The Usefulness of Accounting to Trade Unions

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Abbreviations

Companies

B.L.	British Leyland
B.S.C.	British Steel Corporation
C.E.G.B.	Central Electricity Generating Board
C.B.I.	Confederation of British Industry
G.E.C.	General Electric Company
K.M.E.	Kirby Manufacturing and Engineering Co.
U.C.S.	Upper Clyde Shipbuilders

Government Bodies

A.C.A.S.	Advisory, Conciliation and Arbitration Service
D.E.A.	Department of Economic Affairs
I.R.C.	Industrial Re-organization Commission
N.E.D.C.	National Economic Development Commission
N.E.B.	National Enterprise Board

Trade Unions

A.P.E.X.	Association of Professional, Executive, Clerical and Computer Staff
A.S.E.	Amalgamated Society of Engineers
A.S.T.M.S.	Association of Scientific, Technical and Managerial Staffs
A.U.E.W.	Amalgamated Union of Engineering Workers
C.S.E.U.	Confederaton of Shipbuilding and Engineering Unions
E.E.T.P.U.	Electrical, Electronic, Telecommunications and Plumbing Union
G.M.W.U.	General and Municipal Workers' Union
I.S.T.C.	Iron and Steel Trades Confederation
N.S.M.M.	National Society of Metal Mechanics
N.U.M.	National Union of Mineworkers
N.U.T.	National Union of Mineworkers
T.G.W.U.	Transport and General Workers Union
U.C.A.T.T.	Union of Construction, Allied Trades and Technicians

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Abstract

The objective of this dissertation is to analyse some important aspects of the issue of the usefulness of accounting to trade unions. This issue raises fundamental questions as to whether trade unions must plan for or simply represent the interests of employees in the modern business enterprise.

The analysis presented suggests that trade union use of accounting information, within the business enterprise will be restricted so long as they pursue re-active, oppositional policies within a context established by management strategic planning practices and consequently will have little influence on events. Both a theoretical review of the principles of strategic planning and an examination of recent economic history shows that management do not plan to promote the interests of employees, and that managerial control of the strategic planning process is of vital importance. In consequence, I argue that the power latent in trade unions can only be harnessed if they reconceptualize their central 'organizing principles' around challenging management strategic planning prerogatives, by developing an independent ability to plan.

Previous research into the usefulness of information to trade unions has not recognized this planning requirement and has, in consequence, been highly restricted in perspective and has under estimated the usefulness of information to trade unions. The methodology of this thesis is qualitative. By collecting unstructured, in-depth data from a major case study, it has been possible not only to assess the usefulness of accounting information to trade unions, but also, crucially, to analyse it within the context of problems which trade unions confront in developing a constructive response to economic change.

Chapter 1. Introduction

The objective of this thesis is to analyse some important aspects of the issue of the usefulness of accounting to trade unions. Accounting information has been primarily developed to support management control of the business enterprise. Its potential value to trade unions is a question which has a relatively short history.

In Britain company information disclosure as a specific trade union 'issue' can be traced back only to 1960 (Jackson-Cox, et al. 1984), when the TUC submitted evidence to the Jenkins' Committee on Company Law Reform (Board of Trade, 1962) in which it was argued that "work people have a legitimate interest in the affairs of the organization on which they rely for their livelihood", and that employee rights to information should be recognised in company law. This initial attempt to establish the disclosure of company information as a trade union issue in the field of company law reform was unsuccessful. However, in the late 1960's and early 1970's, subsequent to the Donovan Commission (1968) on Industrial Relations, an apparent consensus emerged on the desirability of employers providing more information to employees and trade unions. Both Conservative and Labour Governments identified 'information disclosure' as an element in their strategies for reforming the British system of industrial relations. Plans for statutory provision for greater disclosure to unions were first outlined in In Place of Strife (HMSO, 1969) and were contained in the Labour Government's 1970 Industrial Relations Bill. Very similar provisions reappeared in the Conservatives' Industrial Relations Act 1971, supplemented by a Code of Industrial Relations Practice and a report on disclosure from the Commission on Industrial Relations (1972). These provisions, only slightly amended, were then re-enacted in the Employment Protection Act and were backed up by a new Code of

Practice from the Advisory, Conciliation and Arbitration Service (A.C.A.S, 1977). The fact that both major political parties, certain employers and unions have all to some degree favoured the idea of information disclosure owes much to the fact that the 'national' economic circumstances at that time required the co-operation of the trade union in the 'social contract' and that the concept can mean different things to different people. Also, although different expectations appeared to be held as to the possible effects, these differences were often concealed by common generalisations about the role disclosures would play in securing "an improvement in industrial relations".

Conservative Governments and employers have supported greater disclosure because they believed it would improve industrial relations to their advantage. They say they believe that greater disclosure will improve 'communications' thereby promoting 'rational' bargaining; encourage approaches favourable to productivity improvement; improve morale, workmanship and cost-consciousness, as well as creating a greater sense of 'involvement' and 'identification' with the firm. These developments are seen in no way to undermine management prerogative to manage but, on the contrary, to enhance the 'legitimacy' of management authority in the organization.

On the other hand, Labour Government support for greater disclosure is premised partly on the belief that companies should justify their decisions to employees and embrace participative practices which would enhance the status of working people in industry. Disclosure is seen as a means of extending trade union influence in organizations by widening the scope of collective bargaining, particularly via trade union involvement in the formulation and monitoring of tripartite planning agreements. However, legislative provisions enacted by Labour Government have, in fact, been much more restricted in their scope, as

is evidenced by the fact that a Conservative Government, committed to curbing 'union power', has left the law on disclosure virtually intact.

In contrast to the post-Donovan consensus, whereby trade unions were assigned a legitimate role in colective bargaining, British trade unions are currently under siege. Mass unemployment has revealed their inability to provide employees with job protection, whilst public opinion polls consistently demonstrate a popular belief that unions are too powerful. Utilizing its so-called popular mandate, the re-elected Conservative Government of 1983 has advanced legislation designed to deal with what some see as 'over-mighty' subjects (Burkitt, 1981). A continuation of present policies envisages a limited role for trade unions in organizational decision-making. Management decision prerogatives are to be preserved, and the communication aspects of disclosure are re-emphasised. The rationale has been well-expressed by Armstrong, the Industrial Relations Director of B.L. In his view:

> "...(t)he answer cannot lie in a return to the veto power of the shop steward. It has to lie in a more comprehensive two-way communication and consultation with employees as well as with their representatives ....members prefer management to give the lead, taking as we do, full account of the interests and views of the people affected" (Financial Times, 27 August, 1982).

In these circumstances, trade unions would need little information, and that required would be provided by management. However, this is recognised to be an extreme view. Another, held by industrial relation pluralists (eg, Fox, 1966) is that organizations are a coalition of interests in which management act as a neutral <u>arbiter</u> of conflicting interests. This view thus allows planning to remain a management prerogative but enhances the rights of trade unions to contest management decision-making within a collective bargaining context. This position is premised on the belief that collective bargaining is already an advanced form of industrial democracy which has provided

employees with significant benefits. Thus Hugh Clegg (1960), a prominent industrial relations academic, has argued that:

> "... there is no effective alternative to collective bargaining as a means of promoting the interests and rights of workers in industry" (p. 113).

In these circumstances, trade union information requirements would be directly related to their needs in collective bargaining.

Alternatively, there is a radical perspective. This rejects the coalition model of the pluralist, arguing that irreconcilable conflicts of interest exist within the business enterprise, and that collective bargaining only provides a marginal accommodation to employee interests. For radicals, conflicts of interest between employees and shareholders can only be 'resolved' if 'management expertise' is completely replaced by 'democratic practice'. To achieve this, the radical advocates the abolition of the capitalist system of production and little concern is given to establishing a detailed understanding of current management practice. For example, Scargill (1978), now President of the NUM, has argued that the profit-orientation of business can lead workers to adopt inappropriate values, which divert them from trade union objectives. Commenting on worker involvement in the coal industry, he states:

> "In my own industry we have had an example of how workers themselves can be conditioned to be actively concerned not only with our organization, but with the perpetuation of the existing system. They begin to work with a view that is management-orientated. They begin to look at statistics rather than people" (p. 4).

To promote democratic practice, the radical rejects the need to prescribe information use for trade unions as it would be an emergent aspect of the process of democratic change.

This thesis provides a context for evaluating these three viewpoints by detailing the respective roles of management and trade

unions as decision makers and information users in the business enterprise. After an extended analysis of the major background issues, the main focus becomes a longitudinal case study of a major redundancy decision at Lucas Electrical Ltd, the aim of which is to evaluate the 'effectiveness' of trade union policy-making and through this attempt to assess the potential for the effective use by trade unions of accounting information. Following a period of participant observation, during which the redundancy decision was implemented, I collected background data to assess whether it was a shortage of information or other problems that prevented an effective trade union response. To this end, the redundancy decision is set within an historical perspective based upon the strategic policy options available to Lucas Electrical during the previous five-year period. This involved both library and field research, a fundamental revelation being that the decline in UK vehicle production output, the major management justification for the 1980 redundancy had been publically documented as early as 1975. Yet, the strategic decisions developed in response to this situation had never been effectively evaluated from a trade union perspective. Until management declared 3,000 redundancies in June 1980, the trade unions were not aware of how management's strategic policy had evolved, or its likely impact on employee interests. Not only does the case study highlight the reactive nature of trade union policy making, it also raises questions about the interests advance by management's strategic planning. As the case study will show, management's control of the strategic planning process is of vital importance to industrial relations because trade union challenges to management prerogatives are highly prescibed when set within a collective bargaining context under management control. In these circumstances, it will be argued that, contrary to public opinion,

trade unions will not forseeably ever provide a powerful counterforce to the interests of shareholders.

The analysis presented poses a number of questions which have to be evaluated in assessing the potential usefulness of accounting information to trade unions. A question of fundamental importance involves the process by which employee interests are to be identified. Can trade unions continue to respond to issues within an industrial relations context or must they develop an independent ability to plan, as a prerequisite of being able to identify decisions in which employees have an interest? If the latter, how are management strategic planning practices to be changed and what are the information consequences? Another issue is whether changes in planning practices and disclosure can arise from bilaterally agreed changes between management and trade unions, or whether this is best seen as a question of unilateral trade union action? Finally, it is necessary to consider whether there is any major conflict between extended information use and the development of planning expertise in trade unions and democratic practice.

In a limited sense, the thesis is written as a contribution to a 'political economy of accounting' at least as that is outlined by Cooper and Sherer (1984). It is 'normative' (p. 219) 'descriptive' (p. 220) and 'critical' (p. 221).

Cooper and Sherer (op cit) argue that all research is normative in the sense that it contains the researcher's value judgement of how society should be organized. For many researchers this is an implicit value judgement since research is undertaken within the context of a particular paradigm (Kuhn, 1970). In their view, accountants have traditionally provided accounting information to support corporate management decision making under the control of private investors and their capital market agents. The relationship between these interests

and other interests in society is rarely articulated, and the priority given to investor interests is never justified because it is usually unrecognised and remains an implicit value judgement. The normative aspect of my research follows from my decision to view trade unions as information users, as the 'client' of the research, rather than managers of any other user group, and this is reflected in the recommendations which are made.

The research is also descriptive in that the case study methodology employed inevitably involves describing 'accounting in action'. The case-study provides a description and interpretation of how accounting was used in a situationally specific set of instituational, social and political structures. This description allows me to critique other, more conventional, approaches to the study of industrial relations and information disclosure to trade unions in three main areas:

Firstly, decision analysis within a case study requires the researcher to understand the role of management in organization. Both a theoretical review of the principles of strategic planning and an examination of recent economic history (of which the case study examines part) show that management is not a neutral arbiter of multiple interests in the organization, as presumed by those holding a unitary and pluralist perspective, but an agent for one particular interest group, shareholders. The research, therefore, criticizes the view that the 'divorce of ownership and control' (Berle and Means, 1932) has led to a 'socially responsible' management, which, if it had been the case, would have allowed trade unions to pursue their objectives within a strategic planning context controlled by management.

Secondly, and in consequence of the above, a major issue of descriptive analysis is how management seeks to perpetuate their control of business organizations. As the case study will show,

management's control of the strategic planning process is of vital importance. In the case study, management were unwilling to discuss strategic issues with the trade unions involved and, moreover, sought to deny trade union access to information and outside advice. More widely, management's rejection of joint decision making approaches within the business enterprise, such as the 'Bullock' (1977) proposals for worker directors, indicates that management wish to maintain an 'uncontested terrain' in the area of strategic decision making. This suggests that control issues, and trade union objectives, cannot simply be confined to management-employee relationships at the point of production (Braverman, 1974; Edwards, 1979), which has previously provided the main focus of trade union activity.

Thirdly, given the importance of strategic decision-making at company level, and the failure of trade unions to organize at this level, the researcher is forced to evaluate trade union ability to represent employee interests. Although trade unions have changed greatly (eg, the rise and decline of specific unions, the importance of different union officers etc), the significance of these changes should not be overstated, since in other fundamental respects they have remained unchanged. Both the case study and a historical review of trade unionism show that there are major limitations to the re-active, oppositional policies on which trade unions have relied to date. Such policies do not require trade unions to monitor changes in the business environment in the process of evaluating employee interest and, as the case study will show, the process of collective bargaining does not allow for this either. The implied requirement that trade unions must develop an ability to undertake strategic planning, as a means of promoting employee interests, not only requires an evaluation of trade union information needs, but also raises the issue of how business expertise can be reconciled with trade union practice. This problem

has previously been avoided, by confining trade union activity to non-strategic issues within an industrial relations context.

The thesis concludes with a major critique of academic research in this area. Academic researchers have rarely been prepared to engage in case study analysis, preferring to adopt apparently more respectable quasi-scientific methods, based on interview and questionnaire surveys that avoid consideration of management decision issues. Much has been written about the structure and evolution of collective bargaining within the UK, and the associated relationships between management and trade unions, but this approach is literally restricted to the 'logging of procedural change' (Storey, 1983a, p. 194). Studies which have been undertaken outside this general framework have largely been concerned to establish which specific issues are subject to bargaining (Storey, 1980; Cressey and McInnes, 1980) and no attempt has been made to provide in-depth studies of the issues themselves. This even occurs when studies of industrial conflict are documented (Batstone, 1977; Hartley et al, 1983), the research generally being confined to the activities surrounding the process of negotiation.

Recently there has been an increasing tendency to give more attention to management as active participants in industrial relations (Thurley and Wood, 1984; Purcell and Sissons, 1983). However, other than in exceptional cases (Bryer et al, 1981), the substance of management policy is not subject to detailed review and evaluation. In effect, researchers have failed to adopt 'positive' research methods and have therefore failed to describe 'accounting in action' (Cooper and Sherer, 1984, p. 220).

Management are criticized for promoting a belief that there is 'only one way' of organizing business activity, and that strategic planning can only be developed by promoting the profit interests of shareholders. In contrast to trade unions, management are dedicated to

'organizing principles' which lead to the concentration of power amongst a small elite. However, we shall see that management are prepared to manipulate the trade union democratic ideal to facilitate the implementation of their own plans and policies. However I shall also argue that trade unions must also be criticized for allowing management to perpetuate sectionalist divisions amongst workers by failing to engage in the process of strategic planning by which the interests of employees as a whole could be identified.

My policy recommendation to trade unions on the basis of the research is that they organize around the concept of 'strategic unionism' as a major departure in analysing and securing the potentialities of trade unions as organizations dedicated to the pursuit of their members' collective interests. I argue that the power latent in trade unions can only be harnessed if they reconceptualise their central 'organizing principles' around challenging management's strategic planning prerogative. Historically, trade unions have accommodated to management strategic planning, and although they have challenged their results they have rarely tried to challenge the process by developing their own capability. Management are pro-active, trade unions are re-active (Ackoff, 1970). Management build primary organizations; trade unions are 'secondary' organizations (Offe and Wiesenthal, 1980). Trade unions are in many respects captives of their own history. They have been 'dis-educated' by their subservience to management, and we shall see that modern management processes are anathema to their cultures and organization.

Prospects for improving the organizational effectiveness of trade unions are not good, but it is important that the case for strategic unionism is stated as clearly as possible because a key problem for trade unions is education.

Three main conclusions arise from this dissertation:

1) The issue of information disclosure to trade unions exposes an important contradiction between their objectives and between their organization and behaviour. Trade unions generally display a disinterest in planning information and the strategic planning process, yet decisions arising from this process are the single most important influence on employee interests. Whilst management evaluate alternatives by developing an evolving plan for the whole organization based upon a collective approach to decision-making, trade unions are organized sectionally and devolve decisions to individuals without providing an overall framework for decision-making within which collective interests can be identified, let alone pursued.

2) An analysis of the basis of management control in strategic planning and the information deficiencies of trade unions suggests that a solution to the trade unions' problem would be to organize around the concept of strategic unionism, which would require trade unions to monitor management strategic planning activities whilst developing alternatives of their own, based upon the collective interests of employees.

3) Although the issue of information disclosure to trade unions is part of the problematic of both industrial relations and accounting, neither of them has adequately dealt with it. In fact the research highlights weaknesses in both disciplines. The basic weakness of industrial relations research is its failure to understand economic reality; the basic weakness of accounting research is its failure to understand political reality.

Part 1 presents a review of business planning within the modern business enterprise to provide an understanding of the roles played by management and trade unions in these organizations. Chapter 2 examines

how strategic planning has been developed to enhance organization learning and control. It will be shown that planning is a fundamental concern of management and that the practice of planning has been developed to promote decision-making based on profit criteria. Chapter 3 reviews claims that management within organizations act to balance various 'stakeholder' interests and critically evaluates arguments that management strategic planning promotes employee interests. The chapter concludes with an examination of management strategies of control and argues that control of strategic planning is a principal management prerogative and the source of organizational control. Chapter 4 reviews the historical development of trade unionism to show that neither 'official' nor 'unofficial' challenges to management strategic decision-making prerogatives have ever been made. Furthermore, none of the other proposals for institutional reform supported by the TUC, such as those made by the Bullock (1977) report, have ever effectively allowed management's strategic planning prerogatives to be challenged. Chapter 5 outlines the major structural changes that occurred in the UK economy over the last twenty years and we see how little influence trade unions had on these developments. Not once did they directly challenge management's strategic decision-making powers.

In Part 2, the case study is presented. Chapter 6 outlines the research methodology and in so doing describes how a classification model of trade union policy options was developed in the process of research. Chapter 7 reviews the strategic policy options and choices available to Lucas Electrical over a five year period, which culminated in management's decision to declare 3,000 redundancies in June 1980. Chapter 8 describes the negotiations between management and trade unions which resulted in the 'settlement' of the redundancy decision in September 1980. Chapter 9 reviews the case study to identify how management maintained their strategic planning prerogatives and the

limitations associated with the policies adopted by trade unions at Lucas Electrical.

In Part 3, the conclusion argues that trade union information use will be limited so long as trade unions remain committed to re-active oppositional policies. To date, research in this area, based on 'pluralist' assumptions has argued that collective bargaining can provide 'bilaterally agreed standards' regarding information disclosure. However this dissertation will show that the conflict between shareholder and employee interests is not 'reconciled' by management within the process of strategic planning and that, consequently, a major policy objective of management is to limit the issues of collective bargaining to the non-strategic. Not surprisingly, recommendations arising from 'pluralist' analyses that management extend the scope of collective bargaining by extending information disclosure have been ignored. In contrast, I argue that trade unions must engage in the process of strategic planning as a way of developing their own organizations, so that they are better able to match the strategic decision-making capabilities of investors. An alternative style of research conceptualizes the accountant's role as an 'information educator' (Cooper, 1984), whose job is to show that alternative interpretations can be assigned to fundamental concepts such as 'financial viability'. This type of work has barely begun. The aim of this thesis is to analyse and illustrate the great difficulties that confront would-be reformers in this area but, hopefully points them in the right direction. We start from the given: the modern business enterprise and trade unionism.

Part 1. The Modern Business Enterprise and Trade Unionism

Chapter 2. The Evolution of Modern Strategic Planning.

Over the last century the business enterprise has been radically transformed as the size of typical organizations has increased. In essence, the multi-divisional company has replaced the small owner-managed firm as the dominant form of business organization. Modern organizations co-ordinate the work efforts of thousands of employees to satisfy many different markets, often in different countries. These changes have required the adoption of new management practices to attempt to ensure that the actions of individuals are consistent with the formal objectives of the organization as a whole.

The management of large scale organizations has been the subject of considerable research. According to Etzioni (1964) large organizations can be distinguished from other social units by the extent to which they are "consciously planned, deliberately structured and restructured with a membership which is routinely changed" (p. 3). In my view the 'conscious planning' or strategic development of an organization is the most important management function since it involves taking decisions about the objectives to be pursued by the organization and establishing possible ways of achieving these objectives. This all-embracing nature of management strategic planning is suggested in a review of corporate strategy in theory and practice by Hussey (1983). As he says:

> "... a process of corporate planning is an approach to the total management task. It is a future orientated, integrated way of running an organization. Its job is to plan, organize, motivate, co-ordinate, communicate and control" (p. 59).

Planning is centred around the control of strategic decisions (Ansoff, 1965) which concern the major 'threats' and 'opportunities' facing the organizations, and they usually involve resource allocation

decisions which are likely to have long term implications for the organizations. These decisions can be considered independently, or they can be co-ordinated by an overall plan of action, the essence of the term strategy. For example, for Mintzberg (1973) "strategy making can be defined simply as the process by which significant organizational decisions are made and interrelated" (p. 77). Strategy or strategic planning is, thus, the core management function by which coherence is established amongst the various functions of large scale enterprises.

In the UK, trade unions are well established within organizations, and in their attempts to defend and promote employee interests conflict often arises when management attempt to implement their plans. In contesting management control of the enterprise, trade unions generally limit their policies to 'industrial relations' issues. This focus places a major restriction on the influence which trade unions can expect to exert in the employing organizations, because their activity is set within a framework determined by the strategic planning practices of management. This limitation would not be serious if management planning was directed to the enhancement of employee interests, but we shall see that trade unions have no real appreciation of management planning practices and have, consequently, failed to adjust their own organizing principles, as management practice has evolved. This chapter reviews the development of business organization to show how management planning practices have changed through time and outlines a simplified model of the planning process as applied to the multi-divisional enterprise. The criticisms that have been made of these planning models will be reviewed since, if valid, trade unions might be able to disregard them. In short, this Chapter will evaluate the functions of planning in the modern business enterprise.

The Corporate Development Process and Strategy.

Chandler (1962), studied the development of four major USA corporations (Dupont, General Motors, Standard Oil and Sears Roebuck). He argued that the success of these organizations was linked to the development of organizational structures which allowed top management to concentrate on strategic decisions. The main function of these executives was to develop organizational strategy which he defined as

> "... the determination of the basic long term goals and objectives of the enterprise, and the adoption of courses of action, and the allocation of resources necessary for carrying out these goals" (p. 13).

Scott (1971) has presented a model that attempts to outline the typical path of organizational development that was analysed by Chandler in his seminal work on the historical development of the multi-divisional company. Scott's three-stage model (Table 2.1 below) illustrates how organizational structure and modes of operation change as the business organization adopts different product/market policies. Stage 1 firms are owner-managed and are concerned with selling one product within limited sales areas. The problems of co-ordination and control are limited and a centralization of decisions by the owner-manager is feasible. Stage 2 firms arise when growth of output (often based on a geographical expansion of sales) leads to functional specialisms within the firm and the owner-manager has to employ 'professional' managers to implement operational decisions. Centralized control of strategic decision is still maintained, and direct control of activities is maintained by utilizing technical and cost criteria as measures of performance. Where continued growth is achieved by product or geographical diversification, the functional organization proves to be inadequate and the divisional structure of Stage 3 firms is adopted. Centralized control resides with the corporate headquarters through its decisions on resource allocations between divisions. As the business

Table 2.1. The three stages of organizational development.

Company characteristics	Stage 1	Stage 2	Stage 3
Product line	Single product or single line.	Single product line.	Multiple product lines.
Distribution	One channel or set of channels.	One set of channels.	Multiple channels.
Organization stucture	Little or no formal structure; one man show.	Specialization based on function.	Specialization based on product market relationships.
Product service transactions	Not applicable.	Integrated pattern of transactions. A --- B --- C Markets	Non-integrated pattern of transactions. A B C Markets
R & D Organization	Not institutionalized: guided by owner manager.	Increasingly institutionalized search for product or process improvements.	Institutionalized search for new products as well as for improvements.
Performance measurement	By personal contact and subjective criteria.	Increasingly impersonal, using technical and/or cost criteria.	Increasingly impersonal using market criteria (return on investment and market share).
Rewards	Unsystematic and often paternalistic.	Increasingly systematic with emphasis on stability and service.	Increasingly systematic with variability related to performance.
Control system	Personal control of both strategic and operating decisions.	Personal control of strategic decisions and increasing delegation of operating decisions through policy.	Delegation of product market decisions within existing businesses, with indirect control based on analysis of results.
Strategic choices	Needs of owner versus needs of company.	Degree of integration, market share objective, breadth of product line.	Entry and exit from industries; allocation of resources by industry; rate of growth.

Source: Bruce R Scott, Stages of Corporate Development (Case Clearing House, Harvard Business School)

organization develops through these successive stages, the nature of strategy development becomes more complicated as the range of factors that have to be taken into account by management multiply.

At Stage 1, the owner-managers can develop strategy without explicitly formulating goals and objectives and plans of action. Limited markets and areas of competition mean that the business environment can be easily monitored and understood. Manufacturing or related problems are of central concern since these influence the firm's ability to supply the market at a competitive price. Hofer and Schendel (1978) state that at this time organizations' goals, strategies and policies "... consisted of a set of intuitive notions (held by the owner-manager) about the nature of the market and how to compete in it" (p. 13).

According to Hofer and Schendel (1978) as Stage 1 firms evolved into Stage 2 firms, the process of establishing organizational control becomes more difficult on two accounts. Firstly, as the average size of firms grows, and as the areas and means of competition widen, the business environment becomes more uncertain by becoming more complex and more variable. Secondly, as the internal structure of the firm is differentiated by functional area, the possibility arises that functional managers can pursue policies that are inconsistent with each other, and in conflict with the formal objectives of the organization as a whole. In consequence there is a need explicitly to plan the future of the organization taking into account the changes that are occurring in the business environment, drawing upon the knowledge of functional managers to determine how the firm could best compete in the existing circumstances. The aim of the plan or <u>business strategy</u> is to answer the question - <u>How are we going to compete in our business</u>?. By obtaining agreement between functional managers of this over-riding objective, resource allocation decisions between functional areas can

be made, thereby reducing the possibility that functional managers will act without reference to the business strategy. To be effective the planning horizon has to allow time for major changes to be made to the firms product/market positions and to effect changes in the firms production systems. This may require the acquisition or disposal of resources. As part of the plan or strategy, functional area policies can be developed to ensure a consistency of action between the departments.

Stage 3 firms have become increasingly important since the 1950s as firms continued to grow by diversifying into industries which allowed technical expertise or existing customer relationships to be exploited in wider areas of activity (Hofer and Schendel, 1978). The multi-divisional structure of Stage 3 firms is now the dominant form of organization in the western world and is regarded as the appropriate structure for handling the organizational control problems that arise in a diversified firm. The primary concern of senior management or the 'dominant coalition' (Cyert and March, 1963) is now to decide how the resources of the organization will be deployed between the various divisions, so as to achieve organizational objectives. Decisions regarding the business strategies of individual divisions can no longer be centrally controlled in detail, and these remain the responsibility of divisional managers. However, in allocating resources between divisions to achieve the most efficient allocation of capital, the various business strategies have to be evaluated and this becomes the central problem of corporate strategy. In broad terms corporate strategy seeks to answer the question "What set of businesses should we compete in"? Hussey (1982) has described the corporate strategy problem as follows:

> "The question top management face is no longer how to exploit a particular opportunity, but which of many opportunities to exploit. The difficulty is in seeing the total corporate plan as a whole, rather than as a consolidation of the intentions of various divisions. It is in choosing a portfolio of activities that balance growth and decline, cash flow contributions and cash hungry products, risk and the long term objectives of the company that the difficulties occur" (p. 55).

The corporate strategy is supposed to decide how resources are to be allocated between divisions, and provides each division with major strategic objectives so that all divisional managers are working towards agreed long term aims by means of agreed sets of strategies. According to Galbraith and Nathanson (1978) the multi-divisional form of organization is effective because it allows a division of labour within management based on a time horizon:

> "The divisions were responsible for short term operating decisions, the central office was responsible for strategic long run decisions. The central office was to be staffed with general managers who were not responsible for the short-run operating results and were therefore given the time and psychological commitment necessary for long term planning in the interest of the corporation as a whole" (p. 14).

The need for this division of labour not only reflects the differing approaches adopted at strategic and operating level but is also necessary since decisions affecting divisions can be against their interests. This is recognised by Tricker (1967) when he states:

> "Only the businessman at the strategic level is really in a position to determine which of the available courses of action the meta system will adopt. Planning initiated low in the hierachy is valuable, if given the <u>teeth</u> of qualification and used as a control and motivational mechanism. It can never address the problems that face the strategist of determining directions in an increasingly complex and rapidly

> changing environment. A division, for example, is never going to propose that it be closed down over the next five years, and the funds re-invested in another venture-yet this may be to the ultimate benefit of the meta system" (p. 180).

Strategy making in the multi-divisional business is, therefore, a complex process which aims to facilitate overall organizational development by allowing the highest level of management to take strategic decisions which set the context within which divisional managers operate and also trade unions. To facilitate this process, models of strategy making have been evolved, and these will be discussed in the next section.

Strategic Planning Models

The practice of strategic or corporate planning has principally been developed within major business enterprises, especially in the USA. Its development within the UK has not been systematically researched, the only major survey being that conducted by the Society of Long Range Planning (1974), which involved 386 organizations. This shows that 86% of the organizations employing Society members produced a corporate plan. Nonetheless, in the view of Hussey (1982), an important contributor to strategic planning research, such practices were being implemented by major UK companies from the early 1970's. He states:

> "It is difficult to say exactly when corporate planning began, but certainly by the mid-1960s there was a very evident trend to planning by major companies on both sides of the Atlantic. Until about 1965 the companies which were attempting a planning process were like a small stream. By 1970 they had become a fast flowing torrent, and virtually every company that considered itself advanced in its management thinking had flirted in some way with the concept of corporate planning" (p. 49).

Academic research has sought to identify the conditions which promote or inhibit effective planning (Taylor and Irving, 1971; Ringbakk, 1971; Bhatty, 1981), a major objective being to identify 'best practice'. This research attempts to refine models of business and corporate strategy by undertaking inter-company comparisons of their use. Argenti's Corporate Planning: A Practical Guide provides a convenient exposition of the 'conventional wisdom' and focuses attention on basic aspects of the strategy process. Subsequent chapters will suggest that trade unions do not conceptualize the planning process at this level of sophistication.

As has been seen, within the multi-divisional enterprise, strategy development takes place at two levels. Corporate strategy is the highest level of decision-making in that it is concerned for example with making resource allocation decisions between divisional companies, (i.e., answering the question - What set of businesses should we compete in?). However, since divisional managers are responsible for the detailed operation of subsidiary companies, corporate involvement at this level is limited, and in consequence the corporate strategist does not have the detailed knowledge and information required to develop business strategies (i.e., answering the question - How are we going to compete in our current business activity?) which are an essential input into the corporate strategy making. Corporate strategy evaluations therefore incorporate and extend the business strategy models developed at the divisional level. Most research has taken place at the level of business strategy, and since this is a pre-requisite for undertaking corporate strategy, the discussion which follows will first outline a model of business strategy before extending the discussion to incorporate the corporate strategy perspective.

A model of business strategy:

The strategic planning activities identified below form part of a continuous process within an organization, the aim of which is to provide an evolving plan which will guide organizational development over a long period of time. Thus Tricker (1967) states:

> "Corporate strategy is not the annual assembly of a set of planning documents into a neatly bound folder, it is a year round process carried out by the strategic level of management. Certainly the process can be assisted by documentation of forecasts, standards, and targets - but attempts to capture long term trends in a static plan overlook the dynamic nature of the environment. At best, the strategist is attaching probabilities to an array of possible outcomes" (p. 178).

Figure 2.1 below is provided to indicate the various stages of strategy analysis, and provides a view of the inter-linking and continuity amongst the various stages in the process.

1. Establishment of objectives and targets:

All organizations are established by some person or persons to pursue an objective, which validates its existence and its actions. Objectives therefore are means of judging organizational performance, according to the standards of these persons who control the organization. Argenti (1980) identifies objectives as having three elements:

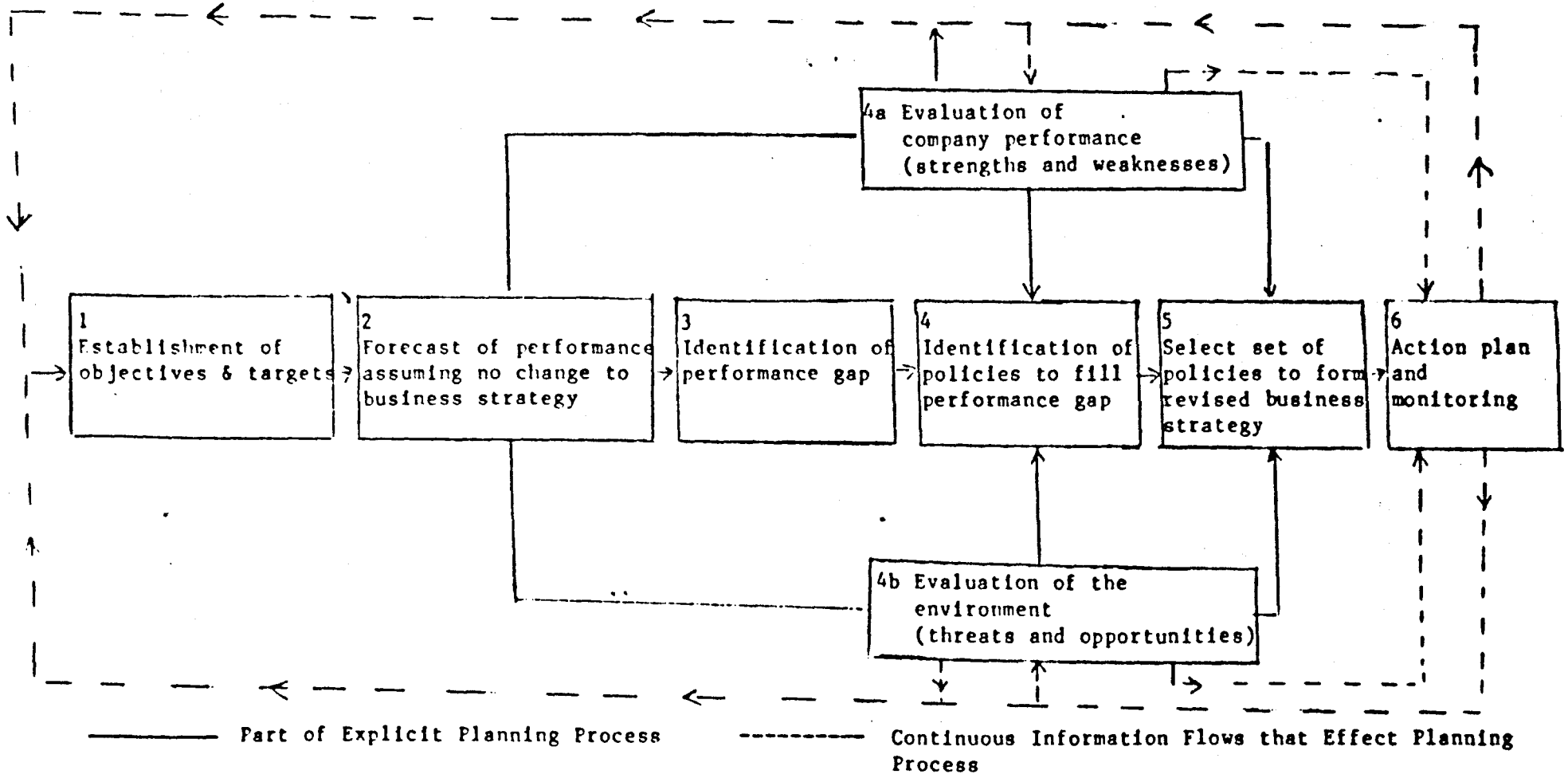
a) The intended beneficiaries i.e. those for whose benefit the organization exists.

b) The benefit that they expect has to be described.

c) The level of performance that is acceptable to them has to be specified.

Whilst the purpose of the business organization is a subject of debate, Argenti makes no apologies for explicitly stating the capitalist objective as follows:

Figure 2.1. Model of Strategy Formation Process



Source: Diagramatic Representation of Strategy Process as Described by Agenti [1980]

> "For most companies in capitalist nations there will be no difficulty in agreeing that the sole purpose is to generate a return on capital, subject to a vital constraint, namely the manner in which the company discharges the obligations imposed upon it by society and its own ethos ... . It is vital to understand that the corporate objective is the aim, everything else is a possible means. Turnover, market shares, mergers, margins, products, factories, subsidiary companies - all these are pawns to be moved with one aim in mind, namely to achieve a return on shareholder capital" (p. 54).

Others, such as Hofer and Schendal (1978) allow for the possiblity of setting objectives for other stakeholder interests (eg employees, customers, society). However, where objectives cannot be achieved simultaneously they allow for the possiblity of ranking and revision. In practice, one might anticipate this ranking reflecting the wishes of those in control.

Research findings in this area suggest that profit based objectives remain the primary concerns of top management and corporate planners. Grinyer and Norburn (1974) studied strategic planning in 21 U.K. companies. Table 2.2 shows the ranking ordering of objectives:

Table 2.2 Setting Company Objectives - 91 Directors in 21 Companies

	Stated by Individual Directors	Agreed by 2/3 of Board
Profitability	21	19
Market Penetration	15	3
Product Development	14	3
Market Development	13	2
Company Image	9	1
Corporate Productivity	7	0
Customer Service	7	0
Industrial Relations	7	1
Liquidity	6	1
Others	33	5

Source: Grinyer & Norburn 1974

It should be noted that the setting of objectives cannot be divorced from the institutional context in which the organization operates. As will be shown in Chapter 3, managers of business organizations are not free to pursue objectives of their own choosing, the primacy of the profit objectives reflects a position where management act as agents for shareholders.

These objectives are important on two principal accounts. The first relates to how they influence the search process by which policy alternatives are identified. The second is reflected in how evaluation procedures are developed to assess the alternatives identified. As we will see these objectives are generally of central concern, and are normally unidimensionally related to the profit generating process.

Once the nature of the objective has been stated, it can often be expressed as an index of success (or as a combination of indices). Argenti (1980) suggests that to satisfy the objective of 'making a return on shareholder capital' a threefold index is required, which embraces growth in earning per share, growth in profits and return on shareholder capital. This is basic financial analysis. Financial indicies are set as standards of future performance and become targets. To be operational they must be specified quantitatively and given a time dimension. Various procedures are recommended for target-setting, since they can only be a guide for action when they have been established 'realistically'. The setting of single figure targets is a difficult task, and as a consequence, range targets can be set which specify minimum and satisfactory levels of performance. This has the added advantages of allowing strategies of different risks to be evaluated in a more open manner than would be the case with a single figure target.

2. Forecast of performance:

The aim of the forecast is to state the firm's profit performance assuming no change to the current business strategies. Forecasting techniques can be used to extrapolate past performance making allowances for changes in the environment which are likely to affect future performance levels. Where company models have been developed they may be used to provide this forecast.

3. Identification of performance gap:

The performance gap is simply the difference between the target set and the forecast of performance detailed above. It represents what Argenti (1980) terms, the 'strategic gap', which has to be filled by the adoption of policies identified in revising the firm's business strategy.

4. Identification of policies to fill performance gap:

This is often viewed as the creative stage of strategy formation, since the time-span of planning should allow for any realistic idea to be evaluated with a view to implementation. Idea generation can be prompted by a variety of practices. Argenti (1980) identifies five possibilities - brainstorming, opinion surveys, logical methods, imitation and by seeking answers to such questions as "What business are we in?" These practices supplement the policies that are identified in undertaking evaluations of company performance in terms of strengths and weaknesses, and by evaluating environmental threats and opportunities. (These evaluations having previously informed the performance forecast, and will subsequently aid the strategy selection process.)

4a. Evaluation of company performance:

Company performance has to be reviewed in all major areas (e.g. finance, production, marketing, research, purchasing, manpower management) with the aim of identifying those features which give or

deny the company a differential advantage in the market. Various terms have been employed to characterize these features: 'common thread' (Ansoff 1965), 'strengths and weaknesses' (Argenti 1980). Having identified these features, policies are developed to try to overcome weaknesses or to further develop strengths. Policies that are incorporated into the final business strategy are evaluated with this perspective in mind. According to Argenti (1980) the internal appraisal of the firm is concerned with:

> "... identifying those features of the company itself which will have a major bearing on the choice of strategy - features that the company itself has deliberately developed or that have been endowed upon it by past events, features that can be said to be part of the company itself" (p. 121).

4b. Evaluation of the environment:

The aim of the environmental appraisal is to identify the ways that changes outside the firm will influence the company's ability to continue with current srategies, or which will have implications for the implementation of possible future strategies. Appraisals covering competititve, political, economic, social, technological and legal trends at various levels (e.g. local, national, international) will have to be undertaken. The significant trends identified in these appraisals can be grouped systematically within an opportunities and threats framework and policies can be generated either to exploit or counter-act the trends observed. The information developed will be used to undertake sensitivity analyses of various strategies to assess their risk levels. The environmental analysis attempts to identify those developments which if not countered would lead to the organisation's demise, and more positively, identify those developments which if responded to would help secure future prospects.

5. Selection of business strategy:

The prior stages of the strategy development process have aimed at providing a systematic method for elaborating organizational targets and identifying possible courses of actions which would allow these targets to be realized. (The range of possible policy options can be guaged from the conceptual scheme developed by Hofer (1976), see Table 2.3 below.) The selection process aims to identify a set of policies which form a coherent whole, and which have a high probablility of achieving the targets established. Argenti (1980) states that normally there exists :

> "... a number of interlinked policies usually not more than two or three, that form the absloute essence - the kernel, the core - of the corporate plan for the long term destiny of any company" (p. 167).

Possible policies are ranked according to the profit impact that can be anticipated. The policies are also evaluated to see whether they build upon company strengths and exploit identified oppportunities, or overcome company weaknesses and respond to identified threats. A limited number of possible policy combinations will be evaluated testing for consistency, feasibility, completeness and sensitivity in terms of financial risk. A critical aspect of any strategy is its "robustness" since predicting future outcomes is obviously subject to uncertainty; and this can lead to the development of contingency planning.

Argenti (1980) argues that it is possible to identify two kinds of strategies. Primary strategies are concerned with (1) policies defining the product/market positioning of the firms based upon its distinctive competence in those areas and (2) policies in the production/technological areas which support and arise from the product/market orientations identified in (1). Secondary strategies

Table 2.3. Some Major Functinal Area Policy Options Available to Businesses

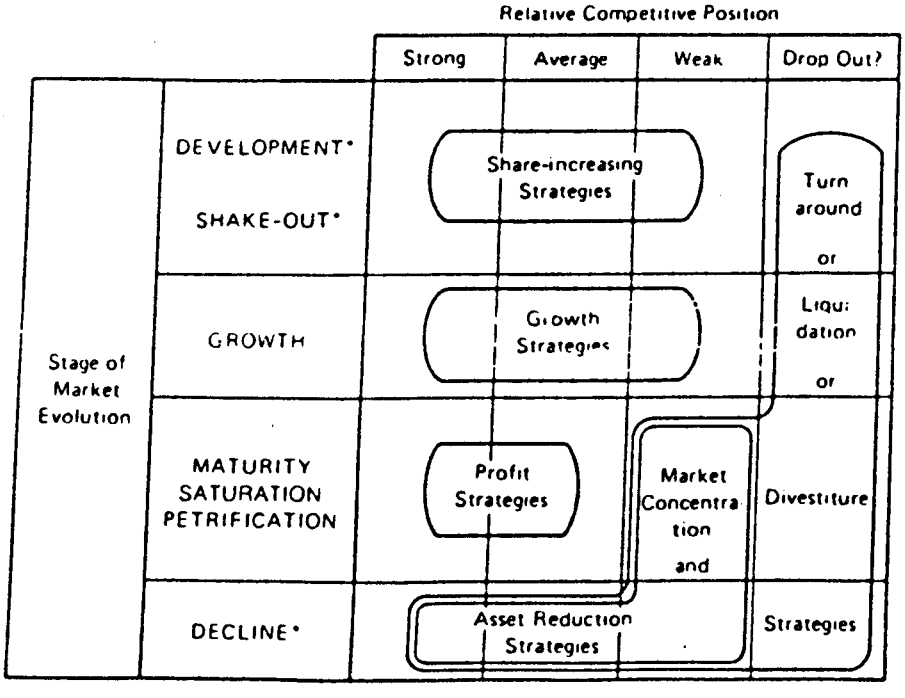
(a) geographic coverage	international vs national vs regional vs local
(b) markets or market segments	
nature of markets	consumer vs industrial vs government
market development	stimulate primary demand vs increase share
number of markets	many vs few vs one
similarity of markets	related vs unrelated
(c) product line	
breadth	full vs partial vs single item
overlap	competing vs private labels vs O E M
customization	standard vs modifications vs custom
(d) distribution and service	
number of channels	multiple vs single
nature of channels	complementary vs competitive
number of steps	direct selling vs retailers vs wholesalers vs et cetera
selectivity	intensive vs selective vs exclusive
(e) pricing and credit	
price level	undercut vs match vs overprice
emphasis	purchase vs lease
(f) promotion and advertising	
emphasis	push vs pull vs straddle
media selection	newspaper vs magazines vs radio vs TV vs outdoor ads vs word of mouth vs et cetera
(g) packaging	functional vs display
(h) branding	family line vs separate brands
(i) manufacturing system	
degree of integration	full vs partial vs none (manufacturer vs assembler)
degree of automation	high vs moderate vs low
plant size	one large vs several small
plant location	near markets vs near raw materials
type of equipment	general purpose vs special purpose
(j) production scheduling and control	
manufacture for	inventory vs customer order
inventory levels	high vs low
quality control	high vs moderate vs low
(k) research and development	
technological risk	leader vs follower
type of R and D	basic vs applied vs both
engineering emphasis	product vs process
(l) product design	
nature of design	modular components vs nonmodular
design stability	frozen vs many changes
(m) labor and staffing	
job specialization	highly specialized vs general purpose
supervision	close vs loose
representation	union vs nonunion
(n) finance	
source of funds	short-term debt vs long-term debt vs new equity vs retained earnings
dividend payout	high vs medium vs low vs none
method of growth	internal vs acquisitions
(o) organization	
specialization and grouping of components	function vs product vs market vs process vs geography vs matrix
method of coordination	formal structure vs committee vs information system vs coordinating component vs et cetera
delegation of authority	centralized vs decentralized vs mixed
information system	external vs internal, historics vs future; verbal vs written; et cetera
measurement and evaluation	formal vs informal, quantitative vs qualitative, single measure vs multiple, frequent vs infrequent; et cetera
rewards and sanctions	economic vs noneconomic, emphasize rewards vs balanced vs sanctions; fixed vs variable with performance, frequent vs infrequent
recruitment and selection	understaff vs overstaff, proactive vs reactive; random vs test for specific skills
training and development	none vs coaching vs formal in company vs universities and schools, present skills vs future skills
promotion	in company vs outside
leadership style	directive vs permissive

Source: Hofer (1976, p. 5).

are generally resource acquisition/disposal policies based on the primary strategies.

To aid the evaluation of primary stategies, management have developed conceptual decision making aids. In the area of business strategy, 'product life cycle' decisions are seen to be of critical importance to investment and divestment decisions, and the use of portfolio matricies is recommended. An example of such an aid is that developed by Hofer (1977), as illustrated in Figure 2.2 below.

Figure 2.2. Recommended Investment Strategies at The Business Level.



Source: Hofer C.W. and Schedel D. (1978, p. 104)

Management are encouraged to identify the position of their various products on the matrix. When prospects are good and a strong competitive position is held, share-increasing growth or profit taking strategies are recommended. Divestment and asset reduction strategies being encouraged when the above favourable circumstances do not prevail.

The evaluation processes described above obviously reflect the objectives set at an earlier stage in the strategic planning process. As was indicated then, these are essentially profit orientated, although non-quantifiable aspects will be incorporated in the decision process.

