrialisation, we need to seek solidarity with social democratic groups and pressure HMC and the government. On the matters of employment, pay, and social rights of the union members, we should seek solidarity with the metalworker's union, unions of other Hyundai subsidies, labour groups in the Ulsan area, and NGOs to exert effective pressure on the company. The most important thing is to strengthen internal cohesion among union members. It has been

pointed out that members of the union do not feel that problems caused by overseas investment are so serious. It is important to overcome this before starting the campaign. We need to organise education programmes for union members and promote debate in union newsletters, thereby enabling members to actively participate in the struggle. Co-ordination among different companies in HMC is also important. An emergency committee of Hyundai, Kia, and Hyundai Mobis labour representatives should be organised quickly. This could be the headquarters of struggle against irrational overseas investment, and also be responsible to negotiate with management regarding overseas investment, with full support from each union. To overcome possible conflicts between the three parties regarding the direction and strategy of the campaign, they would need to develop common requests, common struggles, common actions, common responsibilities, and common solutions, through joint education programmes for union leaders, joint press conferences regarding the problems of overseas investment by HMC, and publish joint reports. We should take advantage of union rights guaranteed in the collective agreement for the union to participate in decision making on capital movement. We should also make use of all communications channels, such as the emergency committee.

Annex

Report from the special committee organising the unorganised: regarding the 'joint campaign committee of workers in parent and subcontracted companies'

The special committee notifies on strategy or organising subcontracted worker as follows:

We will confirm the organising strategy for subcontracted workers in a special delegate conference after finishing the 2003 collective bargaining. In the conference, we have to:

Define collective opinion from delegates in HMC regarding the plan to revise union rules in order to accept subcontracted workers.

Plan to organise 'Joint Campaign Committee of Regular and Subcontracted Workers' in each workplace and department, in order to respond aggressively over employment security.

Confirm the schedule to revise union rules before Annual Conference in 2004.

The committee aims to put into practice the decision made by the

special committee for organising the unorganised, while regular workers' union and irregular workers' union develop solidarity programmes as equal partners. Through organising a solidarity campaign, we will try to reduce differences between regular and irregular worker and respond together to the union-busting attempt from Hyundai and subcontracted firms.

Notes

1 In 2003 HMC consisted of Hyundai Car, Kia Car, Hyundai Mobis, HYSCO, Hyundai Capital, Hyundai Aviation, Autoever.com, and EHD.com.

2 Especially to overcome the complaints from the American market regarding the noise of engine and brake, HMC will seek to minimize the noise problem. Also, Hyundai plans to introduce a ten year quality guarantee.

3 To develop unified flexible production on the basis of modularisation, it is necessary for different models to share same platform. This allows carmakers flexible application of chassis and components from one model to another.

4 Lay-off is used for a particular meaning – that laid off workers can expect to return to work – usually one or two weeks later because of industrial problems causing temporary stoppage of production. C.f dismissal/termination.

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