Decentralised bargaining in the Australian automotive assembly industry

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ABSTRACT

This paper examines the evolution of enterprise bargaining in the automotive assembly industry in Australia since the early 1990s. Although there has been a general trend towards greater variation between the four companies in the vehicle assembly sector, strong similarities have persisted in areas such as wages, working hours and redundancy provisions. However, differences are emerging in wage rates between the most and least profitable companies as well as in the use of contract employment, bargaining structures and consultation arrangements at the plant level. As the industry continues to adopt new strategies in order to remain viable in an internationally competitive market, this is likely to create pressures for greater differentiation between the companies in their employment relations and practices in the future.

Introduction

The automotive manufacturing industry has played an important role in the development of the Australian economy. It is one of the largest sectors in manufacturing, accounts for approximately one percent of gross domestic product and is among the most significant export industries in the Australia (DITR, 2003). The sector compromises several hundred component suppliers and four vehicle assemblers – Ford, Holden, Mitsubishi and Toyota – the first two being American-owned and the latter two being Japanese-owned. The sector has undergone considerable change over the past two decades. It has been subject to economic, political and institutional pressures from global, national and local (i.e. plant) levels, which have led to structural reforms. The introduction of enterprise bargaining in the early 1990s as the primary regulatory mechanism of wages and conditions in Australia has been one such reform.

This paper examines the evolution of enterprise bargaining within the automotive assembly industry in Australia since the early 1990s, and its consequences for employment conditions and industrial relations by examining the extent that change has occurred within and between firms in the sector. In this study, a content analysis was conducted of all of the enterprise bargaining agreements that have been certified since 1992 for the Ford, Toyota, Holden and Mitsubishi assembly plants, the two Adecco agreements that have been certified since 1999 covering Mitsubishi employees, as well as the enterprise awards of the four automotive assemblers since 1988. The analysis entailed coding the clauses of agreements and awards according to the framework used in a previous study (see Kitay and Lansbury 1997).

Some adjustments were made to this framework in accordance with structures associated with enterprise bargaining in Australia, resulting in the incorporation of an additional category to that used by the MIT group and minor modifications made to the other five classifications. This resulted in the content analysis being structured around the following broad headings, each of which encompass various sub-categories: bargaining structures and union arrangements, work organisation, pay and remuneration, skill formation and development, staffing and job security, and governance and production systems. The findings were presented to a number of employer and union officials in the industry, who provided feedback regarding the actual operations of agreements and awards in the workplace and the industry, which were incorporated into the analysis. Before the results of the content of enterprise agreements and awards are discussed, it is necessary to outline the reforms that have led to its introduction and development.

The changing characteristics of the automotive industry in Australia

The Australian automotive industry developed with considerable assistance from the federal government, particularly through tariff protection. After 1945, there was an urgent need to build new industries in order to compensate for the low production of goods and services during the war years and to generate employment growth as a result of the federal government's expansionary immigration programs (Brett 2003: 169-170; Byrt 1990: 178). After two decades of relative stability and protection from overseas competition, the early 1970s saw the automotive industry fall in its competitive position, as it was not able to adjust to the rapidly changing and increasingly competitive global industry. From the early 1980s onwards, successive Australian governments sought to reform the industry to make it more efficient and reduce its dependence on tariff protection (Bulbeck 1983: 232; Fagan and Webber 1999: 124-128; Lansbury and Baird 2002: 103). The problems of survival for the industry in Australia have been exacerbated by the world-wide over-production of motor vehicles.

The scale of automotive production in Australia is small by world standards and the number of units produced has declined, on annual basis, from approximately 376,000 in 1990 to 360,000 in 2002. While there was a significant increase in earnings from exports, from $A1 million in 1990s to almost $A5 million in 2002, the cost of imported vehicles grew from $A5 million to $A18 million during this period. This was largely due to the share of total sales of imported vehicles within Australia, which grew from 31 percent in 1990 to 60 percent in 2002. Conversely, locally produced units fell from 69 percent to 40 percent during this period. Several factors influenced these trends, including the abolition of import quotas, reduced tariff protection for local manufacturers, changes in market share by segment and lower relative prices of imported vehicles. Much of the sales growth has been in the small car segment where market share of imports has risen by 25 percent in the mid 1980s. Domestic producers have largely concentrated their production on the upper median segment of the market where they have remained dominant.