6 Action plans and monitoring:

Once the major strategic policies have been identified they must then be detailed in the form of action plans and budgets, so that the policies become part of actual practice. As policies are implemented their effectiveness must be monitored, as must assumptions regarding the information which was used to formulate the strategy, especially environmental assumptions. These evaluations should be on a 'feed-forward' basis so that strategic policies can be amended as circumstances dictate. Profit forecasts and departmental plans have to be developed on the basis of the business strategy, thereby becoming the primary input into the long range planning system.

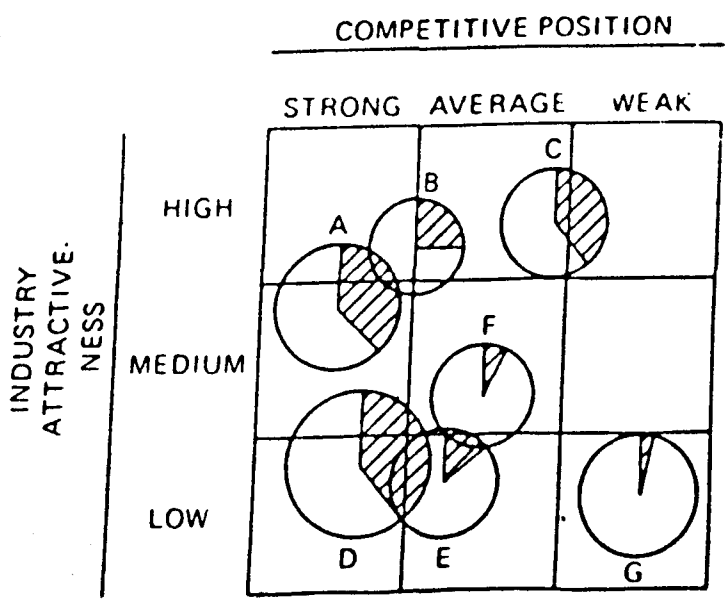
In single industry companies, business strategies form the basis of resource allocation decisions within the firm. However, as was indicated above, in multi-divisional companies, resource allocation decisions have to be made between divisions, and business strategies have to be set in this wider framework. The discussion will be widened to take account of this perspective.

Corporate strategy:

The corporate strategy process follows a pattern similar to that of business strategy. However, in this case the aim is to identify

which industries and businesses should be supported via divisional companies rather than deciding how those companies can compete in their chosen products and markets. The problem can be compared with a shareholder's portfolio decision as to the distribution of his shareholdings between different companies. As with business strategy the controlling objective is to provide a target return on shareholder capital, and to do this by allocating resources between existing subsidiary companies and by creating or acquiring new companies. The stages of strategy formation are as outlined for business strategy, the main variation arising in the procedures adopted at the selection stage. At this stage, divisional businesses and their future business strategies have to be evaluated in terms of the attractiveness of the industries in which they operate. In order to facilitate the inter-business comparison, various constructs have been developed. For example, Figure 2.3 below shows General Electrics "business screen".

Figure 2.3 General Electric Business Screen



Source: Hofer & Schendel (1978, p. 32)

On the matrix the various divisional businesses are located along two dimensions, industry attractiveness and competitive position. On the screen the circles are proportional to the size of the industries in which the various businesses compete. The pie slices within the circles reflect each business's market share. Consequently their areas are proportional to the sizes of the business they represent. Present and future matrices can be developed to evaluate various portfolio options, and in certain instances they can reveal possible inconsistencies within business strategies. For example, in the case of Divison A, why is the market share so low given the strong competitive rating? Divisions that are located to the bottom right of the matrix are candidates for disposal unless business strategies can be developed to improve their levels of performance. A corporate strategy is simply a statement about the future portfolio balance to be established. Argenti (1980) provides the following as an example of a corporate strategy.

> "We believe that the group as a whole is vulnerable to too many risks. We feel it is essential to reduce our exposure to political changes in Asia. Therefore division E will be closed down and divsions A, B & D will be expanded. We shall search for a sister company for division C" (p. 180).

As with the business strategy statement, detailed evaluations support these decisons, and these evaluations form the basis upon which action plans and policy guidelines for divisions are constructed. Argenti suggests that if corporate strategy is to be effective, the strategy has to be presented at divisonal level in a way that can guide action. He recommends that targets should be established that state the volume of capital to be utilized, and the expected return on capital employed. The target should be accompanied by statements which indicate the direction of development to be pursued by the division e.g. move 'up market', achieve leadership in technology, etc. These

directions should not be too specific so as to allow divisions the freedom to develop their own strategies, especially since the responsibility for profit generation is to be located at this level.

The formalization of planning procedures along the lines described above has been greatly facilitated by developments in communications and information technology which allow top levels of management to co-ordinate activities not only across divisional boundaries but also national and international boundaries. Such systems of planning and their associated systems of control provide flows of information which allow for individual discretion in decision making whilst providing an overall framework which is consistent with objectives of the 'dominant coalition'.

Certain organizational theorists have questioned whether planning systems of the kind described above do in fact fulfil the functions described. An examination of these criticisms is necessary, because if they are well founded, trade unions would not need to concern themselves with the planning practices of management.

Criticisms of Rational Models of Strategic Planning

Strategic planning models of the kind presented above form the heart of corporate strategy at the present time and conform to what Mintzberg (1978) has described as the "planning mode" of strategy, a model of action which he describes as "... highly ordered, and neatly integrated ... with strategies explicated on schedule by a purposeful organization" (p. 934).

Models of rational decision-making of the kind described above are open to the criticism that they are idealized models which do not take sufficient account of the uncertainty associated with modern business affairs. Criticisms at a general level are often acknowledged within the corporate strategy literature, most modern advocates being aware of Simon's (1957) distinction between "optimizing" and "satisficing" as

the objective of planning (Hussey, 1982) and, moreover, there is wide recognition of the dangers of adhering to a plan which has been invalidated by changes within and or outside the organizations. Advocates of strategic planning maintain that without a framework of the kind described above, it is improbable that any kind of effective planning, (intuitive or formal; satisficing or optimizing) could be undertaken in the complex organizations which are the concern of this study.

More specific criticism have been directed at strategic planning models. Two main areas can be identified.

The first critique comes from the writings of Karl Weick (1969; 1979) and those who have developed the 'enactment' view of organization. Ever since Child (1972) drew attention to the important role of strategic choice in influencing the nature of organization - environment relations, it has increasingly been recognized that organizations influence as well as respond to their environments. The enactment view suggests that the idea of an organization 'adapting' to its environment is over-simplified. In reality managers within organizations are responsible for the enactment of their environment. Management choose the domains in which they are to operate, and tend to see those domains through socially-constructed concepts, which are embedded in the language which characterizes 'market segmentation' or the nature of a particular 'industry' and traditional characterization of 'threats' and 'opportunities', and they can be so powerful that they can hinder adaptation to a given environment. The enactment argument is that organizations make their own environment rather than simply adapt to them (Pfeffer and Salancik, 1978; Smircich and Powers, 1985 forthcoming; Weick, 1979).

The implications of this enactment view for corporate strategy are important because they show how organizations may have a lot more power

in dealing with the demands of the environment than is commonly realized. However, in the view of some theorists, such as Hannan and Freeman (1977) and Aldrich (1979) the enactment theorists have overstated the freedom available to organisations to enact their environment through the process of strategic choice, because of their failure to recognise structural factors, such as sunk capital costs, legal and other barriers of entry to new domains, unavailability of relevant information, all of which inhibit managers' ability to choose the domain in which the organization shall operate. Moreover, as the Lucas Electrical case study will show, the financial context in which divisional managers operate is such that policy choices are, in their view, dictated by financial constraints beyond their control. Despite these arguments, the enactment view still stands as an important one, because, as Miles and Snow (1978) show, managers should be more aware of the way they view their environments. They identify four principal perspectives to characterise how managers perceive organization-environment relationships: 'prospector', 'analyser', 'defender' and 're-actor'. The appropriateness of each conception depends upon the nature of the environment, when evaluated in terms of uncertainty. They argue that perceptions of the environment developed by prospectors, analysers and defenders can prove viable in uncertain/turbulent environments, the effectiveness of the chosen approach depending upon a variety of factors. However, the re-actor in such an environment (the normal policy stance of trade unions) is unlikely to succeed, and in consequence the alternative perspectives are recommended and management encouraged to critically appraise the perspectives that are current within their own organizations.

The second critique within the literature is inspired by the work of Bateson (1972; 1979) and has recently been developed into a cybernetic critique of strategy, e.g. as developed by Morgan (1983) and

Gadalla and Cooper (1978). This critique argues that organizations interested in surviving in turbulent environments can best do so by attempting to avoid negative states rather than to search for positive states, such as those commonly expressed in the form of specific targets and goals, which they then attempt to achieve (the traditional corporate planning view). The thrust of this perspective is that organizations should scan their environments to spot potential 'noxiants' that may eliminate or damage them in significant ways, as illustrated in the famous fruit and vegetable canning firm confronted by new frozen food technology in Emery and Trists (1965) study - 'The Causal Texture of Organizational Environments'. The cybernetic approach attempts to develop an approach to corporate strategy adequate for dealing with turbulent environments and social conditions. While providing useful insights, in a way which could do much to refine the practice of corporate strategy, this particular theory adopts a normative rather than a descriptive stance, specifying a logical argument about the conditions which are conducive to a firm's survival, rather then providing empirical evidence as to its success in practice.

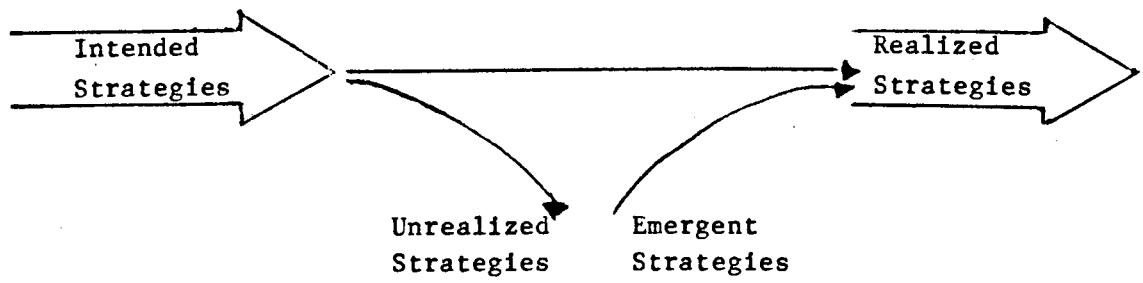
Both critiques are normative and reflect the goal of theorists in this area to improve the strategic planning process by providing alternative perspectives on the practice of strategic planning (see Taylor, 1982). Mintzberg (1978) has argued that theory cannot be dis-associated from practice, and warns of the dangers which can arise from developing elegant planning models that become dysfunctional for practice. He believes that strategy formulation cannot be separated from strategy implementation and therefore advocates a case-study approach to research in this area. His own analysis of two case studies leads to the recognition of three kinds of strategy:

1) Intended strategies that get realized i.e. <u>deliberate strategy</u>, the case outlined above.

2) Intended strategies that do not get realized, perhaps because of unrealistic expectations, misjudgements about the environment, or changes in either during implementation i.e. unrealized strategies.

3) Realized strategies that were never intended, perhaps because no strategy was intended at the outset or perhaps because as in (2) those that were, got displaced along the way i.e. emergent strategies.

Figure 2.4. Different Types of Strategies



Source: Mintzberg (1978)

Mintzberg's analysis, which emphasises the fact that the realization of a deliberate strategy in a complex and changing environment is an unlikely outcome, may seem to discredit the rational planning process presented above. This viewpoint is strengthened by other research (Eliasson, 1976; Sarrazin, 1977) which indicates that corporate plans were rarely implemented and moreover that corporate planners were often excluded from strategic decision making. Such findings can lead to the view tha "planning is a myth" and therefore of little importance to an organization. But this is a misconception of the purpose of planning in uncertainty, which can only be to decide what to do next (Ackoff, 1970; Schumacher, 1973). The next section will show that planning within the modern organization serves a number of functions, and that the production of a formal plan is only part of a wider process of organizational development and control.

The Functions of Planning

The position adopted here is that despite the critiques which have been levelled at the strategic planning process in both theory and practice, the activities of strategic planning have brought substantial gains to modern firms. Although the traditional theory provides an idealistic or normative view of strategic planning in practice, and is limited from this point of view, this weakness becomes less important if it is recognised that strategic planning is not simply of importance for planning resources, but for other reasons as well. Specifically, strategic planning is important as much for its latent, as for its manifest functions (Merton, 1948).

Strategic planning can be viewed first as a learning process which provides strategic decision makers with a framework for formulating and assessing alternative courses of action in a way that is consistent with the interests which they regard as important. Secondly, strategic planning provides a means for controlling the decisions of others, who work within the context established by the strategic decision-makers.

Planning As A Learning Process:

Mintzberg's (1973) research into management practice shows that management tasks as specified by classical organizational theorists e.g. Fayol's to 'organize - plan - command - co-ordinate - and control' (Fayol, 1949), were not distinguishable activities in diary investigations as to how managers spent their time. His research supports the view that management is a process of making and taking decisions, which involves the gathering and processing of information.

The development of multi-divisional enterprises has led to more complex patterns of organization-environment, interactions which has required the formalization of strategy making procedures. In short, intuitive entrepreneurial initiatives have been replaced by formal planning procedures. These procedures emphasise the importance of

acquiring information with respect to both the organization and its environment, and establishes a division of labour in decision making at corporate and divisional levels. Here one may recall Galbraith's and Nathanason's view, that a principal advantage of the multi-divisional company was the transference of longer term decisions to a corporate staff who were responsible for planning the evolution of the corporation as a whole. In discharging this function, the strategic planning practices, as described above, are an essential feature of the process by which decision makers develop models for understanding the demands placed upon the organization. Such models can be seen to fulfil what Pfeffer and Salancik (1978) see to be the first requirement of an effective organization:

> "... to have an adequate model of the reality within which you operate. Without an adequate model of the world, effective action is certainly unlikely" (p. 60).

They go on to state

> "Whether one is going to respond to the environment, or change it, effective action is more likely if the context is accurately perceived. Both the responsive and discretionary roles of management, then emphasise, the importance of the information processing task, and the criticality of the accuracy of the manager's perception: his or her model of reality" (p. 267).

The strategic planning practices of management are vitally important for developing these kinds of understanding and the fact that the models developed do not embrace the full complexity of the decision environment is not a fundamental criticism. March and Simon (1958) have observed that given the limits of human problem solving capacity, that simplified models are required, which capture the main features of the problem without capturing all its complexity. They state:

> "The growing complexity of ... (a) problem can only be matched against the finite powers of the individual if the problem is dealt with in grosser and more aggregative form" (p. 150).

The strategic decision maker has a complex task to undertake in identifying and evaluating the courses of action available to the organization, and in assessing the probabilities of possible outcomes. It seems inconceivable that it is possible to undertake such decision making without engaging in the strategic planning practices of the kind described above, since without this activity, the decision maker has no way of reducing the complexity with which he is faced. However, given the acknowledged uncertainty regarding both the organization and its environment, one would be mistaken to believe that strategic planning can provide plans or blue-prints for action. The purpose is better conceived as a learning process that allows the strategic decision maker to react purposefully to situations as they unfold. This view has been recognised by Hussey (1983) in his description of strategy making:

> "The wrong way to see a corporate plan is as a form of blue-print to be followed to the letter. For many years, thinking corporate planners have argued that a main purpose of planning is to chart a potential map of the future, highlighting decision paths. Again the emphasis is on built-in flexibility rather than a prescriptive course of action" (p. 4).

This view of the strategy making process and the purpose of making plans begins to recognise the value of planning as an adaptive or innovative process in which the value of preparing the plan is more important than the production of a plan (Ackoff, 1970). Mumford and Pettigrew (1975) have also described this viewpoint as follows:

> "Innovative planning recognises that the process of producing a plan is rather more important than the plans themselves. The outcome is subsumed by the process. It is participation in the process, not the consumption of the product, which is critical, not only because the nature of the process of production will critically affect the degree of commitment to the plan, but also because the process is an important mechanism for learning to learn, and without this no system under change can hope to develop the adaptive capacity to cope with future organizational uncertainty" (pp. 223-4).

This interpretation of the importance and purpose of planning has been supported by Rhenman (1973) in his investigations into strategic planning practices in Scandanavia:

> "... the real planning process can best be described as a learning process in which the goals and methods of achieving them are changing all the time, and where the goals depend very much on successive insights into the alternatives available" (p. 25).

Thus, strategic planning practices provide strategic decision makers, with a framework for identifying the interests which they can pursue, and allow for the evaluation of possible alternative courses of action.

Note that strategic decision makers are not omniscient in all their decisions, because mistakes occur. However, by setting such decisions in a strategic planning framework the decision maker is able to learn form his mistakes. McMillian (1973) in reviewing the contemporary importance of the multi-national enterprise identifies this ability to learn as a major strength of management planning practices in multi-nationals:

> "... When innovation and change is institutionalized, as in the multinational firm, a mistake is a lesson learnt, and such lessons can provide future dividends beyond the cost of tuition. <u>It is the ability to learn</u>, to adapt, which makes the multi-national firm such a successful institution ... " (p. 42, emphasis added).

Planning As A Basis For Control:

The multi-divisional enterprise has a multiplicity of decision centres, and for the dominant coalition there is a need to relate these individual decisions to ensure that they are mutually consistent, or at the very least, to ensure that they are not contradictory (at least not in outcomes). The strategic planning practices of management are important for establishing coherence between the various levels of decision within the multi-divisional enterprise in three principal ways:

Firstly, the formalization of planning procedures provides the dominant coalition with a review of the activities at divisional level before their policies have a history which might make them difficult to reverse. Bower (1970), for example, in his investigation of how capital investment decisions were controlled in divisional companies argues that corporate planning procedures are a more effective form of control than the formal capital budgetting systems developed for this purpose. He states :

> "... conventional capital budget systems provide top management with little effective control of capital expenditure, largely because they attempt to impose an evaluation after division managers have become committed to the project. ... the use of corporate planning procedures can provide better control over capital expenditure because the process enables management at corporate headquarters to influence the divisional strategy, and to suggest that options might be considered before an investment decision is adopted as the "one best way" (p. 54).

Success in this matter would do much to ensure that subsequent decisions taken at divisional level are consistent with corporate strategies. For as Simon (1969) argues, the control of strategic decisions provides the context for controling subsequent decisions.

Secondly, strategic planning practices provide a system by which standards of performance can be set for each division. Eliasson (1976), in his investigation of corporate planning practices in America, has argued that control is a principal objective of planning. He states that:

> "The ultimate purpose of planning is to identify and pinpoint responsibilities in precise terms and to exercise remote control and impose pressure without unduly inhibiting initiative and reducing flexibility" (p. 34).

As this statement makes evident, the intention is not to deprive divisions of their decision making role, rather the objective is to allow the maximum initiative at divisonal level, whilst retaining

flexibility at corporate level, so as to promote a loosely-coupled organization (Weick, 1979), which is responsive to changing circumstances, yet provides for accountability to higher decision makers.

Thirdly, strategic planning practices are important in determining the "premises" (March and Simon, 1958) on which decisions are taken, and are therefore part of a system of unobtrusive control (Blau and Schoenherr, 1973) that binds members to an organisation. As was indicated in the discussion of strategic planning objectives and evaluation practices, the primary criteria for judging rational action was profit generation which provides participants with "vocabularies of motive" (Mills, 1967) that support the objectives of the strategic decision makers, the dominant coalition.

In these three ways, strategic planning is important in establishing a basis for the continuous control of decisions within the multi-divisional enterprise. It is not suggested that such control is ever complete, for as research has shown, decisions are never entirely rational and are often subject to political processes (Pettigrew, 1973), and moreover managers inevitably exercise some discretion. Thus, strategic plans are unlikely ever to produce blue-prints for action. Nonetheless, they remain important to the strategic decision-maker for the control that is exercisable through the production of plans, and this explains why large corporations continue to produce strategic plans, even though they are rarely, if ever, 'implemented'. Sarrazin (1977) explains the continued support given to planning departments in large French companies, on their importance for the dominant coalition:

> "The men who run large corporations have every reason to keep the plan in effect, cost what it will, because to them it represents a privileged means toward integration and coherence among strategic decisions taken at all levels of the organisation" (p. 51).

Conclusions:

Strategic planning is the process whereby significant organizational decisions are made and interrelated. It is the most important management function. Within large scale multi-divisional enterprises this process, which was formerly a matter of intuitive entrepreneurial decision, is now the subject of formalized planning procedures. These processes and associated strategy models help promote 'corporate' decision making based on profit generation. Strategic planning is part of a continuous process within the organization whereby the 'dominant coalition' attempt to develop an evolving plan which is used to direct organizational development over a long time period. Strategic planning, although subject to certain criticisms, does nonetheless have a significance for management practice, especially in terms of the latent functions that underlie the planning process. It promotes learning and control within the multi-divisional enterprise and has played an important part in promoting the growth of multi-divisional enterprises over the last two decades. It involves a pro-active stance to change whereby alternatives are evaluated against objectives as a first step in realizing a preferred alternative. It allows time for alternatives to be developed, and allows organizations to be evolved by a progressive reconciliation of interests. It provides information to control and further develop (learn) the objectives sought by the planner.

The next chapter will show how profit orientated planning is perpetuated in the business enterprise, despite the fact that such planning does not directly seek to advance the interests of the majority of its members, ie the employees.

Chapter 3. Management Planning and Strategies of Control

Many managers and academic theorists (eg., Argenti, 1980) argue that strategic planning based on profit generating principles is a precondition of being able to satisfy the various claims of 'stakeholders' in the organization. In this chapter, a review of the relationship between shareholders and managers will establish that management does not act as a neutral arbiter of interests as suggested by those who claim that a 'divorce between ownership and control' allows for 'socially responsible management' (Berle and Means, 1932). Thereafter, an examination of planning based on profit generating principles will show that these practices often if not invariably conflict with the interests of employees. In conclusion, it will be argued that employees and trade unions, to advance their interests, must challenge the process of management strategic planning, since this sets the context for all other organizational activities.

Ownership and Control

The control of the early capitalist firm was the sole responsibility of the owner-manager, and in these circumstances the objectives of business were unambiguously recognised as profit generation and capital accumulation. However, the growth of the multi-divisional enterprise has resulted in two potentially significant developments with respect to the control of such organizations. Firstly, as business enterprises have grown and become organizationally and technologically more complex there has been an increasing reliance on specialist managers, whose objectives need not necessarily be consistent with those of the owners. Secondly, the growth has also involved an increase in the issue of share capital and the resulting relative fragmentation of ownership might make it more difficult for shareholders to exercise control over management actions.

The separation of ownership and administration could conceivably allow managers to pursue objectives contrary to those associated with the traditional capitalist enterprise. This possibility has been widely debated, since Berle and Means (1932) argued that the modern corporation represented a qualitative break with older forms of individual enterprise, and that such enterprises would adopt radically different policies. According to Berle and Means:

> "It is conceivable, indeed it seems almost inevitable if the corporate system is to survive - that the 'control' of the great corporations should develop into a purely neutral technocracy, balancing a variety of claims by various groups in the community and assigning to each a portion of the income stream on the basis of public policy rather than private cupidity" (p. 356).

Berle and Means foresaw a situation whereby a specialist management enjoying conditions in which they did not have to maximise returns to shareholders would be able to balance various economic and social objectives to act in a socially responsible way. The acceptance of this role for managers led Kaysen (1957) to characterize the modern business enterprise as the 'soulful corporation' (p. 314) controlled by socially-minded managers.

The above hypothesised developments are used by management in modern business enterprises to legitimize their authority (Maisonrouge, 1977), however, an examination of 'the divorce of ownership from control' thesis reveals three major misconceptions within the analysis.

Firstly, it gives undue significance to the fragmentation of shareholder interests. Whilst shareholder ownership has become more widespread this has not diluted ownership control. Large shareholders owning as little as 5% of shares (Francis, 1980) can maintain control; the large mass of small shareholders being dis-enfranchised by the combination. Nyman and Silberston (1978) estimate that more than a

quarter of the largest 250 British firms are potentially controlled by private shareholder interests. The power of the large shareholder is re-inforced by a system of interlocking directorships (Scott, 1979) which extends their influence to other organizations particularly financial ones, upon which the managers of a business enterprise may rely. The emergence of corporate ownership of shares via insurance companies, pension funds, investment and unit trusts, reverses any previous trend towards fragmentation because these organizations concentrate control on behalf of investors, their own shareholders who exercise ownership rights over company affairs (Bryer et al, 1984a). It is clear that concentration of ownership remains the norm, despite widespread beliefs to the contrary.

Secondly, it failed to recognise the major correspondence of interests and attitudes between managers and shareholders, so that a 'neutral technocracry' has not evolved. The evidence suggests that top industrial decision-makers' values in industry do not differ greatly from those of the traditional owner-manager. Nichols' (1969) survey of managerial attitudes suggested that profit motive is central and has not been replaced by notions such as social responsiblity. According to Crompton and Gubbay (1977) top managers had similar social backgrounds to shareholders, and in consequence had shared values. Moreover, share ownership by managers provides a direct interest in profit generation, since such ownership can be significant in personal terms even though this ownership is not large in comparison with major shareholders. Nichols (1969) found that among 89 large companies the nominal value of the average directoral shareholding in 1951 was £20,719, although this figure is influenced by the very large shareholdings of a few investors.

Thirdly, the theorists of the 'managerial revolution' failed to appreciate that the issue of managerial behaviour is not in any case

reducible to the personal preferences of managers. The policies and actions of top management are not unconstrained but are subject to certain external disciplines which operate regardless of their attitudes and motivation. Of particular importance here is the market in corporate control (Marris 1964). This maintains shareholder influence over the firm in an indirect manner, since low profit performance and corresponding low stock market valuation invites a take-over bid from more profit conscious managements and makes the raising of capital difficult. According to Hill (1981):

> "If the market for corporate control is working effectively, the top management is compelled to take account of shareholder interests in order to protect themselves" (p. 75).

The above reasons largely explain why the 'soulful corporation' has not emerged despite more widespread share ownership. Shenfield's (1971) research of 25 large British companies indicates that profit based decision making is the norm. She states:

> "None of these companies had any doubt that the primary objective was to be efficient and profitable and that being socially responsible would serve no useful purpose if it hindered these overall company goals" (p. 164).

Arguably, the modern organization's ability to pursue the profit objective has been enhanced by the employment of specialist managers. According to Baran and Sweezy (1966) the modern business corporation employing sophisticated management techniques is in a far better position to seek out profit opportunities than the classical entrepreneur of early capitalism. Storey (1983b) states:

> "Evidence is lacking that managers have been able or willing to adopt markedly different objectives from entrepreneurial predecessors. The pursuit of profit remains an undiminished guiding force. It is the underlying principle defining 'rational' action. Even the supposed alternative goals of growth and higher

> market share can be viewed as interlinking ones which allow a sounder base for profitability. Moreover, it can be argued that the more sophisticated specialists, professional managers and analysts merely provide more refined analytical techniques for an attuned responsiveness to market forces" (pp. 21-22).

The above suggests, that despite many observable changes in modern business enterprises, profit generation has remained a primary concern for organizational controllers. The next section will consider how planning on this basis conflicts with employee interests.

Management Planning and Employee Interests

A system of profit generating views payments to labour as a cost, and in consequence a major objective of management planning is to identify and implement policies which reduce them. Massey and Meegan (1982) in their analysis of job loss in the UK between 1968-73 identify three management strategies which aim to increase the return to capital by increasing labour productivity through changes in production arrangements - intensification, technical change and rationalization via divestment. Management's quest to increase labour productivity by such policies conflict with employee interests in two major areas: job security and wage-effort bargain.

Job Security

The security of an employee's job is likely to be a major priority, since without a job all other aspects of the employment contract are irrelevant. This is not only important for the individual who requires security of employment to plan his personal life without the anxieties associated with redundancy and periods of unemployment (Martin and Fryer 1973), but is also important for trade unions as organizations of employees. Having a job is a pre-requisite for fighting to keep it. Moreover, a trade union's ability to oppose the redundancy plans of management can be critically weakened when threats of further redundancy can be used by management to divide employees between those

who are to retain their jobs and those who are to lose their jobs. These divisions inhibit any co-ordinated opposition to redundancy plans as will be illustrated in the Lucas Electrical case study.

Management often present redundancies as the inevitable outcome of tehnological change, whereby capital is substituted for labour, a process which is seen to benefit society as a whole. This view of capital-labour substitution is challenged by the Council for Science and Society (1981) in its evaluation of new technology. The Council's report argues that productivity can be analysed on three levels. Firstly, capital investments that lead to a reduction in effort needed to accomplish essential work for survival and convenience is a benefit to society as a whole since labour time is freed for non-work activities or to increase output with fixed resources. Secondly, the idea of the productivity of a company or a commercial enterprise, which reduces costs by demanding greater efforts of employees is not necessarily beneficial, especially if the capital labour substitution reduces labour costs by de-skilling and the displacement of employees. The latter displacement is central to an evaluation of the third level of productivity at national level, where increases in welfare can only be registered where such individuals are redeployed. Given this wider perspective, the Council questions the validity of management plans which promote the second kind of productivity, whilst ignoring other aspects. The Report states:

> "Because of the differences between the interpretations of productivity, the efforts of an enterprise can fail to bring benefits to society, and may instead being disadvantages. They can result in one part of the population working long hours under high pressure at uninteresting jobs, while another part is unemployed. An improved competitive situation of the enterprise may also fail to be reflected in an equivalent improvement in national competitiveness. If it is achieved by an increase in unemployment, it throws a burden on the nation which largely cancels the benefit" (p. 95).

Gold (1979) has argued that management are often naive about the benefits of substituting capital for labour and argues that the conventional wisdom implied by such practices needs to be questioned. In their study of British Steel Corporation's (BSC) strategic plans, Bryer et al (1981) argue that this was a factor that led BSC management to try to impose a Japanese-style industry in Britain where it was inappropriate. In a subsequent study, Bryer et al (1984a) show that the consequences of these mistakes were compounded (in terms of employment effects) when shareholders in UK manufacturing industries adopted divestment policies which led to a 14% fall in UK manufacturing output between 1979-81.

Bryer et al (1984a) argue that divestment strategies are consistent with profit generation as a measure of shareholder wealth, but are contrary to national interests when measured in output maximization for the economy. They argue that from a national viewpoint, profit measures are at best partial, and that in consequence it is not necessarily in the national interest that either average labour productivity or profitability be increased. The promotion of national interest is seen to require the maximization of consumption possibilities, which are best represented in financial terms by seeking to increase net value added per employee (gross value added minus investment, as per Morley, 1978). Their analysis shows that if investment decisions had been based upon this criterion, rather than profitability, then the contraction of output and associated redundancies (estimated at an initial 1.2 million) could have been avoided, thereby benefiting not only employees, but the 'nation as a whole'. They argue that shareholder investment strategy throughout the 1970's had been to leave UK manufacturing on a 'care and maintenance' basis, whilst directing new investments overseas. From the point of

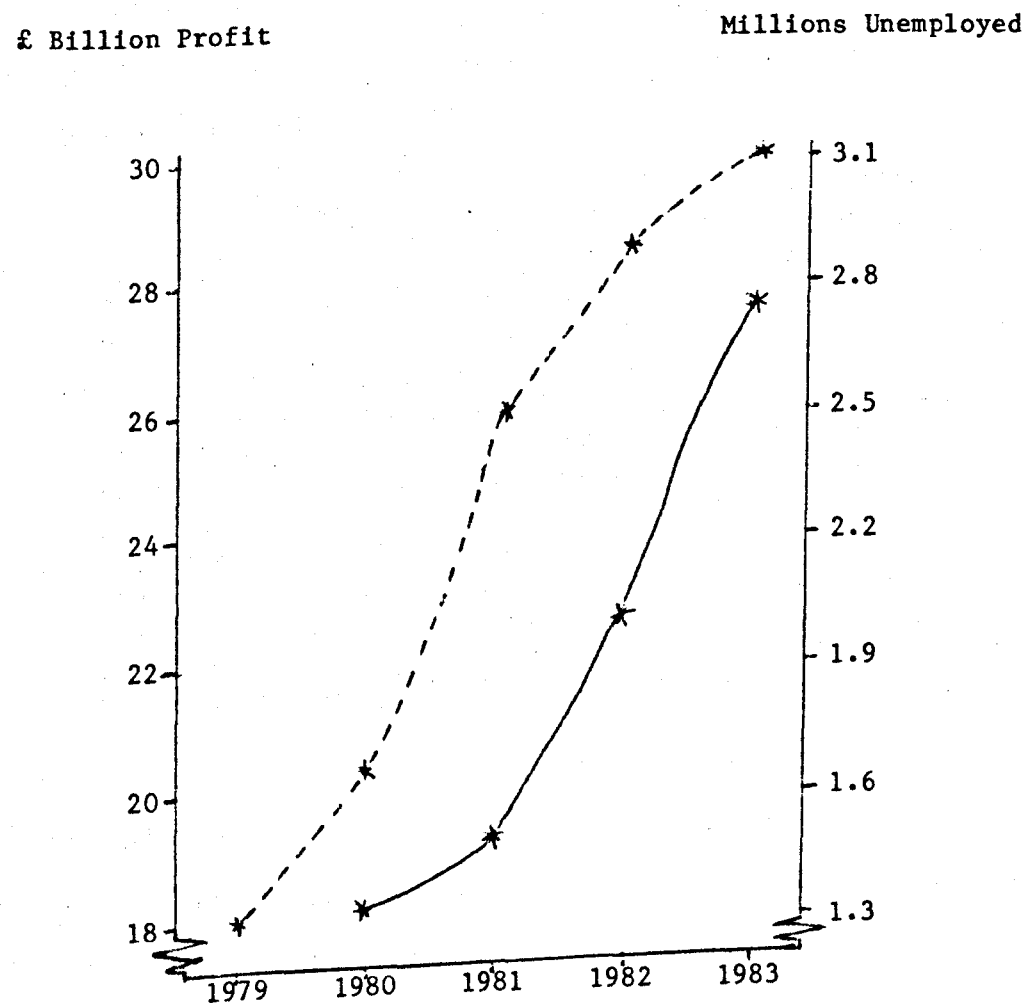
view of the UK as a whole (and especially employees) this strategy was unattractive for two principal reasons. Firstly, the long-term returns of income from overseas investment do not compensate for the direct loss of wealth to the UK from not investing here: in particular, the wage payments go to overseas workers rather than to British workers (Dunning, 1970). Secondly, as the UK's manufacturing industry becomes old and technologically backward, it becomes increasingly vulnerable to major economic changes, especially competition from overseas.

The contradictions in the above strategies of investors and managers are highlighted for employees when increasing levels of unemployment are associated with increasing company profits as illustrated in Figure 3.1 below. Given an employee's wish for security of employment, a planning system which results in this level of labour displacement cannot be viewed favourably. In pursuing profit objectives, management give priority to shareholder interests over those of employees.

Wage-effort bargain:

The work contract between an employer and an employee is of an indeterminate nature and the negotiation and control of the wage-effort bargain is a continuing concern of both employers and managers. Employee interests are not only of a monetary kind, but also involve issues of job and social satisfaction. Employee interests in the latter respects are principally influenced by the process of technological change, a process which is controlled by management. Planning based on profit generation not only accepts the creation of unemployment through the replacement of labour by capital, but also in seeking least cost productive methods, management promote technology which cheapens labour, and increases management's control of the production process (Braverman, 1974; Elliott and Elliott, 1976).

Figure 3.1. Movements in UK Trading Profits and Levels of Unemployment



——— Gross trading profit (net of stock appreciation) - Industrial and Commercial Companies Excluding North Sea Oil.
- - - - - Unemployment in the UK - Monthly Averages.

Source: Central Statistical Office - Monthly Digest of Statistics.

Braverman (op cit) argues that the capitalist organisation of production is geared not to maximize output but to extract more labour from workers at the lowest possible wages per unit of effort. The difference between wages and productivity, or 'surplus value', not the maximization of output is the key variable. This requires a technology which cheapens labour as well as increasing labour productivity. Braverman and others (Marglin, 1976; Shaiken, 1982) argue that

management develop work organizations, including the use of machines, which de-skill the employee, so that skilled employees can be replaced by cheaper unskilled employees. Braverman comments on the division of labour under capitalism:

> "In so far as the labour process may be dissociated it may be separated into elements some of which are simpler than others, and each of which is simpler than the whole. Transferred into market terms, this means that the labour power capable of performing the process may be purchased more cheaply as dissociated elements than as a capacity integrated in a single worker ... The capitalist mode of production systematically destroys all-round skills where they exist, and brings into being skills and occupations corresponding to this need. Technical capabilities are henceforth distributed on a 'need to know' basis. The generalized distribution of knowledge of the productive process among all its participants becomes from this point on not merely 'unnecessary' but a positive barrier to the functioning of the capitalist system" (p. 51).

Braverman claims that managers, in seeking profit, must control labour and have achieved this by developing production technologies based on 'Scientific Management' principles (Taylor, 1947). He identifies three principles as being of particular importance. The first is that the work or labour process should be divorced from the skill and autonomy of the individual worker. Secondly, that manual and mental labour should be dissociated, separating conception from execution and removing 'brain work' from the shop floor. Thirdly, that managers should have a monopoly of knowledge to control every step of the labour process and its manner of execution. He argues that work, n consequence, has been degraded by a continuous process of deskilling, which removes all elements of knowledge, responsibility and discretion, leaving the worker to undertake simple repetitive tasks under management direction. The deskilling process is typified by the assembly line where work is preplanned and ordered by management, the work rate being determined by the 'speed of the line'. He states:

> "... machinery offers to management the opportunity to do by wholly mechanical means that which it had previously attempted to do by organizational and disciplinary means" (p. 195).

Despite criticisms which can be made of Braverman's analysis, such as its over concentration on scientific management and its failure to consider the effect of worker resistance (Friedman, 1977; Edwards, 1979), the work degradation process highlighted by Braverman is nonetheless important. Hill (1981), for example, concludes that:

> "Managers introduce new production techniques in order to maintain or increase profitability and their assessments of new methods may contain no conscious evaluation of the control potential. What are important are the internalized design values and unconscious assumptions about what constitutes 'progress', which managers and engineers bring to bear when they apply scientific and technical knowledge to industry. These embody a central feature of conventional capital production, that control is one condition of profitability" (p. 122).

He shows that engineers and managers share a design philosophy of producing machines which eliminates as far as possible the 'human factor' in order to achieve the regularity and predictability that managers regard as necessary for profitable operation (see also, Cherns, 1973).

Obviously, for employees, technological developments on this basis cannot simply be accepted as necessary cost reductions, as they impose costs on them. Such costs are generally intangible, eg the loss of skill, fatigue and illness resulting from increasing speeds of work and shift working etc, (Wood, 1982; Wedderburn, 1979). These changes are incorporated into the production technology of capitalist organizations, which seek to increase labour productivity at the expense of other values. Cooley (1981), at the time an active trade unionist, expressed the contradictions in this process for employees:

> "Productivity becomes more important than fraternity. Discipline outweighs freedom. The product is in fact more important than the producer..." (p. 47).

Cooley argues that the concern with productivty is essentially linked to profit based decision-making. He states:

> "The division of labour and fragmentation of skills is of course absolutely rational if you regard people as mere units of production, and are concerned solely with the maximization of the profit you extract from them. Indeed, from that premise, it is not merely rational but also scientific" (p. 35).

In planning technological development, and the consequent wage-effort bargain, trade unions could not accept labour cost minimization as the principal criterion of rationality. Although it is in their interests to take account of costs, their orientation would be to reduce costs by aligning advancement in employees skills with the development of an appropriate technology. Gossard (1975) illustrates this possibility in the development of computer-aided machine tools. Under a profit-orientated management, technological developments in this area have led to a deskilling of employees, whereby the operator has simply to load and unload the machine and monitor movements of the tool, these movements having been pre-programmed by management via the computer. Rosenbrock and others at the Machine Tool Division of the University of Manchester's Institute of Science and Technology have sought to design a similar system, which allows the operator to undertake the computer programming, thereby promoting the 'computer-aided craftsman'. It is claimed that when developed this system will be economically superior to the existing alternatives.

Rosenbrock and others (eg., Boon et al, 1981) are seeking to provide tangible evidence to show that technology need not deskill employees whilst improving labour productivity. The Council for Science and Society (1981) argue that a technology which is based on the values of 'scientific management' can limit technological advance by reducing the number of employees actively engaged in seeking

improvements to existing practice. They provide a numerical example (p. 79) to show that short-term optimizing criteria reflecting profit based decision-making can over subsequent time periods limit the innovative process, and thereby retard longer term growth in productivity. Moreover, the short term optimizing decisions of a profit based system have other costs, most noteably those associated with industrial conflicts arising from the deskilling process (Brown, 1981). Such costs are rarely taken into account in evaluations of technology, and Winkler (1974) in his study of director attitudes found that the 'logic' of industrial society in the UK has led to:

> "... the triumph in the board room of accountancy over economics and social psychology, not to mention more humanistic considerations ... For all the directors labour was simply a cost to be minimized" (p. 198).

The adoption by trade unionists of a value-added planning system which views labour costs as a distribution from value added would not place the same emphasis on cost minimization as is current with a shareholder profit seeking system of planning. Given this change, productivity would remain a major concern; however, employees would be able to take account of the costs which deskilling place upon themselves. This might result in a slowing down of the deskilling process (or even its reversal), or alternatively employees might demand full reward for the intangible costs imposed on themselves from deskilling and increased work effort. The willingness of certain trade unionists to question the current trend in technological development has been expressed in a demand for a planning system based on social need rather than profit. For example Shop Steward Combine Committees (1981) are critical of proposals to re-align British industry into 'high technology' industries in which Britain can be 'competitive':

> "We believe that the kind of technology and work organization required to make British-based companies competitive in this way will lead to further redundancies, even where trade union organization is strong, and to increasingly inhuman conditions for those who remain at work. These 'high technology' industries can be competitive with, as the TUC puts it 'successful economies such as Japan and West Germany' only if the enormous costs of the new technologies are justified by an enormous leap in productivity. That will mean an increased tempo of work, a spread of shift working, a further fragmentation of skills, and a destruction of trade union controls over the work place. This has been a trend not only in economies like Japan, and West Germany, with which we compete, but also in those British corporations which are in a strong competitive position" (p. 9).

These trade unionists argue that to promote the interests of employees, planning must be directed to the achievement of full and more rewarding employment which utilizes the industrial skills of employees to meet social as well as market-dictated needs, although these categories may not be distinct. Planning based upon the generation of profit, and a market definition of need is rejected. Competitiveness remains an objective but of a more limited kind. It is stated:

> "... this requires competitive industries in the minimal sense of covering costs and balancing payments nationally" (p. 8).

Management planning based on profit generation principles clearly does not give priority to employee interests in the two above areas. The next section will review how management control of the business enterprise is perpetuated despite these identified conflicts of interest.

Management Control Strategies

The growth of large scale business enterprises and their associated bureaucratic structures, the key dimensions of which, hierarchy, specialization and division of labour, impersonality and formalized

rules, can all be related to the financial 'logic' which characterizes industrial society (Cherns, 1978). In particular, according to Cherns, the theory and practice of bureaucracy was developed, and has evolved over the last century to such an extent that the principles which underlie this organizational form have become dominant within society, so that management control is often unquestioned. Within modern organizations, employees perform either high or low discretion roles and different strategies of control are employed to facilitate the achievement of organizational objectives.

High discretion roles involving management and administration (and in certain cases skilled craftsmen, eg, Friedman, 1977) are characterized by general job description, it being impossible to pre-specify actions. In such circumstances, employees, either formally or informally are encouraged to internalize established standards and procedures of work practice. Performance of work is seen to give intrinsic as well as extrinsic rewards, so that self control is aligned to hierarchical relationships. It should, however, be noted that such high discretion roles are to a considerable degree circumscribed by the process of delegation. Rules are prescribed so as to enable delegation to occur without risk of substantial loss of control to junior managers, the delegated decision making being set within established control frameworks reflecting organizational priorities. The decisions that are delegated are inevitably the least important ones concerning the application of existing procedures, based upon established assumptions and limited by various parameters and controls - budgeting, procedural and formal authority, for example. The important decisions are still retained at the top of the organization. As Blau (1970) puts it:

> ".. managerial decisions in organizations are either significant, in which case they are not delegated, or delegated, in which case they are not significant" (p. 172).

Low discretion roles generally concerned with the production process and supportive administrative activities are often tightly defined and limited to highly specific tasks. Direct supervision is exercised, extrinsic rewards depending on a minimum level of performance. For such employees the work itself is, on the whole, likely to be devoid of meaning, creativity, challenge or autonomy. Such low discretion roles limit the opportunities for an individual to be involved in organizational affairs, and also can limit any desire to become involved in such affairs. Schein (1965) has argued that many workers are denied the opportunity to develop their individual abilities at work:

> "In the cases of those workers who are not actively seeking challenge and self actualization at the place of work, either this need is lacking or it is not given an opportunity to express itself. This last may occur because lower-order needs are not yet fulfilled, or the organization has 'trained' workers not to expect meaning in their work as part of the psychological contract" (p. 59).

According to Salaman (1979) organizations are 'structures of control' (p. 107). Individuals, having been allocated tasks, are trained into the procedures and rules which govern action, and 'ideally' are provided only with the information that is required to undertake the relevant task. In this way, the individual's actions can to a considerable degree be controlled so as to ensure that organizational objectives are enhanced. As March and Simon (1958) put it:

> "One function that organizations perform is to place the organizational members in a pyschological environment that will adapt their decisions to organizational objectives, and will provide them with the information needed to make the decisions correctly" (p. 79).

According to Mouzelis (1975) there are five mechanisms by which an individual's decision environment is structured. He states:

> "The division of labour, standard procedures, authority, communications and training are important organizational features setting limits to, and shaping the decision making environments of the individual. They do not necessarily deprive him of all his initiative, rather they determine some of the values and factual premises of his environment, and in a way which assures that his decisions will be co-ordinated with the decisions of others" (p. 127).

For employees these forms of organizational control can lead to alienation, loss of self-esteem etc and moreover can limit the ability of employees to challenge management's control of the business enterprise. Baumgartner et al (1979), organizational sociologists argue that when employees are denied involvement in decision processes, this monopoly of decision making power of management is perpetuated within the business enterprise and in wider society:

> "The structuring under capitalism of the production process has taken planning, management, communication and other control functions from workers. These are activities relating to higher cognitive levels of precision, categorization, language development, abstraction and complexity. This limits the possibilities of workers to develop such competences. The under-development of labour in this and related respects assures not only continued subordination to a technocratic elite in the workplace - even if the workers are given the right to participate in decision making activity - but also their subordination in political and socio-cultural spheres where the possession of such capabilities is of strategic importance" (p. 201).

As will be seen in Chapters 4 and 5, trade unions as organizations of employees have failed to develop their decision making capabilities and management strategic decision-making powers have in consequence largely been unchallenged. In these circumstances, management can attempt to promote the view that decisions on such matters as technology, redundancy plans, etc, are based on market forces beyond

their control. Using any authority they can derive from their expertise and decision responsibility, management attempt to project such decisions as being inevitable. Blau and Schoenherr (1973) argue that within large-scale organization, decision responsibility can be institutionalized in a way which does not allow them to be questioned:

> "... the complex structure of decision making make it frequently impossible to locate the individuals in diverse places whose judgements were the ultimate source of a given action; ... when they can be located, they are usually specialized experts whose judgements rest on technical grounds of efficiency, which make it almost meaningless to hold them responsible for any deleterious consequences that may result from their judgements. The pressure to make the most rational decisions in terms of the interests of the organization requires that the recommendations experts make on the basis of technical competence govern as much as possible such decisions of organizations, as to whether to shut down a plant and lay off its workers, in which city to build a new plant ... Decisions like these have far-reaching implications for the lives of people, and sometimes they have deleterious consequences for society. But if experts have reached their recommendations on the basis of technical judgements, they cannot be censored for having arrived at these conclusions, because there is no animus in them, technical criteria govern them, and other experts would have reached the same conclusions" (p. 21).

To the extent that management are able to promote decisions on the basis of 'organizational need' and expertise, they can hope to control by 'consent'. When management's strategic decisions such as redundancy plans are implemented on the above basis, and therefore unopposed by trade unions and employees, management may be seen to be exercising unobtrusive forms of control which Lukes (1974) has characterized as three dimensional power. Clearly, the 'dominant coalitions' control of strategic planning is the principal management prerogative and the source of organizational control. Control of this process in large measure guarantees management's control of other aspects of the employment relationship which are often seen as negotiated outcomes

arising from the process of collective bargaining. This is also recognised by Storey (1983a):

> "While in practice management may not be as rationalistic as textbooks and manuals seem to assume, it would be absurd to overlook the general capture by capital of the conception functions. Planning and corporate strategy are thus vital components in the overall control of labour" (p. 85).