The relative share of the vehicle market in Australia since the early 1990s has declined for all local assemblers except Toyota, which accounted for almost 25 percent of all vehicles sold in 2002. The decline in Mitsubishi's share of the market has been so severe that its long-term viability (under its new owner Daimler Chrysler) continues to be uncertain after one of its plants was closed in 2004. Not surprisingly, the assemblers in Australia have experienced relatively low levels of profitability for a number of years. Yet significant improvements in the profit performance of the assemblers in Australia between 1999 and 2002 provided some grounds for optimism. This was partly due to major investment by Toyota and Holden in new plant and equipment and expenditure on research and development.

Yet a survey of Australian assembly plants by the International Motor Vehicle Program in the 1990s revealed that they were in the lowest automation category and there was a major 'automation gap' between Australian plants and those in Japan, where comparable vehicles required only half the amount of time to assemble (see MacDuffie and Pil, 1997). The number of vehicles produced per employee at Australian plants rose from 10.8 to 16.1 in the first half of the 1990s but was only 16.8 by 2002. With new investment in plant and equipment and model rationalisation, productivity levels can be expected to increase, but the relatively small size of plants and production runs in Australia are likely to limit the degree of productivity improvements.

Changing employment relations in the Australian automotive industry

Employment in the Australian automotive industry has remained around 63,000 between 1991 and 2001, with some fluctuations during the decade. However, the number of employees in vehicle manufacturing has fallen while those employed in component manufacturing has increased since the mid-1990s. The reduction in employment has mainly been achieved through voluntary redundancy programs negotiated between the employers and the unions. The employers have preferred to either implement voluntary systems of redundancies or to reduce employment by not replacing employees who leave. There has been little industrial disputation over workforce reductions and the unions have focused mainly on negotiating higher redundancy payments. However, disputes in the industry as a whole have been increasing since the late 1990s as employers seek to achieve greater labour flexibility and productivity improvements through enterprise bargaining, although such disputes have been largely stemmed from the components industry. But according to officials in the assembly sector on both the sides of management and the unions, relations between the parties are amicable and better than those in the automotive components sector.

The trade union that covers most employers in the automotive industry is the Australian Manufacturing Workers Union (AMWU). The current organisational form of the AMWU was achieved in 1995 through an amalgamation of several unions, which had members in the automotive and other industries. While there are several other unions covering clerical workers and electrical tradespersons, the AMWU represents about 90 percent of unionised employees, with its Vehicle Division covering around 70 percent of award employees in the sector. Among the vehicle producers (and large component suppliers) there is almost 100 percent union coverage below the managerial levels of the workforce, with the exception of clerical employees.

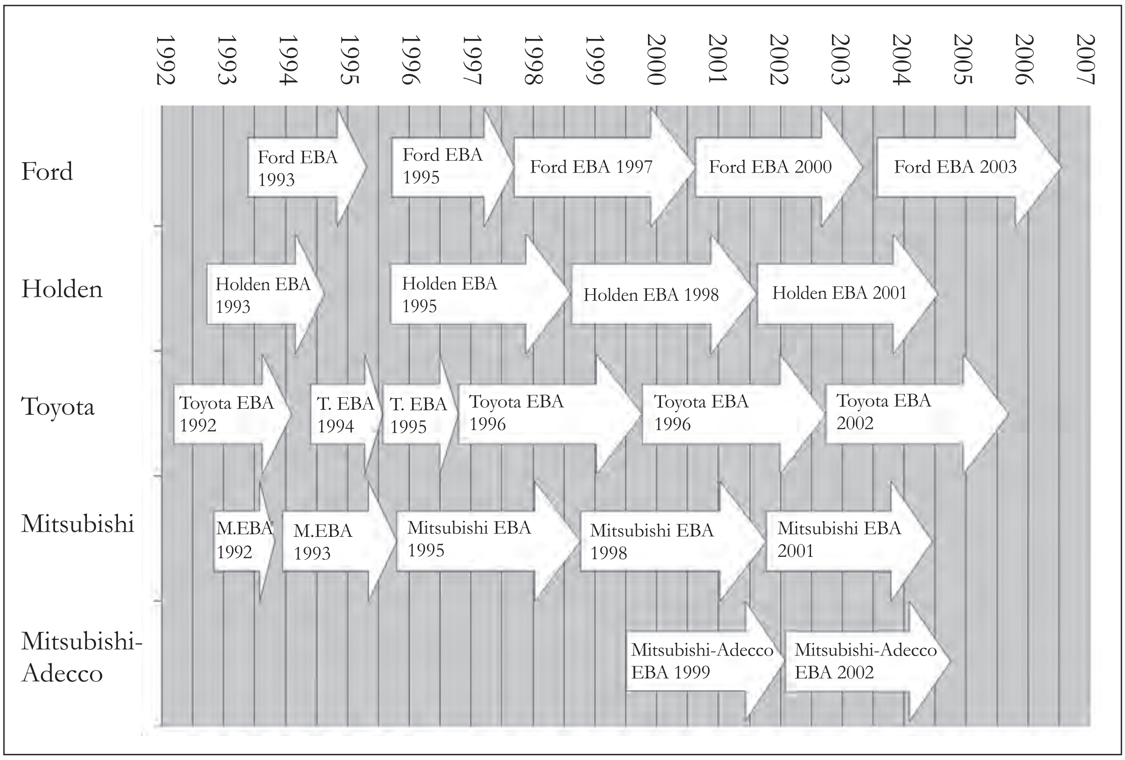
Enterprise bargaining in the automotive assembly industry