Strategic planning provides an overall context of control; however, as will be shown in the next chapter, trade unions have never seriously challenged this area of management prerogative and, in consequence, their influence on the development of the business organization has been limited.

Conclusions

In this chapter it has been argued that the strategic planning processes, described in Chapter 2, are not implemented by a 'neutral' management but are set within a framework that ensures the advancement of shareholder interests. Strategic planning based on profit generation was seen to conflict with employee interests in the areas of job security and wage-effort bargain. Because of this conflict, management have sought to develop organizations which preserve strategic decision making as a prerogative of senior management. Within the business enterprise, the majority of employees are assigned low discretion tasks which limit employee ability and inclination to challenge the decision making prerogatives of management. In conclusion, it was argued that management's control of strategic planning is the principal management prerogative and the source of organizational control. As the next Chapter will show, trade unions have never sought to challenge management strategic planning practices, and that in consequence, their role within the business enterprise is limited to representation rather than decision making.

Chapter 4. Trade Unions and Management Decision Making

Trade unions, throughout their history, have challenged the decision- making powers of management. However, the historical review of trade unionism, presented in this Chapter, will show that this challenge has never involved issues of a strategic kind. As Chapters 2 and 3 have shown, management have consciously evolved systems of planning and organization which support their strategic decision-making capabilities in pursuit of their profit objective. In contrast, the organizational development of trade unionism has largely been unplanned and at no time has there been a direct correspondence between trade union and management organization which would allow the central locus of management decision-making to be challenged. The principal function of trade unionism has been restricted to a representative role within a collective bargaining framework under management control. By failing to develop decision-making capabilities outside this context, it could be said that trade unions have been unable to provide organizational opportunities for members to develop the higher-level cognitive skills which are necessary to assess the consequences of management's strategic decision-making. An examination of trade union support for industrial democracy reform in the 1970's reveals that trade unions simply wished to perpetuate their representational function in organizations, despite the contradictions for employees inherent in a system of planning for profit.

Historical Perspective.

Initially, trade unionism was fiercely resisted by owners and managers (Hobsbawn, 1964) and early trade unionism was confined to skilled workers upon whom management depended. The initiation of trade unionism on this sectionalist basis was to provide a model of official

unionism, which owners and managers subsequently came to accept. We shall see that throughout the development of craft unionism and the spread of unionism to other workers via general, industrial and white collar unions, trade unions never sought to challenge management's strategic decision making powers.

The first employees to form unions were craftsmen who were able to exercise a degree of countervailing power within the employing firm through their control of craft technology and labour supply. Craft unions were established in the face of employer hostility and in consequence the bonds of loyalty to the individual craft union were strong. Craftsmen identified a commonality of interests across employer boundaries so that trade unions were not only sectionalist but also external organizations. In combination such craftsmen sought to control the supply of labour to establish common time payment rates from different employers who were obliged to respect their craft methods of working. Such craft unions, except in the limited sphere of payment, did not challenge the decision making rights of employers. According to the Webbs (1965):

> "they (craft unions) neither desired nor sought any participation in the management of the technical process of industry (except in so far as these might affect the conditions of their employment, or the selection of the persons to be employed), whilst it never occurred to a trade union to claim any power over or responsibility for buying raw materials or marketing the product" (p. 654).

By failing to take any interest in business affairs, these unions were unable to independently assess the claimed 'full standard conditions of employment' offerred, and in consequence had to be guided by employer action. The Webbs (op cit) indicate that this was the practice of the ASE, the model union of the second half of the nineteenth century:

> "Their (ASE) trade policy was in fact restricted to securing for every workman those terms which the best employers were willing voluntarily to grant" (p. 241, emphasis added).

Craft union control of work practice placed a major constraint on employer ability to direct labour and the pace of work, however, in time many large-scale employers accepted craft unionism, especially when it was realized that the formation of employer associations would in large measure neutralize the bargaining powers which trade unions could exercise through their ability to deny labour to a particular employer. This gave rise to a situation whereby district rates were jointly agreed between employer association and the relevant craft union. By entering joint agreements employers found that this had a further advantage in that it removed wages from competition. The industrial relations historian, Phelps-Brown (1959) has shown how cotton manufacturers encouraged district negotiations, having come to realize these benefits:

> "Those who had little love for the union were still willing to negotiate a rate, because of all union activities this interfered with them least. They would resent hotly any encroachment on their prerogatives as managers of their own businesses, but collective bargaining only meant that they were paying the same price as their competitors for one factor of production, just as they did when they bought a raw material in the same market" (pp. 123-4).

As the rate of technical change increased, employers decided to challenge craft control of work practice and employer associations provided a means of developing concerted action. Lovell (1977) records how employers in the engineering industry having formed themselves into an association were able to institute the famous six-month 'lock-out' of 1897/8, which totally defeated the unions involved. After the strike, the unions had to accept the loss of craft control and payment

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by result systems of remuneration. According to Phelps-Brown (op cit):

> "The dispute of 1897/8 in engineering had really been about the prerogatives of management. For example, was the decision which man should work on a certain machine one for management alone, or had the union a right to a say in it? The principles agreed to govern such questions were industry-wide in their application, because an employers' federation had sprung up to make the dispute industry-wide" (p. 282).

By the turn of the century, a system of nation-wide procedural agreements had been established, whereby local disputes had to be referred to central joint conferences of employer associations and national union leaders before any strike action could take place (eg, cotton weaving 1881, cotton spinning 1892, boot and shoe 1895, engineering 1898, building 1904, shipbuilding 1908). Collective bargaining over substantive issues was generally conducted at a local or district level.

All of these developments reflected a curtailment in trade union challenges to management decision making prerogatives. Craft unions no longer exercised unilateral control over work conditions, whilst the 'official' union constrained local union organization inititatives for strike action. In this respect, Clegg et al (1964) observe

> "Some of the national agreements represented a joint victory for employers and trade union leaders over the hostility of a rank and file which was still wedded to the tradition of <u>unilateral</u> regulation" (p. 471).

National procedures were also to be applied to new areas of unionism covering unskilled workers.

Employer dependence on the skills possessed by early craftsmen allowed these workmen to establish the practice of trade unionism. Unskilled employees in time came to realize that their own labour had a scarcity value if they controlled its supply by combination, and this realization allowed them to form unions. The pre-existence of craft

unions was also to be influencial in the pattern of demarcation which became established between unions. 'General' or 'new' unions which were developed from the 1890's sought to extend unionism to non-skilled employees. Whilst the leaders of such unions were often advocates of socialist principles, their recruitment and trade policies were in fact very similar to those advanced by the pre-existing craft unions. There were limits to the general character of these unions, according to Hyman (1975):

> ".... even the most expansionist tempered any aspirations to become all embracing 'class unions' with a respect for the existing strongholds of unionisation... even the most expansionist of the new unions were essentially residual in their recruitment patterns filling the numerous and often complicated gaps left by the earlier structure of unionism. Moreover, the dynamism of their open orientation tended to ebb. Once groups of non-craft workers established effective organizations they tended to become conscious of possessing sectionalist interests and of their ability to pursue them sectionally. The most effective strategy could then appear to be the creation of a stronghold of unionism isolated from the broader labour market; excluding the alternative labour force seemed easier than organizing it" (p. 52).

The early extension of trade union membership to cover unskilled employees occurred in periods of economic recovery, such as 1889-91 and 1910-14, when labour shortages allowed employees to strike in pursuit of improved employment conditions. Hobsbawm (1949) has argued that the success of these unions depended on their ability to recruit members within certain industries, (such as gas, tinplate, docks, transport) and large works, rather than their ability to recruit indiscriminately. He characterized these new unions as 'alliances of local closed shops of regular employees', whose survival depended on employment 'recognition' as bargaining agents. Clegg et al (1964) suggest that the recruiting policies of such unions were more complex than that ascribed by Hobsbawm, whilst agreeing about the importance of

continuity of employment and employer recognition to union stability. They state:

> "Only relatively permanent employees could give stability, but even they might not prove stable members without some form of pressure to keep them in the union. Recognition by the employer would provide a positive incentive to join a body which could handle grievances, and might lead to his acceptance of some form of closed shop" (p. 88).

Leaders of general unions, like their craft union counterparts, could expect to enhance union stability by seeking agreements with employer associations. Such agreements promoted leadership authority within the union and made it possible to negotiate necessary changes centrally rather than wasting the union's resources in a series of local disputes over which they had no control. According to Clegg et al (1964)

> ".. the development of collective bargaining was the outstanding feature of the period 1889-1910" (p. 471).

As with craft unionism, the development of such national collective bargaining systems did not pose any real challenge to management strategic decision making. Moreover, the existence of craft and general unions in large measure precluded the development of industrial unions which had the potential of overcoming the sectionalist character of early trade unionism.

The revolutionary syndicalist element of industrial unionism was never widespread in the UK, and according to Lovell (1977) revolutionary arguments were never widely accepted even in areas such as the South Wales Coalfields, where syndicalism was most strongly advocated. The 'industrial' unions which emerged (eg Railways 1913, Iron and Steel 1917) never actually covered all sectors and were generally committed to the system of collective bargaining. For example, Flanders (1968) states that:

> "By the time it (industrial unionism) appeared on the scene as a conscious influence within the trade union world, substantial parts of the territory which industrial unions might be expected to occupy had already been possessed whether by stubborn, craft conscious unions or by the now amorphous general labour unions" (p. 31).

The period 1910-20 was a period of high employment, which together with Government war time regulations provided a major stimulus to membership growth not only for craft, general and industrial unions, but also for white collar unions. Total union membership was to increase from 3 million (density 17%) to over 8 million (density 45%) in this period (Bain, 1970). The years up to the First World War saw strikes rising to a new record in 1913, and the Government introduced compulsory arbitration as a means of resolving disputes during wartime. This, together with Government control of certain industries, and the recommendations of the Whitley Committee in 1917 to establish national wage agreements via joint councils of employers and unions, promoted trade union growth in new sectors, and extended collective bargaining at national level to include substantive issues. This system of national collective bargaining remained largely intact up until the 1960's.

Summary.

Neither craft, general or industrial unionism mounted a sustained challenge on management decision-making. The national system of collective bargaining which emerged was sectionalist and, moreover, negotiations were underwritten by trade union acceptance of employer 'rights' of management; the trade union role was to negotiate settlements in restricted aspects of the employment relationship, principally basic wage rates. Not only did this system of external collective bargaining protect management prerogatives at the plant, the

official unions having signed national agreements were partially responsible for overseeing their implementation, which inevitably placed constraints on local trade union initiatives and could involve disciplinary action when national agreements were contravened. In the rare times of tight labour markets between 1920-1960, trade union demands remained limited and did not challenge any significnt decision 'rights' of management.

The Challenge From Below.

However, from the early 1960's, workplace shop stewards became a central focus of trade union activity in manufacturing. Their numbers rose from 90,000 in 1961 (Clegg, 1979) to 175,000 in 1968 (McCarthy and Parker, 1968), and, at the time, the internal negotiating role of shop stewards was perceived as a 'challenge from below' (Flanders, 1970) to management decision making prerogatives. However, we shall see that this challenge was of a restricted nature and was contingent upon conditions of full employment.

The formal system of national collective bargaining outlined above provided stability in industrial relations when the countervailing power of labour was low as was the case in the inter-war period. However, when the market environment changed to one of full employment and high demand and low investment in new capacity, employers found themselves obliged to negotiate on work practices at plant level with direct representatives of the workforce, ie, shop stewards. According to Phelps Brown (1973) lengthening experiences of high levels of employment has:

> "given the employee a heightened appreciation of the demand for his services, and ... has also removed the fear that if he walks out of his job he may not get it back.... Meanwhile the leverage of the strike has been

> raised by changes in the organizaton of industry. Increased complexity and integration of process has given quite small groups the power to halt wide sectors of production. Increased capital per employee has raised the cost of a stoppage relative to the cost of the settlement that will avoid it" (p. 333).

For example, these conditions prevailed in the car industry, particularly in the 1950's when production for exports were 'bought at any price', and, not surprisingly, there was a marked increase in unofficial collective action at a work group level. Such actions were initiated in other industries, particularly those where technological and organizational change increased the bargaining power of workgroups. The increasing levels of conflict in such industries led the Government to establish a commission of enquiry into the state of UK industrial relations. The Donovan Commission (1968) concluded that:

> "Britain has two systems of industrial relations. The one is the formal system embodied in the official institutions. The other is the informal system created by the actual behaviour of trade unions, and employers' associations, of managers, shop stewards and workers" (p. 12).

Donovan noted three specific changes that reflected the underlying collapse of institutional regulation and the increasing power of shop stewards. The first was the rising number of strikes in all industries except mining, and particularly the increase in unofficial (ie, not sanctioned by the union) and unconstitutional (ie, in breach of procedures negotiated in collective bargaining) stoppages. These now accounted for 95 per cent of strikes. The second was 'wage drift', the gap between officially negotiated wages and what workers were actually paid. The third was labour utilization: some workers were sometimes able to restrict managerial prerogative and insist on 'overmanning', rigid 'job demarcation', worker control of the 'rate' of production, and who should be transferred from job to job. The Donovan

Commission (1968) found from its analysis of unofficial strikes in the motor industry that disputes arose over work arrangements, rules and discipline, redundancy and dismissal, and suspensions. They concluded:

> "... there is considerable confusion as to what management does and does not have the right to do; or where it is conceded to have the right, whether it is or is not making reasonable use of it" (p. 195).

Flanders (1970) argues that this position had arisen because employers had responded to the growth of workgroup organization:

> "... with no clearly defined, long term and - above all - consistent objectives in mind. By making ad hoc concessions to pressure, when resistance proved costly, they had fostered guerilla warfare over wages and working conditions in the workplace and encouraged aggressive shop floor tactics by rewarding them" (p. 196).

The shop steward at this time was viewed as a significant new force in industrial relations affairs. However, it should be noted that the challenge posed by the shop steward was essentially limited in that it had a workplace focus. As Turner et al (1967) noted:

> "... the leading stewards are performing a managerial function, of grievance settlement, welfare arrangement and human adjustment, and the steward system's acceptance by management ... has developed partly because of the increasing effectiveness - and certain economy - with which the role is fulfilled" (p. 214).

Management acceptance of the shop steward role is indicated by their willingness to allow stewards to be engaged full time on 'union' activites, whilst continuing to be paid by the company. Estimates indicate that in the late 1960's 2,500 shop stewards were so engaged (Terry, 1983, p. 70). In contradiction to the popular image of the shop steward as a 'militant', Parker's (1972) survey of management-shop steward relationships revealed a high degree of consensus as to the supportive nature of the relationships, eg, 79% of senior managers of the sample thought that shop stewards were helping them solve their industrial relation problems, 87% of stewards agreeing with this view. The survey in many ways confirmed McCarthy and Parker's (1968)

submission to the Donovan Committee that the shop steward should be viewed as 'more of a lubricant than an irritant" (p. 56).

Some shop stewards attempted to develop a wider challenge to management decision making prerogatives and promoted multi-union, multi-site shop steward combines. These were initially formed independently of both official unions and management, in industries such as engineering and chemicals where there was a strong trade union tradition (Brown and Terry, 1978). The multi-occupational nature of these combines to some extent questioned the recruiting principles of the official unions to which stewards belonged, and such developments were not always welcomed by official unions. According to Friedman (1976):

> "The unions ... often fear these committees, for they cannot always control them. An individual union may be able to control its own shop stewards; but since a joint shop steward's committee is composed of stewards from a number of unions, its policy may differ from the policy of a particular union" (p. 4).

Initially, these developments were seen by certain commentators (Hyman, 1975; Coates and Topham, 1974) to be illustrative of a new orientation and confidence within the trade union movement. At the beginning of the 1970's, shop steward organizations, even in a time of rising unemployment, were prepared to directly challenge redundancy plans of management by direct action (eg, a 'work-in' or 'sit-in' on the factory premises) in order to preserve their jobs - the most notable success being Upper Clyde Shipbuilders (McGill, 1973). It was also at this time that the Lucas Aerospace Combine began work on its Alternative Corporate Plan (Wainwright and Elliott, 1982) which sought to challenge management decision making in an area largely unquestioned until this time, eg product/market strategies. However, such independent action by shop stewards involving issues beyond the wage-work contract were the exception rather than the rule.

Management have normally refused to recognise combines where membership is extended beyond the immediate site location (Wainwright and Elliott, 1982). For management, the problem is to promote joint shop steward committees to overcome the problem of multi-unionism, whilst endeavouring to limit the issues of negotiation at an individual site level. Within this framework, there was a major growth in the number of shop stewards. By the late 1970's the number of shop stewards was estimated at 250,000 plus, an increase of 100,000 in a decade (Clegg, 1979). Management support for this development is evidenced by the growth in the number of full-time shop stewards to 10,000, a fourfold increase over the decade (Terry, 1983, p. 70) and by the provision of increased facilities such as office, telephone, secretarial support and by allowing joint shop steward committee meetings to be held in worktime (Hyman, 1979, p. 57). Terry (1983) has argued that this growth reflects policies of managements, both in the private and public sector, to develop formal bargaining relationships with joint shop steward committees. He suggests that in the private sector the objective was to overcome the ad hoc workplace agreements developed in the 1960's, whilst in the public sector the objective was to provide a new structure of negotiation centred around the shop stewards. He argues that management have used work study and job evaluation techniques to remove negotiations from the workplace:

> "By presenting work in abstract terms, management hoped to remove work-related issues from individual shop floor haggling, and to handle them in the committee room in bargaining designed to deal comprehensively with, for example, a company's entire manual workforce" (p. 79).

He argues, that measured day work payment systems, group and plant bonus systems have removed the wage bargaining role of individual shop stewards:

> "Under many of the newer schemes, the majority of stewards have little direct role in wage determination, which is handled by a negotiating committee, or even one person, whose authority with respect to other stewards may therefore be enhanced, especially given the importance generally attached to wage issues" (p. 80).

Hyman (1979), likewise, identifies the formalization and centralization of shop steward activity as the most important feature of shop steward development in the 1970's. He argues that these developments have co-incided with the integration of shop steward organization into official trade union structures. Rule books have been amended to give workplace leaders, such as convenors, an official role within union constitutions, stewards were given representation on many national negotiating bodies, whilst the rights and obligations of convenors and joint shop steward committees have been defined via formal constitutions. Hyman argues that official trade unions and management have channeled the militancy of the shop steward movement by a policy of sponsoring shop steward organization to facilitate the introduction of new production and manning standards:

> "Introduced largely from above, steward machinery in such circumstances is normally far more closely integrated into the official structures of trade unionism and collective bargaining than where its origins lie in independent initiative from below" (p. 59).

For Hyman, the shop stewards' challenge to management prerogative has been muted by bureaucratization.

In the view of Brown and Terry (1978) the changes in shop steward organization have been 'dwarfed' by the changes in the structure of British industry arising from the process of closures, consolidation and ammalgamation. Examining statistics for the largest 100 firms in Britain they suggest that the magnitude of change can be represented by the number of plants controlled by a corporate management. In 1958 a middle range large company had 6 plants whilst in 1968 the same company

had 20 plants - a trend which has continued into the 1970's. Such changes have resulted in Britain becoming 'a nation of giant multi-plant firms', a development having major implications for shop steward organization:

> "The threat this concentration poses for shop stewards' organization is a profound one. Operating at the level of the individual factory, it is hard for them to influence management by striking when production can often be shifted to other factories within the company, and when the company often has cash coming in from factories in quite different industries. Furthermore, factory managers often have little control over the strategic decisions of where new plant should be installed and where there should be redundancies. Both bargaining strength and access to the real decision makers is thus moving away from the workplace shop steward committees" (p. 659).

Management's willingness to accommodate to workplace shop steward organization whilst preserving control at a higher (ie, company) level is reflected in the advice given by the CBI (1980) on recognition of shop steward organization. They state:

> "Evidence suggests that there is more conflict and less co-operation where stewards' organizations are resisted by management, and that stewards work better together where joint committees exist. Care needs to be taken however, over the definition of 'company'; such arrangements as joint negotiating committees in groups of companies or a company with diversified interests will be more appropriate for an individual establishment or site, rather than company wide" (p. 25).

Summary.

The growth of the shop steward movement in many ways reflects the inadequacy of official trade union organization, which did not provide for managerial decision making to be effectively challenged at the workplace.

However, the re-emergence of representative shop steward organizations building from the workshop up have not effectively

provided trade unions with an ability to challenge the strategic decision making prerogatives of management at company level.

The merging of official and unofficial forms of trade union representation has resulted in a complex system of industrial relations whereby management negotiate with different kinds of trade union officers (full-time external officials and lay shop stewards) with different unions and at different levels within the company for different issues. The complexity of the resulting bargaining structure is illustrated for the engineering industry in Table 4.1 below. The table shows the levels at which negotiations take place, the issues of negotiation and the parties who are responsible for negotiations and policy development. Close examination of the Table would reveal that there is a significant gap in the pattern of bargaining in that there is no effective company wide negotiating machinery for issues of strategic importance, eg, closure decisions. This suggests that management have successfully adapted to the "challenge from below" by implementing a policy of 'sharing power' at a workplace level, whilst retaining control at a strategic, company level.

Trade Unions and Strategic Decisions: The Industrial Democracy Debate

We have seen that the historical development of collective bargaining at national, workshop or 'plant' level, was based on the principle that trade unions must remain independent of management. The basic trade union strategy has been to react to managerial decision by organizing employees into occupational groups prepared to withdraw their labour where the decisions are viewed as unacceptable.

From the mid 1970's certain trade unionists have been prepared to recognise that the existing system of collective bargaining has fundamental weaknesses. Thus a TUC policy statement (TUC 1979) on industrial democracy states:

Table 4.1. The Structure of Bargaining in the Engineering Industry

	Company Negotiates	Trade Union Policy Established by
National Negotiations re. Basic Rates of Pay, Hours of Work, Overtime Rates etc.	With Representatives of National Executives of Individual Unions on Individual or Federated Basis via the Engineering Employees Federation.	By National Executive Committees and Delegates' Conferences of Representatives elected via the Branches.
Company Level Negotiations re. Basic Rates of Pay, Pensions, Sickness and Lay-Off Agreements etc.	Directly with full-time officers/ lay delegates of Individual Unions on Individual or Federated Basis.	Full-time officials in liason with Shop Steward Representatives from Subsidiary Companies.
Subsidiary Company Level re. Variations to National or Company Pay Rates, Lay-off Agreements, Sickness etc.	Directly with full-time officials/ lay delegates of Individual Unions or Individual Union on Federated basis, or with Joint Shop Steward Committee.	Full-time officials in liason with shop steward representative from plant, or Joint Shop Steward Committee in liason with members.
Plant Level Negotiations re. Variations to National or Company agreements on condition of employment and Procedural agreements.	Full-time officials of Individual Unions or Plant Shop Steward Committee or Stewards of Individual Unions.	Full-time officials in liason with shop steward representative or shop stewards in liason with members.
Workshop Negotiations re. Interpretation of payment systems and negotiation of issues of dispute.	Shop stewards (full-time officials where shop stewards have not taken over responsibility for this area.)	Shop stewards (or full-time officials) with members.

Note. Throughout these negotiations shop stewards have the option of involving full-time officials in these matters, a course of action which is often taken when negotiations fail.

> "Major decisions on investment, location, closures, takeovers and mergers and product specialization of the organization are generally taken at levels where collective bargaining does not take place, and indeed are subject matter not readily covered by collective bargaining. New forms of control are needed" (p. 33).

The limited challenge posed by trade unions to management strategic decision making has been documented by Wilson et al (1982). Their study of 150 strategic decisions across a wide range of employing organizations reveals that trade unions were only involved in 29 of the 150 strategic decisions and that their impact was slight even in cases where their involvement was greatest. They state:

> "The striking feature of all the nine cases described above where union influence is reported to be at its highest is that not only do unions always fail to get what they want (except in the 3 cases where they wanted the same as management), but also, in all cases, their part was wholly <u>reactive</u> to managerially defined topics" (p. 18).

Then:

> "... data show(s) the low levels of union involvement in strategic decisions portray modern forms of organization as mechanisms which delimit union powers and channel the voice of employees. Unions challenge the existing power structure of management hegemony,privilege and resources only at the margin" (p. 9).

In the 1970's when employment levels were high and when a Labour Government was in office, trade unions did not act decisively to rectify these weaknesses. From an examination of the reforms in company law proposed by the Bullock Committee (1977) on Industrial Democracy it will be seen that T.U.C. support for these reforms were based on a belief that it was sufficient for trade unions to <u>represent</u> rather than <u>plan</u> the interests of employees at this higher level of decision making. Trade unions remain committed to a 'representative' role which leaves management strategic planning practices unaltered.

Trade unions have traditionally rejected any direct participation in the management of the business enterprise on the premise that there is a basic conflict of interest between the workers and owners of capital and that trade unions must independently represent the former interests within a collective bargaining context.

The first indications that certain significant parts of the official trade union movement were reconsidering this basic strategy in this matter appeared in the TUC's Evidence to the Donovan Commission. In this submission it was indicated that a scheme for worker representation on Boards of Directors might be a favourable proposition. After reconfirming the achievements made by trade unions via a voluntary system of collective bargaining, the report (TUC, 1966) went on to argue that the conflict of interest between workers and employers was not necessarily an overriding obstacle to participation of worker representation on Boards of Directors.

> "... a distinction needs .. to be drawn between the negotiating function of the employer and the overall task of management. Once this distinction is established, it can be seen that it does not detract from the independence of trade unions for trade union representatives to participate in the affairs of management concerned with production, until the step is reached when any of the subjects become negotiable questions as between trade unions and employers" (p. 12).

It appears that the TUC believe a clear distinction can be drawn between collective bargaining and participation in corporate policy making. Worker directors would seek to influence medium and long-term corporate policy decisions by participation in Board decisions, whilst traditional forms of collective bargaining would be retained to protect employee interests at the policy implementation stage.

The Donovan Commission did not pursue the TUC's suggestion, but the appointment in 1970 of a TUC working party on

industrial democracy provided a focus for the further development of this issue despite there being no apparent widespread enthusiasm for these proposals within the trade union movement as a whole. This working party produced its report on industrial democracy in 1974, and the advent of the Labour Government placed this issue firmly on the political agenda.

The 1974 TUC report argued that advances in industrial democracy required three complementary developments within the modern business enterprise.

Firstly, that the range of issues subject to collective bargaining should be extended to include non-wage areas. The report stated

> "Plant, site and enterprise level bargaining should extend to cover recruitment, training, deployment, manning and speed of work, work sharing, discipline, redundancy and dismissal, plus fringe benefits ... pension rights ... sick and industrial injury pay, minimum earnings guarantees and so forth. ... It should be recognised that many of these issues ... are ultimately based on prior decisions by management about production programming, workplace layout, and the technology and design of plant and machinery ... As far as possible unions will need to bring these factors within the scope of collective bargaining" (p. 27).

Secondly, it proposed trade union negotiators should have access to information in all of the above areas, including future plans and financial forecasts. In this matter, negotiated arrangements between management and trade unions were seen to be preferable to legal requirement. The report stated:

> "... it is clear that enforced disclosure is hardly likely to be followed by meaningful discussion on related decisions. For this reason, it is proposed that where difficulties arise the CAS should exercise a largely conciliatory role by discussing with both union and management the form and content of an appropriate information agreement" (p. 32).

Thirdly, it argued that worker directors should be appointed via trade union machinery to newly established supervisory boards on a 50-

50 basis with shareholder representatives, and, furthermore, that company law should be changed so that the supervisory board would become the supreme body of the company:

> "The supervisory board would be responsible for determining company objectives, the policies necessary for their achievement, and for monitoring and reporting progress to workpeople as well as the shareholders ... The management board would be appointed by the supervisory board, and would be responsible to it for the day-to-day running of the company, according to the objectives and policies laid down" (p. 37).

Whilst most trade unionists accepted the validity of the first two proposals, no consensus existed regarding the appointment of worker directors. This was reflected in the 1974 TUC Congress decision to accept the Industrial Democracy Report, whilst also passing Composite Motion 17. This motion rejected the mandatory imposition of boards with worker directors, and called for statutory backing for the right to negotiate on major issues of corporate policy, via existing collective bargaining arrangements. Thus, although there was general agreement in the trade union movement about the need for increased influence and control of organized workers over corporate decisions, there was disagreement over the best way to achieve it.

This conflict was reflected in trade union submissions of evidence to the Labour Government's Committee of Inquiry into Industrial Democracy (Bullock 1977). The majority of unions affiliated to the TUC were in broad agreement with its industrial democracy policy as outlined in the 1974 Report, and supplementary evidence, and therefore made no separate submission to the Bullock Committee. However, three major unions, the AUEW, the GMWU and the EETPU all drew up policy statements in opposition to the main thrust of the TUC's proposals, and submitted them as evidence to the Committee.

The GMWU rejected any statutory requirement to introduce worker director schemes and argued that any change should be the subject of negotiations between unions and employers. They argued that there must however be a mandatory general obligation on company management and directors to consult and negotiate with trade unions on all major decisions, and mandatory disclosure of information on a wide range of issues. In evidence it was stated that

> "There has to be a significant development of trade union machinery in the private sector towards the creation of company level machinery involving both official and lay members at the point where strategic decisions are really made ... At present, in most instances, there is a gap in trade union machinery between the plant level and the national (JIC) level. Yet it is at company level that major decisions are made. The creation of collective bargaining machinery at company level is a necessary prerequisite to any further institutional development of industrial democracy...
> In most cases this machinery does not at present exist" (quoted Bullock, p. 36).

Both the EETPU and the AUEW rejected outright worker representation on the policy boards of private companies, preferring to rely exclusively on the widening scope of collective bargaining and greater disclosure of information for an extension of industrial democracy. For the EETPU this approach was derived from an understanding of the function of trade unions defined it its evidence as 'negative workers control' (p. 8), in which democracy in industry is measured by the ability of organized workers through trade unions to say 'no' to management decisions disadvantageous to employees. It was stated that the job of a trade union was

> "... to consider, contrast and oppose, if necessary, the exercise of management prerogative. It is not the responsibility of work people to manage the enterprise; indeed it is essential that trade unions retain their independence....
> Far better in the interests of those affected by a managerial decision that the responsibility for the

> decision is firmly laid at the management's door, then the collective bargaining machinery can oppose and moderate the impact of the decision when necessary" (EETPU Evidence, para 24 et seq).

Trade union representation on boards was to be opposed since the sharing of decision making responsibilities would compromise trade union ability to oppose, and act as an independent countervailing force within the organization. This was a classical restatement of traditional union policies.

The AUEW's rejection of board participation in private companies reflected the traditional trade union belief that it was impossible to reconcile the interests of shareholders and employees by a system of joint decision making. It was argued that employee interests could only be advanced by extending the scope of collective bargaining at company level. It was claimed that the introduction of worker directors could in fact lead to a restriction of industrial democracy by hiving off certain policy areas from collective bargaining and by disarming workers through committing them to policies made at board level by their own representatives. The AUEW preferred a system of collective bargaining which allowed 'rank and file' involvement in the formation of trade union objectives and policies.

The recommendations of the majority report of the Bullock Committee (1977) were in favour of the TUC's proposals, excepting the Committee's preference for a unitary board with parity representation (via 2x + y) rather than a two-tier system. The unitary board was to have defined responsibilities vis-a-vis the AGM of shareholders. Bullock's recommendations were underwritten by the belief that such changes would have beneficial effects in terms of efficiency, industrial innovation and confidence. The major trade union organizational reform was the proposed establishment of Joint Representational Committees; a representative body composed of shop stewards drawn from all

independent trade unions in the company. The principal function of this body was to elect worker directors, and to provide a two way communication channel between the workplace and the worker directors. The Committee, whilst recognising the need for worker directors to be competent in certain management areas, argued that effectiveness of joint decision making at board level would not be determined by this capacity alone. The succcess of a worker director was directly related to his ability to communicate with employees through the JRC structure. Thus they state

> "As the Report has consistently stressed, employees will be on the board as representatives of the workforce elected through trade union machinery and not as traditional directors... In the long run we believe that the value of the contribution which employee representatives will make on the board will depend less on the mastery of the tools used in professional practice of management than on their personal qualities of judgement and leadership, and their ability to interpret and represent the views of their constituents" (p. 157, emphasis added).

The TUC also advanced the view that the election of worker directors within trade union machinery would enhance industrial efficiency. Their submission however does not detail how this would be realized. Their supplementary evidence to Bullock (TUC 1979) states that:

> "(t)his point cannot be proved, but in the view of the TUC, the major gain in efficiency would derive from the creation of a new approach to policy making in companies, particularly in relation to new products and new methods of working. The fact that the whole financial aspect of a company's affairs would be monitored and assessments made of this by worker representatives, as well as those traditionally involved would have implications for the presentation of reports and the drawing up of corporate plans. In sum the TUC's belief is that a major extra contribution to company's affairs would be generated and although initially the length of time taken to consider future policy might be extended, the acceptance and implementation would in general be

> assisted, given the greater confidence in the work of the policy board and the systematic reporting back to established steward and office committees of the board's work" (p. 49).

Both viewpoints seem to be underwritten by the belief that an exchange of views and information at the corporate level would lead to a fine-tuning of management decision making to the benefit of all. This is reflected in the TUC's view that deadlock in decision making at board level would not be a recurrent problem, and that when difficulties arose the aim should be 'to find a bargained compromise acceptable to both parties' (p. 47).

Employers, unlike the TUC, did not believe that boardroom decisions such as closures or information disclosure could be subjects of 'bargained compromises' nor did they believe that such proposals would advance the profitability of companies. As Elliott (1978) points out, the CBI organized a concerted lobby against the Committee's proposals, and the campaign was influencial in the Labour Government's decision to formulate legislative proposals much less radical than those proposed by Bullock. The Government's White Paper issued in July 1978 proposed trade union minority (one-third) representation within a two-tier board system. As a consequence of Labour's defeat at the 1979 General Elections, these proposals were not enacted.

The TUC's initiative to change the direction of trade union strategy by promoting trade union representation at the highest level of decision making was, for the second time, rebuffed. This rebuttal especially on the part of employers clearly reflects a wish to exclude trade unions from any and all the strategic areas of management decision making. Management often draw attention to the damage caused by industrial conflict at a policy implementation stage, but have rarely sought to involve trade unions in long term strategic planning as a means of avoiding such conflict. As the next chapter will show,

mass redundancies, from the mid 1970's in UK manufacturing industry, based on the profit generating planning practices of management, provided little scope for joint management-trade union decision making, as envisaged by worker director proposals.

Conclusions

Trade union organization, both formal and informal, is relatively underdeveloped, since historically trade unions have only acted as representative channels for employees within a collective bargaining context. Management, throughout this time, have exercised unilateral control over strategic decision making. Trade unions have never matched management's strategic decision making capability, and in consequence, collective bargaining negotiations have either been highly generalized (eg, national wage rates) or highly specific (eg, work place regulation). Management's strategic decision making prerogatives have in consequence been unchallenged.

In the mid 1970's, certain trade unionists recognised their limited ability in this regard, and sought to overcome this problem by supporting legislative reforms based on worker director principles. However, these reforms were not useful to management and, in consequence, were not enacted. Having sought to rely on legislative reform, which implied an extended representative role for trade unions, they did nothing to enhance their ability to develop an independent understanding of management planning practices. As the next chapter will show, trade unions were in consequence, not prepared to contest mass redundancies arising from management's strategic plans, based on profit generating principles.

Chapter 5. Trade Unions. De-industrialization and Economic Planning

Particularly since 1979, the closures and mass redundancies that have occurred were of such a magnitude as to preclude the possibility of sharing meaningful decision making with trade unions, as envisaged by 'Bullock' type proposals for worker directors. Co-operation is useful to achieve long term goals but closures must be expected to be conflictual. Moreover, a review of Labour Government and TUC economic planning activities of this period at national and industrial level shows that they had no significant impact on strategic decision making at company level and therefore did not effectively evaluate investor plans.

Despite this fact the Labour Party and the TUC remain committed to a system of 'tri-partite planning agreements' and a perpetuation of management practice based on profit principles. This reliance on management, and consequent failure of 'official unions' to 'shadow plan' investor strategies (Bryer et al, 1984b) critically weakens shop steward attempts to oppose closures and redundancies at company and plant level, since this opposition is un-coordinated and unplanned. An example is the eventual irrelevance of the 'alternative plan' developed by shop stewards at Lucas Aerospace, although their initiative was a significant departure from traditional trade union re-active policies. It was a pro-active attempt to anticipate and prepare for change by using some aspects of management practice whilst not planning for profit.

Shareholder Investment Strategies and De-industrialization

Closures of individual plants and even the decline of whole industries is a widely accepted aspect of capitalist market economies such as the UK. However, the widespread and rapid decline in economic

activity from the mid-1970's was of a scale to distinguish it from a 'normal' recession. In fact this economic downturn is seen to herald the end of a long post-war boom, the decline occurring almost simultaneously in most advanced capitalist economies.

The British economy was one of the first to feel the effects of the ending of this period of more or less uninterrupted growth. From the mid 1960's unemployment levels have risen from under 400,000 to in excess of 3,000,000. The number of jobs in manufacturing industry has slumped from nearly 9 million to under 6 million, whilst the increase in service sector employment has in no way compensated for declines recorded elsewhere. The unprecendented fall in employment has been characterized as the 'de-industrialization' of the UK economy, (Blackaby, 1979; Glyn and Harrison, 1980; Aaronovich, 1981; Hughes, 1981), which Hughes (op cit) defines as

> " ... the chronic and cumulative elements of both relative and absolute decline in the contribution of manufacturing to the national economy. This declining trend can be measured in output terms, in employment and in weakening net exports" (p. 9).

Such changes in the economy arose from the policies implemented by large multi-divisional and multi-national companies which have developed rapidly since the 1950's and which now dominate economic activity. The degree of concentration which has arisen can be simply illustrated by the assets controlled by the largest companies. As Table 5.1 shows, the top 100 companies (of which Lucas Industries is one) control 44% of total company assets.

Table 5.1. - Assets of Top UK Companies in 1977

No. of Companies	Proportion of Total UK Company Assets %
20	21
50	33
100	44
250	59

Source. Trade and Industry [1978]

The multi-national nature of large organizations is illustrated in Table 5.2 below which indicates that approximately 40% of assets owned by the 50 largest companies are located abroad.

Table 5.2. UK/Overseas Involvement of UK Industrial and Commercial Companies
(Analysis by asset size involved)

	50 Largest %	The Rest (1450) %
Proportion of total assets of 1500 companies surveyed	48.5	51.5
Operating wholly in UK	7.4	40.2
Operating mainly in UK	50.4	48.1
Operating mainly overseas	38.2	10.7
Operating wholly overseas	4.0	.9

Source: Trade and Industry, 1978

The decisions of such companies are important in themselves, and also have a significant 'knock-on' effect for the many smaller firms which function almost entirely as component suppliers for the 'giants'. The decisions made within such companies have resulted in the loss of output across the manufacturing sectors as detailed in Table 5.3 below.

Table 5.3. Changes in UK Manufacturing Output: Two Decades Compared

Sectors growing in 1971-81	1961-71 % Change	1971-81 % Change
Food, Drink, Tob.	+ 26.5	+ 9.6
Chemical & Allied	+ 80.0	+ 21.9
Instrument Engin.	+ 104.7	+ 15.8
Electr. Engineering	+ 58.5	+ 28.3
Declining in 1971-81		
Coal & Coal Products	+ 63.5	- 24.4
Metal Manuf.	+ 3.1	- 31.8
Shipbuilding & M. Eng.	+ 3.3	- 34.1
Vehicles	+ 15.3	- 19.1
Metal Goods n.e.s.	+ 12.0	- 26.8
Textiles	+ 31.5	- 34.0
Leather, etc.	- 2.5	- 39.8
Clothing & Footwear	+ 9.1	- 9.8
Bricks, Pottery, Glass, etc.	+ 38.2	- 14.7
Timber, Furniture	+ 26.2	- 13.5
Stable, 1971-81		
Paper, Publishing, Printing	+ 23.3	- 0.1
Other manufacturing	+ 74.5	+ 1.9
Overall	+ 32.3	- 8.1

Source: National Income and Expenditure, 1982, derived from Table 2.4. Quoted by Hughes, 1983, p. 44.

Massey and Meegan (1982) in their study of job loss in the UK between 1968-73 have identified three management strategies which promote profit accumulation through the displacement of labour by the re-organizaiton of production.

a) Intensification, whereby changes are made in the production process without major capital investment to increase labour productivity. Without any change in either the nature or scale of the labour process, the individual worker is 'motivated' to produce more in a given amount of time. Where demand for the product produced is constant or declining such intensification leads to job loss.

b) Investment and technical change which involves significant capital expenditures to raise labour productivity through mechanisation and/or increases in the scale of production. The principle is to substitute capital for labour to reduce total unit costs. Again, unless product demand is rising job losses result from such policies.

c) Rationalization or divestment which involves an elimination of productive capacity by complete or partial plant closure. The only alteration to existing production and labour processes is thus one of scale, the end result being a reduction in the productive base of the industry in which it is undertaken.

In analysing Department of Employment statistics for 32 industries involving a job loss of 304,600, Massey and Meegan estimate that 15% could be attributed to intensification, 37% to technical change and 48% to rationalization. According to the authors, policies of technical change in large companies can be equated to policies of intensification within smaller companies:

> "The basic rationale for technical change in a capitalist system of production stems not from some neutral technological improvement nor from 'need', but from competition and the requirement of profitability. Technical change in the process of production within a given product-market occurs as a result of the continuous attempt of firms to steal a march on each other. The commonest overall rationale is cutting production costs in some general sense. This may be either in the obvious immediate sense of reducing the combined cost of equipment and labour, or in the less direct way of enabling the use of a potentially less organized work force" (pp. 65-6).

The policy of rationalization, the principal cause of job loss in the period 1968-73 can likewise be related to pursuit of profit at the expense of employee interests. The general reason for rationalization is a lack of profitability. As a result of this lack of profitability in a particular industry, re-investment of capital is directed elsewhere, either within or outside the UK economy. The dominant

position in the UK economy of large multi-divisional companies can be related to the process of rationalization which often involves mergers and take-overs as a first step in capacity cutting.

In the 1960's the Labour Government, via the Industrial Reorganization Commission (IRC) sought to facilitate mergers by giving financial support to companies involved, as was the case with the most infamous case of rationalization, the GEC-AEI merger (Beynon and Wainwright, 1979). Rationalization in individual sectors is a necessary bi-product of changing relative levels of profitability, as investment flows to those areas of the economy where the return is highest. As such, rationalization is not so much the result of a failure of profitability, but a way of maintaining and increasing rates of it for capital over the economy as a whole. Given the concern for relative levels of profitability it is possible for plants to be closed down, even when profits are being earned. What is important is the relationship between the current rates of return on capital and the return offered by investments in other areas. Thus Massey and Meegan state

> "... it is clearly possible for plant closures and job loss, resulting from rationalization, to occur in sectors with positive rates of profit, as well as in those where losses are being made" (p. 88).

Bryer et al (1984a) study post-war investor strategies to analyse job loss in manufacturing for the period 1969-81. They show that divestment occured despite the financial viability of the manufacturing sector as a whole. Divestment was a rational policy solely pursued in the interests of profit. By undertaking international comparisons of fixed capital formation they show how UK financial performance deteriorated as a consequence of under-investment from the 1960's onward. They suggest that shareholders accepted relatively modest profits in the UK whilst investing abroad to produce offsetting returns. They state:

> "In the mid 1950's, when market share and profits began to fall, investors faced a clear choice: one option was to re-invest heavily in UK manufacturing industry to 'restructure' it as Europe and Japan had done, but this would have meant three major overhauls in as many decades... The other option was to squeeze as much as possible from heavy war-time investments, and divert surplus funds into more lucrative funds overseas. This was the option chosen. During the 1960's in particular, UK investors went for high overseas investment rather than investment at home. For example, between 1960 and 1966, 20% of the UK's total industrial investment went overseas" (p. 28).

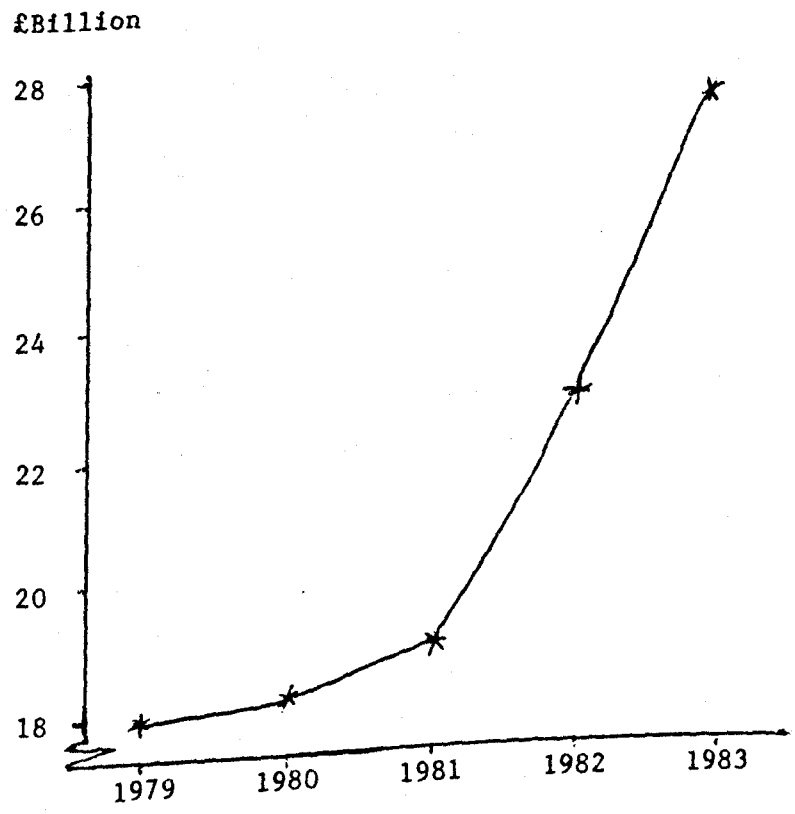
In consequence, they conclude, 'it was low investment that caused low profits' (p. 29) rather than low productivity and profit making investment unattractive, as most suggest (eg., Wilson Committee, 1980). By examining the policies of BSC they also show how plans to restructure the UK manufacturing sector were deferred as a consequence of the 1973 oil crisis, after which companies slowed or stopped investing, overall investment falling by 22% between 1971 and 1975 (p. 32 footnote). Between 1974-79 there were many closures and in total some 650,000 jobs were lost. It appears that most UK manufacturing companies adopted policies similar to that of Lucas Industries, which was to leave the UK 'on a care and maintenance basis' (see Case Study, p. 151). However, the second oil crisis of 1979 prompted the Government to stimulate a deliberate policy of divestment, which resulted in a loss of 1,200,000 jobs in manufacturing between 1979 and 1981. This divestment process was principally implemented through British owned multi-nationals. For example, they found that 25 large private companies (of which Lucas Industries was one) and BL and the BSC were responsible for 433,000 redundancies. They conclude:

> "The loss of wealth to the Nation has been very large. In 1979 manufacturing industry generated an income for the Nation of £35 billion, after paying for its investments, and its total labour costs were £31 billion. From the Nation's point of view,

manufacturing industry was 'financially viable'. However, the overriding concern of investors is their share of total wealth (their profits), not the total amount, and divestment from manufacturing industry helped them considerably" (p. 37).

The elimination of 'excess capacity' through rationalization had served the purpose intended, since the above companies have generally returned to higher rates of profitability; company profits having 'rocketted' since 1979. (See Figure 5.1.)

Figure 5.1. Gross Trading Profits for Industrial and Commercial Companies 1979-88



Source: Central Statistical Office - Monthly Digests.

Bryer et al conclude that:

"(i)t is clear that UK manufacturing industry has, with Government help, been run down in the interests of investors, and so long as profit is accepted as the measure of economic success, their interests will always hold sway" (p. 27).

The recovery of profitability is not only related to the elimination of capacity; closures and mass redundancies have made it easier for management to impose changes in work practices, which at other times would be resisted by employees and trade unions. Massey and Meegan (1982) in reviewing this period state:

> "... the very obviousness of the closures happening all around has made other forms of change in production more likely. The clear threat of job loss through rationalization has ... increased management's ability to push through other changes in the organization of production... This has been particularly true of intensification" (p. 216).