BACKGROUND: Since 1991, both Labor and Liberal-National governments have encouraged enterprise bargaining, marking a major shift away from a more centralised approach to industrial relations (see Kitay and Lansbury, 1997). Although there has not been an industry-wide award in the automotive sector since 1973, there is still a high degree of coordination between employers. The trend in the 1990s, however, was towards decentralised enterprise bargaining, whereby employers conducted separate negotiations with the unions and concluded agreements which were specific to each company.

The vehicle assembly sector is unique in that a form of quasi-enterprise bargaining was introduced in the 1973 through the use of company (or enterprise) awards for each of the main assemblers when they moved away from the industry-wide award. The content of these early enterprise awards largely remains in the contemporary agreements but, according to the AMWU, some provisions that have not been incorporated within EBAs have simply continued as custom and practice. The general features of the agreements have remained similar, particularly in regards to wages and conditions of work, but characteristics unique to each enterprise remain.

As shown in Figure 1, the companies have negotiated agreements of varying duration and at different starting and finishing times over the past decade. To gain a more detailed understanding of bargaining in the industry, the EBAs for each company have been analysed in regard to the following features: bargaining structures and union arrangements, work organisation, pay and remuneration, skill formation, staffing and job security and governance and production systems.

FIGURE 1
Periods covered by enterprise bargaining agreements since 1992



BARGAINING STRUCTURES AND UNION ARRANGEMENTS UNDER EBAS: One of the main changes since the introduction of enterprise bargaining has been the presence of clauses in agreements that affirm the commitment of the parties to the collective bargaining process. This became more important to the unions in the sector following the passage of the *Workplace Relations Act 1996* which contained provisions for individual, non-union employment contracts, known as Australian Workplace Agreements (AWAs) that can replace awards and enterprise bargaining agreements, however only the Ford and Holden EBAs specifically exclude the use of AWAs.

In 1999, Mitsubishi introduced a new employment arrangement when it entered into agreement with the AMWU and a labour hire firm, Adecco, to enable the company to hire 'variable temporary labour'. Adecco thus became the employer of these workers rather than Mitsubishi. This strategy was enacted by Mitsubishi after the company warned the AMWU that unless labour flexibility was able to be utilised, it could result in the parent company closing its Australian operations. While the AMWU acquiesced to Mitsubishi's wishes on this issue, the union has been able to resist similar measures being introduced by the other three assemblers. An additional agreement was negotiated between Adecco and the AMWU three years later to cover 'variable temporary labour, casual and weekly hire' workers. However, Adecco agreed not employ anyone under the terms of an AWA without consulting and gaining agreement from the AMWU.