In support of the above view, Massey and Meegan refer to 'speed-up' and changes in disciplinary procedures at BL, which led to the Longbridge 'riot' at the end of 1980 (p. 216) and provide a series of press cuttings detailing other instances of changes in work practice across a range of industries. Other examples of this type of change imposed by management will be detailed in the Lucas Electrical case study where trade unions are asked for the first time to accept a 'non-negotiable wage offer' and provide 'full co-operation' for changes in work practices and technology together with a no-strike commitment. Whilst the last demand is rejected, the trade unions nonetheless agreed to 'give their support to the removal of ineffective work practices' and were in principle prepared to accept changes which had previously been established and preserved by collective action. Massey and Meegan question whether acceptance of co-operation within British industry truly reflects a change of attitude to management authority amongst employees. They speculate that:

> "... the constant threat of rationalization, of output decline as well as employment decline, further strengthen management's hand in introducing ...changes in production. What is referred to as 'a changing, more responsible attitude on the shop floor' and 'a new mood of realism', as if it represents some

> realization by workers of what constitutes sensible behaviour on their part under a capitalist system, is often a straightforward submission to the fear of unemployment" (p. 217).

As trade unions are expected to protect and advance the interests of members, it is interesting to ask how they responded to these threats?

Trade Union Responses to Investor Strategies

It is possible to distinguish trade union responses to these changes in the economy at two levels. At national and industry level trade unions are collectively represented only by the TUC which alone seeks to influence the formulation of general Government economic policy. The rundown of UK manufacturing industry, outlined above, suggests that such endeavours were inadequate and, as will be shown below, this was largely due to the fact that Labour Governments were unable to exercise any control over strategic plans developed at company level. In consequence, the main challenge to the closure and redundancy plans of management arose at the implementation stage at a company and plant level. At this late stage, the prospects of reversing policy were very limited and successful opposition was very exceptional.

Historically, the trade unions have looked to Labour Governments to control private industry's investment, markets and owners, whilst they organize workers around the issues 'directly' concerned with the employment contract. However, over the last two decades, trade union involvement with Government economic policies, (especially incomes policy) has been such that the distinction between industrial and political spheres of influence has become artificial (Crouch, 1979). This separation must also be questioned, given the dominant position of multi-divisional companies in the economy and the significance of their decisions for government economic policy (Holland, 1975).

Throughout the period under review, Labour Government economic policy has been supported by TUC initiated attempts to constrain wage settlements in line with Government income policies. The 'high mark' of this policy was the 'social contract' (HMSO, 1975), the first stage of which involved a TUC agreed 'pay restraint' of £6 per week limit on pay increases for 1975/6. In return, legislative reforms, especially the Trade Union and Labour Relations Act 1974 and the Employment Protection Act 1975 were to enhance employee and trade union 'rights' within the employing organization.

Individual workers secured considerable protection against dismissal, improved redundancy arrangements, paid time off from work to carry out union duties, and (for women workers) paid maternity leave. Unions gained a legal procedure for securing a right to recognition, a fuller extension of immunities from common law actions, improved arbitration facilities through a new body, the Advisory, Conciliation and Arbitration Service (ACAS), and new rights to access to information relevant to bargaining (Crouch, 1979, pp. 92-93).

These 'rights', however, did not enhance trade union ability to oppose closures and redundancies. In fact, increased redundancy payments helped to facilitate the implementation of management plans (Levie, Gregory and Callender, 1984). The avoidance of the mass redundancies of the late 1970's and 'de-industrialization' required a reversal of investor strategies, whereby manufacturing industry would be the subject of co-ordinated planning up to and including national planning. Throughout the period, such a policy was never to be implemented by Labour Governments, or advocated by the TUC. From the workers point of view, the Labour Government and TUC response to the rundown of the British economy was ineffective, and this failure has been partially acknowledged by the Labour Party and the TUC in their document 'Economic Planning and Industrial Democracy' (1982).

Introducing their 'new planning framework' they review 'lessons ... to be drawn from the relative failure of past planning attempts' (p. 13).

It is recognised that the 1965 National Plan organized by the Department of Economic Affairs as the main planning initiative of the 1964-70 government, failed because it did not involve two crucial centres of decision making:

> "First, the DEA was fatally weakened by the fact that public expenditure control and the key macro-economic decisions were not geared into the Plan's objectives.... Secondly, the Plan failed to change the various strategies being pursued by companies. In particular, the relation between the national growth target and the targets for individual sectors was vague, while the relation between companies' plans and sector plans was vaguer still" (para. 62).

Ineffectiveness at company level indicates just how little influence the Government was able to exercise over investor strategies.

Regarding the 1974-79 period of office, it is recognised that the main planning initiatives, the establishment of NEB and Planning Agreements, failed to link the corporate strategies of the major companies with the development of national industrial strategy. A number of factors were identified to explain this failure, eg. the absence of a coherent planning framework within which tripartite bargaining could be controlled; the voluntary nature of company participation with no link to government financial subsidies disbursed under the Industry Act, and a lack of understanding of, and sympathy with, the proposals within Whitehall. Pervesely, the Report goes on to claim success for industrial 'studies' undertaken by the NEDC's Economic Development Committee and Sector Working Parties, whilst acknowledging that they did not influence policy at a company level!

> "...(I)t is apparent that they too (Sector Working Parties) have been unsuccessful in translating their work at the level of industrial sector into action in companies. They like previous attempts to plan in the UK have failed to come to terms with the decisive role of company planning" (para 65.)

The new planning framework which supposedly takes account of the above 'lessons' remains committed to a planning agreement approach, but ties Government's financial aid to participation in such agreements and allows for trade union involvement, principally through boardroom representation based on a modified Bullock form (see Chapter 4). In many respects, the proposals are a refinement of past policies which Topham (1982) characterized as the 'practice of tripartism' (p. 10). Past policies and the enhanced proposals within the Report are, he says

> "... strongly wedded to an assumption of consensus between employers, workers and the state, and this leads it to make many proposals for the role of workers and union organizations, which end up reinforcing employer and Government domination, through the incorporation of forces which should be directed towards bargaining power, into a debilitating process of consultation at the margin of authority" (p. 9).

Nonetheless, the Labour Party still advocate industrial democracy in the belief that it will raise industrial efficiency by improving managerial decisions and that Government economic planning can achieve a more effective distribution of state aid to the private sector. The basic rationale here is to promote more private sector activity and not to change the basic criteria underlying company decision making, ie, profitability. The inadequacy of this type of government involvement from an employee perspective has been illustrated by the past activites of the IRC and the NEB which have promoted rationalizations on private enterprise principles (see: GEC (Holland, 1975), British Leyland (Trades Councils, 1980), Vickers (Beynon and Wainwright, 1979), Lucas (Wainwright and Elliott, 1982) Parsons (Trade Council, 1980). Wainwright (1980) is critical of Labour Government policy in this area. She states:

> "When it came to the GEC rationalizations, and then those of British Leyland and British Shipbuilders, the negotiations ...took place on the basis of very definite, albeit implicit political premises. For

> example, in the case of GEC, the political starting point was Wilson's belief that the restructuring of manufacturing industry into fewer more concentrated private corporations managed by the most profit conscious of modern management was in the interest of the majority of the British people. Such a political premise had never been agreed at any trade union conference, but this was the shared basis of the negotiations which at Woolwich negotiated 5,000 out of a job, and smoothed the way for the further 29 closures which Weinstock carried out over the following four years" (p. 3, emphasis added).

The unwillingness of Labour Government to plan on a basis other than profit, is well-illustrated within nationalized industries where planning procedures and principles are similar to those operated in the private sector. No provision has ever been made for direct participation by either Government or trade union in corporate planning. The setting of financial targets and the vague monitoring of capital investment programmes are seen to provide an effective means of control. Bryer et al (1981) in their study of BSC show that in the steel industry this does not provide an adequate system of accountability (p. 276). Their study shows that the trade unions were unable to monitor and evaluate BSC strategic plans on the basis of employer interests even though they had access to the relevant information. The trade unions and worker directors simply endorsed management plans for expansion without making any attempt to validate them, and were subsequently unprepared when these plans were reversed, as the first major step in the rundown of British manufacturing industry. The same circumstances seem to have applied with regard to the NCB's 'Plan for Coal' (1974, 1977), however, in this instance, the reversal of the Plan was for a year vigorously resisted by the National Union Of Miners. The failure of this dispute was in large measure inevitabe given the preceding rundown of UK manufacturing of which BSC's contraction was a major part.

In the view of Bryer et al (1984b) an effective response to investor strategies required trade unions at an industry and national level to develop alternative plans for manufacturing industry for otherwise their influence was inevitably limited. They state:

> "For the Labour movement to have responded coherently in 1979-83 would have required integrated shadow plans for at least six sectors that were responsible for 70% of the fall in manufacturing output between 1979 and 1981, and for at least the 27 companies within them that were responsible for 40% of the resulting increase in unemployment" (p. 232).

Such 'shadow planning' was not undertaken and trade union opposition to investor strategy was consequently developed by shop stewards at a company and plant level.

Shop stewards, as work based trade union representatives, have inevitably had to play a focal role in trade union responses to the redundancy and closure decisions of management. The experience gained by such shop stewards in the 1960's of organizing collective action to support wage and work control issues seems not to have prepared them for the closures occurring in the 1970's. A range of responses have evolved, and as will be seen below, trade union 'successes' are the exception rather than the rule, and moreover, such 'successes' have generally not been sustained.

In the vast majority of cases, management plans were enacted without any organized opposition. Often employees and stewards accepted the economic rationality of private profit with no alternative employee perspective being developed. Shop stewards are confronted by many inhibiting factors which lead to acquiescence. These factors reflect both aspects of management practice and also weaknesses arising from trade union action or lack of action. Management's position is strengthened in a number of important ways.

Firstly, management need only reveal their plans at the policy implementation stage, there being a legal requirement to disclose 90

A weakness in trade union organization is that officials are usually organized sectionally, external to the company or plant, and generally have made no attempt to provide shop stewards with any financial or expert advice. Their role is often to discourage the belief that management actions can be successfully opposed. Moore (1984) for example, having reviewed trade union responses to shop steward opposition to closures, concludes:

> "In closure fights workers appear to go to the brink of realising it may be the working of capitalism itself, through the decisions of employers, governments and international agencies, which are making them redundant. But instead of inspiring, encouraging or even assisting them to seek alternatives, the conventional trade union role appears to pull them back to look for a compromise, or even to countenance a sell-out. If the picture sometimes appears to be the reverse, with members clamouring for redundancy payments rather than job retention from the trade union officials, it may amount to no more than reaping what has already been sown (as at Corby)" (p. 212).

A minority of shop steward organizations have, nonetheless sought to contest the redundancy plans of management by attempting to highlight the contradiction inherent in decisions based on profit based criteria. The criticism of these plans can simply be based upon an internal perspective, which shows how management planning fails to provide for employee interests. On occasions, this approach has been extended to involve an evaluation of the costs redundancies imposed on the wider community, thereby presenting a social-audit approach (Barratt Brown, 1978). Both approaches, however, have only provided trade unions with limited success.

Normally, management are able to ignore such initiatives, as will be illustrated by the Lucas Electrical case study. Other documented cases include the Massey Ferguson closure of its Kilmarnock plant (Henderson et al, 1984), the Dunlop closure of its Speke plant (Lane,

1979), the British Aluminium closure of its Resolven plant (Gregory, 1984), BSC's closure of its Corby plant (Bryer et al, 1984c) and BL's closure of a number of plants (Robinson, 1982).

Where shop stewards have adopted the social-audit approach and have successfully politicized the issue by reference to local/regional employment considerations, management plans have been reversed. This has required Government intervention, and has therefore depended upon the unwillingness of the Government to accept the political consequences arising from the redundancies. An example here involved the Government's decision, on behalf of the CEGB, to advance a major capital investment project, the Drax B power station, thereby avoiding redundancies at Parsons Ltd (Trades Council, 1980). Where the political consequences of redundancies are of less concern, Government intervention has not been forthcoming (Gold et al, 1979).

In instances where shop stewards have organized occupations of company premises, either on a sit-in or work-in basis (Coates, 1981), and have forced Government intervention on the basis of political expediency, redundancies have been delayed. Either the intervention has involved financial subsidy to the companies concerned, eg, UCS (McGill, 1973), or assistance has been given to set up worker co-operatives, eg Meriden (Greenwood, 1977), Scottish Daily News (McKay and Barr, 1976) and KME (Eccles, 1981). Where such government intervention is not forthcoming then failure has been the norm (Grunberg, 1981, p. 92). An exception here being the case of Lee Jeans (Lorentzen, 1984) where a commercial take-over was negotiated.

The significance of the 'successes' achieved by the above actions has sometimes been overstated (Coates, 1981) since Government involvement has been selective and the passage of time has often resulted in a return to management control eg, UCS. In other instances, where shop stewards have attempted to continue without the

requisite 'management' expertise, the employees have inadvertently accepted a reconstruction of the enterprise on an underfunded basis, so that closure is postponed rather than avoided, eg KME (Bryer, 1982).

One of the most successful and innovative attempts to avoid redundancy was the Lucas Aerospace Shop Steward Combine Committee (LASSCC) alternative plan to produce socially useful products. This initiative must be explored in more detail for a number of reasons. It represents a major departure from traditional trade union activity in that it involves a conscious proactive attempt to anticipate and prepare for change in using management practice but not planning for profit. It also reveals how company management refuse to involve shop stewards in strategic planning and illustrates how the Labour Government's commitment to tripartite bargaining was underwritten by the acceptance of a profit based system of planning. The authoritative study of the Lucas Plan, by Wainwright and Elliott (1982), reveals many of the problems involved in organizing a campaign. It began in the late 1960's and continued to the early 1980's. The first four years involved inter-site co-operation over wages, pensions and redundancies at the Burnley site, to prove the potential value of 'combine' action involving both production and staff unions. Two years of further campaigning on such issues, especially redundancies, led the combine in November 1974 to approach Tony Benn at the Department of Industry to explore Government attitudes to the Combine's proposal that Lucas Aerospace be nationalized. Benn told them that the Government was unlikely to consider it favourably. However, he did encourage the Combine to prepare for tripartite negotiations on company strategy via the planning agreement system. The Combine felt that having a plan of their own was a pre-requisite of such negotiations and in consequence spent the next year developing alternative products to be produced by Lucas employees in the event of threatened redundancies. The Plan was

made public in January 1976 and involved detailed documentation of 150 product proposals together with accompanying analysis. Wainwright and Elliott state that for the purpose of summary the Plan can be divided into four interwoven parts:

(i) a documentation of the productive resources of Lucas Aerospace;

(ii) an analysis of the problems and needs facing workers at Lucas Aerospace as a result of changes in the aerospace industry and the world economy;

(iii) an assessment of the social needs which the available resources could meet;

(iv) detailed proposals about the products, the production process and the employment development programme which contribute to meeting these different needs (p. 98).

The two central features of the Plan were the proposals to produce socially useful products* by using human-centred technologies and the rejection of the need to earn profits, the criteria of economic success being limited to the achievement of financial viability over a range of products (allowing some products to be produced at a loss) over a given period of time.

According to Wainwright and Elliott, so 'radical' were the implications of the plan that opposition to combine activity arose not

*At first the meaning given to the term "socially useful production" tended to be intuitive and implicit. Over time an approximate definition evolved:

- The product must not waste energy and raw material, neither in manufacture nor in its use.
- The product must be capable of being produced in a labour intensive manner so as not to give rise to structual unemployment.
- The product must lend itself to organizational forms within production which are non-alienating and without authoritarian giving of orders. Instead the work should be organized so as to link practical and theoretical tasks and allow for human creativity and enthusiasm (Wainwright and Elliott, p. 107).

only from management and the Government, but also from official trade unions.

Wainwright and Elliott detail the response given by official trade unions to the Combine's initiative. At best, it was 'limited', and to a certain extent 'obstructive'. For example the Confederation of Shipbuilders and Engineering Unions (CSEU) was not clearly friendly to the Combine. After producing an 'alternative corporate plan' to avoid redundancies, the LASSCC sought CSEU support to negotiate this plan with Lucas management and the Labour Government. They were ignored. The CSEU would not recognise even the existence of the Combine let alone actively support its efforts. In fact, the Combine (LASSCC, 1980) questioned whether the CSEU's main concern was to support Lucas management, rather than the workers' initiative to save jobs:

> "We do not like to think that there was a conspiracy between the CSEU and management, but the following quote from a section of the May 77-May 78 Annual Report of the Lucas Aerospace Personnel Department makes you wonder. After complaining that the Combine committee was still pushing the alternative plan, it went on 'it is clear that national officers of the union, and the Department of Industry are aware of the Company's policies, and the CSEU is dealing effectively with the unofficial body'" (p. 7).

Opposition from the company was to be expected, since, as Chapter 3 has argued, for top management the right to manage does not simply mean the freedom to get on with the technical task of management without interference. It is the right to manage in the interests of shareholders. Furthermore, as was indicated in Chapter 4, it is not normal for management to recognise multi-plant combines and in consequence voluntary negotiations were unlikely. Negotiations, therefore, depended upon Government influence within a tripartite bargaining context. As will be shown below, the Labour Government did

not give direct support to the Plan either and tripartite negotiations with the Combine were never instituted.

The presence of the Plan was, however, a serious embarrassment to the company and provided a focus for resisting the Company declaration that it was to make 1,100 workers redundant in February 1977. These redundancies were withdrawn with the Combine's threat of industrial action across all sites. However, in March 1978, the company proposed 2,000 redundancies and according to Wainwright and Elliott (p. 183) secret meetings with the President of the CSEU, Ken Gill, paved the way to an eventual agreement between the company, the Labour Government and the CSEU. The agreement accepted the closure of a plant in Liverpool (the Victor Works), which was to be replaced by a new factory which would attract an £8 million government subsidy. However, 1,000 jobs were to be lost. The Combine Committee and a CSEU Delegate Conference expressed major reservations about the agreement. However, these were set aside, and an agreement was signed by the CSEU and Lucas Aerospace. Wainwright and Elliott argue that the acceptance of the agreement by Ken Gill on behalf of the CSEU, and by Gerald Kaufman on behalf of the Government, reflect differences in attitude as to what is achievable by employees in negotiation with management. The Combine were prepared to believe that Lucas Aerospace could be planned to promote employee interest; Gill and Kaufman could not disassociate the interests of employees from those of Lucas Aerospace as a company:

> "The explanation for these different assessments lies in the way that the Department of Industry and the CSEU leadership accepted management's basic objectives for Lucas Aerospace. The following extracts from an interview with Kaufman indicate the Department of Industry's acceptance of (Lucas Aerospace's) view:
>
> Wainwright: The shop stewards feel that they could have taken on the company industrially and saved all the jobs

Kaufman: That would have wrecked Lucas Aerospace, there is no doubt about it, all the jobs in Lucas Aerospace

Wainwright: You mean that Lucas management would have closed down Aerospace?

Kaufman: Lucas Aerospace the company would have become unviable. It is as simple as that. Lucas Aerospace as a company was on the verge of becoming unviable because of the delay in implementing their restructuring plans. And in that case they would have just had to close the whole thing down. Now the Confed in my view very sensibly decided that that was not a risk they wanted to take ...

Wainwright: It is not clear from the agreement whether all the jobs were saved or not.

Kaufman: No, all the jobs were never going to be saved. One of the things that the Confed Conference put forward was that all the jobs should be saved and that was never on" (p. 194).

This illustrates how even a Labour Minister was unwilling to conceive of any alternative system of planning other than that operated by a 'capitalist' management. As was indicated above, the official response to investor strategies has been underwritten by this belief.

Despite this setback, the Combine continued to press its case and Wainwright and Elliott argue that the Plan helped to forestall major redundancies at Lucas Aerospace over a five year period. The advent of a Conservative Government in 1979 ended any prospect of the re-opening of tripartite negotiations regarding the Plan.

The radical challenges posed by the Plan was so unlike traditional trade union practice that the failure to receive more positive support from the official unions and the Labour Government was, in retrospect, not so surprising given the failures recorded since 1979.

Even though the Lucas initiative depended upon a number of special circumstances (eg, highly-skilled workforce, versatile technology, tradition of alternative products, a planned economic environment, recognition but independence, political support (Wainwright and Elliott, pp. 247-50)), it is nonetheless important since it not only

allowed the logic of capitalist decision making to be questioned but also because it illustrates how other identified inadequacies of trade union responses to redundancies, such as lack of time, unity, organization and information can be overcome. By planning, the Combine created time, so that not only were plans developed, but also organization and unity within the workforce was fostered, and the process of planning provided a basis for organizing and collecting information to evaluate employee interests as the first step in realizing those interests. As such, it was a significant attempt to implement some aspects of management practice, as a means of enhancing employee interests.

This said, the initiative in itself was unable to provide sufficient impetus to embrace Lucas Industries as a company, let alone provide for the co-ordination of plans across industrial sectors. Nonetheless, it partially, if only temporarily, moved the trade union structure within Lucas Aerospace into a position to start 'shadow planning', (Bryer et al, 1984b). An examination of the Lucas Electrical case study in Part 2 will show that a similar initiative may have been adopted to benefit employee interests.

Conclusion

The review of investor strategies and trade union responses to closures and redundancies undertaken in this chapter allow a number of major inadequacies in trade union policy making to be identified. More importantly, it has been illustrated that trade unions have not developed an alternative logic to the profit based planning advanced by management in the interests of shareholders. Throughout the period official trade unions and Labour Governments appear to have accepted that employee interests can only be advanced by attempts to enhance profit based planning either by simply providing capital subsidy or by enabling trade unionists to provide an input into managerial planning

via 'systems of representation'. This view is underwritten by the belief that Labour Governments have the political power to re-direct major macro economic variables to provide for employee interests. Yet, the Labour Party in office has never sought to use the powers that exist to change the basis of company decision making and company law to advance employee interests and in consequence they have fallen back on the logic of private profit as the fundamental resource allocative mechanism within the economy.

In the above circumstances, trade union attempts to resist closures and redundancies have been based on re-active oppositional policies at the time of implementation. In consequence, resistance has not only been isolated but unplanned, the Lucas Aerospace 'alternative plan' providing the earliest exception to this norm. This initiative showed how planning can be directed to enhancing employee interests, and also illustrates how management do not wish to share their strategic planning prerogatives with trade unions. As the Lucas Electrical case study in Part 2 will show, a major objective of management is to maintain its planning prerogative, whilst assigning trade unions a negotiating role within a collective bargaining context.

Part 2. Redundancies at Lucas Electrical Ltd, Birmingham: a case study

Chapter 6. Research Methodology and Introduction to the Case Study.

The Case Study as a Research Strategy.

As was stated in the introduction, the objective of the research was to evaluate the effectiveness of trade union policy making and by means of this attempt to assess the potential for effective use by trade unions of accounting information. To explore this a case study approach was used.

It is well known that case studies have a number of strengths and weaknesses (Rowan and Reason, 1981). They are ideal for in-depth exploratory investigation and for achieving a detailed understanding of the dynamics of specific situations (Blau, 1955; Gouldner, 1954; Selznick, 1966; Pettigrew, 1973). They are less well-suited for research where the aim is to produce generalizable knowledge about facts and relationships in a wide range of settings. Here the more formal hypothesis testing mode of study is more appropriate. Since the aim of the present research was to acquire in-depth understanding of a little-researched area, the case study offered itself as an obvious methodology for developing an analysis and interpretation of trade union decision making in a real situation.

The literature on research methodology identifies at least two broad possible approaches to the conduct of case studies. On the one hand, the researcher can attempt to develop what Glaser and Strauss (1967) have described as a "grounded theory" which attempts to build up a theoretical explanation of the situation studied from the accounts and interpretations found in the situation investigated. On the other hand, a theoretical model can be taken into a situation to be used as an attempt to evaluate the extent to which the situation confirms, rejects or modifies the theory. As there was little previous research in this area there was no substantial theoretical issue to guide the

field work and, in consequence, the research was necessarily exploratory and open-ended, the major conclusions of the study emerging as part of the research process.

Development of Case Study

Information disclosure to trade unions became a topic of considerable interest when the, 1975 Employment Protection Act required management to provide information to trade unions consistent with "good industrial relations practice". Collective bargaining in the UK is viewed as the most important vehicle for enhancing employee participation in industry, and the central focus of management-trade union relationships. Information was seen to have a crucial role to play in the process of collective bargaining. However confusion appeared to exist as to the actual impact and consequences of greater disclosure, a situation illustrated by the conflicting arguments employed by proponents of greater disclosure (Foley and Maunders, 1977). For example, advocates of greater disclosure of information (Hunter and McKersie, 1973) argued that it would lead to a more rational and objective bargaining based on the 'facts' in addition to enhanced employee commitment. Others believed such disclosure would only strengthen union 'power' (Foley and Maunders, p. 44). A belief supposedly confirmed by the public statements of certain unions and the TUC's claim of increased disclosure as part of its industrial democracy reform package (see Chapter 4).

Underlying this debate was a belief that information equals a power resource, with the implication that disclosure of certain categories of information could potentially affect the process of management decision making. However, academic research in this area in the, 1970's did not address this issue directly by locating research at a decision level within the employing organization. Empirical research generally sought to map out changes in the scope of collective

bargaining arising from greater disclosure (Reeves and McGovern, 1981; Jackson-Cox et al, 1984). This research employed survey and interview methods which precluded any analysis of the decisions subject to bargaining. An alternative approach, based on the elaboration of theoretical decision models for particular participants in collective bargaining eg shop stewards (Cooper & Essex, 1977) sought by survey methods to establish whether a correspondence existed between theory and practice. Again, however, this approach fails to provide any analysis of the decision subject to negotiation such as the reasons for redundancies and, moreover, Cooper and Essex recognised important limitations arising from survey research methods. In advocating research based on observation, they state:

> "A forced choice questionaire, such as the one used in our survey involves the researcher coding the responses for the respondent. In other words, our image of reality has been imposed on the respondents by the questionaire. Forced choice answers also tend to 'prompt' the respondent, particularly when the respondent is asked about information which he has probably never received.
>
> These limitations suggest that data about the shop steward's role should also be collected by observational methods" (p. 212).

In initiating fieldwork research I therefore sought to establish trade union access which would allow a detailed evaluation by observation of current practice in the area of wage negotiation, then seen as the principal concern of collective bargaining. Additionally, there was an intention to evaluate the issue subject to negotiation, as a matter of research in itself. The research therefore not only focused on the activities of the principal actor, but also sought to provide an analysis of the issue of dispute with the intention of assessing whether trade union needed accounting information. A major concern was to assess whether available accounting information was relevant and useful to trade unions in their decision making since this information is generally produced for management use.

The 1975 Employment Protection Act which provided the initial stimulus to research in this area was also to play a part in facilitating my research access. Senior shop stewards at Lucas Electrical had negotiated with management to attend a Worker's Education Course at Birmingham University on the use of accounting information in negotiations as the Employment Protection Act required employers to provide paid leave for attendance at recognised trade union courses. As tutor of the, 1979/80 course, my supervisor (Dr. R.A. Bryer) was able to introduce me to senior stewards who wished to promote the use of accounting information in bargaining at Lucas Electrical and these stewards, as members of a multi-union, multi-site shop steward committee (known as the Senior Shop Steward Committee - hereafter SSSC) proposed that the SSSC co-operate in my research proposal to review trade union negotiating practice with the intention of providing financial information for bargaining purposes. No oppposition to this proposal arose at the SSSC. Early in the research, management declared 3000 redundancies at Lucus Electrical; this decision became the focus of the case study analysis. There were three principal phases of field work research in developing the case study:

1. An investigation of wage bargaining practices:

Initially, the research involved the conduct of interviews to establish how different trade union groups formulated wage claims at Lucas Electrical Ltd. These interviews were loosely structured to allow respondents to provide their own account of current practice (see: Exploratory Questionaire, Appendix 1). The general opinion was that the perceived 'technical' nature of accounting information limited its potential usefulness to trade unions in wage bargaining. Wage claims they thought were better formulated by reference to changes in the "cost of living" as reflected by changes in the retail price index. In the case of "skilled" trade groups there was also a concern to

maintain "pay differentials." Both of the above justifications for wage increases are widely represented in the media. Shop stewards did not think wage claims based on company specific information was feasible nor necessarily in their interests. Generally, the "financial information" that was made available by management was ignored in the belief that such information was invariably provided merely to lower trade union wage claim aspirations. Little use was made of "accounting information" since negotiators did not have any independent information, and the information provided by management was viewed with great suspicion. It was seen to be part of the "annual gloom and doom report".

2. Participant-observation of redundancy negotiation:

Management's announcement in June, 1980, of 3,000 redundancies at Lucas Electrical provided the major new focus for the field work. The SSSC requested that I become involved as a participant in all major meetings to discuss and develop trade union policies regarding the redundancies. My brief was to provide any information which might help inform trade union policy making. The fifteen week period of participant observation is reported in the case study and, as will be seen, trade union policy was largely unaffected by the limited information which I was able to provide in the time available. A major constraint here was management's refusal to provide company specific information in response to a questionare to them on the redundancy decision which I and my supervisor produced for the SSSC. From management's response it was evident that they were attempting to contain trade union decision making within a limited "information context", that is, a situation, in which trade unions are provided with information regarding the current circumstances, but which is insufficient in itself to allow the trade union to understand why current problems have arisen and to identify possible future courses of

action. Management's information response simply addressed the areas which supported management policy interpretation. Other areas of information were ignored. The trade unions were not prepared to challenge management's control over information sources.

3. Setting the redundancy in a strategic planning framework:

After the redundancy I collected background data so that I could try to assess whether it was a shortage of information or other problems that prevented an effective trade union response. I decided to set the redundancy decision within a historical perspective based upon the strategic policy options available to Lucas Electrical during the previous five year period. The starting point was the last major redundancy decision at Lucas Electrical which had occurred in 1975. It involved three months library and field research, a fundamental revelation being that the decline in UK vehicle production output, the major management justification for the 1980 redundancy, had been publicly documented as early as 1975. Not only did this raise questions as to the interests advanced by management strategic planning practices, but also highlighted the reactive nature of trade union policy making, and trade union disinterest in information already available. Until management declared 3,000 redundancies in June, 1980, the trade unions were not aware of how management strategic policy was evolving, or its likely impact on employee interests. There was almost complete trade union disinterest in strategic planning.

The identification of strategic planning as of fundamental importance to the evaluation of trade union policy suggested that the case study could not be put into perspective until trade union policy in this area had been investigated. Based on the analyses in Chapters 4 and 5, and trade union practice at Lucas, I was able to identify four policy options available to trade unions varying according to

a) the nature of trade union-management relationships

and

b) the degree of trade union involvement in planning.

The juxtaposition of these dimensions provides the four-fold classification of trade union policy options shown in Figure 6.1 below:

Figure 6.1. Alternative Policy Options Available to Trade Unions

Relationship with Management	Restricted	Comprehensive
Dependent	Type 1 Bargaining over the Terms of Policy Implementation	Type 2 Negotiation of Long Term Policy Choices
Independent	Type 3 Militancy Based on Trade Union Principle	Type 4 Militancy Based on Alternative Plans

Involvement With Planning

The principal aspects of each dimension and the alternative policy options will be outlined:

Relations with Management.

The distinguishing feature here is the trade union attitudes to objectives. For trade unions to accept a dependent relationship on management, they must act on the assumption that their objectives can only be achieved through and with the aid of management. A position of independance is based on acknowledgement that management and trade union objectives are not compatable.

Involvement with Planning.

Two related aspects of planning involving questions of scope and time are of importance here. A restricted involvement with planning is based upon a short time perspective which assumes that one particular aspect of an organizations performance can be controlled without controling the whole organization. Thus, trade unions can mistakenly believe that industrial relation issues can be separated and negotiated in isolation from other aspects of business strategy. As the latter comment suggests, a comprehensive involvement with planning requires a long time perspective embracing policies concerned with the organization as a whole.

Type 1: Bargaining over the terms of policy implementation.

Traditional trade union collective bargaining is the central focus of this policy. Negotiations between management whether at national level with official trade unions or at company level with shop stewards are set within a planning framework which reflects the objectives and priorities of management. Issues of negotiation are restricted in scope and involve a fairly short time span as is illustrated by wage negotiations at both national and company level. Management plans are set outside the negotiations. All that is to be decided is the post implementation balance of interest. Chapter 4 outlined the historical development involved here.

Type 2: Negotiation of long term policy choices.

The TUC proposals for worker directors sought to change management-trade union relationships by lengthening the time perspective and scope of issues subject to bargaining. As was shown, these proposals imply that planning remains a management rather than a trade union function. This dependence on management for planning is also incorporated in other similar proposals such as management by agreement (McCarthy and Ellis, 1973), tripartite bargaining (Holland, 1975), which do not

provide any clear indication as to why management should be prepared to change the objectives which inform their planning activities. In consequence, this option is underwritten by a trade union preparedness to accept these objectives. Otherwise management would have no reason to involve trade unions.

Type 3: Militancy based on trade union principles.

This policy recognises that management do not give priority to employee interests in their planning. However, no attempt is made to engage in business planning as a means of identifying employee collective interests. Trade union practice is based on a defence and advancement of employee interests in defiance of management plans. Employee interests are identified collectively by employees themselves from the common experience they share in the work place. Trade unions are organizations which allow this collective will to be expressed. Since employee experience at work is essentially restrictive the issues of dispute are likewise limited in scope and time perspective, reflecting a principal strategy of management control. (See Chapter 3.)

Type 4. Militancy based on alternative plans.

To develop this policy trade unions must set industrial relations issues within a total strategic framework of company policy development. Plans are evaluated by comparison with defined employee interests and the process of planning is used to develop a collective understanding of interests between employees and to initiate collective bargaining of strategic issues.

The case study, if Lucas experience is typical, illustrates the ineffectiveness of trade union policy where trade union involvement in planning is restricted. It also illustrates management's unwillingness to comprehensively involve trade unions in planning on a partnership basis, as is implied by worker director proposals. Management have

always had the opportunity to negotiate long term policy choices by involving trade unions in planning, however as will be seen, management made no initiative in this area. They recognised the conflictual aspects of strategic planning, and sought to exclude trade unions from this area of management. The case study will also establish that there was plenty of information available to trade unions, and that this was not a fundamental reason for trade union failure to oppose the redundancies. The case study shows that the failure was caused by the unchallenged exercise of management power, as a result of trade union weakness, especially that arising from a disinterest in strategic planning, and the sectionalist nature of trade union organization.

Detailed Research Methodology Employed:

As noted, fieldwork research involved three distinct phases:

1) Investigation of Wage Bargaining Practices.

2) Participant Observer Role in Redundancy Negotiation.

3) Setting the Redundancy Decision in a Strategic Planning Framework.

Each of these stages had different emphases and required the employment of different methodologies. In the first two phases, research was exploratory and open-ended, the intent being to collect as much data as was possible in whatever way seemed appropriate for descriptive adequacy. The third phase, principally involved documenting, analysizing and checking events of the first two phases with the secretary of the SSSC, as my main "informant" (Zelditch Jr, 1970). Figure 6.2 presents a research diary together with a statement of the research methods adopted during the three phases.

All of the activities identified in the research diary have been documented in two principal research files:

1) A diary file with verbatim records of all meetings attended and all interviews conducted. When possible, interviews were tape-recorded

Figure 6.2. Research Diary - Phases of Fieldwork Research and Research Methods Adopted at Lucas Electrical

Period March 1980 ---------- June 1980 ---------- September 1980 ---------- February 1981

Phase of Field Work Research	Investigation of wage bargaining practices.	Participant observer role in redundancy negotiation.	Setting the redundancy decision in a strategic planning framework.
Methods Adopted	(a) Loosely structured interviews with the Chairman and/or Secretary of 7 wage negotiating groups. (b) Document analysis: Lucas Industries Annual Reports, Extel, Stockbroker Reports etc on Company Financial Performance. (c) Review of financial information use in wage bargaining - other documented cases e.g. Ford wage claim, ICI. (d) Visits to Centre for Alternative Industrial and Technological System - A research centre established at North East London Polly on initiative of Lucas Aerospace Shop Stewards.	(a) Participant observer role involving attendance at formal meetings: Time Involved 5 SSSC Meetings 18 hours 3 Mass Meetings of Stewards 12 " 2 Work Conferences 18 " 2 Co-ordination Meeting of Lucas Industries Stewards 6 " (b) Between formal meetings, events were monitored through discussions with Chairman and Secretary of SSSC. (c) Informal contacts - numerous informal conversations and meetings were conducted with senior stewards and stewards, e.g. before and after formal meetings. (d) Development of Information Questionaire and analysis of Management's Response. (e) Monitoring of newspaper articles of direct and indirect relevance.	(a) Analysis of academic, government and stockbroker reports on developments in UK and European vehicle industry, particularly from 1960. (b) Analysis of management - SSSC communication by examination of minuted Business Review and Joint Policy Communication Meetings. (c) Analysis and cross checking of data with other independent sources. (d) Monitoring of ongoing events and review of participant - observer period via regular meetings with Secretary of SSSC. (These meetings continued until Aug 1981.)

with the material being subsequently transcripted. Figure 6.3 lists formal contacts made with the SSSC and its executive members.

2) A financial analysis file for the period, 1975-80 which accummulated relevant market forecasts, annual accounts and stockbroker reports regarding the UK and European vehicle market, and Lucas Electrical's position within the market.

Figure 6.3. Diary of Formal Contacts with SSSC and Executive Members

1980	26th March	SSSC Meeting.
	17th April	Interview - Chairman SSSC.
	23rd April	Interview - Chairman Allied Trade Group.
	24th April	Interview - Chairman Standards Room Group.
	1st May	Interview - Secretary SSSC.
	7th May	Interview - Chairman Toolsetters Group.
	8th May	Interview - Chairman and Secretary of Autosetters Group
	8th May	Interview - Secretary Toolroom Group.
	11th June	SSSC Meeting.
	17th June	Mass Meeting of Shop Stewards.
	2nd June	SSSC Meeting.
	17th July	Works Conference.
	6th August	SSSC Meeting.
	11th August	Mass Meeting of Shop Stewards.
	14th August	Co-ordination Meeting - Lucas Industries Shop Stewards.
	19th August	Re-convened Works Conference
	21st August	SSSC Meeting.
	25th August	Mass Meeting of Shop Stewards.
	11th Sept	Reconvened Works Conference.

During the above period frequent informal contact was kept with the Chairman and Secretary of the SSSC. Shortly after this period, the chairman 'accepted' voluntary redundancy, and thereafter frequent informal contact was maintained with the Secretary, up until February, 1981. Subsequent meetings were held in April and August, 1981.

An interesting feature of the research diary for the period of participant observation is that in total formal trade union meetings over 15 weeks to discuss the redundancy policy only amounted to 30 hours, and approximately 20 hours was spent in negotiating sessions. These figures are interesting in that they show that shop stewards spent very little time in formal meetings, the only real occasions when

a corporate view of the problem situation could have been developed. This time commitment represents approximately 10% of working time which contrasts markedly with the almost full-time commitment of various managers to this problem. The full-time trade union officials were only directly involved for some 20 hours, which would be approximately 4% of their working time. In these circumstances the term "full-time official" is misleading.

Special Features and Problems of the Research

The research methodology which developed involved a significant degree of participation within the case study. This level of involvement had consequences for the research process.

Of particular relevance was the fact that the SSSC did not wish to restrict my involvement to observation; from the outset I was cast in the role of 'advisor'. As has already been indicated, the limited immediate information available prevented this role from being fully developed. From a research perspective this is of interest in itself. The advisor role was also important in that it influenced research access. It guaranteed full access to trade unions and only as good access to management as was available to the shop stewards. This was a deliberate choice.

On the one hand, the 'advisor' role gave me intimate and assured access to all principal meetings which occured over the period of participant observation. It is very unlikely that being cast in the role of a more detached 'researcher' would have provided equal access and material.

On the other hand, the 'advisor' role and the superior access it gave would have been destroyed if equal access with management had been sought. Realistically, I did not expect to be privy to confidential discussions involving issues of negotiation whilst being an advisor to one of the two parties involved. Given that the objective of the

research was to study the usefulness of accounting information to unions and employees and not its usefulness to managers, the choice of whom to advise was predetermined with its inevitable, predictable and controllable effects on access. Management's motivations and use of accounting information could only be studied indirectly, using documentary evidence, inference and observation at negotiating meetings. At least, until management objected to the trade union having outside advisors. Under current law even trade union officials have no right to enter an employer's premises and researchers working for trade unions are in no better position. This can be an alarming experience. If management use academic researchers to help them solve their problems the researcher has legal access to company premises and information. Often, trade unions and shop stewards are expected to cooperate in ways thought appropriate. Trade union researchers, however, may be faced with the threat of prosecution for trespassing on 'company' premises.

Lucas' management went to great lengths to prevent the people working for them obtaining detailed information. For example, in the annual reports and accounts, Lucas management group Lucas Electrical together with six other subsidiary companies of Lucas Industries (the holding company) have established "trading agreements" to allow joint reporting of financial performance via a collective subsidiary holding company, Lucas Trading Ltd. (See Figure 6.4, p. 132 below.) Management clearly establish these reporting arrangements to conceal detailed financial information being published about the individual companies. However, in determining available strategic policy options such constraints are not insurmountable, since external sources of information are important in evaluating a company's need to respond to changes in the environment in which it operates. Furthermore, the relevant financial evaluations must take account of the corporate

financial position rather than that of the individual companies. Moreover, there are a number of alternative sources which can be used to supplement information provided in annual accounts. Lucas Electrical's trading position has been constructed from information released by management to stockbrokers, shareholders, public enquiries (eg., Monopoly Commission investigations), public relation documents (eg., Lucas and Europe), press releases and to the employees and this has proved adequate for a strategic outline of the company's position. Moreover, strategic decisions often arise from changes in an organization's external environment and here very detailed company specific information is often not necessary. Thus, in setting the redundancy decision in a strategic planning framework, external sources (such as the Government's Central Policy Review Staff (1975), investigation of the UK car industry) have been used as an independent, authoritative source of information.

A note on company releases:

The principal source of internal information has been the minuted Business Review and Joint Policy Communication Meetings (hereafter JPCM) held for the SSSC by the General Manager and Personel Director of Lucas Electrical. Sample minutes for each kind of meeting are shown in Appendix 2a and 2b. It would seem reasonable to suppose that management intended this information to be used to influence shop steward decisions. Obviously, it can still have information value when used in conjunction with other data: it did!

The Research Site and Principal Actors.

The redundancy decision detailed in the case study largely revolves around the attempts made by SSSC at Lucas Electrical to formulate a policy response to the redundancies declared by management in June 1980. For management, the Personnel Director of Lucas Electrical is the only individual directly involved, i.e., actually speaks to the

SSSC. For the SSSC, the T.G.W.U. District Official is the principal negotiator. However, many others are involved in policy formulation. The principal participants and their relationships can best be established by a general overview of management and trade union organization at Lucas Electrical.

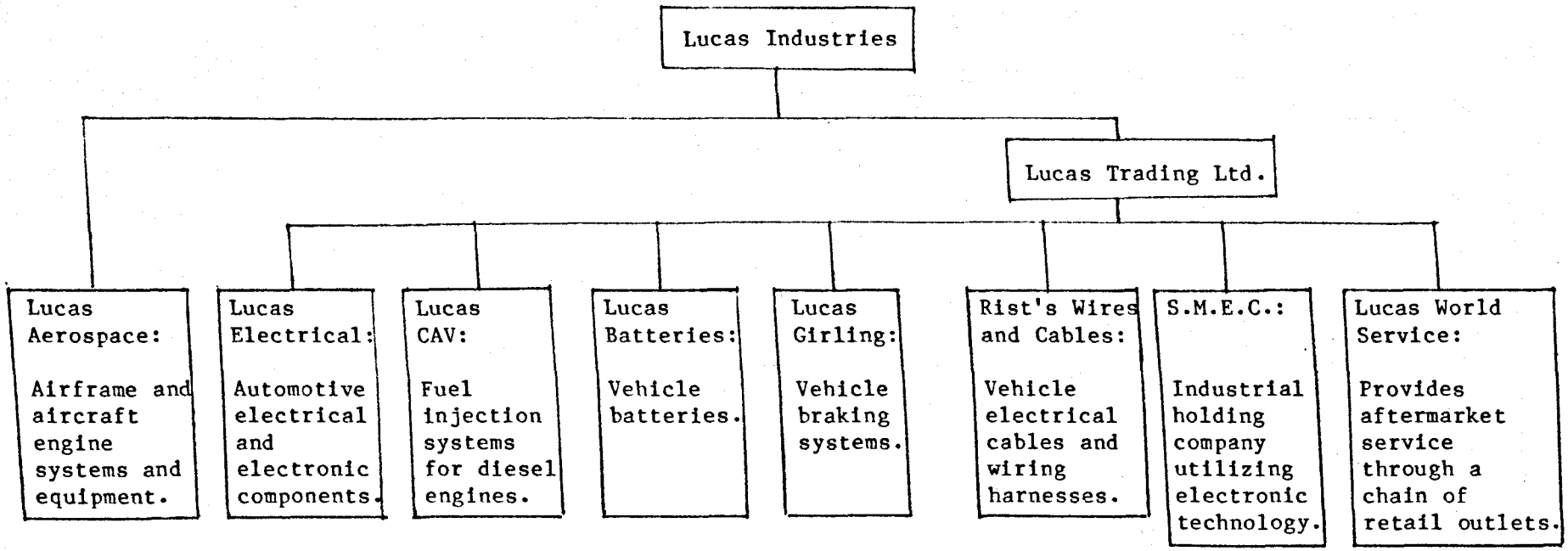
The Company and Management Structure.

Lucas Electrical is one of the major subsidiaries of Lucas Industries, the latter in 1980 being the ninty-seventh largest company quoted on the London Stock Exchange (Stock Exchange Fact Book 1980). Lucas Industries is a holding company with worldwide interests in the design, manufacture and marketing of engineering products for three main sectors: automotives, aerospace and industrial. Worldwide in 1980, the company employed over 100,000 people and had an annual turnover in excess of £1000 million (Annual Accounts). Within the UK, the company employed 67,805 people and is organized into manufacturing subsidiaries, there being one service subsidiary company which supports the manufacturing subsidiaries on a world wide basis. Figure 6.4 below shows the eight UK subsidiary companies and their areas of specialist interest.

Lucas Industries is a decentralized organization which provides a high degree of autonomy for subsidiary companies whilst maintaining overall financial and operating control through a system of strategic plannings (details to be provided in Chapter 7).

Since its establishment in 1919, Lucas Electrical has built its business as a principal supplier of electrical components (e.g., starters and generators, lamps, switchgear and windscreen wiper motors) mainly to UK car manufacturers for assembly. Worldwide in 1980 the company had operating interests in eleven countries (normally via partnership agreements) with employment exceeding 28,000. In the UK, the company had six divisions which operate as profit centres and which

Figure 6.4. Lucas Industries and Its Principal UK Subsidiary Companies



Source: Constructed From Lucus Industries Annual Accounts 1977 - Company House Records.

employed over 19,000 people at seventeen principal sites (prior to the June 1980 redundancy decision). Figure 6.5 below sets out the principal divisions and sites operated in the UK.

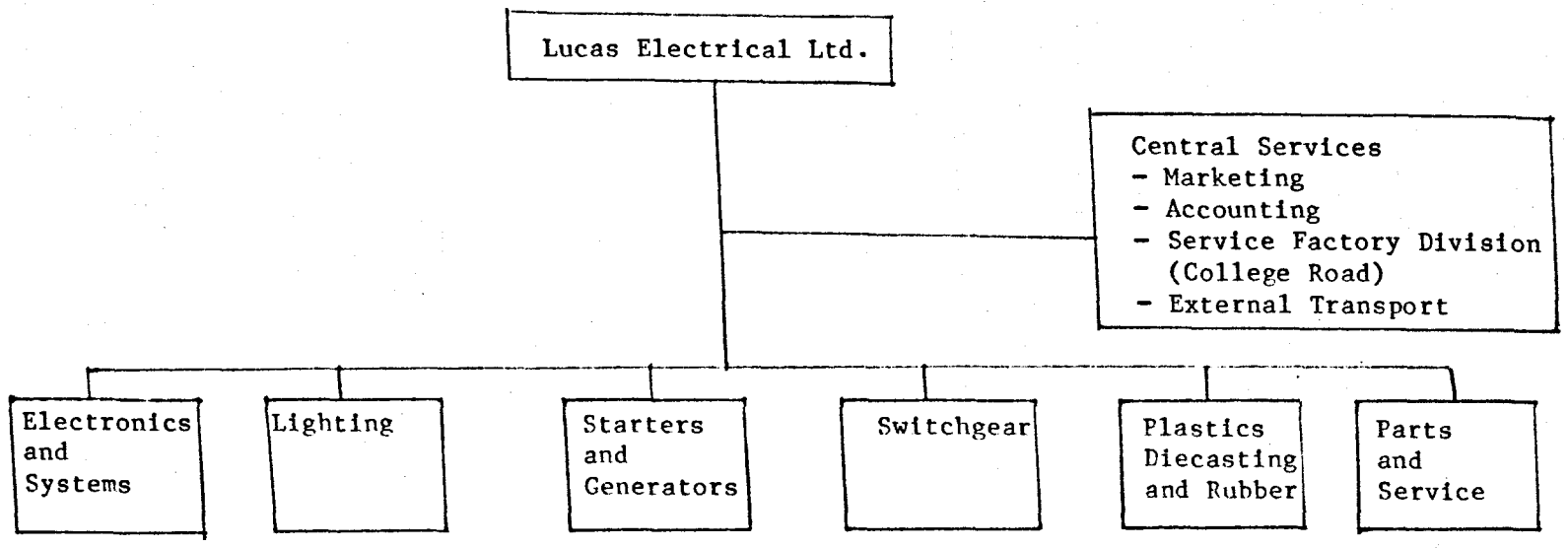
The activities of Lucas Industries and its subsidiaries are organized by a division of responsibility which provides for decision making at subsidiary level within a context established by planning decision taken at Lucas Industries level. Directors at holding and subsidiary company level share responsibilities through overlapping participation as either policy or operating executives of the relevant boards. The policy executives have responsibility for long term planning, whilst the operation executives oversee the implementation of plans and monitor performance. Integration of activities of these two bodies is established by allowing common membership at the highest level and by specialist functions, especially finanacial control exercised through the Lucas Group Service organization. The organizational links between Lucas Industries and subsidiary companies are illustrated in Figure 6.6 below, the presentation being simplified by restricting the subsidiary company level to Lucas Electrical, as the relevant example.

The redundancy decision reported in the case study would have been a decision of the Lucas Electrical Board with Lucas Industries Operating Executive having reviewed the subsidiary company's decision prior to its announcement. The implementation of the redundancy decision was, however, the responsibility of the Lucas Electrical Personal Director who was the only senior management representative involved in the formal negotiation of the redundancy with the trade unions. The trade unions had quite a different form of 'organization'.

Trade Union Organization.

Trade union membership at Lucas Electrical is dispersed over eight manual and three staff unions. However, as the case study will show,

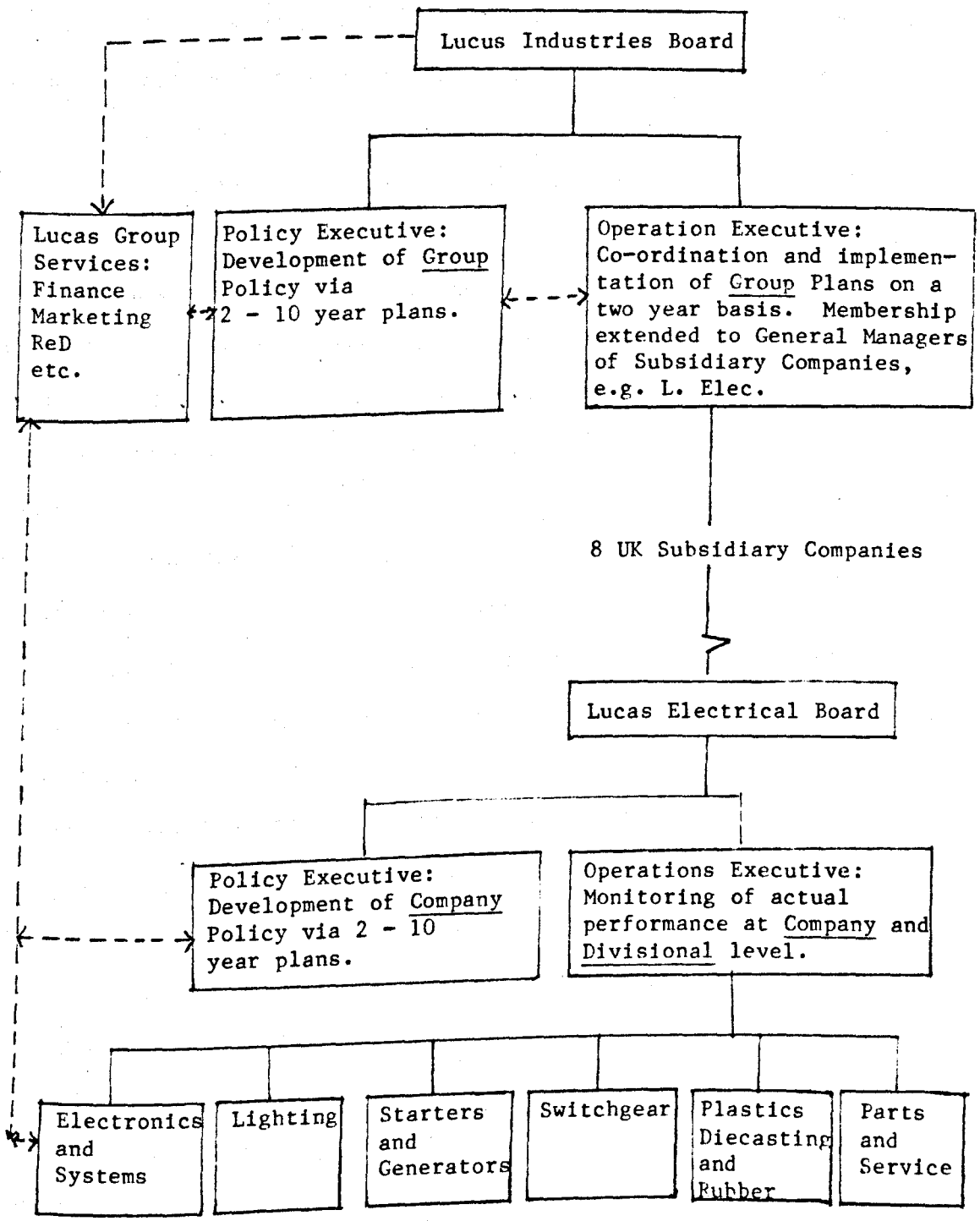
Figure 6.5 Lucas Electrical Ltd. Divisional Organization.



Sites in Division:	Great King St Mere Green Cannock	Great King St Shaftmoor Lane BW3 Grange Rd Hednesford Telford	Shaftmoor Lane BW3 Cranmore Bvd Marshall Lake Rd	Great King St Chester St Burnley (3 sites)	Foremans Rd	Great Hampton St Fradley Oozell St Plume St

Constructed from information given to SSSC by management.

Figure 6.6. Integration of Lucas Industries and Subsidiary Companies Through Policy and Operational Executive Bodies



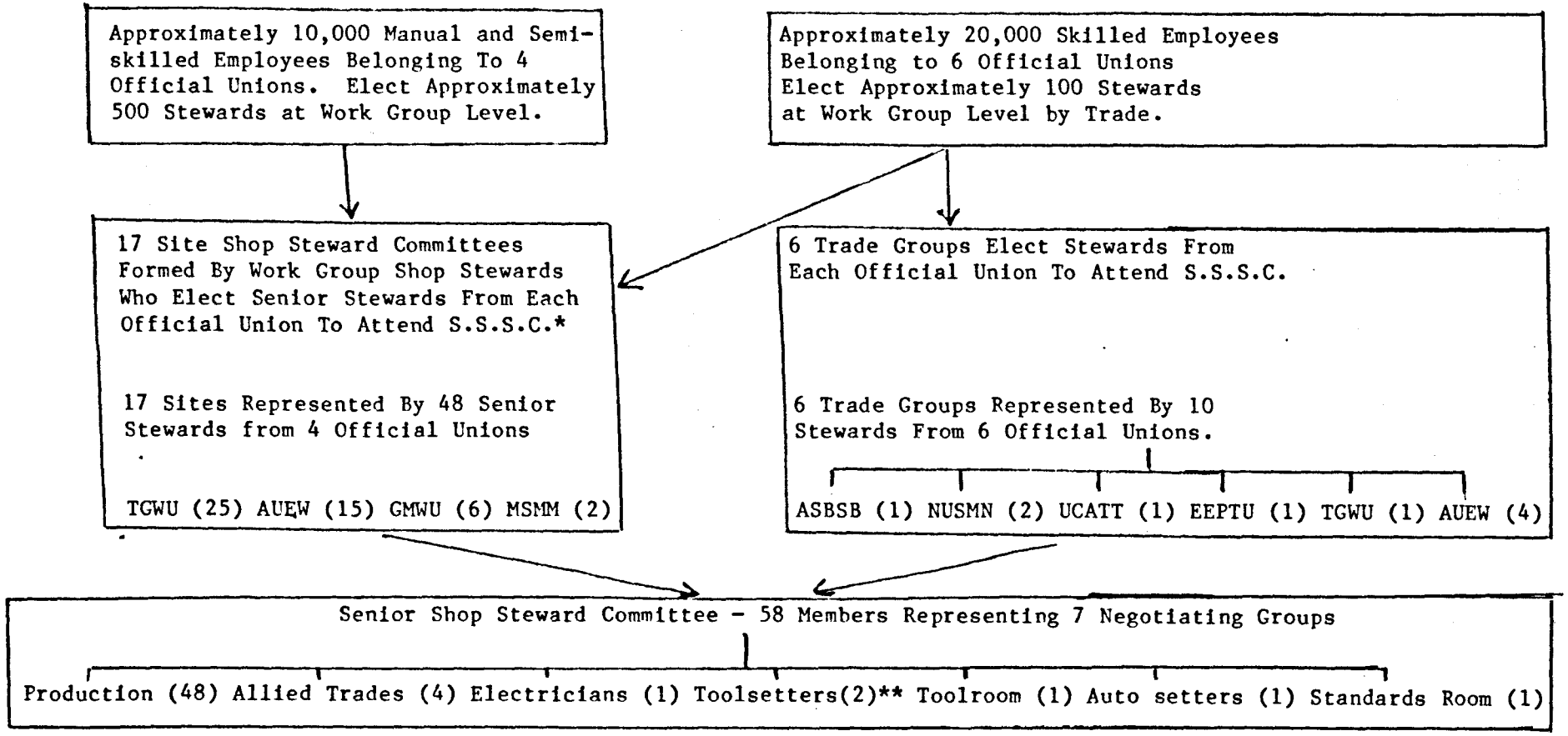
Constructed From Information Given in 1977 Annual Accounts

trade union activity does not involve "officials" from the unions except in formal procedures. Most trade union activity revolved around shop steward committees and in the case study, the SSSC in particular.

The SSSC was the most wide-ranging trade union organization in Lucas Electrical, senior stewards being elected by seventeen site steward committees. Its principal function was to "negotiate the annual wage claim" for manual and semi-skilled production workers who made up just over 50% of the workforce. Site shop steward committees between them nominated forty-eight senior stewards for membership of the SSSC, one senior steward being appointed for each official union having a "significant" membership interest at a site. In addition, six skilled trade groups, who make up just over 10% of the workforce, nominated ten members to the SSSC. This arrangement allowed representation for each official union with members in a trade group. Figure 6.7 below, shows how the fifty-eight members of the SSSC are drawn from site and skill trade group committeees, whilst Figure 6.8 shows the distribution of senior steward by "official union" membership.

Whilst the SSSC provides a multi-union multi-site organization for over 60% of the Lucas Electrical employees in the Birmingham area, its policy making powers are constrained by its constitution which allows it to make recommendations to site shop steward committees. When SSSC policy has been formulated, members of the SSSC are expected to return to their individual sites to argue in favour of the policy decided upon by the SSSC. However, the site committees reserve the right to recommend policy to members and are not automatically committed to SSSC recommendations. The exception here is the annual wage claim which must be accepted by all sites before the SSSC can even submit the claim to management. Should the wage claim be rejected by management, individual sites retained their right to give or withhold support for

Figure 6.7. The Senior Shop Steward Committee: The System of Election



*For further details of representation by site see Figure 6.8 below.
**Toolsetters at one site (BW3) had independent negotiating rights.

Constructed from Information Given by Secretary SSSC.

Figure 6.8. Union Membership of Senior Shop Steward Committee by Site

	Number of Senior Stewards by Union:			
	T.G.W.U.	A.U.E.W.	G.M.W.U.	N.S.M.M.
Great King Street	2	2	-	-
Great Hampton Street	2	1	-	-
Chester Street	1	1	-	-
Shaftmoor Lane BW3	2	2	-	-
BW4	1	1	-	1
Foreman Road	-	-	2	-
Marshall Lake Road	2	1	-	-
Mere Green	-	1	1	-
Grange Road	1	1	-	1
Garrison Lane	1	-	-	-
Oozell Street	1	-	-	-
Plume Street	1	-	-	-
Hednesford	-	-	1	-
Telford	1	-	-	-
Cannock	1	1	2	-
Fradley	2	1	-	-
College Road	-	1	-	-
External Transport	1	-	-	-
Lucas Batteries (2 sites)	2	1	-	-
Lucas Griling (4 sites)	4	1	-	-
Total Number of Senior Stewards	25	15	6	2

any SSSC policy established to counter management's rejection of the wage claims. The six trade groups affiliated to the SSSC maintained independent rights to develop policy and submit their own annual wage claims. In consequence the SSSC rarely acted on behalf of the whole 60% of the Lucas Electrical workforce that was represented by its membership. Staff unions who represented the remaining 40% of the workforce had no formal contact with the SSSC.

Whilst the SSSC stands at the apex of the shop steward organization at Lucas Electrical its remit is very limited since both trade union and management practice was to address issues of negotiation at lower level. Most trade union-management negotiations were resolved at either work group, trade or site level without any SSSC involvement. Its primary function appears to have been to provide management with a representative channel of communication with a major part of the workforce. This at least is how it was used by the General Manager and Personnel Director of Lucas when the redundancies were declared across all sites and all skill levels. We shall see that the SSSC was unable to formulate policy on a corresponding corporate basis. The policy which it did formulate was, on the other hand, never effectively implemented. In the event, individual site committees adopted their own policy positions. This was a major contrast to the position of management, the Personnel Director truly being able to claim "we are speaking with one voice."

Chapter 7. Lucas in the 1970's: The Strategic Choices

Chapter 2 outlined the evolution of the multi-divisional enterprise and showed how strategic planning had been developed to co-ordinate and control decision making at the highest level. Academic models of strategic planning show how management's strategic decision making is set in a context that aims to satisfy largely financial objectives. We shall see in this chapter that strategic planning was well established at Lucas Electrical, and we shall review the information which this planning system would have made available to management and the policies it implemented.

Strategic Planning in Lucas Industries

The Lucas Industries Board has established a pattern of operation to bring a financial logic to its diverse interests through the control of organizational structure and by information systems to monitor performance against pre-set company criteria. The official history of Lucas was written by Nockolds (1976; 1978). It shows that Lucas' strategic planning practices were a key part of its process of organizational control.

Responsibilities within the Lucas Industries Board are shared between its members through their participation either on the Policy or Operations Executive. Integration of the activities of these two bodies is ensured by common membership at the highest level. The Policy Executive has responsibility for long term planning on a 2-10 year time scale, setting overall policy and objectives. The Operations Executive oversees the co-ordination and implementation of Group policy, working with detailed plans for the next two years. The General Managers of the major UK subsidiary companies are members of the Operations Executive and it is through this link that the Lucas Industries - Lucas Electical relationship is established. This

organizational link is cemented through the strategic planning and control systems which direct Lucas Industries to its overall objectives. To quote Nockolds at length:

> "Strategic planning starts towards the end of August each year when the planning groups of the main subsidiary companies receive three documents. The first is a statement from the executive chairman setting objectives for the group as a whole in both financial and non-financial terms, covering a long-term view and a shorter (two year) view. The current financial objective is expressed as the return on capital employed... At the end the chairman sets out the strategic priorities as regards which parts of the groups would get the major allocation of money in the forthcoming years... The second document is prepared by the Group Marketing Services and provides economic guidelines which might be called prognostication about what was likely to happen in the next five years to the economy of the United Kingdom and other countries in which Lucas operated and getting down to such details as the number of cars that were going to be produced in that period, and the probable extent of the after market... The third document laid down guidelines prepared by the strategic planning and review team and approved by the policy executive... The format started with an executive review, giving assumptions and background, objectives and strategy, which is written by the Subsidiary's General Manager himself, and this is followed by sections on business activities and functions and statistics... The second section provided a screening process to see thether the subsidiaries (and their individual division and product groups) are earning their corn or not. The Lucas treasurer produced a set of financial criteria which were regarded as the minimum in terms of cash that a subsidiary (or business) within the group ought to produce in order to remain viable. The financial criteria could be translated into a return on capital employed and supplied a current objective return. The last section was a statement of investments outside the scope of the annual engineering budget" (pp. 385-6).

These plans are reviewed in detail by the Lucas Industries Policy Executive between January and May. The General Managers of each subsidiary company (including Lucas Electrical) have to negotiate within the planning framework to determine performance criteria which become incorporated in plans. The plans are prepared on a 'rolling forward basis', being continuously updated and refined. The first year

of the plan is adopted as the annual budget for actual performance evaluation, and by monitoring performance against budget the Operational Executive of Lucas Industries is able to maintain a detailed control of the Company's affairs. The General Manager of Lucas Electrical requires his own management team to produce detailed plans based upon the 5 year forecasts provided by the Lucas Industries Group Marketing department.

The Lucas Electrical Policy Executive is responsible for both the development of long term policies (such as overseas and European policy, business development, new market penetration, all of which are reviewed by the Lucas Industries Policy Executive) and for the implementation of detailed policies. Whereas these functions are split at Lucas Industries in practice they are simultaneously achieved through the General Managers and functional managers of the separate divisions.

Each division works as an independent business (ie, a profit centre) within the overall policy, structure and procedures established by Lucas Electrical Polcy Executive. The strategic objective of each Division is "to satisfy the customer by providing the products required at the right time and the right quality standard, and to achieve an adequate profit" (Nockolds, p. 280). All divisions are held responsible for meeting agreed targets, and achievement is monitored at operations executive meetings, which are held monthly. The operations executive meetings are attended by the general manager, manufacturing director, and financial director of Lucas Electrical, and the Divisional Management team. The subjects discussed at these meetings amount to a searching examination of each division's performance in terms of sales, margin, output overheads, stock, excess costs, industrial relations, production engineering, quality and reliability, engineering and design activities.

Lucas Industries is listed on the London Stock Exchange and hence makes publicly available sufficient information for knowledgeable outsiders (eg, stock analysts) to understand what were its circumstances and what are its prospects. Because of the huge structural transformation that was beginning to take place in the car industry in 1975 when the background history to the case study starts, their predicament was "common knowledge".

Lucas and the UK Car Market.

During the 1950's Lucas Electrical established itself as the dominant supplier to the UK car industry mainly by a policy of standardization of electrical components to vehicle assemblers. This policy was advantageous to both Lucas and the assemblers as it allowed economies of scale in its production. In 1960 the Monopolies Commission revealed that Lucas Electrical held market shares exceeding 75% in four major product areas (eg, dynamos and starters 75%, ignitions, coils etc 79%, windscreens, wiper motors 79%, lamps 85%). However, by the late 1960's Lucas Electrical's position in the market was being threatened in two major ways.

Firstly, the growth in weekly volume of vehicle manufacture made it feasible for individual vehicle assemblers

a) to dual source by placing orders with different manufacturers whilst achieving economies of scale, and

b) to consider the possibilities of in-house manufacture on an economic scale.

According to company historian Nockolds, from the early 1960's Lucas planned to counteract these market threats by a policy of "technical excellence" (p. 278) and product improvements which other suppliers, especially small independent producers, would find difficult to match.

Lucas Electrical's policy to promote itself as a research-based monopoly was to a large extent successful in that in 1975 Lucas still supplied 90% of B.L.'s 'electrical buy', 64% of Ford's, 68% of Chrysler and 49% of Vauxhall (Nockolds, p. 276). However, it was risky because it meant that the demand for Lucas products was closely tied to UK production levels, its direct exports of auto components in 1975 amounting to only £8m; the company preferring to achieve world wide sales via licensing agreements for local manufacture. Indeed, the late 1960's and 1970's were difficult times for UK vehicle manufacturers, its problems being made worse because the industry was to some extent already adversely affected by Government 'Stop-Go' policies, being used as a market regulator with frequent changes to the levels of purchase taxes, interest rates and hire-purchase terms.

Secondly, with the UK entry into Europe in 1971 and the removal of tariff protection, it was inevitable that a structural reallignment of the industry would occur. UK vehicle manufactueres, such as Ford, being able to supply the UK market from continental sources. Import penetration of the car market almost doubled from 14% to 27% between 1970 and 1973. However, it was the 'oil crisis' and subsequent world depression in 1973-74 that led to the sharpest fall in the production of cars in the UK. Statistics for UK vehicle production are given in Table 7.1 below:

Table 7.1. Production of Passenger Cars and Commercial Vehicles in the UK '000's

	1960	1970	1971	1972	1973	1974	1975
Cars	1354	1641	1742	1921	1747	1534	1268
C.V.'s	458	458	456	408	416	402	380
Total	1812	2099	2198	2329	2163	1936	1648
% change	-	+15.8%	+ 4.7%	+ 6.0%	- 7.1%	-10.5%	-14.9%

Source: Society and Motor Manufacturers and Traders

Lucas Electrical's policies were so closely tied to the UK production that by May 1975 management declared 2,500 redundancies. These were implemented with "full trade union co-operation", management accepting the trade union request that voluntary redundancies should be open to all employees, and that any resulting imbalance in the workforce should be overcome by internal transfer. With the implementation of redundancies and other measures, such as short-time working, the Company adapted to the market downturn and Lucas Industries were able to report record profits of £32.3m for the year 1974/5. In fact, the growth in the financial strength of Lucas Industries over the period under review is illustrated by the key statistics reported in Table 7.2 below.

Table 7.2. Lucas Industries Financial Performance 1960-1975

	1960 £m	1975 £m	% change
Sales	122.3	570.2	366
Profits before tax	8.7	32.3	271
Shareholders funds	38.1	200.9	427
External borrowings	4.3	66.3	

Source: Lucas Industries Annual Accounts

Whilst inflation adjustments reduced the 1974/5 profits by £16m, stockbrokers Phillips and Drew were, nonetheless, able to recommend that Lucas shares be purchased, stating that:

> "Following the excellent results in the second half of 1974/5, we look for a further substantial profit advance in the current year" (p. 1, 27 January, 1976).

Therefore, despite the fall in UK vehicle production and the redundancies, management policies appeared financially 'successful'.

However, in 1975 major strategic decisions remained to be taken. Lucas Electrical's market position in the UK was threatened in three important ways:

1. Vehicle producers were increasingly 'dual-sourcing' component supplies to achieve competitive pricing and higher quality. Furthermore the policy avoided production disruption in the case of an industrial dispute at the component suppliers.
2. Components were being imported into the UK by the multi-national vehicle assemblers and other independent component manufacturers (Bosch, Ducellier, Marelli, etc)
3. Given rapidly increasing car imports from Europe from the early 1970's the future growth prospects of the UK vehicle industry was in doubt. In Table 7.3 below is shown the relative decline of UK car manufacturing within Western Europe.

Table 7.3. UK Production, Imports and Share of European Market of Cars and Commercial Vehicles (000's vehicles)

	1960	1970	1974
UK Production	1811	2099	1936
Total W. European production	6081	11589	11537
UK share of W. European production	30%	18%	16%
UK Imports	60	168	415

Source: Society of Motor Manufacturers & Traders Yearbooks.

To Lucas Electrical this development posed a major threat which was highlighted in 1975 by the temporary 'demise' of B.L., Lucas's largest customer.

Emergency government aid was given to B.L. on the basis of the Ryder Report and the setting up of a House of Commons Select Committee enabled the development of a public evaluation of the problems facing

the UK car industry at this time. This was principally achieved through a Central Policy Review Staff study "The Future of the British Car Industry" (HMSO 1975). Whilst the market forecasts contained within the report might vary in detail from those made by Lucas management, the overall forecast could not be in doubt. To quote the Report in full:

> "The actual size and shape of the British car industry will depend on demand factors not controllable by the Government. However, without a change in the competitiveness of the British car industry it is clear that the future production is unlikely to exceed 1.55m units per year, even if the most optimistic forecasts of demand are realized. With a combination of poor demand and a failure to improve competitiveness, production is unlikely to exceed 1m units" (p. 110 emphasis added).

The report does not break down the UK production forecast, because, this would have entailed disclosure of what are termed "manufacturer's strategic responses" to demand conditions (ie closure plans). However, the report provides a detailed forecast of European market size and shares which are given in Table 7.4 below:

Table 7.4 European Market Size (000's vehicles) and Share Forecast for 1980

	UK Competitiveness	
	Stays the same	Improves
UK Registrations	1.65m	1.65m
Imports	45%	28%
European Registration	8.45m	8.45m
UK Share of Europe	3.2%	4.0%
UK Production Forecast	1.0m	1.55m

Source: Constructed from Information CPRS Report - The Future of the British Car Industry (HMSO, 1975)

The anticipated fall in UK car production outlined above had two implications for the future prospects for Lucas Electrical.

Firstly, the decline in UK production would affect original equipment sales and would have further repercussions for Lucas Electrical in the aftermarket, both at home and abroad. Customer replacement purchase decisions would now have to reflect a positive decision to switch from the original equipment to a Lucas replacement product. Furthermore, the Ryder Report had recommended that B.L. should consider more in-house production of components and the possibility of selling these in the aftermarket.

Secondly, the expansion of European production and its domination by five or six manufacturers (including the US multi-nations G.M., Ford, Chrysler) would mean that Lucas' European component competitors would have a larger home market upon which to develop their products. Furthermore, the fact that these products were now becoming relatively more expensive made the option of in-house manufacture more attractive.

A further threat was emerging as the markets in developing countries became increasingly difficult to penetrate because of the development of home industries which were developed on the basis of barter agreement between national governments and multi-national producers who undertook to purchase lower technology component parts in return for access to markets. These countries could then begin to export the components to markets such as Britain and Continental Europe.

The problems facing the UK vehicle industry had been well documented in 1975 and it was clear that Lucas Electrical as a principal supplier to that industry would need to radically re-orientate its policies to take into account these circumstances. The next section reviews the basic choices available to Lucas Electrical's management.

The Strategic Policy Options In 1975:

Two basic options can be identified. Crudely, management could either try to exploit Lucas Electrical's marketing and technological advantages by overseas investment, or it could develop production facilities in the UK and export.

Strategic planning models of the kind outlines in Chapter 2, based on the profit criterion suggest that companies in a declining market, even those with a strong market position such as Lucas Electrical, should plan an asset reduction (disvestment) strategy (Hofer, 1977, p. 32). However, given the fact that 1 million cars were expected to be produced annually in the UK and that another million vehicles would be imported, a complete withdrawal would not be necessary. As much of the UK demand for cars and components was going to be satisfied from Europe from 1975 onwards, Lucas decided to develop a strategy for this wider market. Because it had limited immediate growth potential and established competitive positions amongst principal suppliers, the most sensible strategy for Lucas was business acquisition involving market sharing agreements (Hofer and Schendel, 1978, p. 166). A more direct entry would threaten the competitive balance established and lead to a reduction of profit within the market as a whole. For the UK employees, however, these policies threatened job security since UK employment prospects depended upon a direct entry in the European market. The broad policy choices from shareholder and employee points of view are set out below in Figure 7.1.

The policy choices made by Lucas management can be anticipted from the views expressed by the Chairman of Lucas Industries, Sir Bernard Scott, in his submission to the House of Commons Select Committee on The Motor Vehichle Industry in March 1975. In response to questions whether Britain's continued membership of the EEC would lead Lucas to concentrate its investments overseas, he stated that:

Figure 7.1 Western Europe Market Strategies for Lucas Electrical Ltd

Markets	Supply decisions based on: Shareholder Interests	Employee Interests
UK	Supply from UK and W.European sources	Supply from UK sources
W. Europe	Supply from Western Europe through business acquisition	Build up direct exports from UK in competition to existing component suppliers

> "(t)o be quite clear about it, the working conditions, the worker effort, the total efficiency, the environment of many of our factories compare favourably with anything you would find in France or Germany and are fully justified so long as we manage to provide the necessary investment to provide for major expansion" (p. 307, emphasis added).

This might suggest that investment policies would be structured around existing factories and the skills of the Lucas workforce. However, in reply to a question whether the bulk of Lucas planned investments in the next ten years would be in the UK or in other EEC countries, he stated:

> "So long as the volume of the out-turn of the British motor industry can be restored to levels of 2 1/2 million vehicles a year. It is currently running at 1.6 million, estimated in our terms to be 2 million for 1975/6. You cannot invest other than in relation to volume" (p. 307 emphasis added).

Given the forecast of UK vehicle production by the Government's Central Policy Review Staff, the prospect of attaining a 2 million vehicle output was remote. This interpretation of the thinking of Lucas management agrees with the analysis of the Investor's Chronicle. Commenting on Lucas Industries' interim results for 1974/5 it suggested that Lucas management intended

> "...to leave Britain more or less on a care and maintenance basis" (p. 29 November 1974).

This intention was also reflected in a sample survey of component suppliers in the West Midlands (DOI, 1976, pp. 22-5) which indicated that major current exporters expected to increase foreign sales by direct investment overseas.

The dangers in such a policy for Lucas employees were spelt out in the Counter Information Service Report on Lucas Industries, "Where is Lucas Going?" (1975). As they put it:

> "A care and maintenance policy means that the company accepts that by and large the output of its British plants will remain the same or less, as the market warrants. And that in turn means as the constant process of innovation, tehcnological progress and rationalization takes effect, a constant decline in the number of people employed.
>
> That does not mean a continuous year by year cutback. Lucas, just as any other company, is affected by the continuous cycle of boom and slump, cycles that are likely to get worse in the future if anything, for there is no panacea for them within the present economic framework. Whilst its sales are rising towards the peak of the boom, Lucas secures extra output from increased productivity with a maintained or marginally increased workforce when the slump comes it then cuts its work force. The process repeats itself, but each time the number of jobs left afterwards is less" (pp. 40-2).

We shall see that this prognosis was broadly correct, but the 'slump' was permanent.

Management Policies 1975-80:

The Company's production, employment and financial performance are largely determined by the marketing and investment policies set by top management.

Lucas Electrical's marketing policies would have to be structured to satisfy two principal areas of concern.

1. Account would have to be taken of the fact that the British car industry was becoming increasingly integrated into Western Europe, and that the decision of multi-national producers had a major influence in this market.

2. Provision would have to be made to protect Lucas Electrical sales in the 'aftermarket' which were threatened by the import of cars and associated components.

1. Market Strategy For Western Europe

a) Direct Exporting

From 1974 Lucas Electrical redesigned its product range to European specifications and this allowed direct exporting contracts to be won in all major West European vehicle manufacturing companies. Management reported that in a six month period to December 1976 'significant new business' was achieved with V.W.; BMW in Germany; Citroen, Chrysler in France; Fiat in Italy; Fesma; Motor Iberica in Spain (JPCM, 3 December, 1976). By 1978 direct exports had increased from £8m in 1975 to over £40m with France being Lucas Electrical's second largest market (Annual Accounts, 1978). By 1978 direct exports accounted for 15-20% of sales and was a major growth area in the company's activities. Penetration of the European market was only about 1%, and given that this market was 5 times larger than the UK, the sales potential for Lucas Electrical was enormous. In June 1978 management told senior stewards that future 'job security' depended upon success achieved in this market. Management stated:

> "Analysing the detailed business prospects for 1978/9, the majority of the new business opportunities promised were with major European motor manufacturers. Such contracts, which were so critical to the future success of the Company, should be secured during the year and could lead to further business in world markets given:
> (1) No further damage to the Company's reputation through disruption of production or supply.
> (2) A high standard of customer service in all respects.
> (3) Cost controls enabling competitive prices.
> (4) Successful conclusion of the Ducellier negotiations.
>
> This move would strengthen considerably the Company's position, since it would meet customers' demands for a second source of supply.
>
> Equally important, however, was the retention of existing business...which...could be resourced to the company's competitors, particularly European and Japanese component manufacturers" (JPCM, 3 June, 1978).

In August 1979 management reiterated "the importance of direct exporting" and set a target of £80m for 1980/81. They warned that "if this target was not met contraction of the company would follow". It was noted that "short term pressures, such as the strengthening in the value of the pound "must not be allowed to impede progress" (JPCM, 8 August, 1979)

Stockbroker reports on a visit to Lucas in July 1979 and comments made in relation to the declaration of the 1978/9 profit figures indicate that a considerable measure of success had been achieved towards meeting their stated objectives in the above areas. To quote stockbrokers Simon and Coates:

> "...the build up to Europe of direct exports of vehicle electrical components from the Birmingham factories has been quite rapid. The Group appears to be having more success in winning new direct exports than we had anticipated. It seems that despite the industrial problems in the UK over the last 12 months (June 1978 - July 1979) the Group has been able to maintain adequate deliveries on export contracts, and that in consequence there is less customer resistance to being supplied direct from the UK than might be supposed (15 November, 1979).
>
> "The Company also said that it had no indication whatsoever of any major loss of business due to the CSEU dispute, and that it had managed to keep deliveries to its European customers going normally" (15 November, 1979).

The above quote suggests that despite certain industrial relation "problems", condition (1) identified above was being satisfied, since no disruption to supply occurred.

Regarding quality standards, the Annual Accounts for 1979 records Lucas Electrical's pleasure in receiving from Ford an award for "having attained a standard of excellence in the supply of quality products." Condition (2) was obviously being satisfied.

Regarding price performance, Simon and Coates reported:

> "Lucas is now very strongly placed in product terms. Its main European competitor in vehicle electronics, SEU is reported to have higher manufacturing costs and inferior quality...Hence despite a probable downturn in European car production next year, management say they are confident of a 'further substantial rise in exports'" (15 November, 1979).

> "At the analysts' meeting, Lucas were not as gloomy about cost pressures as had been expected. The UK pay round (79/80) is now virtually complete...and they believe that they will be able to pass on the increases in higher prices to a considerable extent...taking into account the anticipated productivity increases the Group is hoping to broadly 'maintain' aggregate margins this year" (15 November, 1979).

This suggests that condition (3) was being satisfied. Furthermore, an analysis undertaken by the author in July 1980 indicates that management had been able to raise prices to improve profitability, the percentage of sales revenue going to profits being increased from a 1974 level of 7.8% to 10.2% in 1979 as shown in Table 7.5 below:

Table 7.5 Lucas Industries Profit Performance 1974-1979

	Profit before Depreciation as a % of Sales	Dividends as a % of Sales
1974	7.8	0.77
1975	9.4	0.65
1976	10.9	0.91
1977	12.0	0.81
1978	11.0	0.89
1979	10.2	0.97

Source: Constructed from Lucas Industries Annual Accounts

Assuming that management were prepared to stand by their commitment not to allow the "strengthening of the pound to impede progress",

further direct export gains could be recorded. Significant gains had already been achieved in 1978/9, as Simon and Coates report:

> "Outside the UK deliveries to overseas vehicle assemblies have been building up on the wide range of new contracts won following the redesign of Lucas vehicle electrics range to European specifications a couple of years ago... This build up is continuing at an encouraging rate and between January and July 1979 further new contracts worth over £12m have been won...Lucas' forward order indications give every indication of this steady increase in market share continuing.
>
> "Offtakes on existing contracts from the European vehicle assemblers remain good, and as yet European car production shows no sign of turning down. A high proportion of these contracts are supplied through exports from the UK (16 July, 1979).

These comments agree with the assessment made by Bhasker (1979) on the european competitiveness of the UK component sector. He states:

> "The component makers attract foreign vehicle makers not only because prices are very competitive, but because of the technical excellence of the products. In addition, the UK component sector has a much larger presence in Europe than Europeans have in the UK, especially in terms of plants and marketing operations...Multi sourcing by vehicle makers, as a hedge against supply interruption by one supplier, helps UK exports but at the same time provides a threat to the component firms' home market position. However, so far these firms have successfully defended their home territory, perhaps because so few foreign suppliers can offer sufficiently competitive prices" (p. 316).

Despite these optimistic reports Lucas Electrical's direct export performance failed to maintain the momentum achieved in earlier years. As Table 7.6 shows direct exports in 1980 were £52 million, only £10 million greater than the 1978 level whereas management had a £80m target.

It would seem that at least two factors were important in this failure to increase European market penetration by direct export. Firstly, the strengthening in the value of the pound in fact was allowed to impede progress despite earlier management claims that "such short-term pressures would be set aside". Griffiths (1980) in a

Table 7.6 Lucas Electrical's Direct Exports: Europe and the Rest of the World

	Direct Exports £m	Annual Increase %
1975	8.0	-
1976	26.5	331
1977	36.6	38
1978	42.2	15
1979	46.4	10
1980	52.0	12

Source: Information Relevant To The Redundancies Announced on 4 June (16 August, 1980)

Financial Times review of the British vehicle component sector indicates that manufacturers had begun to question whether the Government's exchange rate policy was in fact simply a short term factor. He states:

> "....suppliers large and small are now deeply concerned at the threat of the competitiveness of UK-based components arising from the strength of the pound.
>
> While much of the industry understands the logic of the British Government's hard line on industrial policy, the current combination of cheap imports, the increasingly harsh climate for exports and the collapse of sales within the UK is such that many of the small industrial patients fear being killed by the 'cure'.
>
> Allied to this is the fear that if the domestic market shrinks much further, the larger companies will have little option but to wind down their investment in UK facilities, transferring most of what was once a highly profitable part of the UK economy overseas" (p. 16, 2 September, 1980).

Management justified the June 1980 redundnacies saying exchange rates had affected the "UK competitive position" (16 August, 1980) and was a factor influencing their decision. Secondly, the decision to increase the Company's shareholding in Ducellier, a French subsidiary company (the fourth condition of direct export success set by management) now provided an alternative continental source of supply to direct export. Bhasker (1979) believed that this would be a major supply route for major UK component manufacturers:

> "In future, the British component-making international and multi-national companies will rank all their operations on equal terms when investment decisions have to be made, which could result in most growth being in overseas centres of production" p. 309).

Clearly Lucas could have 'weathered the storm' only if finance had been provided to find alternative work. This was not forthcoming, since investor interests were not dependent on UK production. Management planning, since 1975, had not given any priority to finding alternative work, even though the forecast fall in UK vehicle production was public knowledge.

b) Direct Investment.

Lucas Industries had always been very aware of the market potential for its products in Western Europe, and had in 1958 established 'liaison offices' in France, Italy and Sweden to promote its various products and to develop industrial contacts. In the case of Lucas Electrical this brought tangible results when in 1962 the company bought a 40% share in SNC Ducellier et Cie, the leading French manufacturer of auto electrical equipment for over £3m. In 1972 a 40% interest was bought in Fausto Carello, a major Italian vehicle electrical component manufacturer, which cost £3.2m (APEX, 1978). These companies were acquired in association with two other multi-nationals, Bendix and ITT, and major benefits to Lucas were seen to accure from the exchange of information on production techniques, product-development, thereby improving each company's competitive position vis a vis Bosch, the European market leader. No manufacturing links were established, and Lucas' interests were otherwise financial, having a 40% share in the profits earned by both companies.

In December, 1977, Lucas Electrical announced that it had concluded a new agreement with Bendix whereby the shareholding in Ducellier would be increased from 40% to 49%. In addition, licencing agreements had been negotiated to allow Ducellier to manufacture the traditional Lucas

range of products in France. Management stated that:

> "the agreement would strengthen the Company's intention of building up its supplier 'activites' to the European vehicle industry. As a result of this move each Company would derive significant advantage from the other's engineering and manufacturing resources, and both would benefit from the greater access in the world's markets, particularly the growth market of continental Europe" (JPCM, 10 March, 1978).

Almost immediately after this agreement had been signed, Lucas announced its intention to buy the outstanding 51% interest in Ducellier from Bendix for $26m. This proposal was blocked by the French Government who were unprepared to allow a major part of the French vehicle component industry to be under foreign control. Ferodo, a leading French components manufacturer made a counterbid for Bendix's 51% interest in Ducellier. This move was subsequently declared illegal but Ferodo demands could not be resisted, especially after French Government involvement in the deal. The negotiations lasted 20 months, and whilst details of the final agreement (signed in August, 1979) are not known, press reports indicate that the French Government demanded major concessions from Lucas before allowing the deal to be completed. An indication of the concessions demanded of Lucas can be gauged from concessions that were conceded in August, 1978, (8 months after the original bid and 12 months before final settlement) as reported by the Financial Times:

> "Lucas has already agreed that jobs will be increased and has added the promise to double Ducellier's exports in the next ten years" (15 August, 1978).

> "In an attempt to reach agreement with Ferodo, Lucas has already made a series of concessions. Lucas is prepared to split the Bendix shares 50/50 with Ferodo. Joint Lucas/Ferodo commercial operation will be developed in certain markets. Lucas has promised to limit the Ducellier-Lucas market share in starter motors and alternators to the 1976/7 level for three years. Lucas world-wide service network will be made available to SEU (a subsidiary company of Ferodo). The two companies will establish a joint subsidiary in Spain to compete with Bosch. The two companies will establish a joint electrical components concern in France" (13 August, 1978).

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These conditions were not sufficient to secure an agreement. Ferodo demanded a 50/50 split of the entire shareholding, and joint control. Negotiations continued for another year before agreement was reached, whereby Lucas was allowed to increase its shareholding by 1%, a 48% shareholding was assigned to Ferodo, and the remaining 2% was to be held by a leading French Bank, Credit Commercial de France. The terms of the agreement with Ferodo specified that during the first five years that Lucas would have operational responsibility for Ducellier (JPCM, 8 August, 1979).

The significance of the deal for Lucas Electrical was highlighted by stockbrokers Greenwell & Co at an early stage in the negotiation (February 1978 - before the Ferodo intervention). They calculated that "when the deal is completed Lucas will have 40% of the EEC market for electrical equipment" (February, 1978). Naturally, the combined Lucas/Ferodo interest in the EEC market would, as a result of the final agreement, exceed 40%, however Lucas would now have to establish agreement with Ferodo on major sourcing decisions and their respective interests in common markets.

Stockbrokers Simon & Coates report two other significant developments they believed would help consolidate Lucas' position in the European market. Firstly, Lucas management had forged close links with General Motors after negotiating a £30m order to supply 'microjectors'. Simon & Coates thought that these links would place Lucas in a favourable position when resourcing decisions were made for the supply of components for General Motor's 'world car' to be produced in Spain from 1982. As they put it "We understand that Lucas are confident of winning substantial supply contracts for the various versions of the world car" (15 November, 1979). Secondly, they note that Lucas were currently in the middle of a period of very high development 'spend' for the next generation of vehicle electronics

equipment which will eventually supercede much of Lucas Electrical's current product range. In their view, "this is much more significant than the redesign of the standard product to European specifications which took place a couple of years ago" (16 July, 1979).

By the end of 1979 Lucas Electrical had therefore not only established a significant market position within the European market but had also begun to update the product line to supply this market in the 1980s.

2. Replacement Market Strategy

A strong replacement market performance is one way of adding stability to the demand for vehicle components. Replacement business is related to the number of cars on the road (in automotive industry parlance, 'parc'). This is a market which steadily increases through time, whereas original equipment business is tied to the more variable annual level of car production. Lucas Electrical, and other major component manufacturers were better placed than small independent original equipment suppliers (often used by the vehicle manufacturer as a second source of supply) to penetrate this market having the advantage of national distribution networks, using sophisticated stock control methods. Lucas Electrical had over 400 agencies through which to sell its component replacements, and by the mid 1970s was the largest supplier in this market (Nockolds, 1978).

A number of developments from the mid-1970s were of some concern. Firstly, the increasing annual level of car imports had a cumulative effect in the division of car parc between home and overseas suppliers. In 1980 imports accounted for 30% of car parc compared with 15% for 1975. Increasing levels of direct exports could offset the above trend in that the fitment of original equipment increased the probability of repeat purchase in the aftermarket. Lucas Electrical's limited success in this area has been reviewed above and in consequence the ability of

Lucas to minimize the impact of car parc import penetration on aftermarket sales depended upon the success of an 'All Makes' product introduced in April 1975. These products were generally acceptable to the market and sales increased rapidly as can be seen in Table 7.7 below.

Table 7.7 Car Parc Statistics and Lucas Electrical's 'All Makes' Sales

	CAR PARC VEHICLES (MILLIONS) UK	IMPORT	LUCAS ELECTRICAL TURNOVER 'ALL MAKES' PRODUCT £m
1974	12	2	-
1978	11	4	15
1980	11	6	20

Source: Constructed From Lucas Industries Annual Accounts and Joint Policy Communication Meeting Minutes

Secondly, in this period there was increased competition from developing countries with products "reaching the retail trade packaged to appear like genuine branded parts and sometimes using, illegally, well-known brand names" (Gooding, Financial Times, 2 September, 1980, p. 13). Thirdly, some vehicle assemblers having increased in-house manufacture of certain products began to sell these products in the aftermarket. Previously, such companies had sold the branded original equipment supplied by the component manufacturer. Bhasker (1979) reports how B.L.'s part division was "importing and selling (parts) under their own brand name" (p. 324).

Lucas Electrical were largely able to maintain their position in the aftermarket by the success achieved with the 'All Makes' products. However, UK manufacturing facilities were not the only supply source for these products. Stockbrokers Greenwell & Co report that "Lucas is

also expanding its interests in the marketing of imported electrical components through arrangements with overseas suppliers" (9 February, 1978, p. 11). Such imports, obviously, further reduced the workloads available in UK factories and thereby reduced demand for UK labour.

3. Capital Investment Policies

In planning its investment and R & D programmes for the period Lucas Electrical management sought to achieve two primary objectives.

Firstly, the marketing policies discussed above necessitated major capital investment expenditures to re-design the product range to European specification, and to provide a new 'All Makes' range of goods. The other principle area of product investment was in the area of electronics where silicon chip technology was being used in ignition equipment, electronic petrol injection and small motor applications. Management forecast a tenfold increase in this market between 1978 and 1980 (L.E.Business Review, 1978/9). According to the Investor's Chronicle, Lucas Electrical was a market leader in this field. It is stated :

> "Heavy spending on R & D has given it (Lucas) an almost unassailable technological leadership in fast growing areas like automotive electronics and diesels, the two main profit earning divisions, where the group's market penetration is high and growing....this is improving the quality of earnings as the production base widens and labour intensiveness decreases" (p. 467).

For management, such high technology products, not only reduced labour intensity whilst increasing value-added but was also less exposed to competition from Third World economies. The 1979 Annual Accounts identified another major product development area for Lucas Electrical in small motors. The 1979 Annual Accounts stated that:

> "The number of small motor applications in cars is increasing rapidly for such purposes as window lift, seat and sun-roof actuation. To meet this demand, added to that generated by our new screenwiper, washer and fan motor range, we have planned a new factory".

This factory was initially planned to replace the existing Chester Street facility. However, in March 1980 management changed their minds about this venture after having architect plans developed and having held discussions with the shop steward site committee at Chester Street. As will be seen later, the failure to progress with these plans resulted in the closure of Chester Street in September 1980.

Secondly, capital expenditure investment was also incurred in each Division to maintain and update facilities. However, only the Lighting Division was subject to the major reorganization announced in December 1975 which management said was to make the Division "technologically competitive" (JPCM, 1 December, 1975).

At that time manufacturing facilities were distributed between four sites, and the Company's proposals required the replacement of some plant and equipment and the redeployment of personnel from Grange Road (one of the four sites) while maintaining production to meet customer demands. At a JPCM in September 1978, management said that the reorganization was progressing to plan yet, as will be seen, the Lighting Division reorganization was not complete until 1980, when the Grange Road plant was closed.

Between 1975-80, in the two above areas, Lucas Electrical undertook capital expenditure investments in basic services, plant and equipment of £46m, £10m of which was spent overseas (L E Information Relevant To Redundancies, 4 June, 1980; 16 August, 1984).

4. Production, Employment and Financial Performance 1975-1980

Over this four year period, UK car production fell to the higher of the forecast levels of vehicle output predicted by the Government's Central Policy Review Staff (see page 147). As Table 7.8 shows, a 20% contraction in output occurred between August, 1978, and June, 1980, the earlier period being relatively stable.

Table 7.8. Production, Employee and Financial Performance Statistics 1976 - 80

	1975/6	1976/7	1977/8	1978/9	1979/80
U.K. Vehicle Production (units - millions)					
L.E. Ltd. Management Forecast	1.87	2.00	1.90	1.90	1.70
Actual Production	1.87	1.89	1.90	1.74	1.53
Lucas Electrical Ltd.: Capacity, Utilization and Employees					
Annual Average Output Volume Index (OVI)	219	242	262[1]	223	223[2]
Employees - Yearly Averages	16,512	18,359	19,287	19,001	18,281[3]
Lucas Industries Ltd., Profits (£ millions)					
Profit Before Tax	55.8	76.8	73.1	70.7	51.3[4]
Trading Surplus - Total	60.3	77.7	77.9	74.4	61.2
- Vehicle Equipment	52.5	73.1	70.2	67.1	48.6

1. Aug-Sept: nil (toolmakers strike); Nov-June: 262.
2. Aug-April only; no actual figures for May-July.
3. Before 3,000 redundancies declared in June, 1980.
4. Before costs of June redundancies, £12.2 million.