There is a high degree of similarity between Holden, Ford, Mitsubishi and Toyota regarding provisions contained in their EBAs that relate to union rights and responsibilities. When a provision is included in an EBA by one company, such provision will often 'flow on' to other companies in the next round of bargaining. This is illustrated by the issue of training leave. However, there is still some variation between the companies. Hence, although each of the current EBAs provide for the recognition by the company of the unions and their representatives, there is considerable divergence in the content of such clauses. In regard to the issue of right of entry for union officials, for example, there are differences between the four assemblers. Mitsubishi and Adecco have more carefully-phrased clauses which could be interpreted as placing greater restriction on officials, while Toyota and Ford are silent on the matter. But according to managers in the sector, Mitsubishi and Holden are more accommodating as far as right of entry arrangements are concerned, especially in comparison to Ford and Toyota, where a 24-hour notice period is strictly enforced.

WORK ORGANISATION: Some of the key areas of change in work organisation during the past decade are reflected in the auto assemblers EBAs. However, a wider range of changes have been introduced than simply those which are specified in the EBAs. Most references to job structures and definitions are found not in EBAs but awards. This may be explained by the fact that classification of employees and skill-based career paths still remain allowable award matters under the *Workplace Relations Act 1996*. There have been significant changes to job structures and demarcation in the automotive industry in recent years, from 240 job classifications in the award, to only three non-trade levels and six trade levels. From 1988 onwards, all awards contained new classification structures setting out the job requirements, broad definitions, required competencies, qualifications, general duties and responsibilities for all technical, supervisory, clerical, non-trades and trades classifications, as reflected in the 1988 Toyota Award. Whilst there are numerous differences in the various EBAs of the four motor vehicle manufacturers regarding job structures and demarcation, these are only relevant to peripheral issues.

There is variation as far as the implementation of team work is concerned, which is consistent with the findings of Bamber and Lansbury (1997: 91-92) that 'there were differences in the conception and application of teamwork at different plants'. Holden have implemented 'work groups' while Ford have introduced 'natural work groups' and 'integrated manufacturing teams', which involve non-trade and trade employees working together as part of a cohesive work group. Mitsubishi do not appear to have implemented any comprehensive form of team work, but at Toyota, it has been included as part of the continuous improvement/kaizen and Toyota Production and Management Systems processes in its EBAs since the mid-1990s.

The hours of work provisions are very similar between the four auto assemblers and there have been only minor variations in these conditions over time. A 38-hour week and a 19-day month are standard throughout the industry, although some of the companies, such as Mitsubishi, have implemented a nine-day fortnight in designated parts of their operations. There are also slight differences between the companies in the provisions for employees to take flexible rostered days off. A number of the most recent enterprise agreements allow for the possibility of introducing more flexible shift arrangements through consultation with unions and employees. Holden has capitalised on this arrangement by introducing a third shift, allowing the company to maintain continuous, 24-hour production.

PAY AND REMUNERATION: As noted previously, the past decade has seen a movement away from a centralised approach to determining wages and conditions through awards to agreement making at the enterprise level, in both the federal and state jurisdictions. Although there are similar wage rates for assembly workers across the industry, growing disparities have emerged between the more profitable companies, such as Toyota and Holden and the less profitable, such as Mitsubishi (see Table 1). However, the differences between the companies tend to be seen in some of the non-wage issues and conditions of employment rather as well as in wages. The agreements and awards for all four automotive assemblers specify wage differentials to be paid to employees in accordance with the classification structure appropriate to their skills and occupation. Where there have been changes to wage differentials, the variations have been minor. All companies except Mitsubishi have experimented with performance-based pay. However, the only manufacturer that continues to have such a system is Ford, through a merit allocation system covering salaried employees.

TABLE 1
Wage outcomes from the last five rounds of enterprise bargaining – automotive assemblers in Australia