Sources: Minutes JPCM; Lucus Industries Annual Accounts and Lucas Electrical 'Information Relavant to the Redundancies of 4th June'.

Despite a relatively constant level of UK vehicle output from 1975 to 1978 employment at Lucas Electrical increased from the post 1975 redundancy level of 16,222 in September 1975 to 19,580 in August 1978. This increase in employment must be attributed to the growth generated by demands arising from direct exporting and the aftermarket. As can be seen from the profit figures in Table 7.8 this was a period of increasing profits for Lucas Industries, Lucas Electrical being a major contributor of trading surplus in the vehicle equipment area, which increased from £52.5 million in 1975 to £70.2 in 1978.

In this period there was one major industrial dispute. In July 1977 the Toolmakers, in pursuance of increased productivity payments, undertook industrial action over a ten-week period resulting in lay-offs throughout the Company for six weeks. Management claimed that the company had lost £3m profit as a result of the dispute (JPCM, 22 December, 1977) and said that the Company's reputation as a good supplier of quality products could be "lost unless the Company speedily completed its recovery, achieved output targets and maintained consistent supplies to customers" (JPCM, 22 December, 1977). And, although the recovery of production was not as rapid as management would have liked (November 1977 - January 1978 OVI*- 213), record production levels were achieved between February and July (OVI - 282) so that the effects of the strike were reduced. Stockbrokers Phillips and Drew in their report on the Lucas Industries 1976/7 profits stated:

> "The toolmakers strike stopped the Midlands electrical factories for six weeks, but running down stocks both at Lucas and at its customers meant that few sales were actually lost" (3 February, 1978).

* OVI. Output Volume Index. - a weighed measure which indicates capacity utilization across the company.

The successes achieved in this period suggest that Lucas Electrical had begun to adjust to its new role as a supplier to the European vehicle market, and its over-reliance on UK vehicle production had at least been partially overcome.

However, from 1978, Lucas Electrical's performance followed the success of the UK vehicle producers. Direct exporting was limited by the earlier decision to develop Ducellier as a production unit in collaboration with Ferodo and, additionally, Ducellier was used as a second source of supply for the UK market. The decision to supply the aftermarket by imported parts using the Lucas trade name was a further constraint on UK activity. When UK vehicle production fell by 20% between 1978 - 80 management declared 3,000 redundancies in June 1980. This followed a period when management reduced the workforce by a policy of 'natural wastage' as output was scaled down; 1,550 employees leaving the company between August 1978 and May 1980, even though vehicle equipment sales continued to produce significant trading surplus.

It seems probable that profit performance would have been even better but for an over-optimistic assessment by management of UK vehicle output. As Table 7.8 indicates in both 1978/9 and 1979/80 management's forecast of output exceeded actual output by 200,000 vehicles, and this may have delayed the redundancy decision.

Its timing was made more complex by external strikes and there is some evidence from stockbroker reports to suggest that this led management to compound its production forecast error by overstocking. In 1979, the 9 week Ford strike caused widespread lay-offs at Lucas Electrical, and the recovery from the strike was subsequently disrupted by the road hauliers' dispute. The CSEU strike in 1980 based on two day stoppages disrupted production but did not cause widespread lay-offs; the normal means by which management limit the adverse effect of

strike action by particular groups of employees. Stockbrokers Simon and Coates in the 15 November report provide some background information that helps to explain the circumstances. To quote them at length:

> "The company has refused to attempt to place a figure on the probable cost of the CSEU dispute in the first half of the year. The stock market has understandably been very worried about this, as during the period of the dispute the huge Birmingham factory complex lost up to 50% of its annual production. Indeed we ourselves had revised our 1978/9 profit forecast down by £15m to take account of this.
>
> However, it appears that we may have been somewhat over-pessimistic. At the analyst's meeting on November 5 the company admitted that the effects had been 'very serious' but also said that most factories were now going 'flat out' to recover lost production and that given a good industrial relations background it might still be possible to recover most of the lost profits. The company also said that it had no indication whatsoever of any major loss of business due to the dispute, and that it had managed to keep deliveries to its European customers going normally.
>
> In these circumstances we have revised our estimate of probable cost of the CSEU down to around £8m" (15 November, 1979).

Most factories worked 'flat out' for the six month period from the settlement of the CSEU strike, the OVI rising from its strike affected level of 192 to a Nov-April average of 238, and the commencement of the steel strike in January 1980 encouraged management to continue the high production levels in fear of future steel shortages. Management plans were, however, upset when UK and European vehicle production failed to recover in 1980 and this resulted in a very high stock build-up in March/April 1980. This led management to revise its estimation of lost profits arising from the CSEU dispute upwards. For Lucas Industries the loss was estimated to be £20m. The stock build-up coincided with a period of record interest rates, and interest costs rose by £6.4m over the 1979 level. The strength of sterling reduced the value of overseas profits by £5.8m compared with 1979 (Lucas Annual Accounts 1980). Despite these problems, the Lucas Group was able to earn £51.3 million

profit before tax; the trading surplus for vehicle equipment being £48.6 million.

The profit performance for the second half of the period under review was, however, lower than that planned by management. This, together with the anticipated fall in UK vehicle production and the Company's readiness to implement new technology and work practices provided the signal for management to declare mass redundancies. The availability of the information presented above should have forewarned the trade union of impending redundancies. However, as will be seen below, the SSSC had no real understanding of strategic policy developments.

SSSC Understanding of Management Policy

The SSSC throughout the period sought to monitor management policy by solely responding to management initiated discussions at Joint Policy Communication and Business Review Meetings. The SSSC did not have any independent source of information on management policies and were unable to evaluate and develop alternative policies of their own. Throughout the period the SSSC believed that management were committed to reducing the Company's dependence upon UK vehicle manufacturers by a policy of direct export through the achievement of new contracts with the major European motor manufacturers. This belief is not surprising given management statements to Joint Policy Communication Meetings (22 December, 1977; 10 March, 1978; 15 May, 1978; 26 June, 1978; 13 September, 1978; 19 October, 1978; 15 January, 1979; 8 August, 1979).

The most crucial policy issue was the Ducellier decision, and at no time were the SSSC aware of the policy implications involved. Throughout the two-year period of negotiation, management were consistent in the advocacy of the Ducellier policy. Thus, in telling the SSSC of the decision to increase the shareholding in Ducellier to 100% management stated:

> "Negotiations were continuing with the French Government to secure approval of the Company's bid to increase the shareholding in Ducellier. This move which would provide greater access to the world markets, particularly the growth markets of continental Europe was critical to the future of the Company, and it was hoped, therefore, that negotiations would be progressed properly to successful conclusion" (Joint Policy Communication Meeting, 15 May, 1978).

This implied that the UK would benefit from new business.

This interpretation of policy was accepted. However, as more details of the Ducellier deal emerged the SSSC became uncertain as to whether management policy was in their interests. The minutes of a Business Review Meeting on 13 September, 1978 records a question being addressed to the General Manager about a press statement (attributed to the Lucas Industries Chariman) that the total shareholding in Ducellier would lead to the creation of 800 additional jobs in France. The General Manager responded by drawing the SSSC's attention

> "to previous discussions of the Company's marketing strategy, emphasising the critical importance of Ducellier. Since the majority of new business opportunities were with the major European motor manufacturers, the Company needed Ducellier to be able to meet such customers' demands for a second source of supply" (JPCM, 13 September, 1978).

The SSSC had to be satisfied by this assurance since no alternative was offered.

When in September Ferodo made a counter bid for outright control of Ducellier, the SSSC requested a meeting with the General Manager to discuss these developments. The SSSC's main concern was that if the Ferodo bid was successful, then it would threaten jobs, since management plans had always stated that Ducellier was critical to the Company' direct exporting policies. Management stated that they believed that the Ferodo bid was "unlawful" and that they would be taking the "appropriate legal action". They said that they hoped to reach a satisfactory understanding with Ferodo in the near future.

Management reiterated that "common interests existed between Ducellier and Lucas employees" (JPCM, 19 October, 1978).

In January, 1979, the SSSC were again forced to question the implication of the Ducellier deal for job prospects in the UK. As a result of the earlier licensing agreement (December, 1977), Ducellier was now being used as a second source of supply for UK customers. Work previously done in the UK on the MF50 starter was now being carried out in France. At the General Manager's meeting on 15 January, the SSSC asked whether this policy would be extended to other products covered by the licensing agreements between the two companies. In his response, the General Manager referred to the Company's marketing strategy of providing second sources of supply. He continued:

> "Ducellier therefore was the natural choice as an alternative source of supply in Europe, and the MF50 starter business demonstrated its importance to the Company. In this case, Ford and Massey Ferguson had indicated that they would resource unless the Company could provide alternative supplies from outside the UK. On the assurance that Ducellier would be the second source, Ford and Massey Ferguson had withdrawn this threat and the business, important to the UK operators had been retained.
>
> The licensing agreement between Lucas and Ducellier, which provided royalty revenue for the Company, provide for the manufacture in France of the traditional range of products" (15 January, 1979).

Management stated that the need for a second source of supply reflected the fact that

> "Existing and potential customers currently regard the Company as an unreliable supplier, a view which had been hardened by further disruption resulting from recent industrial action by the Electricians. Indeed, the impact which disruption of production had on the Company's business was clear: the resultant unreliable supply record was the sole reason for the loss of contracts, since the Company remained competitive on other factors, such as performance, quality and price" (15 January, 1979).

However, the SSSC continued to express reservations about these developments and "further clarification" was sought about

intercompany trading between Lucas and Ducellier. The General Manager responded stating unequivocally that

> "...the UK operations would benefit considerably from the link with Ducellier, particularly in the immediate future. Ducellier would continue to purchase captive parts from Lucas and could also be a major customer of electronics.
>
> This benefit was secondary, however, to the new business available to Lucas and Ducellier jointly from external sources" (15 Januray, 1979).

These assurances never totally satisfied the SSSC since at a number of meetings (10 March, 1978; 19 October, 1978; 15 January, 1978) management were asked to arrange a shop steward visit to Ducellier. Management maintained that such a visit could not be arranged until after the negotiations were concluded, at which time its value to the SSSC would be much reduced, since the purpose of the visit was to see if there was any reason to oppose the negotiations. The delaying tactics of management eventually prompted the SSSC to finance (via a membership collection) an unofficial visit to France. The four senior stewards who went established that production facilities at Ducellier were similar to those at Birmingham, but this in itself was not a basis of dispute, and in consequence the Ducellier negotiations proceeded without any SSSC intervention.

Until management policy directly affected employees, the SSSC felt unable to raise it with members and in consequence did not take any action despite management "warnings" that redundancies were likely from 1978, these "warnings" becoming more specific with the passage of time.

Between June 1978 and February 1979, management gave several strong "hints". For example, at the Joint Policy Communication Meeting on 8 February 1979 the General Manager straight-forwardly said that "the workload available to UK factories was falling below plan". In his view this was the result of a number of factors: the poor performance of the UK market, the problems of Iran, a volume reduction in export

sales and customer resourcing decisions based on past disruption to production and inconsistency of supply by Lucas Electrical. He concluded:

> "The serious impact on the Company could be quantified in terms of jobs. Some excess of labour had been identified at the beginning of the financial year, however the number of jobs affected totalled approximately 3,000" (8 February, 1979).

Having already instituted policies to reduce overtime and sub-contracting, and having placed stringent controls on recruitment, management said that they hoped to reduce the job loss involved from 3,000 to 2,000; and that the proposals to reduce the workforce would be subject to a detailed appraisal at each Division and that the results would become known in six weeks. These investigations were undertaken. However, the General Manager in his opening report to the next meeting with the SSSC (26 March, 1979) did not report the Company's findings. Responding to a question from one of the Senior Shop Stewards he said that the Company "intended to continue its policy of 'natural wastage' and would not at present be resorting to a declaration of redundancies." This policy was reaffirmed at the Joint Policy Communication Meeting on 8 August, 1979, and work levels at most factories remained at a fairly high level, especially after the CSEU dispute had been resolved.

Although management anticipated redundancies from 1978, they delayed introducing them because of external difficulties. However, in March 1980, management came back to talk about redundancies. At the Business Review Meeting on 25 March, the General Manager commented that:

> "....the financial year to date has been <u>disastrous</u> , both for the Group and Lucas Electrical, performance being seriously affected by a number of factors. The continuing steel strike, the depressed UK market, and theCompany's own industrial relations problems, gave rise to uncertainty about the immediate future, and the

> already difficult position was compounded by the projected further decline in the UK vehicle production in 1980/81.
>
> Faced with this situation the Company was developing a recovery plan which would include as a key factor, improving payroll productivity. The Company had to operate with manning levels compatible with the business. A policy of natural wastage had failed totally to realise this need, and it was now necessary to examine alternative approaches aimed at securing an appropriate reduction in the workforce.
>
> A detailed analysis of the impact on jobs would be necessary before further discussions with the representatives in the near future" (25 March, 1980, emphasis added).

For over two years, the SSSC faced the threat of redundancy, and uncertainty as to the consequences of the Ducellier deal. Settlement of the Ducellier negotiations in December, 1979, did not remove this threat of redundancy. In fact, in justifying the redundancies management set aside its commitment to building up exports in conjunction with Ducellier. They stated:

> "Our own share of the European market is well below 2% and in view of the fact that we have only a minority shareholding in our associate company in France (ie Ducellier) we have discounted Europe from the consideration " (p. 1, Management's Case For Redundancies Appendix).

Throughout the period, the SSSC had accepted management assurances, and had made no attempt to identify possible alternative policies to those proposed by management. Two broad alternatives needed to be evaluated from an employee prospective.

For example, the policy of direct export to Europe could have been advanced without seeking market sharing agreements with major European competitors. As has been seen, stockbroker reports (pages 153-55 above) indicate that Lucas Electrical was successfully securing direct export orders to Europe. That this policy was not pursued more positively must in part be due to the market sharing arrangements entered into with Ferodo as part of the Ducellier negotiations. Although the final market sharing arrangements are now known, their

nature was revealed by the Financial Times in its reporting of the negotiations. For example, the Ducellier Lucas market share in starter motors and alternators was to be held for three years at its 1976/7 level (see p. 158 above). Moreover, as was stated earlier, Lucas Electrical undertook to create 800 new jobs in France whilst doubling the level of Ducellier exports over a ten-year period. Management presented the Ducellier agreement as the only means by which customer dual-sourcing demands could be met. However, it is possible to envisage other alternatives.

For example, would Lucas Electrical employee interests have been better served by establishing an independent or partly-owned subsidiary in Spain? This at least would have allowed the Company to be in a position to act as a second source of supply for GM's world car. Such possibilities were limited by the Ducellier deal which involved a commitment to a joint subsidiary with Ferodo in Spain. Furthermore, since France had previously been Lucas Electrical's largest market (outside the UK) a diversification policy based on Spain would have left this market exploitable without the constraints on market share arising from the Ducellier deal. These possibilities were never raised.

If the policy of direct exporting was impossible then it can be argued that Lucas employee interests would have been better served by management planning on this basis from 1975, because another option would have been to develop Lucas Electrical's production facilities and employee skills to cater for other identifiable market demands, particularly in the aftermarket which was less vulnerable to falls in UK vehicle output. Management's intentions are illustrated by the closure of the Grange Road site, which had been underutilized since 1976, despite repeated requests from shop stewards that work should be found for this site. For example, the minutes of the Joint Policy

Communication Meeting on 3 December 1976 record the SSSC's concern about the underutilization of space at Grange Road. The General Manager responded to the effect that:

> "the original possibility of transferring the Oozells Street activity to Grange Road would not be pursued. It had not been possible to investigate this project, originally mooted when the Lighting Division's reorganisation plans were announced, until agreement had been reached with representatives at Grange Road. The subsequent studies had proved that Grange Road was unsuitable to accommodate the Oozells Street activity" (3 December, 1976).

Grange Road was to remain underutilized until its closure in August 1980. Evidently, management did not plan its continued operation, nor did the trade unions. For example, no attempt was made to see whether any links could be developed with Lucas Aerospace shop stewards, who were actively promoting their Alternative Corporate Plan (Wainwright and Elliott, 1982).

The SSSC's lack of planning for redundancy until it was declared, was also illustrated by its concern to progress the annual wage claim without reference to the threatened redundancy. For example, the brief given to me in March 1980 was to provide information for wage bargaining, no reference being made to the redundancy.

Necessarily, the SSSC's response to management's declaration of redundancies in June 1980 was therefore unplanned.

Chapter 8. The Implementation of The Redundancy Decision

The SSSC having failed over the last two years to take any action with respect to the threatened redundancies now had to contend with this problem at a very inopportune time from their point of view. Firstly, work loads at factories were falling not only because of current management resourcing decisions, but also as a consequence of previous stock build-ups. Secondly, the redundancy announcement coincided with the annual wage negotiation, and employee support for any wage claim would be tempered by the threat of redundancy. Moreover, management declaration of redundancy to a certain extent precluded productivity negotiations, since management had unilaterally decided to increase "payroll productivity" by its action. In these circumstances, there were only two policy options available to the SSSC. Management's decision could be accepted, and negotiations initiated to bargain over the terms of policy implementations. Alternatively, management policies could be opposed on the basis of trade union principle, which would involve contesting management's right to declare redundancies (Policy Types 1 and 3, page 122 above).

Over a 15 week period, the SSSC attempted to influence management policies on both redundancies and annual wage negotiation, without effectively deciding which of the two above policies were to prevail. To some extent, both policies operated at the same time and it is difficult to separate policies as well as issues (eg, redundancies and wages). In consequence, the review of the redundancy implementation is presented chronologically and, to help the reader, a diary of events is presented in Table 8.1 below.

Table 8.1. Diary of Main Event

WEEK	DATE	PERIOD OF NON-CO-OPERATION	FACTORY LAYOFFS	REDUNDANCIES	WAGE CLAIMS
1	4th June			Company announce redundancies.	
2	9th June			Dispute made official.	
	11th June			SSRC agree that an information request be submitted to management.	
	13th June			Informal works conference.	
3	17th June			Shop stewards and members endorse non-co-operation policy.	
4	24th June				Wage claim of production workers submitted to Company.
5	30th June				Lucas Industries non-negotiable wage offer.
	2nd July			SSSC meeting. Sub-committee established to investigate Sub Contracting.	
	9th July				SSSC reject 'concept' of non-negotiable wage offer.
6	11th July		Various Sites		Company formal offer supported by document "State of the Company".
	15th July			Management respond to information request.	Shop Stewards reject company offer.
	17th July			Works conference.	
7				ANNUAL HOLIDAYS	
8					
9			Various Sites		
10	2nd Aug			An analysis of management's case for the redundancies.	A reply to management's document on "State of the Company".
11	11th Aug			Shop stewards reaffirm policy of non-co-operation.	
	14th Aug				Lucas Industries 'Combine Meeting.
12	18th Aug				Negotiating Meeting
	19th Aug			Re-convened works conference.	
	22nd Aug				Company's amended offer.
13	25th Aug			Acceptance of redundancies by Shop Stewards	Company offer referred to Members by Shop Stewards.
14	2nd Sept.			Acceptance of redundancies by Members.	Acceptance of Wage Offer by Members.
15	11th Sept.			Work conference to set terms of compulsory redundancy. Management announce need for second round of redundancies.	

The announcement of the redundancies:

Both local and national newspapers 'forecast' the management announcement of redundancies at Lucas Electrical. On 2 June, the main story in the Birmingham Post was "Lucas may axe 2,000 this week". This prediction was made in anticipation of a meeting between management and the Senior Shop Stewards Committee on 4 June.

At the March 1980 Business Review Meeting the SSSC had been told of management's intentions to "improve payroll productivity" which would require an "appropriate reduction in the workforce". The SSSC were however surprised by the numbers involved (3,000 instead of 2,000), and by the closure of Chester Street as well as Grange Road. The redundancies were, in fact, going to affect every one of the 17 Birmingham sites, the levels of redundancies varying from single figures to over 600, although the SSSC had no clear idea of this at the time.

Management were observing their statutory obligations to the trade unions by giving 90 days prior notice of the impending redundancies, to be made effective on 5 September. Management claimed that such action was necessary because of:

> "a falling level in UK demand, and problems associated with gaining profitable export business when confronted with domestic wage inflation and a strong pound" (Financial Times, 5 June, 1980).

Management stated that they hoped that the redundancies would be achieved by

> "acceptable volunteers in designated areas followed by enforced redundancies" (Company notification of redundancies to Dept of Employment, 2 June, 1980).

Management requested trade union co-operation. They said that redundancy payments would be above the legally-required minimum, and details were made available to the SSSC (see Exhibit 1). The details of the redundancy plans would be made known by Site Managers to the Senior Stewards on an individual basis.

Exhibit 1. Lucas Electrical Notification of Redundancies to SSSC:

SMS/DSM
JUNE 1980

1980 SEVERANCE TERMS

Volunteers who are accepted for redundancy will receive :

a) Their appropriate statutory redundancy pay entitlement under the Employment Protection (Consolidation) Act.

b) Payment in lieu of notice at time of leaving as follows :

i) 8 years service or below - 8 week's pay

ii) 9 to 12 years service - 1 week's pay for each complete year of service

iii) Over 12 years service - 12 week's pay

c) A Special Company Supplement of half a week's pay (subject to a £120 per week maximum wage) per year of service up to a maximum of 20 years service. This means that the maximum supplement would be £1200.

Part-Timers

The weekly earnings maximum for the Company Supplement will be based on a pro-rata reduction of the £120 maximum for a full-time employee, ie: £60 per week maximum for a normal week of 20 hours.

d) Employees with less than 2 years service who do not qualify for a statutory payment will receive a Company Supplement of 1½ week's pay, subject to the same limit as other supplementary payments (ie: a maximum weekly wage of £120 for full-time workers and proportionately less for part-time workers.

Employees due to reach normal retirement age on or before 31 December 1980 will not be eligible for the above arrangements.

Consideration will be given to those with 20 years or more service who volunteer for redundancy and who are due to retire between 1 January 1981 and the end of July 1982. If the individuals are acceptable to the Company then in addition to the 1980 terms they will receive an immediate un-abated pension based on service up to the date of leaving.

In response to suggestions that SSSC would "fight to save jobs", management warned that the cuts must go through with the minimum of disruption if the future of the remaining workers was not to be jeopardised.

Having reviewed their plans between March and June management were now asking the trade unions to accept them and to aid their implementation by agreeing to changes in work practices which would result. Would this consent be given?

SSSC decide to make the dispute official:

1,700 of the 2,600 redundancies planned at the Lucas Electrical's Birmingham sites were to be drawn from the production workers. The SSSC had negotiating responsibilities for these workers and became the trade union organisation charged with attempts to oppose the redundancies proposed by management. The skilled trade groups (260 proposed redundancies) by their affiliation to the SSSC could either support SSSC policies or develop policies of their own. Initially, the trade groups supported the SSSC whereas the staff unions maintained an independent stance from the outset.

The SSSC's declaration to management that they intended 'to fight to save jobs' reflected several considerations. Firstly, record levels of unemployment in the Birmingham area meant that the prospect of re-employment for those made redundant was 'virtually nil' (letter from TGWU district official to SSSC - see Exhibit 2). Secondly, the SSSC objected particularly strongly to the closure of the two plants, Chester Street and Grange Road, which once closed would never be re-opened. Thirdly, they were suspicious that the redundancies could be related to Lucas Electrical activities overseas. For all of these reasons the SSSC felt that in this case it could not set aside its principled objections to redundancies, and negotiate improved voluntary redundancy terms as it had in 1975.

Not fighting became even less likely after one of the Senior Shop Stewards at Chester Street initiated a meeting of Lucas TGWU Senior Shop Stewards (with District Official support) at which the following resolution was carried:

> "This meeting of TGWU Senior Shop Stewards calls upon our members within 'Lucas Electrical' to oppose Management's proposals on redundancies and closure by refusing to co-operate on the transfer of work within the Group, also by refusing to cover the jobs of any member that Management may make REDUNDANT" (9 June, Letter to SSSC - Exhib. 2).

Exhibit 2. Letter from TGWU District Official to SSRC

Registered Offices:
TRANSPORT HOUSE SMITH SQUARE LONDON S.W.1.

Regional Office:
TRANSPORT HOUSE 9-17 VICTORIA STREET WEST BROMWICH

Transport & General Workers Union
Incorporating The National Union of Enginemen, Mechanical & Electrical Workers

District Office: 211, Broad Street, Birmingham, B15 1DE.

9th June 1980.

WG/PC.

TO: Senior Shop Stewards,
LUCAS ELECTRICAL LIMITED.

Dear Colleague,

"Management's Proposals on Redundancies
& Closures - Lucas Electrical"

The recent Company announcement of their intention to close plants and enforce REDUNDANCY on 3,000 of our colleagues must be opposed by our members at 'Lucas', in the interests of everyone who has a stake in the Company and an interest in the FUTURE and PROSPERITY of the West Midlands. It must be clear by now that anyone who votes and accepts redundancy is voting and accepting long term UNEMPLOYMENT, both for themselves and possibly for their children.

Since January of this year almost 5,000 people a month have been added to the UNEMPLOYMENT register in the West Midlands and at the present time there are only 9,403 registered vacancies for adults.

As one would expect these vacancies tend to be either the jobs people do not want because of low pay or jobs of a highly skilled nature.

I believe you will appreciate from the foregoing that job prospects for the UNEMPLOYED are virtually NIL and this must be explained to our members before they make their decisions on the Management's proposals.

In addition, it must be pointed out to our members that 'Lucas Industries' is a very RICH MULTI-NATIONAL Company having vast investment abroad and are still busy building NEW PLANTS and opening NEW FACTORIES overseas, which we would contend is taking jobs from our members here in the Midlands.

Our members have created the WEALTH which has enabled the Company to invest abroad and we believe that despite the fact that the car industry is going through a "STICKY PATCH" the Lucas Management owes a debt to its West Midlands workforce and instead of threatening people with the "SACK" they should be seeking the co-operation of the Unions in order to overcome the present difficulties.

It is because of all these facts that our Organisation is determined to protect the interests of our members by FIGHTING Management's proposals and at a recent meeting of Lucas T.G.W.U. Senior Shop Stewards the following resolution was carried:-

"This meeting of T.G.W.U. Senior Shop Stewards calls upon our members within 'Lucas Electrical' to oppose the Management's proposals on redundancies and closures by refusing to co-operate on the TRANSFER of work within the Group, also by refusing to cover the jobs of any member the Management may make REDUNDANT".

Please bring this resolution to the attention of your members.

Yours fraternally,

W. GOULDING,

In the event of management allowing 'volunteers' to leave the company without prior trade union agreement, the policy implied that production would be brought to a standstill through an 'unbalanced' work force. As a consequence, when the SSSC met to determine policy on 9 June, they had the choice of either supporting or reversing an officially approved policy of the TGWU stewards. Not surprisingly, the SSSC supported the policy with little discussion, and there was no expressed opposition. It was thought that to have reversed the policy at this stage would have indicated to management that their plans could be implemented without consideration of trade union objections to the proposals. However, towards the end of the meeting the apparent consensus within the SSSC broke down when the Electrician's representative said he would attend a planned meeting with management to discuss the general principles involved in establishing 'redundancy agreements' between his trade group and management.

The SSSC decided at that meeting to extend the brief given to the author to involve an "investigation of company policies to see whether a financial case to oppose the redundancies could be developed".

Having established their policy of opposition, the SSSC met management and requested that the redundancies be avoided by short-time working and work-sharing. Management rejected these proposals stating that they were "merely short-term remedies, not solutions to the long-term problems of the company". At the meeting a "failure to agree" was recorded, the dispute was thereupon declared "official" and henceforth the main trade union negotiator would be a full-time official of the TGWU.

The SSSC Agree to Submit Questionaire to Management:

The SSSC met on 11 June to discuss the details of the redundancies made known by the Site Managers. The Secretary of the SSSC had produced a factory breakdown of proposed redundancies (see Exhibit 3),

Exhibit 3. Factory Breakdown of Proposed Redundancies in Lucas Electrical

FACTORY BREAKDOWN OF PROPOSED REDUNDANCIES IN LUCAS ELECTRICAL — JUNE 1980

	DIRECT	INDIRECT	STAFF	TOTAL	TOOLROOM	WED	SETTS	ETU	No.
FORMANS RD PLASTICS	10	19	5	34	4	19			1
" DIECAST	12	19	12	43	3	4		5	1
" CENTRAL TOOLROOM		10	8	18	10				1
TRANSPORT DEPT		6	1	7					2
BIW3 & CRANMORE	177	81	50	308	7	14	29 + 4		3 & 4
MARSHALL LAKE RD	133	38	25	196	5	9	6		5
" PILOT LINE	12	1		13					9
GT HAMPTON ST	53 ½	39	62 ½	155	2	2	6 + 1	2	6
GRANGE RD	? 150	? 140	38	328					7
B & 4	58 ½	38 ½	25	125	10	9	3	5	8
MORE GREEN	1 ½	8	18 ½	28	2	5	1		10
GT KING ST	286	93	282 ½	661 ½	24	18	22		12
FRAUSLEY	23	18	17 ½	58 ½		4			13
" B90	25	5	4	34		1	1		13
HINKSFORD	8	2	2	12					14
CANNOCK LAMPS		16 ½	15	31 ½	3	3		1	15
" COILS	5		4	9			1		15
TALFORD	1	1	2	4					16
COZIER ST 1st STAGE	4	3	5	12					12
" 2nd STAGE	2	10	7	19					12
GARRISON LANE		5	1	6					12
COLLEGE RD		13	5	18	9	3		1	12
PLUMB ST	5		6	11					12
CHESTER ST				486 210½ (210½)					11
TOTALS	966 ½	566	599	2617 ½ (2342)					

Source: Secretary of SSSC.

which he had compiled by telephoning each site. The collection of this information had taken a week, and was the only information available to the SSSC; management had not provided any written information (other than levels of proposed severance payments) regarding the redundancies. In consequence, the SSSC's discussion of the issues involved was largely based upon a generalized critique of management intentions. No one spoke in support of management policies; all sites being affected by the redundancies. The senior stewards were particularly aggrieved by management intentions about Chester Street. To quote one of the Senior Stewards at Chester Street:

> "The Company is being dishonest with us. At Chester Street we had been promised 1,900 jobs and a new factory...architect plans in March - closure in June...and to think that we have co-operated in the transfer of work...There is only one answer - Accountants wishing to make us victims of a balance sheet...We've got a viable site we're going to fight. The Company's offer of alternative employment for half of the workforce at Great King Street is intended to break the unity of the workers - how else can it be explained when redundancies are being made at Great King Street...".

Because of the lack of good information available to the SSSC I suggested that a questionnaire be addressed to establish the financial reasons for the redundancies. This proposal was accepted by the SSSC and the questionnaire is included as Appendix 3.

The Informal Works Conference:

On 13 June, as the first stage of the formal dispute procedure between trade union and management, an informal works conference was held. The TGWU District Official was to be the principal negotiator, the SSSC were 'in attendance' to observe the formal process of negotiation. According to the Secretary of the SSSC, management refused to consider any alternatives to redundancy, and explanations of reasons for the redundancies remained general in character, without giving any company specific information. The District Official told

management of his intention to present the questionnaire (without reference to its source) and said that an unsatisfactory reply would result in action under Section 17 of the Employment Protection Act, which obliged employers to provide information, when such information was seen to be required by standards of good industrial practice. The officials stated that the formal Works Conference would only be convened when further information had been made available. The only concession made by management was its commitment to consider the establishment of a sub-committee of the SSSC to investigate the level of sub-contracting. Given the lack of progress, the Distric Official re-affirmed support for the non co-operation policy and this allowed the SSSC to call a mass meeting of shop stewards to ratify the established policy.

Management now had responsibility for convening the Formal Works Conference, which would not take place until four weeks later. Two factors lay behind this delay. The TGWU Distric Official was on holiday between 30 July and 11 August, and management would not provide any information in response to the questionnaire until the 'official' returned from holiday. In consequence, the SSSC had to try and mobilize membership support over this period without having any detailed understanding of management's justification for the redundancy decision.

Shop Stewards and members endorse non co-operation policy:

All sites and trade groups attended the mass meeting of shop stewards on 17 June (attendance 600 plus). The Toolroom, however, had sent their representatives with a "watching brief", and would not be committed to any decisions agreed at the meeting. The Chairman stated:

> "That the purpose of the meeting was to <u>endorse</u> the policy of non co-operation and to establish its implementation throughout all sites" (my emphasis).

After reporting back, the Chairman asked for comments from the floor. All six speakers criticised the Company for its actions, and the Chairman of the Toolroom negotiating committee (in his 'personal' capacity) stressed the need for unity, drawing a parallel between Michael Edwardes' industrial relations policies and those applied by Lucas. A motion from the floor suggesting that an unofficial visit should be made to Ducellier was defeated by a 70/30 split of votes. The proposer of the SSC's 'non co-operation policy' was the TGWU District Official and the motion was passed with only 10 votes against and 40 abstentions. The third and final motion calling for a mass meeting of all members was defeated overwhelmingly. It was the opinion of the Shop Stewards that members were not prepared to lose a day's pay in order to discuss the redundancies.

The endorsement of the policy of non co-operation by the Shop Stewards could perhaps have been anticipated because reversal of policy at this stage would have weakened the officials negotiating position. The failure to get support for the Ducellier visit and the mass meeting of members however indicated that membership support for future action would depend on the SSSC ability to conduct its campaign of opposition. This was emphasised by the fact that the one speaker who spoke against the SSSC policies had been loudly applauded by the body of stewards. In his opinion, the SSSC should:

> "...get the best deal for the members...We can't stop the company, so what's the point in trying...Be realistic, the people on the shop floor are looking to leave. Let's not cloud the issue, it's going to happen. We live in the real world - the SSSC should have a policy for redundancies..we've got redundancies; we've got to plan to reduce the effect. We can't change the future - going to France wouldn't change anything in a fortnight".

One Senior Steward later stated that:

> "He made a mockery of the meeting - he had a standing ovation: and what he was saying was anti-trade unionist".

The membership similarly accepted the non co-operation policy at shop floor meetings without necessarily being committed to it in practice. However, the SSSC thought that the rising levels of unemployment and the low level of work at Lucas made members fear the loss of their own jobs and that opposition to Company plans would emerge when management declared compulsory redundancies. As an interim measure the policy of non co-operation would be applied until the Works Conference was convened at which time further information about Company policies would become available. Until then, the shop stewards would have to mobilize member support for the non co-operation policy by arguing on the basis of 'principles' rather than facts.

Implementation of the non co-operation policy to works conference:

Management's offer of voluntary redundancy was attractive to some people and from the outset 'volunteers' applied to leave the Company. Because the redundancies were a subject of dispute between management and trade unions, the Company could only allow volunteers to leave by breaking agreed procedure. Nevertheless, after the mass meeting of stewards on 17 June, management began to let people go, thereby openly challenging the SSSC's ability to implement its non co-operation policy. On the departure of volunteers work practices would have to be changed and individual members of the union would either have to accept the requests made by the foreman or reaffirm their commitment to the SSSC policy. To an individual, this would represent a major decision since these actions could bring production to a standstill.

At the SSSC meeting on 2 July, it was reported that about 100 volunteers had left, and that management decisions were rarely being challenged, so that work practices had been changed to accommodate the 'volunteers' and production had been maintained. It also became apparent that certain Senior Shop Stewards were not implementing the non co-operation policy. One Senior Steward was not prepared to answer

a question about whether his site was accepting work from Grange Road. Another stated that their site would refuse to accept new machinery, but would not refuse to use idle capacity on existing machines. He commented:

"We cannot refuse work; we cannot commit suicide".

This comment led to a heated exchange between the Senior Steward and the Senior Stewards from Chester Street, who saw such action as supporting management's intentions to close Chester Street. The difference of opinion could not be settled at the meeting, and the Committee's Chairman asked that the senior stewards meet with their respective managers to ensure that the work involved was not being re-sited from Chester Street. He commented:

"You've got to work together or there is no hope."

An opportunity of working together became available when management gave consent to the setting up of a sub-contracting subcommittee.This subcommittee would be allowed to visit each site to speak to site stewards about the level of sub-contracting, but General Managers at site would not be available for discussion. The Company stated that:

"We cannot have twin structures of management" (Senior Steward, 2 July).

In his summing up, the Chairman stated that management were claiming to have 2,000 volunteers, and that they were urging the officials to set a date for the Works Conference. Management were continuing to refuse to reply to the questionnaire, stating that:

"If we could answer all the questions asked, we'd be able to save all the jobs in Great Britain."

In management's view, they had no choice.

Despite the evident weaknesses in the non co-operation policy, no other options existed until negotiations began at the Works Conference.

In respect of the annual wage negotiations the morning papers had carried stories of Lucas Industries 'non- negotiable wage offer' to quote the Chairman:

> "They are saying 'take it or leave it'. They are learning fast from BL."

The Works Conference was due to be held on 17 July, and membership resolve to oppose the redundancies appeared to be weakened by the announcement of post war record levels of unemployment, the mid-June figure of 1.53m having been announced on 26 June. More directly, management's announcement on 8 July of lay-offs at most sites for at least a week, either side of the annual holiday, was even more demoralising. Until the Works Conference, the Shop Stewards were committed to the non co-operation policy and meanwhile the annual wage claim became the main issue of concern.

The Lucas Industries 'Non-Negotiable Wage Offer'

The Production Workers' annual wage claim was normally prepared in April/May and submitted to the Company for settlement in June/July. The settlement being effective from 1 July. Submission of the 1980 claim was delayed because the SSSC could not agree whether the claim would be for a flat or a percentage increase, and before agreement was reached the Company had announced its redundancy plans. As a result, the claim for a £25 increase plus index linking was not submitted until 24 June, and management's reply was not expected for a couple of weeks.

On 30 June, the SSSC attended a General Manager's meeting at which management outlined the problems confronting the Company and emphasised the need for a planned pay increase with an £8-£10 maximum. Furthermore, management requested the SSSC's co-operation in implementing new technology and in the adoption of improved working practices. It was also stated that there could be no general payments made in order to introduce change. The SSSC considered this meeting to

be part of the Company's communication programme, and did not accord it any undue significance until reading the evening newspaper on the following day.

The Birmingham Evening Mail revealed that the SSSC had attended one of the 105 meetings held in Lucas Industries factories where the message had been exactly the same. Lucas Industries' 66,000 employees were being offered the same pay offer which was "not negotiable". A Company spokesman told the Birmingham Post on 2 July:

> "a non-negotiable offer had been made to the unions... it will be impossible for us to follow the customary pattern of pay negotiations. The Company just does not have the financial freedom to match trade union aspirations based on the usual comparisons... the offer was based on carefully assessed maxima which cannot be exceeded."

The SSSC decided at their 2 June meeting that they must make a comment regarding these developments. The Chairman stated that:

> "members should be told categorically that no offer has been made to the stewards.. we must respond positively, otherwise they'd end up brainwashing the members on both redundancies and wages... No doubt this is the way the Company intends to operate, and we will have to treat them in the manner they treat us - that is with contempt."

It was agreed that a press statement should be issued but it would not be released to the Birmingham Mail, the original source of the story, because that paper had been 'blacklisted' by the district TUC for biased reporting of industrial relations. The Birmingham Post on 4 July headlined its story: "Union Declare War On Lucas", and the report contained many comments directly applicable to the dispute, eg, management's failure to observe procedure, the Company's refusal of a visit to Ducellier and a statement of Lucas Industries' past profit performance. The report said that:

> "The stewards' anger and suspicions stem partly from a fear that Lucas long-term plan is to pull out of Britain and concentrate all production overseas".

A company spokesman in response stated:

> "that it was ridiculous to suggest that Lucas would pull out of Britain. It will be illegal and impractical" (my emphasis)!

In view of the uncertainty which the press reports had created, the SSSC convened a mass meeting of shop stewards on 9 July to publicly reject the Company statements that an offer had been received. On 11 July, management met the Senior Shop Stewards to formally present its offer, which had been revealed in outline on 30 June.

The Production Workers, depending on skill grades, were being offered increases of between £8 and £10.50. The offer was made on the basis of two subsidiary conditions:

1. That no interruptions would occur to production during the year, caused by internal industrial action.
2. That the Company would have full co-operation of the Production Workers in order to introduce and take benefit from those changes in work practices and technology that we need to benefit from in order to become competitive.

The Personel Manager indicated that the offer could not be increased because it was a Lucas Industries' policy. He stated:

> " I have a brief to work to, and I will continue to follow that brief regardless of opposition".

In support of its case, Management produced a Lucas Industries' document on "The state of the Company" (see Appendix 4). This document was also made available to the financial press. It was quoted in the Financial Times on 9 July.

The SSSC called another mass meeting of stewards on 15 July to discuss possible responses to the Company's offer. The options available and the prospects of a successful opposition were assumed to be fairly limited. The non co-operation policy was being implemented over the redundancies, but any strike action would have to be aimed at overthrowing a Lucas Industries' policy, which the trade unions thought

of as "covering all 66,000 employees". The possibility of negotiating a productivity deal had been rejected by management at the meeting of 30 June. In any case, this option would be 'anti-trade union' since it would facilitate the implementation of the redundancies.

With little prospect of success, the SSSC were 'told' by the mass meeting to re-open negotiations with management. The stewards were particularly concerned to have the 'strings' attached to the Company's offer withdrawn. The SSSC was required to report back to the mass meeting of stewards without making any recommendation on the negotiations with management.

The SSSC informed management of the stewards' rejection of their offer and objected to the conditions. Management said they would postpone their response until after the annual holidays, which were due to begin at the end of the week. The Works Conference on the redundancies would be held on 17 July , just two days before the holidays. After which, most workers would be 'hard up' and not prepared for a strike. Many felt that this was inauspicious.

The Works Conference:

The Works Conference was the final stage of the disputes procedure and failure to achieve a setlement would herald increased industrial conflict, or a withdrawal of either the Company's proposals or the trade unions' counter-demands. The meeting was convened under rules regulated by national agreement between the Engineering Employers Federation (EEF) and the various trade unions. The management negotiating team was supplemented by a representative from the EEF (in an observer capacity). The trade union negotiating team was led by the TGWU District Official. The SSSC attended as observers so as to allow participation in adjournment discussions, and to vote upon outcomes proposed in the negotiating sessions. The officials, accepted that the SSSC were receiving advice from the author, and permission to attend

the Works Conference was granted by the officials but without Company agreement. I questioned whether this was the most appropriate approach, but the general view was that management would "not notice my attendance, since over fifty stewards were due to attend the meeting".

Management responded to the officials' demand for information (my questionnaire) by producing a document which they said covered the "relevant details" (see Appendix 5). The officials had it on 15 July. Management's document made no reference to the questionnaire and only passing reference to the important issues and was incomplete, eg the principal financial statements of the previous five years were not provided, production forecasts were limited to one year and were not related to market potentials.

Prior to management's entry into the conference room, the SSSC held a report back meeting to update the officials on the position regarding the 'volunteers' and sub-contracting. The Stewards reported that approximately 650 volunteers had left and that management continued to disregard procedure. The position of the SSSC was further weakened when three of the major skilled groups, Electricians, Toolroom and Allied Trades Groups accepted voluntary redundancies, and would not engage in any industrial action to oppose the redundancies. The briefing meeting was concluded without any discussion of management's written justification of the redundancies. The author's attendance at the Works Conference had been accepted, however no provision was to be made for active participation in the evaluation of policy. Discussion would be confined to information exchanges at points of adjournment.

When management were called into the Works Conference, the Personel Director assumed chairmanship of the meeting. However, the trade unions having registered the failure to agree were required to make the opening statements in negotiation. Each of the four official unions (TGWU, AUEW, GMWU, MSMM) with members affected by the redundancies

exercised their right to comment on management policies. These statements were prolonged by trade union standards, lasting for over an hour. However, in view of the opening sentence of the TGWU's District Official, the submission must be seen as ritualistic. He stated:

> "Since the informal Works Conference we have made little progress, and therefore what we have to say may be 'old hat', however, it still needs to be said."

All four officials criticized management for breaking procedure by letting volunteers leave without trade union agreement, for their refusal to apply for Government Temporary Employment Subsidy, and for the high level of sub-contracting work. Each highlighted management's unwillingness to respond to the questionnaire, yet one official felt able to declare that:

> "Your actions represent a clinical and soulless project that reeks of accountant thinking - it represents overkill. The scant information that you provide makes it impossible for us to counter the arguments you present".

The last official to speak concluded with the following appeal to management:

> "I ask that the company stop its actions to allow a six month in depth study to be made of the problems, which could be based on a joint approach. You cannot continue with your present policies".

The Personnel Director responded by stating:

> "Having regard to your lengthy submission, I would like to ask for an adjournment."

In the adjournment which was to last for an hour, discussion was informal and the majority of stewards passed the time playing cards.

On their return, management replied that they could not deviate from their policy and that having achieved half the number of volunteers, they would now like to achieve the other half by "joint endeavours". Given the low level of work at Grange Road and its planned closure on 5 September, management indicated their willingness

to let "volunteers" leave this site immediately with a payment for wages to 5th September. In return for trade union co-operation they would be prepared to "take stock" of the position in August. However, the redundancies would have to be completed by September. In response the District Official indicated again that alternatives existed, and attacked management over the "complacent attitude" about the lost markets in the UK and Europe. In his summing up the District Official said that "voluntary" redundancies might be "negotiable" in return for a guarantee of no compulsory redundancies. The Personnel Director ignored this remark and reiterated the Company's need to implement all the redundancies. This led one official to observe that:

> "...your attitude is dictatorial, and while you may be half way towards your target, may I remind you that a certain dictator in the 1940's managed to get only half way towards his target. May I remind you that things do go wrong with the best of plans, and our people are capable of throwing all your calculations back into the pan".

In his final statement the Personnel Director stated that the most he could offer in return for trade union co-operation was the possibility that:

> "compulsory redundancies would not need to be announced in August".

The Conference was adjourned at this point for the SSSC to consider its position.

In opening the following discussion, the District Official said that he thought that management had not given any real considerations to their proposals, and that their request for no compulsory redundancies and no closures were being discounted. He thought that any concesions would only be won through effective industrial action, but he questioned whether the Personnel Director would have the authority to change policy. The majority of those senior stewards who

spoke in the review of the non co-operation policy said that they believed that the policy should be continued because its effect would be greater on the resumption of work after the holiday. Furthermore, to relax the policy would concede victory to management over wage negotiations as well as the redundancies. However, many stewards recognised that members were not prepared to implement the non co-operation policy and the Senior Steward at Grange Road questioned whether this commitment existed amongst the stewards:

> "Today, we are all talking the same language: we know what its about. Unfortunately, the majority of stewards are not 'leaders' they are 'listeners', and they are influenced by the media in the same way as the members. However, we must fight for those who have worked for this company for 30-40 years, and who will leave Lucas with no prospect of getting a job."

The TGWU District Official observed:

> "The Stewards are the organisation in the factory, and if you aren't organised there then you've lost it before you begin. If you've lost, then its through the weakness of your own organisation" (17 August, 1980).

The AUEW Official then suggested that co-operation should be offered in return for a commitment of no closures. Whilst certain stewards opposed this on the basis that the wage issue would be lost, a motion proposing that co-operation should be given in return for no compulsory redundancies was passed with only 5 opposers out of 60. The officials and officers of the SSSC made a private approach to management with this proposal, and returned saying that management were prepared to withdraw the threat of compulsory redundancies in August, and would look into the possibilities of achieving job transfers between Lucas Electrical and Lucas Aerospace who were recruiting some labour. In return the stewards would undertake to minimize the effects of disruption upon the departure of volunteers. The officials proposed that this policy should be taken back to a mass meeting of stewards, and that the Works Conference would be reconvened in the third week of

August, when the position would be reviewed. The Secretary of the SSSC subsequently told the author that in the private discussions management stated that Lucas Electrical were losing £100,000 per day and this statement appeared to add "weight" to management claims that it could not deviate from its policy. The statement of losses was not revealed to the SSSC and their acceptance of the "compromise" was based on the belief that no significant changes could occur before the mass meeting of stewards, since the two-week annual holiday began the next day.

In reality, little progress had been made at the Works Conference. Management's limited responses were not sufficient for a reversal of policy to be considered even allowing for the evident weaknesses in membership support for the policy of non co-operation. If policy was to be reversed, it would have to be on the basis of the decision of the mass meeting of stewards.

Analysis of management's redundancy and wage documents:

The annual holidays provided a two-week interval in which the author could seek to develop a critique of the information presented by management at the Works Conference. As already indicated, management's response to the questionnaire was partial and did not provide a full justification for the redundancies.