	Round of bargaining											
	6th last		*5th last*		*4th last*		*3rd last*		*2nd last*		*Latest*	
	Wage increase	*Duration (months)*	*Wage increase*	*Duration (months)*	*Wage increase*	*Duration (months)*	*Wage increase*	*Duration (months)*	*Wage increase*	*Duration (months)*	*Wage increase*	*Duration (months)*
Ford	*N/A*		4%	3/93-3/95 (24)	11.5%	7/95-7/97 (24)	15.75%	7/97-7/00 (36)	15%	7/00-4/03 (33)	15.5%	7/03-7/06 (36)
(AAWI %)			*2*		*5.75*		*5.25*		*5.45*		*5.17*	
Toyota	$13/Wk	1/92-11/93 (22)	6.3%	3/94-5/95 (14)	5.5%	2/95-8/96 (18)	15.75%	8/96-8/99 (36)	14.7%	8/99-2/02 (30)	15.5%	2/02-2/05 (36)
(AAWI %)	*N/A*		*5.4*		*3.67*		*5.17*		*4.2*		*5.17*	
Holden	*N/A*		*N/A*		5.5%	8/92-8/94 (24)	11.5%	8/95-8/98 (36)	13%	8/98-8/01 (36)	16.63%	8/01-8/04 (39)
(AAWI %)					*2.75*		*3.83*		*4.33*		*5.12*	
Mitsub.	*N/A*		5%	8/92-8/93 (12)	7.5%	10/93-8/95 (22)	11.5%	8/95-8/98 (36)	11%	8/98-8/01 (36)	14.75%	8/01-5/04 (33)
(AAWI %)			*5*		*4.09*		*3.83*		*3.67*		*5.36*	

Source: Wright, C. (2002) 'Summary of Key Auto Industry Agreements 1992-2002', in Buchanan, J., Briggs, C. and Wright, C. (eds) *A Critique of the Productivity Commission's Review of Automotive Assistance*, ACIRRT, University of Sydney.
* AAWI = Average Annual Wage Increase (AAWI = (Total wage increase x 12)/Duration (number of months) of EBA)

SKILL FORMATION AND DEVELOPMENT: Issues relating to skill formation and development have become increasingly important in the auto assembly industry, as reflected in EBAs over the past decade. A Vehicle Industry Certificate (VIC) was introduced as part of the award restructuring process in the late 1980s which sought to link pay levels to skills and comprised different levels for production work and the maintenance trades. The VIC encompassed both on and off the job training and was intended to provide workers in the automotive industry with a 'portable' qualification which would enable them to move between employers within the industry and gain recognition for skills acquired. There is broad similarity among the four companies relating to training for the VIC and its successor, Certificate II. However, there has been some variation between the auto assemblers around the training provision of training for quality, production, maintenance and temporary labour.

STAFFING AND JOB SECURITY: With the reduction of employment in the assembly industry over the past decade, provisions for redundancy and other job security issues have been increasingly prevalent in EBAs. Indeed, job and income security have been the main issues in contention in recent round of EBA negotiations. However some union officials and managers argue that the gains in redundancy provisions reflect many workers' preference to take redundancy pay rather than fight to retain their jobs.

The growing importance of job security is not surprising given the vulnerability of automotive assemblers in Australia to potential reductions in government protection and greater exposure to the global market. Redundancy packages were introduced by all of the companies in the early 1980s, but while the provisions relating to redundancy in the various enterprise agreements contain similarities, they are by no means uniform. The four assemblers adopted similar policies regarding the obligations of employers to consult with unions over the utilisation of precarious employment, including any plans by the companies to reduce the number of full-time positions as a proportion of the total workforce. The amount of redundancy pay and the options available for issues such as payment of entitlements, non-monetary benefits and alternatives to redundancy have changed notably over the past decade, and disparities between the firms continue to remain on these issues.

While the number of full-time employees as a proportion of the total workforce stands at around 70 percent, this figure remains above 90 percent for automotive industry. Toyota, Holden and Ford are all rather limited in their capacity to utilise casual, part-time, fixed-term and temporary labour. However, this is not the case at Mitsubishi, where the use of precarious employment has extended well beyond the arrangements of the other automotive assemblers. The 1998 Mitsubishi Award allows the use of casual, part-time and temporary labour, but the major departure from the three other companies came through its 1998 EBA, which provided for a 15 percent ratio of the total permanent workforce to be 'variable temporary labour' (VTL). As noted previously, this resulted from arrangements between Mitsubishi and labour-hire firm Adecco, regarding the use of VTL. The 2001 EBA increased the maximum ratio of VTL in proportion to the total permanent workforce to 20 percent, and introduced the right of the company to outsource and use contractors. The 2002 Adecco EBA redefined VTL to include 'variable temporary casual labour' and 'variable temporary labour weekly hire'.

Similarly, there are disparities between the companies concerning their obligations to consult employees and their unions over redundancies. Whilst Ford is only compelled to notify unions of any plans regarding retrenchments, Holden's most recent EBA states that it must 'consult' with unions over such matters. Toyota's last two agreements have stated that compulsory separation conditions would be subject to further negotiations with unions, however the EBAs of Mitsubishi are silent on this issue. Nonetheless, issues relating to job security are likely to be a continuing source of conflict between employers and unions.