Two documents* were produced and are shown below (Exhibits 4 and 5). These were made available to the SSSC in the week following the holidays and were therefore available at the SSSC meeting of the 6th August to review the non co-operation policy. At that meeting most site stewards reported that co-operation was being given to management, and the level of volunteers was now estimated to be 700. Even stewards

*1. An Analysis of Management's Case for the Redundancies.
2. A Reply to Management's Statement on the "State of the Company".

An Analysis of Management's Case for the Redundancies

Management claim that the information which they provided in response to the questionnaire makes out a complete case for the 3,000 redundancies. In our view it does no such thing. It is inadequate as a case on two counts:

Firstly, management have not demonstrated that the market for Lucas Electrical products has collapsed as badly as they suggest it has.

Secondly, management have made no attempt to consider alternative ways of sustaining Lucas Electrical's workload.

Management's Case:

All that management put forward as a case is the claim that by November 1980 workloads will have fallen by 30%:

> "The redundancy of 3,000 employees is based purely on volume and we need to match falling sales, which next year (1980/81), are expected to be 30% below the Spring 1978 peak when employees were at a post 1975 maximum". (page 1 Management's Case).

In fact, even on management's demand forecasts the 30% (it should be 33% on their figures) is an overstatement of the extent of the fall because they are comparing an exceptionally high output level in the Spring of 1978 with an exceptionally gloomy and unsubstantiated forecast for November 1980.

Management's Demand Forecasts:-

These appear to be based solely on the UK market because they stress that:

> "Our own share of the European market is well under 2%, and in view of the fact that we have only minority shareholding in our associate company in France, we have discounted Europe from the consideration". (Page 1 - Management's Case).

However, the vehicle component market is international, and even the figures presented in management's document "The State of the Company" (issued 11th July 1980) show (see below) that production of seven of the world's major vehicle manufacturers has increased by 34.4% between 1970 - 1979. Taking just the European producers in their list the increase was still 8.6%.

VEHICLE PRODUCTION BY THE WORLD'S MAJOR MANUFACTURERS
Millions of Vehicles

	1970	1979	Change	%
West Germany	3.9	4.25	+ 0.35	
France	2.75	3.62	+ 0.87	
Spain	0.54	1.12	+ 0.58	
Italy	1.85	1.63	- 0.22	
UK	2.10	1.48	- 0.62	
Total Europe	11.14	12.1	+ 0.96 =	+ 8.6%
USA	8.28	11.47	+ 3.19	
Japan	5.29	9.63	+ 4.34	
	24.71	33. 2	+ 8.49 =	+34.4%

Similarly, over the last five years the same countries have increased their production of diesel engines by 61% (from 2.85m to 4.6m engines).

Basing their case solely on UK demand contradicts assurances given to employee representatives on numerous occasions. Minutes of Works Meeting 20 (on the 13th of March, 1978) state "The shrinking UK market serves to emphasise the importance to the Company of securing new business in other world markets: continental Europe in particular" (page 1.)

This marketing strategy has been reaffirmed at many Works Meetings (see Business Review 77/8 page 1; Business Review 78/9 page 2; Business Review 79/80 page 1), and has always been seen as the *principal means of ensuring job security in the UK*. And to date Lucas have been successfully building their share of the European market from UK factories. Stockbrokers Simon and Coates say for example that:

> "Outside the UK, deliveries to overseas vehicle assemblers have been building up on the wide range of contracts won following the redesign of Lucas Vehicle Electrics to European specifications a couple of years ago.....Off takes on existing vehicle assemblers remain good... A high proportion of these contracts are supplied through export from the UK" (16th July, 1979, page 4).

"Lucas is now very strongly placed in product terms. Its main European competitor in vehicle electrics, S.E.V. (a part of Feroda/Ducellier Group) is reported to have higher manufacturing costs and inferior quality.... Despite a probable downturn in European car production next year, (1980/81, management say they are confident of a further substantial rise in exports". (15th November 1979 - page 3).

So far Lucas have only gained 2% of this market. *This means there is 98% of it left!* Also, the European market is five times bigger than the UK market. Why, then, when considering employment levels in the UK have management chosen to ignore this market?- as they admit they have.

Lucas' Share of the UK Market

While it is true that the UK market has been declining this in no way explains why Lucas' *share* of the market should have fallen. Since 1974/5 Lucas' market share has fallen by 1% every year from 75% to 70%, and management are now forecasting a 3-5% fall in 1980/81. One way to counteract this continued fall would be to lower prices. Management have not investigated this option even though Lucas is profitable enough to withstand a temporary fall in sales revenue. *Management have in no way shown that the market for Lucas Electrical's products has fallen to such an extent that 3,000 redundancies are justified.*

Ways of Sustaining the Workload at Lucas Electrical

Management do not appear to have seriously considered any ways of maintaining work levels at Lucas Electrical. There are at least two options which should be seriously considered:

1. *Taking on 'contribution' business:*

   When a business is operating at less than full capacity it makes sense to take any business which makes a 'contribution' to overheads as these have to be met whether the plant is working or not. Management admit that they have *never* undertaken contribution business to sustain volumes. *The opportunities to do so should be investigated.*

2. *Transferring work within Lucas:*

   Management admit that some small components are interchangeable - usually from lower to higher technology factories - but *never* vice versa. Lucas Electrical is considered by management to be a lower technology business and because of this they deny even the *possibility* of work transfer. *However, to our knowledge they have never investigated whether these opportunities exist.*

Conclusions:

Management cannot seriously believe that the case they have provided justifies the 3,000 redundancies. It is a partial and glib analysis of a serious long-term decision.

One interpretation of their reluctance to provide a fully reasoned case is that their intentions are either:

(a) to reduce the workforce in preparation for the introduction of new technology, or

(b) to contract the UK operation to benefit Ducellier and other of their overseas companies.

In replying to five questions on the company's capital investment and R & D programme over the last five years, management confined their reply to a statement of the total investment level in the UK and overseas. They refused to indicate the employment effects of these investments, and failed to provide details of the criteria used to evaluate such expenditures.

In replying to questions on the activities of subsidiary and associate companies management failed to provide any details, and their statement with respect to Ducellier contradicts statements made elsewhere, e.g. the minutes of Works Meeting 25 on the 8th August 1979 say that "during the first five years Lucas have operational responsibility for Ducellier" (page 4)

Management's refusal to provide relevant details which will justify their case suggests they are reluctant to indicate the real reasons for their action. To justify their actions they must at least:

1) Substantiate that there has been a dramatic fall in the demand for Lucas products.

2) Show that alternative work opportunities have been investigated and that all feasible alternatives have been implemented.

3) Show that the company's finances do not allow for any alternative, other than redundancies.

A REPLY TO MANAGEMENT'S STATEMENT ON THE "STATE OF THE COMPANY"

In their statement to the workforce Lucas management claim that the company is in a critical situation. *This is an extremely biased interpretation of the facts.*

Lucas management say that:

(a) The Company as a whole is unprofitable, and

(b) Lucas Trading - the bulk of Lucas UK operations, including Lucas Electrical, Lucas Batteries, CAV, Girling and Lucas Service - is in long-term decline.

How Profitable is Lucas Industries?

Management claim that the loss in the UK of £1.8m for the first half year to January 1980 is clear evidence of an impending financial crisis.

There are at least two reasons why this conclusion should not be drawn:

1. *The UK's results are actually much better than the £1.8m loss suggests.*

   Firstly, in a normal year profits would have been £20m greater - that is, there would have been an £18.2m *profit* - if the engineering strike had been avoided. Lucas management says that the strike caused a *permanent* loss of orders. In fact, it is more likely that their fulfilment has merely been delayed so that the £20m will be recovered. As the stockbrokers, Laurie, Millbank and Co. say in their review of Lucas' half year results (published on the 12th of May 1980) "In the absence of another damaging engineering strike 1980/81 should see a strong element of recovery *even against a dull demand background*" (page 1, our italics).

   Secondly, because of Lucas' unusually conservative accounting procedures, the UK operations have recently had to bear excessive reorganisation charges which have depressed current profits.

2. *Traditionally, Lucas earns more of its profits during the second half of the year than it does in the first.*

   In fact, Laurie, Millbank and Co. (in their report referred to earlier) forecasted that "*Pre-tax profits for the current year are*

likely to be about £50m and for the following year £65m"(page 3).

Clearly, one half year's results cannot be viewed in isolation.

Is Lucas Trading in Long-term Decline?

Management argue that the basic problem facing the company is the fall in the number of vehicles produced in the UK. However, the vehicle component market is *international* and (as reported by stockbrokers Simon and Coates on the 15th of November, 1979) "management claims that no-less than two thirds of the Group's business now arises outside the UK...."(page 3). Why else would management bother to change all specifications to European standards?

In fact, *from the figures which management provide since 1970 the European and world-wide production of all types of vehicles has greatly increased.*

Management's figures show (see below) that production of seven of the world's major vehicle manufacturers increased by 34.4%. Taking just the European producers in their list the *increase* was still 8.6%.

VEHICLE PRODUCTION BY THE WORLD'S MAJOR MANUFACTURERS
Millions of Vehicles

	1970	1979	Change	%
West Germany	3.9	4.25	+ 0.35	
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UK	2.10	1.48	- 0.62	
Total Europe	11.14	12.1	+ 0.96	= +8.6%
USA	8.28	11.47	+ 3.19	
Japan	5.29	9.63	+ 4.34	
	24.71	33. 2	+ 8.49	= +34.4%

Similarly, over the last five years the same countries have increased their production of diesel engines by 61%(from 2.85m engines to 4.6m engines).

Clearly, overall the market for vehicle components has increased and in the longer-term will continue to do so.

However, management say that selling abroad is becoming more difficult. To establish this case management show how much producers have increased their prices over the last five years:

	% increase in Prices charged by vehicle component producers from mid 1975 to mid 1980
Germany	+ 22%
France	+ 59%
USA	+ 57%
Japan	+ 27%
Italy	+107%
UK	+ 97%

The inference we are supposed to draw from this table is that increasing costs in the UK have *forced* excessive price rises here.

Certainly wages have not forced prices up because, as a proportion of sales, wages have fallen from 42.6% to 39.6%:

	UK Wages as % of UK Sales Value	Profit earned by each Employee
		£
1974	42.6	418
1975	42.0	647
1976	40.1	994
1977	37.9	1,263
1978	38.4	1,243
1979	39.6	1,248

On the other hand profits (before depreciation) and dividends as a proportion of sales, have *increased* from 7 8% to 10.2% of sales:

	Profit before Depreciation as a % of Sales	Dividends as a % of Sales
1974	7.8	0.77
1975	9.4	0.65
1976	10.9	0.91
1977	12.0	0.87
1978	11.0	0.89
1979	10.2	0.97

Clearly, management have increased prices to improve profits. Apart from increasing dividends management have used some of the increased profits to invest in labour-saving capital equipment which will further increase profits in the 1980's (for example, the 3,000 redundancies proposed at Lucas Electrical would save the Company some £12m every year). In total Lucas Industries have invested some £670m since 1971.

In the past Lucas priced to maximise profits. Now it should be prepared to trim its profits to maintain its market share and protect its employee's wages.

Management have also complained about the currently overvalued £. So long as the £ remains overvalued it is true that Lucas will earn less on its exports than it otherwise would. However, most experts predict that as UK interest rates fall (currently UK investors get a 5% higher return on their money lending activities as compared with their USA counterparts) so will the value of the £. However, Lucas have the choice of either accepting lower prices to maintain their volumes or increasing prices (hence pushing volumes down) to maintain profits. *Again, if Lucas is really worried about volumes it will be prepared to take a cut in profits to sustain its sales.*

CONCLUSIONS:

(a) *Despite the reported loss for Lucas UK for the first half of 1979/80, Lucas Industries is profitable.*

(b) *Despite the fall in UK vehicle production Lucas Trading is not in long term decline.* In fact, as reported by stockbrokers Simon and Coates "despite a probable downturn in European car production next year (that is, for 1980) management say they are confident of a further substantial rise in exports'", (15th November, 1979, page 1.)

(c) *Lucas can afford to pay reasonable wages and maintain its volumes* because as reported by stockbrokers Laurie, Millbank and Co. (in May 1980) "Lucas is an impressive Company involved in several major growth markets and is financially strong" (page 1.)

who had argued at the Works Conference that non co-operation would only become effective after the holidays had to admit that they had been unable to maintain policy. A meeting between the senior stewards of Chester Street, and the site which was receiving Chester Street work had been concluded without agreement. One of the Chester Street senior stewards reported that:

> "They seem to be saying, "I'm alright Jack."

The non co-operation policy was evidently not holding and one of the senior stewards summed up the position as follows:

> "The problem is that we cannot motivate the members, since they cannot see any work. Before the holiday we had 16 lines, now we are down to 10, and even those aren't fully occupied. Its not a matter of having to co-operate with management - they have no need for us."

Having received the report backs on the limited effectiveness of the non co-operation policy, the Chairman of the SSSC opened a discussion on the redundancies by stating:

> "We are not going to the mass meeting with any recommendation .... For Monday's meeting (of stewards) we must be prepared to argue the case. We need to understand the position."

I was asked to review the two documents prepared. I was given approximately fifteen minutes to review both of my documents. In conclusion, I argued that the value of an information approach to negotiation lay in the fact that:

> "...you can show that they (management) are changing their position. For example, management in Works Meeting No 20 recognises the company's interest in supplying the European market yet in justifying the redundancy they deny having any real interest in this market. It is only by knocking down each argument that you will get to know their real reasons. To do that you need information and you can benefit by pressing management to provide more information."

The documents raised only one directly related question about marketing agreements between companies in Europe to which I responded

> "With regard to Europe and marketing arrangements between companies, I feel it is important that you defend yourselves against the dual sourcing/falling demand argument by countering that 98% of the European market is non-Lucas and that dual sourcing away from others can benefit Lucas, and that the company's satisfaction with a 2% market share cannot be accepted."

Thereafter, discussion returned to the general problems of motivating membership opposition to management policy given the high levels of unemployment. The prevailing air of pessimism is indicated by the following statement made by a shop steward at the meeting:

> "The main problem is that there's no work in the factory. The members are not concerned about the pay claim or about someone else's job. All they are concerned with is not being one of the two million on the dole. That's the problem."

To quote the Chairman of the SSSC:

> "We cannot ignore the position with regard to the volunteers. We might find that at the mass meeting the shop stewards will capitulate, and if that is the case we are in danger of accepting changes in work practices for nothing. We must try to resist this, however it is exceedingly difficult when you get members queuing up for volunteers' jobs: we have two such cases at BW3 where management are looking to fill vacancies which offer an extra £6-8 per week. That's the real difficulty; members are beginning to see us as obstructing them from getting a better paid job. Our policy isn't holding, its no good having a policy on paper, it's got to be real and if it's not then we will need to change policy. <u>We will be told what we are supposed to do on Monday</u>" (my emphasis).

Evidently nothing said in the meeting or presented by me had influenced the Chairman. He accepted that SSSC would not make policy recommendations to the mass meeting of stewards who would have to formulate their own.

The stewards would not only be influenced by the "extended holidays" caused by lay-offs at many sites, and the new post war record levels of unemployment, the July figures having increased by 237,000 to 1,897,000, two stories reported by the Birmingham Post relayed even more pointed messages. (See exhibits 6 & 7.)

BL fires a warning to parts firms

Car component makers are being pressed by BL to resist "inflationary" pay demands from their workforces.

The company is keeping a masterlist of all wage increases paid by its major suppliers.

And it has written to them warning that it will not accept increases in the costs of components due to high pay settlements.

BL's own workforce reluctantly accepted pay increases of five per cent, with ten per cent for craftsmen, this year.

BL says it will be "grossly unfair" if the company has to foot the bill for component firms settling for considerably more.

The crisis facing BL has been highlighted this week by the company's decision to put more than 2,500 Solihull workers on a four-day

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week when they return from their summer break.

The company has warned that the short time could last until the end of the year.

Many of the Solihull workforce have only been on a full-time since April.

A BL spokesman said yesterday that the company had not laid down a specific limit on what increases in components it deems tolerable.

'Unfair'

But everything approaching the current level of inflation is expected to be considered far too high.

Senior BL managers have written to all their suppliers saying "BL cannot accept inflationary price rises which result from high wage settlements.

"It would be grossly unfair to our own employees, who have had the realism to settle for modest pay increases, and would put our competitive position severely at risk."

The letters stress that BL has a policy of buying British But they warn: "We can only maintain this commitment if UK sourced suppliers are fully competitive."

While BL settled for ten per cent and less in the last pay round, its suppliers mostly paid considerably more.

The masterlist shows that most major component firms settled for 17 per cent at least.

The BL warning has come at a time when Lucas, one of its biggest suppliers, has adopted a tough stand on wages, and told its workforce that it will only pay a ten per cent increase this year.

They had to take an extended break over Christmas, and worked a short week throughout February and March.

Exhibit 6. Birmingham Evening Post, 22nd July, 1980

80,000 jobs 'at risk' in car crisis

Motor component companies have given a confidential warning to MPs, that they could be forced out of Britain if the remaining car makers are not protected.

I understand that the warning contains a prediction, that by the end of the year 20,000 jobs will be lost in the British component industry mostly in the Midlands.

And if the trend toward assembly of imported kits continues, there will be another 50,000 jobs destroyed.

The warning is timely in that foreign car sales in Britain are still advancing.

Share

Japanese manufacturers took a huge share of the action on August 1. Datsun alone was responsible for more than 11 per cent of all

By ROBERT GOLDING

cars registered on the first of the month.

Figures disclosed to me showed that there were still about 9,000 sales statistics to be fed into the computer, used by the industry for official record.

But its seems likely that in 60,000 new car registrations, the Japanese will have been responsible for more than 20 per cent.

BL by contrast had 19 per cent and Ford 17.

The Japanese took 18 per cent for the whole month of July, which is eight per cent above the level agreed for the annual average.

But because of a slow start to the year, the current rate is only 11 per cent average.

The briefing to MPs on the plight of the car component industry, come from the British Automotive Parts Promotion Council.

It said: "Britain must maintain a viable motor manufacturing industry, or many of the larger component manufacturers will be forced to move to those countries, where governments encourage volume motor manufacturers."

The Council has been formed by the major component companies, such as Lucas and GKN, who individually are unable to criticise the decisions of customers.

Critical

The council is highly critical of the BL Honda deal, and does not accept that the BL promise of 50 per cent British content will be borne out in the first build.

British companies have received drawings and inquiries from BL, but no orders.

The car is due for construction in Cowley next year.

Exhibit 7. Birmingham Evening Post, 6th August, 1980

The first, on 22 July, was headlined "B.L fires a warning to part firms", which reported B.L's intentions to "withdraw business from car component makers where B.L thought the cost increases had been due to high pay settlements". This story may have been news for the mass of the workforce, however for the SSSC it merely "confirmed" information that had been contained in the Lucas Industries document issued in support of the non-negotiable wage offer. The Company's document state, for example, that:

> "We have already been served notice by two large customers (B.L and Talbot) that they will not entertain price increases in the next 12 months which include labour elements in excess of 7 1/2%. They will be seeking to source from the most competitive source" (State of the Company, 11 July, 1980).

Interestingly, a B.L spokesman stated:

> "The company has not laid down a specific limit on what increases in components it will tolerate" (Birmingham Post, 22 July, 1980).

The general view was that the intent of the Company's message was to say 10% looks good against a 7 1/2% maximum.

The second message from the Birmingham Post came on 6 August in the feature story. It was headlined "80,000 Jobs At Risk In Car Crisis". It reported a meeting between MP's and representatives of the British Automotive Parts Promotion Council. The representatives stated:

> "Britain must maintain a viable motor manufacturing industry or many of the larger component manufacturers will be forced to move to those countries where governments encourage volume motor manufacturers" (Birmingham Post, 6 August, 1980).

The reporter stated:

> "I understand that the confidential warning to MP's contains a prediction that by the end of the year 30,000 jobs will be lost in the British component industry mostly in the Midlands.
>
> And if the trend towards assembly of imported kits continues, there will be another 50,000 jobs destroyed" (6 August, 1980).

In view of the above and the pessimism expressed at the SSSC meeting on the day of the above Birmingham Post report, the decision of the mass meeting of the stewards to re-affirm the non co-operation policy came as a surprise to most Senior Stewards. Also surprised was the TGWU Official, who had absented himself from the mass meeting even though he had previously proposed the non co-operation policy to the stewards.

Shop Stewards re-affirm the non co-operation policy:

The mass meeting of stewards on 11 August was relatively poorly attended with over a hundred stewards being absent since their sites were laid off. Also missing were the full-time officials who had attended the Works Conference. The Chairman of the SSSC after making his report back stated the need to discuss policy. As at the SSSC meeting of 6 August, the author's documents were reviewed and appeared to be well received. Thereafter, the Chairman accepted a motion from the floor which proposed that co-operation should be given to implement voluntary redundancies in return for a substantial wage increase. Moves to declare the motion 'out of order' on the basis that the meeting had been convened to discuss the redundancies was overruled after considerable discussion.

In discussing the motion most speakers argued on the basis of general principles, only two of the nine making any direct reference to the documents produced by the author. The principal argument in favour of a 'productivity deal' was put in the following terms by one steward:

> "We are due to lose three members, and I know this saving represents a 28% pay rise to those that remain; that's without any extra cost to the company. We should aim for co-operation on the basis of consultation. The company are dictating to us with regard to timing; it's about time we started dictating to them on some issues".

Two main arguments were employed by the opposers of the motion. The first was:

> "If I had 30 pieces of silver I would give it gladly to the movers of this motion. We have no right to sell jobs. If we give the company the co-operation they are asking for they will be making us our own executioners. We'd be expected to identify who should go, we'd be expected to identify the next 1000. No thank you, we must reject this motion."

The second line of opposition was to argue that the control of work practices was the primary concern. One steward summed up the position as follows:

> "The moment we rubber stamp a deal which gives up our control of work practices, then we give up all that we have striven for over the years."

The motion was overwhelmingly defeated. The Chairman stressed the need to take this decision back to members who should be made aware of the issues involved by a discussion of the documents prepared. The non co-operation policy had to be re-asserted and stewards should be prepared to bring the factories to a standstill. In his view

> "(t)he officials have accepted that compulsory redundancies are not on, and we must be determined to show the company of our intentions to hold to this policy."

When the officers of the SSSC reported this decision to management, the latter seemed to be unperturbed. One Senior Steward stated:

> "They didn't blink an eyelid" (12 August, 1980).

The full time officials were surprised by the decision and would have to reconvene the Works Conference on 19 August.

Management's final wage offer:

Management's response to the shop stewards rejection of the wage offer and conditions attached had been postponed by the annual holiday and lay-offs. The issue was not to be finally discussed with management until a meeting on 18 August. Before that meeting, the SSSC responded to a Lucas Aerospace Combine Committee initiative which proposed that delegations from all Lucas Industries' negotiating groups should meet to discuss the Company's "non-negotiable wage offer".

The meeting was held in Birmingham and attendance was mainly confined to factories from the immediate area. All delegates recognised that effectively "corporate bargaining" had arrived, and that the purpose of the meeting was to investigate whether it was possible to make a co-ordinated response. Without this it seemed likely that the Company would achieve its aims, since no one group was strong enough to challenge a wage policy that covered 66,000 workers. It was pointed out to the meeting that Lucas Aerospace Combine Committee had combatted redundancies on a company-wide basis by identifying a site which would undertake industrial action and financially supported it by collections at other sites. As one steward stated:

> "The Company can be defied as was illustrated by the Burnley fight against redundancies, which was made effective by 20p collections throughout all sites. They didn't save all the jobs, however they managed to reduce the number involved, and they were seen to have won."

However, it was recognised that no organisation existed to take such decisions on a Lucas Industries' basis and that the official trade unions would object. One steward observed:

> "There are problems with the officials - they don't like us talking to each other, and some of the officials are not pleased with the fact that this meeting is taking place."

Furthermore, the parochial attitudes of their own organisations were recognised:

> "At Lucas Electrical we have eight negotiating groups. It's like the Klu Klux Klan with everyone protecting their own little patch."

One of the senior shop stewards from Chester Street, stated that he thought it was unrealistic to expect co-ordination with respect to wages if co-ordination couldn't be established over redundancies.

> "Employment is number one... It's no good talking about a wage claim, it you haven't got a plant."

Even if the meeting had been 100% representative of the Lucas Industries' negotiating groups, the possibilities of initiating co-ordinated action would still have been subject to membership approval. This, however, was not an immediate concern because co-ordination did not exist, all that was possible was to pass a resolution which proposed that negotiating groups should "continue to resist the current wage offer", and that "consideration should be given to ways in which co-ordinated policies could be developed."

The SSSC attended the 18 August meeting with management knowing that membership opposition to the wage offer was greatly influenced by the redundancies. There was no possibility that they would be leading the fight to overturn Lucas Industries' offer. However, they wished to retain some control over work practices. The SSSC restated shop steward objections to the "no strike clause" and requested that the principle of "mutuality" be accepted with regard to changes in work practices. Management were not prepared to reply immediately and a further meeting was to be arranged.

At the reconvened meeting of 22 August management presented the final wage offer. Management were not prepared to increase the weekly payments, but the conditions attached to the offer had been redefined. The "no strike clause" had been removed and the agreement required that:

> "Both parties mutually agree that in the present very difficult commercial situation it is imperative that every effort is made to maximize the effectiveness of our manufacturing resources.
>
> The unions concerned in this agreement accept that this means they will give their support to the removal of ineffective working practices.
>
> Additionally, it will be necessary to look at existing systems of working, <u>which will be subject to negotiation</u> between the company and unions concerned in the established manner" (22 August, 1980).

The Secretary of the SSSC indicated that senior stewards found the above more acceptable because "mutuality" was recognised. They objected to the term "ineffective working practices" and asked management to provide examples. Management were unable to be specific, the examples quoted did not relate to the production workers. Management said that they were not prepared to change the offer, and suggested that the SSSC should put the offer to the stewards. It was also suggested that if stewards rejected the offer, management would consider balloting all production workers, since they claimed that stewards were not representing the views of members. The SSSC presented their case to stewards via the handout shown in Exhibit 8.

The shop stewards would also have to be updated on the redundancy negotiations at the re-convened works conference which had been held on 19th August.

The Reconvened Works Conference:

In the week between the mass meeting of shop stewards and the Works Conference both local and national newspapers carried stories of further redundancies (at Jaguar and Massey Ferguson) and reported Talbot's decision to put 11,000 workers on a two-day week. The officials and the SSSC could not have been confident about the outcome of the Works Conference. However, they were obliged to restate their case, which had now been given formal expression by the two documents produced by the author. Management had apparently been told of my attendance at the previous Works Conference and they refused to re-convene the Conference if the SSSC insisted on having "unauthorised" persons as part of their delegation. The officials and the SSSC recognised that they had "weakened" their position by not formally agreeing with management to receive outside advice, and accepted that my attendance at negotiating sessions was not now tenable. Consultation would have to be restricted to adjournment sessions.

Exhibit 8. SSSC Response to the Non-Negotiable Wage Offer

LUCAS - ELECTRICAL - GIRLING & BATTERY WORKERS

THE COMPANY HAVE ANNOUNCED THAT THEY WILL IMPOSE A 10% WAGE INCREASE AND WILL NOT NEGOTIATE

IF IT CAN BE DONE THIS YEAR WHY NOT NEXT YEAR AND THE YEAR AFTER. IN FACT EVERY YEAR

ECONOMIC FACTS

IN ORDER TO JUST STAND STILL WE WOULD REQUIRE AN INCREASE OF 28% MINIMUM

THE 10% OFFER REPRESENTS (AFTER STOPPAGES ETC) A CUT IN REAL TERMS OF 15%

CAR COMPONENT PRICES	UP	97%
PROFIT PER EMPLOYEE	UP	150%
NUMBERS EMPLOYED	DOWN	20% +
WAGES PER EMPLOYEE	DOWN	15% +

BROTHER & SISTERS IF EVER THERE WAS A NEED TO SHOW YOUR DISAPPROVAL SURELY IT MUST BE NOW
WE MUST STAND TOGETHER IN TOTAL REJECTION AND FORCE THE COMPANY TO NEGOTIATE

WE MUST MAINTAIN OUR RIGHT TO NEGOTIATE

DRAFTED BY
LUCAS B'HAM AREA SENIOR SHOP STEWARDS COMMITTEE

After this delay and a short pre-meeting to review the findings of the sub-contracting committee, the Works Conference was reconvened with management having to make the first statement because the original conference had been adjourned at their request.

According to the TGWU District Official' report-back management opened the conference by stating that of 2,146 redundancies (unskilled and skilled workers only) 1,056 had left the Company by the annual holidays, a further 126 had left since then, and that 160 'volunteers' were ready to go if the SSSC would agree to co-operation. This left the Company 814 short of its target, and if the SSSC would not help to secure further volunteers, the compulsory redundancies would have to be declared on the coming Friday (22 August). Management warned that continued opposition by the SSSC would result in higher redundancies and that the offer of job transfers to employees at Chester Street would have to be withdrawn. The officials responded by stating that alternatives existed, and that short time working and work transfer from Lucas Aerospace should allow the outstanding redundancies to be avoided. The officials requested a meeting with the Board of Directors, which led management to adjourn temporarily for discussions. On their return, management refused the request stating:

> "We are speaking with one voice, and that a meeting with the Board of Directors would not produce any change in policy".

Management said that if the SSSC would co-operate over the redundancies, the Company were prepared to delay the notification of compulsory redundancies by 2 weeks (ie, 5 September) in the hope that the required 'volunteers' could be obtained. Management claimed that the redundancies were necessary to save further job losses, which would otherwise occur. The Conference was adjourned, while the SSSC considered their position.

The District Official, after summing up the position continued,

> "(w)hat they are saying is this - if you don't give in now, it will get worse.
>
> One of the problems we face is that the people with whom we are speaking have no power to change policy. We may need to see the puppet masters rather than the puppets. We're not dealing with the policy makers, and if we were to present the Warwick analysis of management's case, I don't think that would produce a change of mind.
>
> We've got a case, and it would stand up to exmination. The trouble is, we're not putting it before an independent arbiter, they are jury and judge. They're going to shake out 1,000 more. They are providing us with no alternative to taking up the cudgels. We all know of the problems with the members. We are however leaders and if we think this has to be fought, then we should be prepared to lead".

There followed a period of discussion when the Senior Stewards were divided into two separate lobbies. The first, arguing that co-operation should be given, so that the number of internal transfers could be maximised. The second arguing that they could not accept closures, and that they had a duty to protect the interest of those that remained. Co-operation would mean accepting the conditions attached to the wage offer; full mobility and flexibility and an unconditional commitment to the introduction of new technology. The debate reflected the sentiments expressed by the AUEW and TGWU District Officials.

The AUEW official argued as follows:

> " ..I believe that we've got a Government whose policy is to destroy your industry. I've no love for the Gaffer, but I feel we have to co-operate in order to soften the blows. There is a lot of talk about sub-contracting, the only work I see being created is for Bill and myself. The shop stewards have not come up with a policy for when the Company takes the gloves off.
>
> Some of the arguments could be taken to higher level. I don't think that would change anything. We have a mock battle between ourselves and the employer, while our real enemy the Government stands on the side lines. The rest of the industry is on short-time working, Lucas has a

minimal redundancy, and I'm fearful that your actions might not amount to anything more than words. I recall another very powerful shop steward organisation which kept saying...oppose, oppose, resist. You've not got an Edwardes* yet, but you've got a Board of Directors who are following his example. The choice is between co-operating with Management or reading of their decisions on the noticeboards. At the end of the day, they will impose their will."

The TGWU official responded as follows:

"We've got a good case. We cannot change the objective circumstances we find ourselves in, and we may not be able to take members along with us. When you look at the Company's reply to the questionnaire and the Warwick University answer to that reply, you've got to believe that we have a good case, which needs to be discussed with higher management.

The Company says that it has only a 2% share of the European market - well that's 200,000 vehicles. Another 2% would be another 200,000 vehicles, and that would represent a huge workload to the UK factories. The Company can penetrate this market if they choose to do so, and we must argue this case with top management. Their denial of these rights is putting us on the course of confrontation.

Let me draw your attention to the two conclusions drawn by the Warwick report as to why management has announced these redundancies.

Firstly, Management may be reducing the workforce in preparation for the introduction of new technology. Last week, we had a Conference with the Company with regard to new technology. We didn't get an agreement regarding negotiating rights for manual workers, so that no change would take place without consultation, and we were unable to get any guarantee as to redundancies. It would seem to me that the Warwick conclusion may well be right. If not, management should refute the claim.

Secondly, Management may be seeking to contract its UK operating to benefit Ducellier and other of their overseas companies. Is that a reasonable conclusion? I'd say it's a fair assumption, until the Company proves otherwise. We know that they are trying to close Chester Street and Grange Road. Will the time come when we will be talking about the future of Great King Street?

Yes, there are problems with the motor industry, we don't have to be told...we cannot handle that. However we do know that Lucas Industries is a multi-national company which has adequate reserves to get through this difficult period. They should be able to sit down with

* At the time Michael Edwardes, Chairman of BL, had just hit the headlines for successfully getting 'tough' with the trade unions.

> us and come to some reasoned conclusion. They don't wish to pursue this course, and this must have ramifications for you in the future. If they aren't prepared to listen now, then they'll not listen in the future.
>
> There may be a lot of people who at a higher level can be made to listen. This Company is at the moment asking us to sanction 30 hours per month overtime in Lucas Aerospace, and at the very same time is telling us that we must co-operate in making our members redundant. It's not on, and we must demand consultation at a higher level.
>
> If we are denied these rights, I think that we should register a failure to agree, and then it's up to you to get the members to fight, since this is the only language they understand."

The SSSC agreed that a meeting with higher management should be requested. This request was refused again on the basis that the "decision had been well researched". Management offered to delay the announcement of the compulsory redundancies by another two weeks (ie, 19 September) on the understanding that the SSSC undertook to recommend the acceptance of this offer to members. The SSSC remained divided on the issue, Grange Road feeling particularly aggrieved since the site was to close on 5 September, and that would be the effective date of the compulsory redundancies. The two officials again argued their respective positions. The TGWU official emphasising the fact that they had a case, and that they should be prepared to recommend industrial action, even if this recommendation was rejected by members. Their responsibility was to lead and to do what they believed was right. The AUEW official warned that:

> "A mismanaged opposition could result in a further 1,000 redundancies...Our job is not just to oppose management, it's part of our job to solve problems. We've put alternatives to the Company and they haven't responded".

The SSSC could not reach agreement, and management accepted that the decision would have to be taken at a mass meeting of stewards to be arranged for 25 August. This meeting would also have to respond to the Company's final wage offer.

Mass meeting of stewards to decide the redundancy and wage issues:

The mass meeting of shop stewards was held on 25 August (a Bank Holiday for the officials and they did not attend). The purpose was to vote on both the redundancy and wage issues on the same day. In both instances there would be no policy recommendation from the SSSC. The last mass meeting of stewards had told the SSSC to report on the wage negotiation without making any recommendation, whilst the SSSC had voluntarily set aside its policy recommendation role regarding the redundancies, being unable to establish an agreed policy amongst themselves. Since certain stewards involved in the redundancy issue had no rights of representation regarding wages, the meeting was taken into two sessions. The redundancy issue was considered first.

Having made his report back on the redundancy negotiations, the Chairman asked for contributions from the floor. The speakers mirrored the opinions expressed by the AUEW and TGWU officials at the Works Conference.

Those who wanted to co-operate stated that opposition would not stop management implementing the redundancies, and would allow them to decide who would leave. Accepting co-operation would deny the foremen the right to have the last word. Fears were also expressed that the proposed action which was not acceptable to members would lead to the trade union organisations being discredited. Whilst expressing sympathy for Grange Road and Chester Street, these stewards stated that you had to recognise members' feelings. One steward said:

> "There's a lot of sympathy for Grange Road and Chester Street, however members are saying 'but for the Grace of God go I'. They are frightened, and I am frightened."

Those who wanted to resist stressed that a trade union organisation which wasn't prepared to demand basic rights would not be able to

resist any future closure plans. They claimed that without resistance there would be further redundancies. The 'co-operators' were criticised for not implementing agreed policy, whilst membership fears could be partially overcome if shop stewards fulfilled their duties to the SSSC by reporting back to members the reasons for the policies adopted. The duty of a shop steward was to decide policy and argue in favour of the majority decision. The members had the right to reject policy. One steward summarised the position as follows:

> "I'm saying that it's necessary to lead the members in this situation. You must estimate the problem and decide the proper course of action. You are closer to the problems, you talk to the Gaffer, and the members are always asking for your opinion, because it's valued. The fact is quite clear, if there's going to be 814 compulsory redundancies, then that means that some of your members are going to be sacked. Nobody knows whether they have a secure job. Will you support action to keep those jobs?"

The stewards were given the opportunity to express their opinions when the following motion was put to the vote:

> "If the Company declares any compulsory redundancies, that there will be immediate industrial action in the form of an all-out strike."

The motion was defeated by 154 votes to 103 votes with 23 abstentions. (Seven SSSC members out of 58 voted for the motion). Having removed what appeared to be the only means of opposing management's proposals, the remaining business was a formality. Co-operation would be given to 12 September to maximise the number of 'volunteers' and in the case of any compulsory redundancies the SSSC were requested to negotiate improved severance terms. The above was only a recommendation to members, whose votes on the issue are given in Exhibit 9 below.

The outcome of the wage negotiations was effectively decided by the rejection of strike action above. The stewards did not like the references to "ineffective working practices", and neither were they

Exhibit 9. Voting Results of Production Workers - Redundancies

VOTING RESULTS AUG 80
REDUNDACYS

	FOR.	AGAINST.
B.W.3. D/S	33	520
B.W.4.	585	3
M.L.R. + PILOT.	1230	20
G.K.S. D/S	1685	256
G.K.S. N/S	116	0
G.H.S.	295	18
DIECAST.	141	4
PLASTICS.	200	11
EXT. TRANSPORT.	2	110
CANNOCK + CONS.	747	0
MERE GREEN.	840	20
TELFORD.	90	6
FRADLEY + CONS.	409	15
HEDNESFORD	80	0
GARRISON LANE	0	37
PLUME ST	0	48
COZLEY ST	42	0
CHESTER ST	305	0
BW 3. SETTERS D/S	1	67
?	153	0
ALL GIRLING.	278	0
B.W.3 N/S	228	3
FIRE + SECURITY	0	80
TOTAL.	7480	1218

particularly happy with the amount of money on offer. However they recognised that nothing further would be gained by negotiations and therefore the choice seemed to be between putting the offer to the members themselves, or letting management organise a secret ballot. The stewards preferred the former option, but were not prepared to make any recommendations as to acceptance or rejection. To be seen to concede two victories to management on one day seemed to be too painful to contemplate. The votes made by members are given in Exhibit 10 below.

As Exhibits 9 and 10 indicate, a large majority accepted both the wage offer and the redundancies. There was slightly more opposition to the wage offer however even in this case members voted 4 to 1 in favour of management policy. In the case of the redundancy, the decisions did not reflect the threat of redundancy as such. For example, voters at Chester Street, a site to be closed, voted unanimously for this course of action. This may reflect the fact that management had offered a considerable number of job transfers and employees wished not to endanger this offer by further opposition to the redundancy.

A detailed understanding of what information was used by employees to decide these issues is not available. However there can be little doubt as to the confusion involved. The Birmingham Evening Mail, reporting the above decisions quoted Mr Bob Griffiths, a shop steward involved in negotiations with management as saying:

> "They told us there was no more money to give us, and we know they were telling the truth" (2 September, 1980, emphasis added).

On 2 September the Guardian reported:

> "One union official yesterday accused the Company of "bamboozling" the workforce. A Lucas spokesman described the settlement as a "victory for commonsense". He added, however that it did not mean guaranteed job security for all Lucas manual workers" (2 September, 1980, emphasis added).

Exhibit 10. Voting Results of Production Workers - Wage Offer

VOTING RESULTS AUG 80
PRODUCTION WAGE OFFER

	FOR	AGAINST
B.W.3. D/S	13	554
B.W.4.	582	6
G.K.S. D/S	1751	210
G.K.S. N/S	1	105
M.L.R. + PILOT	1230	20
G.H.S.	227	46
BATTERY.	276	240
OLTON WORKS.	0	174
DIECAST.	141	0
PLASTICS.	180	23
CANNOCK	568	169
MERE GREEN	840	20
TELFORD	56	33
FRADLEY + COILS.	128	335
HEDNESFORD.	80	0
GARRISON LANE.	0	37
PLUMB ST.	0	48
GOZELS ST.	39	3
CHESTER ST.	300	3
?	141	7
ALL GIRLING	187	208
B.W.3. N/S	237	1
FIRE + SECURITY	0	80
TOTAL.	6973	2426

By 11 September the Company had secured its target reduction in the workforce. Compulsory redundancies occurred at Grange Road; elsewhere volunteers came forward to accept the Company's severance payments. Of the fifty-eight strong SSSC, fifteen volunteers decided that their own future interests would not be served by remaining with Lucas Electrical. In cases where the internal rebalancing of the workforce resulted in a loss of earnings to individuals, management undertook to introduce a twelve week sliding scale to aid the adjustment process.

The reconvened Works Conference of 11 September to discuss higher severance payment for those made compulsorily redundant should have been the end of the redundancy process. However, management reported that because of a further 13% fall in UK vehicle build there was a need to discuss further redundancies and the warning sounded by the Lucas spokesman on 2 September hadn't taken long to materialise. Management stated that they would involve the trade unions in further discussions in about a month's time. Because of higher stock levels all but two sites would be subject to 'substantial selective lay-offs' in the immediate future.

The redundancy process had been brought to a temporary halt. In Table 8.2 below the "settlement" that arose from the 3 months of negotiations is set out in the tabular form below to contrast the objectives and achievements of the two parties.

At a meeting on 9 October to further discuss the redundancies, the SSSC had the choice of accepting immediate short-time working to postpone the redundancy decision by six months (utilizing a Government short-time working compensation scheme) or opt to fight the proposed redundancies, as they had done in June. Given the failures recorded over the three intervening months, the decision was not subject to any degree of critical review.

Table 8.2. - The "Settlement" of the June 1980 Redundancies

Management's Initial Proposal	Senior Shop Steward Committee Counter-Proposal
3,000 redundancies implemented by 5 September	No Redundancies
Closure of Grange Road and Chester Street	No Closures
Severance Terms as specified 4 June 1980	Government subsidized short-time working
Senior Shop Steward Committee co-operation to re-balance workforce from 4 June 1980 Total cost - about £10 million	Alternative work - via pricing/ resourcing policy changes, transfer of work from Lucas Aerospace, reduce sub-contracting
Non-negotiable wage offer of 10%	£25 increase plus index-linking
Full flexibility/mobility - no strike clause	Mutuality

The "Settlement"

3,000 redundancies implemented by 19 September 1980. Closure of Grange Road and Chester Street on schedule, severance terms as 4 June except for Grange Road. Senior Shop Steward Committee co-operation to re-balance workforce from 2 September.

Total cost about £10 million in redundancy payments

10% wage settlement - no productivity increases Senior Shop Steward commitment to changes in work practices to eliminate 'ineffective work practices' and to introduce new technology.

Comment on "Settlement"*	Comment on "Settlement"*
We would have preferred to have achieved the above with Senior Shop Steward Committee consent so that the legitimacy of our actions would have been accepted by Stewards and employees	Our influence on the above was minimal. We have maintained some 'control' over work practices and we did not sign a 'no strike' clause. There were closures, compulsory redundancies, and 3,000 jobs have been lost. Some members have lost pay through having to transfer jobs. Our claims to alternative work were denied, and we were not allowed to present our case to the decision makers. We were deprived of our wage negotiating rights, and the Company introduced changed work practices without making the customary productivity payments. These 'concessions' have not increased our job security prospects for the future. Moreover, management have indicated future redundancies pending

* written by the author

A suggestion from one senior steward that the need for the redundancies should be questioned was dismissed by the majority of the SSSC. According to the Secretary of the SSSC, the general opinion was that:

> "We can't bury our heads in the sand. The work doesn't exist - anyway some workers will welcome the extra day off" (9 October, 1980).

The SSSC had finally accepted that their role was to negotiate the terms of redundancies with a framework of collective bargaining established by management. The policy of militancy based on trade union principle had, at least temporarily, been laid to rest.

Chapter 9. An Interpretation of Trade Union Policies and Management Strategies

The SSSC, like most other trade union organisations in the late 1970's and early 1980's, was unable to resist the redundancy plans of management. As was shown in Chapter 5, most redundancies of this time were implemented without trade union opposition. Whilst a minority of trade unionists at Lucas Electrical were prepared to oppose management on the basis of trade union principle, the majority were not. The SSSC did not seek to mobilize majority opinion behind a policy of opposition, in reality, the policy of non co-operation simply delayed the redundancy implementation and provided the SSSC with a bargaining counter in negotiating the terms of implementation. Trade union disinterest in available information regarding the company's strategic policy options ensured that its policy would be re-active and set within constraints reflecting strategic decisions already initiated by management. This outcome was in part determined by the ability of management to control strategic planning and the framework of collective bargaining, but must also be related to the weaknesses in trade union organization and strategy. These two interrelated aspects of the SSSC's failure to oppose the redundancy will be given further consideration below.

The power of management.

Management's ability to implement the redundancy plan was based on the unilateral control it exercises over strategic planning and the issues subject to collective bargaining with trade unions.

a) The control of strategic planning

The case study illustrates that management encouraged stewards to believe that their detailed involvement in issues of strategic planning was unnecessary. Throughout the five-year period, management at Joint

Policy Communication Meetings implied that employee interests were a central concern of their strategic planning processes, and in consequence the impression was given that the SSSC need not be involved in this area. Recall management's statements claiming that UK job security could best be advanced by direct exporting to Europe in conjunction with Ducellier. No other policy option was ever presented to the SSSC, and moreover even this policy was never to be fully elaborated for them. In fact, the SSSC only found out the detailed consequences of Ducellier agreements as they revealed themselves, and this was often a long time after the policy had been decided, and then information only became available by indirect means. For example, the creation of 800 jobs in France was revealed in a press statement made by the Lucas Industries Chairman, his audience being shareholders rather than employees, and the use of Ducellier as a second source of supply to UK car assemblers was only revealed when employees observed its parts on Lucas premises. The details of the final agreement were never to be disclosed to the SSSC.

Management's unwillingness to discuss issues of strategy was also illustrated by the information which they provided to justify the redundancy. Initially, when they declared the 3,000 redundancies, management provided no written justification for their actions. All management would commit to paper for the SSSC were the terms available to those who were prepared to accept voluntary redundancy (See p. 179 above). Subsequently, in responding to the information request developed by the author and submitted by the TGWU official, management's reply was poorly structured and omitted much of the requested information about the redundancy decision. This information must have been available to management, they simply chose not to give it. As they said in their response:

> "These notes cover what we regard are the relevant details" (L.E. Information Relevant to Redundancies Announced, 4 June, 1980, p. 1).

The information provided related to past performance and did not contain the information necessary to make strategic decisions involving projected future events. In fact, management implied that planning beyond one year was not possible. They stated:

> "No-one can forecast beyond one year with any accuracy in this business" (L. E. Information Relevant to Redundancies, Announced 4 June, 1980, p. 1).

Whilst it might not be possible to forecast accurately more than one year ahead, this does not mean that planning is not undertaken. As has been shown, Lucas Industries plan in detail up to two years ahead, and in outline ten years ahead. Could this reluctance of management to discuss these issues be related to the knowledge that further redundancies were to be announced in October 1980 and beyond?

Evidently management did not wish to engage in any discussions of strategy. They made no attempt to justify the strategy which had previously been advanced to the SSSC. As has been seen, management's commit ment to Europe was set aside and no direct reference was made to Ducellier, which had figured in all previous management discussions of strategy.

Management obviously were very concerned to maintain their strategic planning prerogative.

b) Controlling the structure of collective bargaining.

Management usually succeeded in defining the issues and level at which negotiations took place. Whilst management were prepared to negotiate an annual wage claim with the SSSC, no effective negotiations were initiated on strategic decisions, such as Ducellier and new technology. During the redundancy, management attempted to define the nature of negotiation by accepting certain claims as being legitimate whereas others were set aside and given no real consideration.

On the declaration of the redundancies, the role assigned to the SSSC by management was in effect to negotiate the timing and terms of the redundancy implementation. Trade union attempts to broaden the issues of negotiation were repeatedly blocked by management's insistence that "no other course of action was available". As was indicated above, management were unprepared to discuss issues of strategy, and the SSSC were rebuked by management for their attempt to seek outside advice from the author. A similar attitude was taken to other SSSC initiatives. Thus the possibility of short-time working and the transfer of work from Lucas Aerospace were at that time dismissed without investigation and, whilst it was agreed that the SSSC would investigate the level of sub-contracting, senior stewards were not allowed to meet plant management to discuss the issue. The SSSC undertook investigations over a three month period, however, at the meeting of 9 October to discuss further redundancies, management said that the SSSC sub-committee on sub-contracting should be disbanded. A suggestion from the SSSC that Joint Management/Union Committees should be established at sites to control sub-contracting was rejected. Management proposed to set up a Central Committee of Management to monitor this aspect of operation, and trade union involvement was not required.