GOVERNANCE AND PRODUCTION SYSTEMS: The introduction of new production systems in assembly plants has had significant implications for the way in which work is organised and how decisions are made about changes in the workplace. Systems of production occupy a central place in recent EBAs in the auto assembly sector. This is largely due to the dominance of the Toyota Production System (TPS), which is the basis of the 'lean production' concept adopted by most auto companies (Kochan *et al.*, 1997; Womack *et al.*, 1990). Senior managers amongst the ranks of its competitors acknowledge that Toyota continues to set the benchmarks for the industry. Key elements in the TPS, which are enumerated in the Toyota EBAs and awards, include: just in time (JIT), quality, employee flexibility, elimination of waste and balanced production. Components of the Toyota Management System (TMS), by which TPS is implemented, are also listed in EBAs as follows: teamwork, continuous improvement, accountability, quality circle/suggestion schemes and employee development. Ford and Holden have both adopted elements of the Toyota approach and their EBAs are quite detailed in their discussion of production system arrangements (known as the Ford and Holden Production Systems). But unlike the other assemblers, none of the Mitsubishi EBAs and awards contain provisions specifically related to production systems.

While there are a number of similarities between the automotive assemblers regarding employee involvement, there are some notable differences. All four auto companies have at some stage established workplace-based consultative mechanisms, such as plant consultative committees, to enable the parties to discuss a broad array of issues. But there are some differences regarding the operation of working parties and single-issue committees, which are often established to deal with transient or ad hoc issues. There are other consultation arrangements in place amongst the assemblers that are not captured by the EBAs, one example being work group meetings, which are held at the end of every shift at Holden.

Conclusion

A number of factors have shaped similarities and differences in employment relations between the four companies in the auto assembly sector in Australia since the early 1990s. Prior to the introduction of enterprise bargaining, the wages and conditions of auto workers were broadly similar, due to the underlying industry award structure. The AMWU has sought to maintain uniform provisions in EBAs across the industry in relation to collective bargaining, union recognition and support for trade union membership. There are also similarities between EBAs in areas such as working hours, rostered days off, allowances for skill, changes in wage differentials and redundancy provisions. However, there are emerging differences between EBAs on matters such as wage rates, the use of contract workers (as in the Adecco EBA), bargaining structures and consultation arrangements. As the automotive assembly sector is small by international standards, there is considerable interaction between management across the four companies as well as between union officials. This creates pressure towards similarities, so that changes introduced by one company tend to soon 'flow on' to the others.

Although some differences have gradually emerged between the companies in terms of the wages and conditions in their enterprise agreements, although these have generally been minor. The main exception has been Mitsubishi which has lagged behind the others in wage rates and has negotiated special arrangements with the union to permit the use of workers on short-term employment contracts. These variations in Mitsubishi's EBAs have been designed to enable the company to overcome market difficulties. Uncertainty about the future of Mitsubishi's Australian operations continues, as evidenced by an agreement between the company and the AMWU to 'roll over' the current EBA for an extra year. However, as one union official in the industry claimed, 'the main issue for Mitsubishi Australia is whether Mitsubishi Japan continues to operate'.

As noted in this paper, the auto assembly sector in Australia has been strongly influenced by the lean production system, which originated with Toyota, although each company has adopted its own variant or hybrid approach. This reflects experience in other countries where there has been a general trend towards adopting the principles of lean production but differences in the way in which these have been translated into practice. While there are a number of positive elements associated with the new production systems, which have enabled the industry to remain viable in a small market like Australia, there have been long-term trends towards job reductions as well as precarious employment through the use of casual and contract workers. The industry also remains vulnerable to changes in government policies on tariff protection and fluctuations in the exchange rate of the Australian dollar as well as the willingness of globalised companies to make long-term investments in the automotive assembly sector in Australia.

It is also under pressure from over-production of motor vehicles on a world-wide scale. While enterprise bargaining plays an important role in determining the nature of employment relations, it is only one of many factors influencing the strategic decisions made by corporate managers. The responses to such decisions by unions and governments will determine the long-term future of the industry in an increasingly globalised marketplace.

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