Not only were the issues of bargaining to be restricted. Management also sought to conduct negotiation through the personnel director, who was working to a remit, and the trade union request for a meeting with the Board of Directors was dismissed as unnecessary. The personnel director said that in any event, this meeting would not lead to a change of policy. As he put it:

> "The decision had been well researched...and we are speaking with one voice".

Until the SSSC were prepared to negotiate, management acted unilaterally. Management broke agreed procedures allowing volunteers to leave the company irrespective of the wishes of the trade unions, and at no time were the number of redundancies an issue of negotiation. Whilst willing to accept wages procedure strategic decisions, such as a major redundancy, provide no basis of shared interest. Until the SSSC accepted this, management systematically applied both 'carrots and sticks'. They increased the levels of redundancy payments to volunteers and simultaneously threatened to withdraw the offer of job transfer to some employees who would otherwise be made redundant. After 12 weeks, when it was recognised that management would not negotiate a reduction in the number of redundancies, the SSSC's impotence was revealed when they were unable to recommend to members whether management plans should be accepted or opposed by strike action. When asked for strategic policy evaluation trade union organization proves to be very fragile and breaks under stress. Employees pursue individual and sectionalist interests and not collective interests. Whilst job security and the maintenance of employment opportunities are accepted collective goals of trade unionists, redundancies are specific to individuals and once declared, as we have seen, there is a tendancy for members to evaluate the case in their own terms.

Ironically, therefore, the declaration of redundancies which should highlight the inadequacies of management strategic planning practices results in a situation whereby employees become more dependent on management, and less willing to challenge the way in which management exercise their strategic planning prerogatives. The SSSC, having relied on collective bargaining as a way of identifying and advancing employee interest, were now unable to provide any alternative to the

proposals advanced by management, since collective bargaining does not require trade union organization to develop an ability to plan.

The vulnerability of trade unions is connected with the differences in organizing principles upon which management and trade union organizations have been developed. The former have used the authority which they derive from shareholders to develop organizations with highly differentiated roles in which the majority of employees undertake unskilled manual tasks that require little understanding of business issues. This is especially significant given the democratic character of trade union decision making. As the case study showed, trade union policy could in principle be established by trade union representative bodies, such as the SSSC. However, the enactment of policy (eg, the non co-operation policy) requires action by the membership. From the outset, trade union members were highly sceptical of the SSSC's ability to oppose the redundancies. There was a widespread feeling of 'fatalism' amongst employees demonstrated by their unwillingness to attend a mass meeting to discuss the redundancies. Knowing that the effectiveness of trade union action normally depends on majority support, and knowing that 'only 13%' of employees were to be made redundant, management could expect majority support for their proposals. Even at Chester Street, which was to be totally closed, employee dependence on management was such that no-one voted for strike action to oppose closure, presumably fearing that opposition would lead management to enact its threat to withdraw job transfer for half the workforce at Chester Street. Those voting for management policy must have hoped to be amongst those transferred.

Fundamentally, management's ability to exclude trade unions from strategic planning is based upon the construction of organizations in which the majority are excluded from decision making. Trade unions organize this majority. They find it difficult to challenge

management's strategic planning prerogatives because of their lack of power to oppose management plans, a situation which is perpetuated by the way in which public policy is framed, especially in such areas as information disclosure and redundancy procedures (Hasting, 1984; Levie et al, 1984). In such circumstances, management's power of decision is self-perpetuating, because opposition can generally be overcome. This re-inforces management's control by making such outcomes seem both economically and technologically 'inevitable' - because these changes almost always happen! In redundancy situations management plans are almost always enacted - the trade unions' role is to negotiate the terms of implementation within a structure of negotiation established by management plans.

Trade Union Weaknesses

In contrast to management, the SSSC were never able to develop policy by reference to an agreed information base, and at no time was a collective interest of Lucas Electrical employees identified. The SSSC's predicament is most vividly illustrated by an extended analysis of its inability to recommend an agreed policy to members regarding management's final redundancy offer. The voluntary devolution of decisions to individual employees and work group shop stewards is the antithesis of planning. Fundamentally, the SSSC's inability to oppose the redundancies can be attributed to its disinterest in planning, which is both caused by and reflected in the sectionalist nature of trade union organization.

a) SSSC disinterest in strategic planning.

As has been shown in Chapter 7, management's control of information is not complete, especially information relating to strategic decisions. Neither SSSC nor official unions sought to use external and internal sources of information to identify the strategic issues which

should have been made the subject of collective bargaining. The re-orientation of Lucas Electrical to the fall in UK vehicle output was an issue left to management's discretion, the exercise of this discretion resulting in the declaration of redundancies. Moreover, having failed to address this issue earlier, and having no information on past decisions, the SSSC were unable to broaden the focus of negotiation when the redundancies were declared. Had alternative plans been available it would at least have been more difficult for management to by-pass the SSSC when the redundancies were being implemented. In particular, the availability of alternative plans undermines management claims that there is only one policy alternative, that which they propose to implement. The SSSC were never able to effectively challenge this claim, especially to the satisfaction of members who held decision making power in the trade union organizational structure. In my opinion, had information of the kind presented in Chapter 7 been available and used in developing trade union opposition to management policy, and had the disclosure of information been a major issue of dispute, management authority over employees would have been more vulnerable and open to question. This may not have avoided the June 1980 redundancies, but more information at this stage would have made future management decisions more open and subject to trade union scrutiny, as was evidently not the case when management announced the second instalment of redundancies in October 1980.

The same attitue to planning is also revealed by the trade unions' acceptance of plant management's refusal to allow a meeting with the Board of Directors, and their unpreparedness to contest management's view that 'outside' advice from the author was not a permissable in the redundancy negotiation.

b) The sectionalist nature of trade union organization.

By failing to engage in any planning activity the SSSC were forced to address the consequences of management's long term strategic decision at the time of implementation, rather than at the point of decision. Generally, at times of implementation, only short-term, individual or sectionalist solutions to the problem are available.

In 1975 Lucas Electrical employees had a collective interest in how the company was to respond to the falling level of UK vehicle output but no action was taken. When the fall in output materialized, the issue had become a question of who should leave the company and who should stay, and which of the 17 sites should be closed. The problem was now a short-term sectionalist issue, which divided employees.

At the first meeting of the SSSC there was evidence that individual trade groups, such as the Electricians, were prepared to negotiate voluntary redundancies and the commitment of certain individual sites to the non co-operation policy was in doubt. These divisions were exploited to the full by management, to the extent that the SSSC were never engaged in any significant negotiation. Management from the outset indicated that the number of redundancies was not negotiable, the only flexibility related to marginal changes in timing and terms of severance payment. The divisions amongst employees and trade unions ensured that management policy prevailed.

Trade Union Policies at Lucas Electrical.

The trade unions' failure to become comprehensively involved in planning meant that their policy would be based on negotiation or would involve opposition based on trade union principle.

The non co-operation policy, which although apparently formulated on a multi-union, multi-site basis, was acceptable precisely because it did not require collective commitment. This left union factions free to achieve 'local' negotiated outcomes. Many of those in relatively

weak positions hoped that the interdependence which had always previously existed between management and trade unions, as a corporate group, would ensure that management ameliorated their demands. However from the outset management made it clear that they no longer recognised this taken-for-granted interdependence, and began to implement voluntary redundancies without regard to either existing procedural agreements or the trade union's non co-operation policy.

Because management could with impunity ignore trade union policies individuals volunteered for redundancy without fear of sanction, and those employees who remained had to decide whether to challenge management as an individual. As noted earlier an individual's refusal to co-operate in work re-arrangement could lead to a stoppage of production throughout a site, a decision of considerable magnitude for the individual against management. Not surprisingly, the employees involved, including stewards, generally co-operated with management and, in effect, the trade union was by-passed until the SSSC was prepared to change its policy and formally negotiate the terms of redundancy implementation. When, in October 1980, management announced the second round of redundancies, the SSSC were not even prepared to question the validity of management's decision and from the outset accepted that the SSSC could only negotiate the terms of policy implementation.

The policy of opposing management on trade union principle was initiated by senior stewards from the two plants to be closed. The policy of non co-operation was established by these stewards by referring the issue to the TGWU District Official before the SSSC had formally met to discuss the redundancy issue. The policy of militant industrial action aimed to forestall any management move to implement either compulsory or voluntary redundancies. In Lucas Electrical this

policy was supported by a relatively small 'militant'* minority of stewards, who not only rejected the closure of particular plants, but also denied the right of employees to receive redundancy payments. It was argued that individuals did not have the right to 'sell jobs' because 'they belonged to the community' and not to the individual. These stewards saw the power of trade unionism in the enforcement of collective will. One steward summarized their philosophy as follows:

> "No matter what facts and arguments we marshall, the company has the key answer - they just say no. It doesn't matter whether a company earns £100 million or £500 million, if you don't have the organization then that counts for nothing. It's the organization that gives the worker the confidence to stand up and fight" (Shop Steward interview 14 August, 1980).

This form of 'militancy' was not simply a reaction to management's threat of redundancy. The 1,218 employees who were prepared to oppose management plans by strike action were spread widely on a minority basis across sites, the biggest concentration of opposition occurring in the following work groups shown in Table 9.1. below:

Table 9.1. Lucas Electrical Where Opposition to Rudundancies Was Strongest.

	For Strike Action	Against Strike Action	Number of Redundancies	Redundancy %
B.W.3 - Day Shift	520	33		
- Setters	67	1	291	18%
- Nightshift	3	228		
Garrison Lane	37	-	5	12%
Plume St.	48	-	5	10%
Fire & Security	80	-	10	12%
External Transport	110	2	6	5%
	865	264	317	
Other Sites	353	7216	1324	12%
Total	1218	7480	1641	13%

Source - Statistics from Secretary SSSC.

*Batstone et al. (1977) has produced a fourfold classification of stewards. The 'militant' minority would be drawn from those stewards whom he identifies as 'leaders' together with work fellows who actively support them on the basis of trade union principles.

This pattern of opposition probably reflected a developed commitment to trade union principles that rejected management's right to declare employees redundant. However, it did not challenge management's plans. These stewards could not effectively challenge management's claim that there was 'no alternative' to the policies which management were implementing.

The co-existence of the two above policies within the trade union organizations at Lucas Electrical contributed in part to the ineffectiveness of both responses. However, there is little evidence to suggest that either policy by itself would have led to the reversal of management policy. Had a co-operative policy based on bargaining the terms of implementation been accepted from the outset, then a productivity deal may have been possible, although this was highly unlikely given the Lucas Industries 'non-negotiable wage offer'. The policy of militancy based on trade union principles was a minority viewpoint which failed to win support because employees feared for their jobs as individuals, and the 'militants' could not provide any realistic alternative to that proposed by management. The option of evolving long term policy bargaining based on the trade unions being comprehensively involved in planning has been consistently rejected by Lucas Electrical. Management could have avoided the temporary breakdown in relations with the SSSC, and possibly have avoided the industrial disputes which were the subject of frequent complaint, by allowing full trade union participation in planning. Obviously this would require trade unions to accept the consequences of management's strategic planning, otherwise it would simply lead to conflict at another time. The case study shows that management had a five year lead time to implement policies which allowed for the contraction in UK vehicle output. However, their policies, based on investment abroad, could not be shared by trade unions. Therefore, management chose to

inform trade unions of these policies after they had been implemented, knowing that, at this time, trade unions would not be able to effectively challenge these policies.

The option of developing alternative plans based upon an information approach could not be realized between the declaration of the redundancy and its implementation. As was indicated earlier, the analysis of management policy given in Chapter 7 was only completed three months after the redundancies had been implemented. However, this analysis does illustrate that relevant information was available and that given sufficient commitment, the development of alternative plans seems to be a feasible objective.

We now turn to the question of the usefulnes of accounting information to trade unions. From the analysis so far it is clear that the usefulness of accounting will depend on

a) the accepted definition of what trade unions are for

and

b) the extent to which there is an independent trade union involvement in strategic planning.

We shall see that a) is more fundamental.

Part 3. Conclusions

Chapter 10. Accounting Research and The Usefulness of Information to Trade Unions

Introduction

Strategic decisions are set within a context which gives priority to the interests of shareholders. Trade unions have consistently been unable to effectively challenge strategic decisions yet, surprisingly other than in exceptional cases, this has not led them to develop an independent ability to monitor the strategic planning practices of management. Moreover in supporting legislative proposals for worker directors such as those proposed by 'Bullock', trade unions are perpetuating the situation whereby strategic planning remains a prerogative of management.

Little academic research has been directed to the problems and implications of trade union policy-making capabilities. Research has been conducted into trade union sources of information and office holder understanding of financial information (Owen and Broad, 1983; Hussey and Marsh, 1983; Sherer et al, 1981; Mitchell et al, 1980; Cooper and Essex, 1977; Lyall, 1975). However accounting researchers have rarely been prepared to evaluate business policy decisions from an employee perspective, and the implicit acceptance of management strategic planning prerogatives has even underwritten research which sets the evaluation of trade union information use as a major priority.

As will be seen below, this research invariably adopts a 'pluralist' perspective (cf. Fox, 1966) which assumes that trade unions maintain a dependent relationship with a 'neutral' management. The role of the trade union is therefore restricted to the negotiation of either short or long-term collective bargaining agreements within an unchanged strategic planning framework and it provides for only a

marginal re-orientation of current trade union practices in which the use of information by them remains arbitrarily restricted. Moreover, this change depends upon management initiative rather than independent trade union action. It will also be argued that a 'radical' critique of trade unionism, which promotes militancy based on trade union principles undervalues the potential usefulness of accounting information and perpetuates trade union commitment to re-active, oppositional policies which allow management strategic planning prerogatives to remain effectively unchallenged. Finally, it will be argued that the usefulness of accounting information to trade unions can only be assessed by researchers developing a comprehensive involvement in strategic planning issues which will allow employee interests to be evaluated independently of management.

The Pluralist Model in Industrial Relations Research

The legislative justification for extending trade union information rights has generally been presented as a requirement placed on management to foster 'good industrial relations practice' (ACAS, 1977). This concept is closely linked to the dominant academic industrial relations perspective of the post war period, the liberal pluralist perspective of the Oxford School.

Supporters of this view see conflict as inherent in industry because of the very nature of industrial society, but tend to assume that it is possible to achieve accommodation between the various conflicting interest groups. Trade unions, as representatives of employees, are supposed to be a powerful counterforce to the interests of shareholders. Implicit in the pluralist approach to industrial relations is the view that 'good industrial relations practice' requires conflicts of interests between workers and workers, and workers and management to be diagnosed, articulated and 'resolved' through a system of collective bargaining. Within this context, the

disclosure of information to trade unions is advocated as a way of making the collective bargaining process more 'rational' because, presumably, both parties have some common information to evaluate the common interests in their positions.

Accounting researchers have also typically accepted that existing collective bargaining arrangements facilitate at least some of the major interests of both trade unions and management, although their attempts at defining and measuring trade union interests has not matched the efforts that others devoted to understanding shareholder interests. Because of this (often implicit) assumption, the policy recommendations of these researchers have been restricted to marginal changes in organizational responsibilities or reporting relationships. In their schemes, the trade unions have usually retained a re-active stance to the process of strategic planning, which has remained a management prerogative.

Models of the collective bargaining process (Nash, 1950; Pen, 1959; Cross, 1969; Stevens, 1963) are generally confined in the scope of issues addressed, the main focus being the negotiation of pay rates. Given the accountants' concern to monitor the economic viability of the enterprise, and the associated concept of 'ability to pay', it is surprising that accountants have not been prominent researchers in this area.

The first major survey of accounting interest in industrial relations was by Foley and Maunders (1977) who provide a broad review of the collective bargaining models to evaluate management disclosure policies and the role of the accountant in existing collective bargaining arrangements. They argue that the Walton and McKersie (1965) model, which identifies four inter-related bargaining processes (distributive, integrative, attitudinal structuring and intra-

organizational bargaining) provides an appropriate means for evaluating disclosure policies.

They accept the typical industrial relations view of labour negotiations as a joint problem-solving process which can be enhanced by the provision of relevant financial information, and advise management to adopt a non-selective, open disclosure policy. This, they believe, would lead to a reduction in conflict, since the bargaining would focus on long-term integrative issues rather than short-term distributive issues. Management, they say, should not seek to use financial information tactically as a short-term bargaining ploy, but must extend its provision in systematic and verifiable forms, so that trade unions accept its use in evaluating policy options available to the enterprise. They state:

> "...it is suggested that ...systematic information disclosure should be the subject of a policy decision, to be taken at top management level. This is necessary because...the effects of disclosure can only be properly evaluated on an organization-wide and long-term basis. There is a particular danger of sub-optimisation where functional managers are left to take disclosure decisions, since they are, understandably, likely to focus on the short run, tactical effects of providing information (p. 194, emphasis is original).

Pope and Peel (1981) utilizing a 'rational expectation approach' also advise management to adopt a non-selective, open disclosure policy. They argue that wage disputes arise from 'differential information sets' and that bargaining will be facilitated by a reduction in trade union 'forecasting errors'.

These recommendations are founded on the belief that wage payments are the central issue of dispute between management and trade unions, and that the long-term interests of both management and trade unions can be advanced by decision-making based on profit generation. Were this to be so greater disclosure might further enhance management control of industrial relations. However, as shown in Chapter 3, the

wage-effort bargain is only one point of conflict arising from planning based on profit generation. Other areas of conflict such as redundancy and de-skilling have perhaps seemed less susceptible to negotiation because early disclosure of these plans could be expected to seriously weaken management's strategic control of the enterprise. For example, Craft (1981) recognises this potential conflict when criticizing Foley and Maunders for their recommendation of increased, non-selective disclosure of financial information. He shows that experiences in the public sector (Craft, 1970) suggest that when union wage aspirations are indicated to be financially unrealizable, the negotiations focus on formerly unquestioned areas of management prerogative, such as resource allocation decisions, capital budgeting and the meaning and appropriateness of accounting principles. Craft's objective is to preserve this key area of management prerogative, and he argues that disclosure of information is a contingent decision. In his view:

> "Perhaps the most important factor affecting managerial interest and willingness to disclose financial information is the nature of the collective bargaining relationship with the union. This influences management's perception of whether information will be used for the mutual benefit of the parties, and to what extent it will be used responsibly in negotiation" (p. 99).

Predictably, open disclosure is only considered appropriate where a trade union 'accepts management problems as its own concern' (p. 99).

Typically, disclosure research had involved comparative surveys of management disclosure practice across a range of employing organizations. The principle objective had been to assess whether greater disclosure leads to a change in management and trade union relationships. In 1978, the Social Science Research Council provided a major stimulus to this kind of research by funding four simultaneous

research projects in this area.* I shall consider three of these projects which address the issue of information use by trade unions.

(1) Jackson-Cox J., McQueeney J., and Thiskell J.E.M. (1983)

This research compared disclosure practices in 17 companies. It sought to identify what might be called 'best practice' from both a management and trade union perspective. However, this necessarily limited the depth of their analysis and led them to make apparently naive recommendations as to how the ACAS Code of Information Disclosure might be amended. The research shows that management have taken the initiative in providing trade unions with more information, trade union representatives generally being disinterested in seeking out information, although they do in a limited sense 'use' the information supplied by management.

They identify two distinct management disclosure policies, the 'integrated' and the 'ad hoc' approaches. The objective of the former is to systematically supply information within a consultative framework to promote 'employee identification' with company and management objectives. Effectively, the ultimate aim of this policy is to exercise greater control over the internal labour market. In achieving this objective, management have not only provided information but, crucially, have also encouraged the formation of multi-union shop steward committees (p. 257, the senior stewards that run them undertaking an important 'personnel' function for management by providing a focus for 'the process of intra-organizational bargaining' (Jackson-Cox et al, p. 262). Management's accomodation of the 'informal system' of trade unionism has been discussed in Chapter 4.

*The four research projects involved the following research teams:
J. Jackson-Cox, J. McQueeny, and J.E.M. Thirkell (University of Kent)
H. Levie and R.E. Moore (Ruskin College, Oxford)
F. Mitchell, H.I. Sam and P.J. White (University of Edinburgh) (This project's principal concern was information for employees rather than trade unions.)
T.K. Reeves and T. McGovern (Anglian Regional Management Centre).

In the companies studied, greater disclosure of information was generally related to the introduction and monitoring of value-added payment schemes, together with bilateral consultative processes. In such circumstances, information availability and use was generally seen to be high.

In companies where disclosure was not systematic and related to specific issues (the ad hoc approach), the researches viewed it less favourably since they felt that information disclosed was directed at the 'wrong issues'. For example, in Company B, the researchers identify company organization structure as the main issue of concern to trade unions, 're-organization' having raised fears of redundancies about which management gave no information. The researchers note that management 'misdirected' their information disclosure by not recognising re-organization as the main issue of concern, but they fail to consider why it was in management's interest to conceal this information and whether alternatives more favourable to the trade union existed. An examination of management plans might have provided good reasons for the failure to disclose information about re-organization. The failure to analyse management decisions may also partly explain why the researchers conclude that information was otherwise 'generally available' to the trade unions:

> "In the situations studied, there was a general recognition and accordance by management of the right of employees and domestic trade union representatives to have access to company information and to senior management for the purpose of disclosure" (p. 256).

This conclusion clearly contrasts with my analysis of management practice in the Lucas case study, where no such 'rights' were recognised when there was a real prospect of trade unions using the information made available to analyse alternatives to their plans. Nor were they in Company B. And this conclusion is drawn in the context of

the researchers' own observations regarding trade union involvement in 'non-routine' (often strategic) issues. An analysis of these strongly suggests that the trade unions were in fact operating in an information context controlled by management, and the researchers recognise that the trade unions only become involved in these issues after management decisions have already been taken (p. 269) and that the provision of post-decision information has little relevance!

The acknowledgement that management do not involve trade unions in certain decisions prompts the researchers to identify the 'intelligence' (Wilensky, 1967) role of information. As in the Lucas Electrical situation, they found that trade unions were generally unable to match or use information from different sources to provide an integrated understanding of company strategic policy making. The recognition that such information is available to trade unions is an important finding since lack of information is often advanced as a reason for trade union inability to contest management strategic decision-making, but the researchers draw no conclusions from this. Although they recognise, as I did at Lucas Electrical, that the use of information is constrained by the sectionalist nature of domestic trade union organization, and the limited expectations of members, they fail to relate those trade union restraints to management strategies of control, especially the policy of limiting the issues and structure of collective bargaining. In consequence, the major practical recommendation of the research, that the ACAS 'shopping list' approach to information disclosure be revised so that shop steward issue identification is facilitated by the linking of different kinds of information to different issues, must be viewed with scepticism. Although it may be true that the linking of information to issues will widen the 'perceptual field' of shop stewards and promote the use of 'intelligence' as a way of extending collective bargaining to embrace

strategic issues, no grounds are given for supposing that this policy could ever be implemented. Underlying it is a belief, that management will voluntarily co-operate in the extension of collective bargaining to issues of a strategic kind, and that information would in fact be disclosed in line with the 'Code of Practice'. The researchers apparently foresee no problem in finding 'bilaterally agreed standards' about the legitimate negotiating issues (p. 265). They evidently believe that the collective bargaining process invariably provides a means of reaching agreement on any issue. However, some issues are clearly not open to negotiation.

(2) Reeves T.K. and McGovern T. (1981)

The case studies in this research review 'shop steward use of information in their day-to-day roles'. However, in reporting their findings the researchers attempt to evaluate disclosure practices as part of a movement towards industrial democracy. They state:

> "It should .... be noted that the present research, although ostensibly concerned with disclosure, is also relevant to understanding how employee participation might be more effectively developed" (p. 3).

Nine of the ten case studies supposedly reflect situations where management are purposively seeking to involve trade unions in joint decision-making, as evidenced by the establishment of employee communication policies, consultative committees, provision of information to trade unions etc. The other case study involves a trade union attempt to resist a redundancy decision by promoting an alternative financial case to that advanced by management.

The case studies are presented according to the researchers' qualitative assessment of the degree of 'openness of communication' displayed by management. 'Openness of communication' according to Reeves (1980) is not a simple one-way transmission of information from management to employees and trade unions, but an exchange of 'facts'

between the two parties (p. 14). A high degree of openness involves a high transmission and receipt of facts by both parties, and a mutual understanding of the significance each side attaches to the information. Reeves argues that 'it is not sensible to define it (openness) in any kind of absolute terms, since there is no such thing as complete openness' (p. 4). However, by using this admittedly ill-defined concept to classify and order the case studies, the authors fail to make the crucial distinction between joint consultation and joint decision-making arrangements (Poole, 1975). And this failure is compounded by a failure to effectively evaluate the disclosure practices of management. In eight of the ten case studies, the researchers report instances where management refuse to divulge information requested by trade unions, on matters ranging from pricing policy and unit costs, manning levels and disaggregate profit statements, yet management are perceived as pursuing a policy of 'openness'! For example, in Case 7 the researchers note that information is not released when an issue is subject to negotiation and record a standing order from divisional management to subsidiary management 'not to reveal advance information about planned re-organizations or redundancies' (p. 35).

A lack of critical evaluation of data pervades the study. For example, in discussing the difficulties of getting research access, it is noted that management would only allow investigations 'when no critical issues were being negotiated'. However, as has been seen in the Lucas case study, 'critical issues' are a major factor influencing management disclosure policies, yet no indication of this fact is given in the research findings. There is no recognition in the research that management may be seeking to control issues of negotiation by attempting not only to control information, but also the structure and scope of bargaining. For example, no explanation is given as to why

the bank in Case 9 is willing to disclose the corporate plan, yet is unwilling to negotiate a technology agreement with the trade union. A logical explanation for this apparent 'contradiction', which should perhaps have been the subject of research, is that the expansionary corporate plan provides a basis for co-operation with the trade unions, whereas the introduction of new technology will involve a conflict of interest which will not be allowed to surface until management plans are fully developed and to a large degree are uncontestable. Unfortunately, the research design did not even allow such questions to be raised and without such understanding any conclusions are likely to be superficial and subject to doubt.

In examining the trade union use or lack of use of information, the research findings are subject to much less need of interpretation. Trade union adherence to re-active oppositional policies in all cases limited the scope of information use, since as Case 10 illustrates, information relating to redundancies has no relevance when management decisions have been made, and there is no intent to involve trade unions in negotiations. Like the other SSRC studies, this research identifies a number of other factors which inhibit information use, such as inadequate expertise, lack of membership support, and mistrust of information supplied by management.

On implementation of disclosure policy, Reeves and McGovern argue that trade union information use can be stimulated by a change in company law. Following 'Bullock' they argue that Boards of Directors should be made legally accountable to employees as well as shareholders and that trade unions should act as agents of accountability for employees. This the researchers believe would give the trade unions both the 'opportunity' and 'purpose' to develop an interest in the use of information. The declaration of redundancy evidently is not viewed as a sufficient reason for trade unions to develop such an interest!

The failure to investigate strategic decision-making and areas of trade union - management conflict again leads the researchers to make apparently naive recommendations, such as the advice given to management to 'give ample forewarning of policy or operating changes about which shop stewards wish to negotiate' (p. 57). As the Lucas case study has shown, and as Reeves and McGovern's own study of the Dunlop closure indicates, management have no intention of forewarning shop stewards of closures and redundancies in a way which allows such issues to become negotiable. As the recommendations made by the authors are unlikely ever to be implemented by management, a major issue is how can trade unions made effective use of what information is available. At least this issue was addressed by the 'Ruskin project' considered next.

(3) Gold M., Levie H., and Moore R. (1979), and Moore R.E. and Levie H. (1981)

Moore et al provide case study material developed whilst acting as consultants to trade union organizations which sought help from the Trade Union Research Unit at Ruskin College, Oxford. The research sought to identify the 'constraints' which limit the effective use of information by trade unions.

Moore et al's (1979) pilot study provides some empirical basis for evaluating problems encountered in adopting a 'decision-orientated' approach, (Cooper and Essex, 1977), or a 'user approach' to information, as opposed to a 'shopping list' approach (Gospell, 1978). They argue that:

> "...information is a means to an end,...it makes sense only within its context, that it must be used within a strategy; and that a 'wedge' of the union or unions has to co-operate together to ' ensure its effectiveness" (p. 34).

By examining 4 case studies* they identify constraints on trade union information use which arise from either management or trade union organization and practice. The initial constraint model as described by Moore (1980) is presented in Table 10.1.

Table 10.1. Constraints On Trade Union Information Use.

CATEGORY OF CONSTRAINT	EXAMPLE
Company Constraints	
Managerial attitudes	Special reluctance of middle management to disclose
Industrial relations machinery	Mismatch between negotiating or participation system and levels of company decision making
Company structure	Financial, management and industrial relations frameworks may not match
'Formal' trade union constraints	
Union structure	Information not passed within or between unions effectively
Union policy	Policy vacuum in key policy area such as new technology, work organisation or pensions
Union servicing	Education or research facilities do not meet needs of representatives
'Informal' trade union constraints	
Shop stewards' committee	
*organisation and structure	Inadequate co-ordination within or between unions or across company structure
*forwardthinking	Absence of agreed and defined policy objectives or strategy

Source. Moore [1980, p. 37]

*The case studies were concerned with the following issues: an anti-merger campaign (Odhams), the introduction of a new participation scheme (British Leyland), action taken in attempt to prevent a closure (British Steel at Ebbw Vale), union reorganisation to accommodate company bargaining structure (Lucas Electrical).

The four case studies indicate the kinds of problems which inhibit the use of information by trade unions, and the constraints model provides a systematic representation of the major factors.

However, Moore et al did not attempt to assess whether any causal relationships existed between the various constraints. Each constraint is given equal weight. In this way, the authors avoid critical evaluation of the principal parties and they explain the situations they examined by institutional factors. For example they state:

> "All the constraints then may prevent a steward from using information he has, even if it has been accurately examined by a trained accountant.
> The real point we are making is that the use of information is less a matter of interpretation - for which skills can be learnt - but rather more a matter of recognising and overcoming a host of constraints imposed by organizational structure. Some of these constraints, especially from the company side may be introduced deliberately..... However, the majority are unintentional and come about through the workings of the organization itself" (p. 37).

This conclusion in part results from the researchers' apparent wish to highlight instances where trade unions adopt a positive approach to the use of information. In particular, it is noticeable that they fail to adequately report and draw conclusions on the more contentious aspects of the observed situations.

For example, in all the cases analysed, management's refusal to provide information and denial of trade union involvement in planning is reported but not systematically analysed. At Odhams, they report on how a 'Forum' for fighting a closure became a consultation committee under management control without any trade union rights to discuss future plans (p. 46). At Leyland, they recognise that 'participation stop(s) when management want it to" (p. 52). At BSC Ebbw Vale, management's denial of the authenticity of a 'stolen document' reporting plant closures is shown to have been untrue, yet their analysis of management's case is limited to observing that 'Disclosure

took place only at management's convenience and on its own terms' (p. 73). In their Lucas case study, the information which management provide for consultative meetings is seen to 'lack sufficient detail or consistency to allow satisfactory questions to be raised' (p. 64). To a degree this is typical. However, as my case study shows, management's position can be facilitated by trade union failure to supplement this information from other external sources.

On the part of trade unions, lack of service and ineptitude is reported but criticism is at best passing. For example, at Lucas it is recorded that over a two-year period the Head Office Officials of APEX failed to provide stewards with any advice on appropriate policies regarding technological changes which threatened job security (p. 66). Furthermore, in the case of Ebbw Vale, ISTC's failure to support a local campaign to fight redundancies is explained as a consequence of poor communication between Head Office and district levels, rather than being due to a lack of competence on the part of ISTC to evaluate BSC's ten year corporate strategy, which sets the context of the redundancy decision (p. 60) (cf. Bryer et al, 1981).

These apparent oversights may reflect Moore et al's wish to provide a 'best practice' model of information use by trade unions, the main recommendation being the development of 'forward thinking' by trade union representatives. This is, however, not a recommendation that trade unions develop an independent ability to plan at company level, a trade union re-active stance is maintained. Thus they describe the evolvement of 'strategy' thus:

> "...the likely chain of events is: rough information, possibly a rumour or a newspaper report, the first inkling of what to do, the elaboration of a strategy, the need for more information and so on" (p. 93).

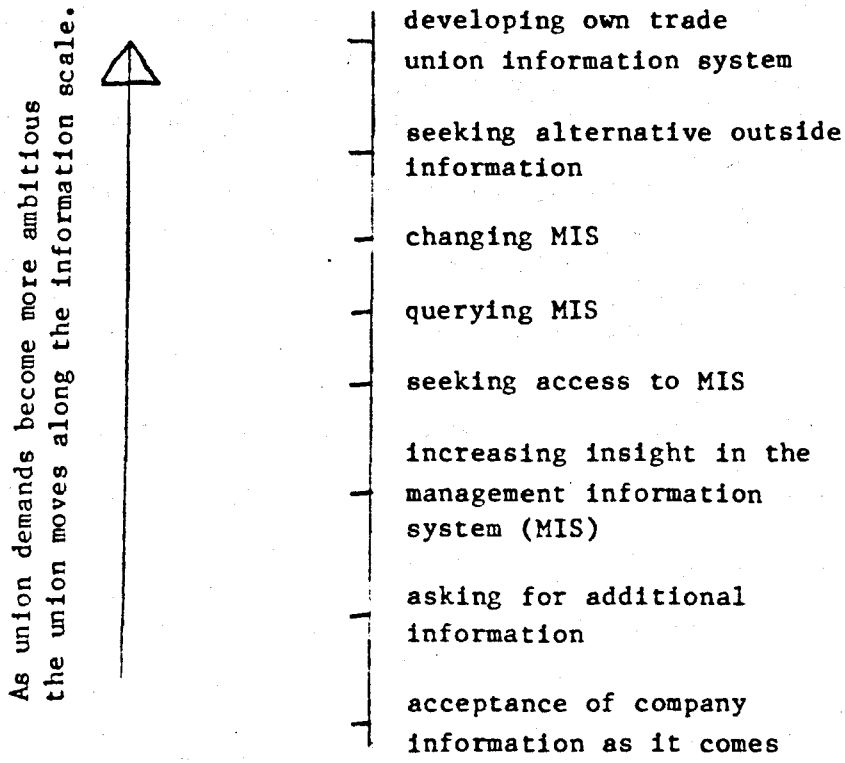
Information is therefore perceived as being used in one-off situations rather than continuously within an evolving plan.

In a second study, Moore and Levie (1981) explore the link between trade union policy and information use by examining three further case studies,* and in so doing extend the constraints model by adding a new constraint category, the 'nature of industry'. The main features of this new dimension are seen as size and number of employers, payment systems, employment tradition and inter-union relations within the industry, rather than market history and current strategic options. However, a dynamic dimension is given to the original descriptive model by identifying factors which influence disclosure practices at particular points in time. The factors identified are management style and industrial relations strategy, the state of the economy (ie, companies are perceived as being more willing to disclose information when things are going badly) and according to the authors, most importantly, the ambition of union demands. These are viewed as the most important 'change agent for disclosure practice', the trade unions moving along an 'information scale' (See Figure 10.1 below) as issues subject to collective bargaining are extended.

This focus on trade union attitudes to disclosure as the critical change agent is appropriate since there is little evidence to suggest that management style and industrial relations strategy will be voluntarily adjusted in favour of open disclosure! However, the authors' emphasis on the management 'information system' as opposed to the financial planning system is less well-founded. Undoubtedly, whilst it is true that annual accounts and the accounting principles upon which they are based have certain limitations from a trade union perspective (eg, the failure to take account of social costs), these failings do not mean that the information is 'invalid' or of no use. It is, rather, a question of interpreting and using imperfect

*The case studies were concerned with the following issues: setting of national wage rates in the construction industry (UCATT), disclosure and use of information on a Pension Fund (Lucas Industries) and acquisition and use of information in Local Education Authorities (NUT).

Figure 10.1. Union Ambition and Information Use



Source: Moore and Levie [1981, p. 9].

information in a way which is consistent with the objective sought by the decision maker. However, along with many other trade unionists, the authors in large measure reject the accounting system in the belief that accounting principles are 'no more than political judgements' (p. 13). In their view:

> "...the company accounts represent an external audit and accountability process and not necessarily operational data within the MIS.
> For this reason amongst others, trade unionists will normally regard the 'accounting apex' of the information pyramid as being totally apart from their own world" (p. 15).

The abstract nature of accounting and the difficulty for the 'average' trade unionist to overcome the conceptual divide between accounting and operating data, lead Moore and Levie to emphasise the MIS as the main avenue for developing trade union understanding of management practice. Thus Moore (1980) states:

> "MIS, unlike annual reports and accounts, represent operational data which is more likely to be related to company decision-making processes and to industrial relations machinery. By becoming acquainted with these, trade union representatives will be enabled to perceive the reality of the company's structure and organization and the information system which underpins it. The emphasis is thus placed more on the function and use of information so that requests for more information by unions can be better founded" (p. 38).

This recommendation does not allow for the fact that management information systems at this level are designed to provide control rather than strategic planning information and in consequence is unlikely to provide trade unionists any strategic awareness as to how company policy is developed.

This wish to engage management at an operational level is consistent with current trade union practice and also avoids the potential conflict between democracy and expertise by reconciling it at its lowest common denominator. This reconciliation should take place at a higher level. However, like many other trade unionists, Moore and Levie avoid this potential problem by viewing democracy as a sufficient condition of change. They state:

> "...union democracy is the yardstick of its (the unions) ability to improve the use of company information. The more democratic a union is, the more chance that the constraints on use of information experienced by a shop steward committee or a district official are identified and tackled" (p. 19).

In discussing trade union democracy, the authors distinguish between 'formal' and 'active' democracy and argue that the latter requires high levels of membership involvement, bargaining structures at every level of the company and a high level of co-operation or at least discussion between unions. The main catalyst of change is the generalization of best practice through the democratic process. They state:

> "It is the democratic process in a union that should facilitate debate so that progress in collective bargaining made in one setting can be used or at least considered elsewhere. And similarly, constraints on new uses of company information posed by the union itself should also be discussed elsewhere, so that it becomes possible to consider joint action to alleviate those constraints" (p. 19).

This recommendation, whilst commendable in its intent, fails to examine the role of management in modern organization and, as with all the other research considered here, it implicitly assumes that the process of collective bargaining in itself will provide a basis for significant organizational changes. This assumption is reflected in the authors' view that information agreements of a procedural kind (p. 11) can be negotiated despite the many observed instances in the case studies where management act to control the availability of information to their own advantage.

It seems fair to conclude that the authors have not realistically assessed the process whereby trade unions can acquire necessary information independently of management. Nor has sufficient consideration been given to the problems involved in reconciling the need for expertise, especially regarding the interpretation of the necessary abstract accounting and other information, whilst respecting the democratic principles which underlie trade unionism.

Summary

Pluralist approaches, both theoretical and empirical, which have advocated increased disclosure of information to trade unions are implicitly founded on the belief that collective bargaining is a conflict-resolving process which can facilitate the interests of all parties. In recommending increased disclosure they seek to re-orientate trade union policy so that negotiations are centred on long term policy choices rather than bargaining over the terms of policy implementation. Undoubtedly, whilst collective bargaining does produce 'settlements' of disputes, the Lucas case study shows that when

strategic long term issues are involved negotiated 'settlements' are not based on a mutual reconciliation of interests, but rather a domination of shareholder interests over employee interests. Management at Lucas (and more widely) have shown no interest in extending the area of joint decision-making with trade unions, and this suggests that management accepts that they are agents of shareholder interests rather than in any sense a neutral arbiter of multiple interests as suggested by the pluralist model. For management, a change in disclosure practice, and a re-orientation of negotiation would only lead to conflict at a time less well-suited to their interests. Not surprisingly, therefore, none of the researchers anticipate difficulty in establishing bilaterally agreed changes to disclosure practice.

Because pluralist analyses do not take account of the real conflict between management and trade union interest it leads to recommendations which assign management the principle role of change agent and which are therefore unlikely to be enacted. Meanwhile, trade unions are left to pursue their existing policies. Not surprisingly a 'radical' critique of the pluralist view in accounting research has emerged, but it too has limitations as we shall see.

The Radical Perspective On The Disclosure Of Information

Bougen and Ogden (1981, forthcoming 1985) adopting a 'radical perspective' (following Fox, 1973; Goldthorpe, 1974; Hyman, 1975) have argued that management disclosure of financial information to trade unions is a strategy which aims to win employee 'consent' for management policies, whilst leaving fundamental aspects of the employment relationship unchanged. They criticize Foley and Maunders (1977), Palmer (1977), and Pope and Peel (1981) for analyses of collective bargaining as a rational economic decision process which can be enhanced to the benefit of both parties by the provision of

accounting information. Bougen and Ogden (1985) argue that these authors are mistaken in seeing accounting information as a neutral information input into the bargaining process. In their view, attention must be given to the latent functions of accounting information as

> "...an ideological mechanism for propogating and reinforcing managerial values and purposes" (p. 25).

They correctly view accounting information as having been primarily developed to promote shareholder interests and management control of the enterprise by emphasising the need for profitability within a market context. However, the economic interests of employees, which sustain much trade union activity, and to which we have seen accounting information has a considerable relevance, is viewed by them as a 'secondary' objective of trade unionism. In their view, the fundamental objective of trade unionism is to contest managerial control of the enterprise (following Goodrich, 1920; Beynon, 1973; Hinton, 1973).

Accounting information is seen to embody values such as profit, rationality and efficiency which, within a market context, prevents trade unions pursuing other values, such as the quality of working life and democratic control of the enterprise. The introduction of accounting information into collective bargaining is seen by them to distract trade unions from these latter objectives and, as such:

> "...accounting may be used as a means of socialising trade unions into endorsing the primacy of market criteria for management decision making" (p. 30).

In these circumstances, disclosure of information provides management with a means of 'ideological recruitment' (p. 28), promotes 'a new basis for the legitimate exercise of management authority' (p. 28), and promotes 'a channelling of union arguments into a discourse which is singularly concerned with management priorities' (p. 30).

Disclosure, if it produced the above outcomes, would have obvious appeal for management. However, the authors do not take account of the fact that the recommendations for greater disclosure made by academics such as Foley and Maunders have largely been disregarded by management! This would suggest that management is less certain about the ideological role of accounting information. This reflects the fact that accounting information in itself does not dictate decision outcomes, and that concepts such as 'financial viability', even within a market context, are subject to interpretation in line with the objectives of the decision-maker.

Bougen and Ogden, like other 'radicals', tend to dismiss the possibility that trade unions can use accounting information to promote employee interests. Normally this dismissal is justified by two main arguments. Firstly, the structure of trade unionism is seen to limit trade union objectives to economic aspects of the employment relationship and thereby exclude the promotion of policies which involve political changes within society. Secondly, expertise developed within a capitalist society is thought to be irreconcilable with trade union democratic principles. These arguments will be reviewed in turn.

As regards trade union structure, Chapter 4 showed that the historical development of collective bargaining has resulted in a complex structure of unionism, whereby official unions, as external organizations, negotiate national and industry-wide agreements on a sectionalist basis, whilst shop stewards negotiate limited issues with internal managements. The 'radical' argues that trade unions, by becoming committed to the institutions and practices of collective bargaining, have effectively set aside demands for fundamental change in management/trade union relationships which are underwritten by an understanding that a compromise solution is generally attainable,

because each party has set its demands within the 'negotiating framework' (Fox, 1973). Moreover, by focusing on industrial issues without setting these in a political context, trade union practice promotes a division of responsibility between trade unions and a political party, as in the UK. Hyman (1975) argues that this division of responsibility weakens trade unionism. He states:

> "This commitment to the institutions of collective bargaining mesh neatly with the ideological segregation of industrial and political action, each requiring distinctive organizations and strategies. Within this conception to strike for a 'political' rather than an 'industrial' demand is altogether illegitimate, the 'political' must be pursued through lobbying, electoral activity and the Labour Party. Today, such traditional assumptions are increasingly inappropriate, whatever their original rationale. In the face of monopoly capital, sectional action spells weakness, in the face of the recurrent crises of late capitalism, the scope for piecemeal reform shrinks; in the face of state and economic activity, the distinction between industrial and the political loses all meaning: unions disarm themselves if they continue to respect a demarcation which employers and governments define" (p. 147-48).

Radicals' argue that this situation will be perpetuated so long as trade unions are organized on a sectionalist basis, and restrict their objectives within an industrial context. Again, Hyman (1975) states:

> "The principle obstacle to a coherent radicalization of objectives of industrial struggle has already been much discussed - the sectionalism inherent in trade union action... Sectionalism is incorporated in the organizational structure of trade unionism itself, and so is resistent to the necessary political character of any programme, which would articulate common class interests" (p. 178).

This opinion appears to be based on the repeated failure of trade unions to successfully oppose strategic decisions of management. Undoubtedly the sectionalist nature of trade unions organization at Lucas Electrical allowed management to 'divide and rule'. However, I have argued that this, in itself, was not the critical factor. More important was trade union commitment to reactive oppositional policies

because from 1975 it was this that allowed management to unilaterally make all major decisions about how the company was to respond to the forecast fall in UK vehicle output. Having failed to address this issue prior to the declaration of the redundancies, trade unions lacked time and information to develop any alternative to the plans proposed by management. In these circumstances, arguments advanced by Hyman and other 'radicals' (eg, Clarke, 1977; Lilja and Wood, 1979) that management plans are dictated by market forces can appear to be convincing. However, as Bryer et al (1984) show, the rundown of UK manufacturing industry in the late 1970s and early 1980s may be better understood as the planned outcome of decisions taken to promote shareholder interests, and not simply the outcome of unalterable 'market forces'. They argue that if trade unions were to undertake 'shadow planning' at least the logic of capitalist decision making could be questioned from an employee perpsective, and on this basis other inadequacies in trade union organization might be ameliorated.

As was shown in Chapter 2, the development of management planning is an important mechanism of learning which allows time for alternatives to be developed and allows organizations to be evolved, and provides the information to control and further develop the objectives sought by the planner. Trade unions are weak in all these areas, and although sectionalism is often provided as an explanation for such inadequacies, in my view, it is a symptom rather than a cause. For example, the planning activities of the Lucas Aerospace Shop Steward Combine Committee showed how sectionalism could be partially overcome. By developing alternative plans the Combine created time so that not only were plans produced but also organization and unity within the work force was fostered. Furthermore, the process of planning provided a basis for organising and collecting information to

evaluate employee interests as the first step in realizing those interests (Wainwright and Elliott, 1982).

This said, the initiative in itself was unable to provide sufficient impetus to embrace Lucas Industries as a company, let alone provide for the co-ordination of plans across industrial sectors. Nonetheless, it partially, if only temporarily, moved the trade union structure within Lucas Aerospace into a position whereby sectionalist interests were secondary to employee interests, and this limited management's ability to adopt 'divide and rule' tactics. Because official trade unions in contrast have failed to engage in 'shadow planning', the rundown of UK manufactruing industry from the mid 1970s has progressed in a way which allowed management to employ 'divide and rule' tactics, despite an obvious employee interest in sustaining such industries. Planning is a pre-requisite to a unified response, sectionalism is an unplanned response to management planning. The consequence of this lack of action must not be underestimated, since management power over employees is largely dependent upon employee acceptance of the legitimacy of management control, and failures help perpetuate the belief amongst employees that no alternative to management plans can exist.

Although the 'radical' rightly criticizes the sectionalist nature of current trade union practice, it will be argued below, that by completely rejecting business expertise and planning the radicals are unable to illustrate how sectionalist divisions could ever be overcome. Chapter 3 showed how management control of the business enterprise has been evolved, allowing for a division of tasks, whereby strategic planning activities and associated expert knowledge is a restricted area of managerial prerogative. In contrast, trade unions have evolved according to democratic principles whereby members cannot systematically be excluded from decision making processes. Formally,

each member is accorded equal rights within the organization, and has equal opportunity to determine trade union objectives and policies. 'Radicals' argue that the fundamental purpose of trade unionism is to promote democratic control of industry through trade unionism. Thus Hyman (1975) states:

> "If unions are agencies of power for the working class, elements in a strategy for exerting control over a hostile work environment, it follows that their purpose must be defined in terms of members' own aspirations. Whether or not union democracy is an efficient means of achieving union objectives, it is subversive of the very rationale of unionism to divorce democracy from the formulation of these objectives" (p. 84).

Often for many trade unionists, this commitment to democratic practice is related to the belief that expert knowledge regarding business affairs is not a necessary aid to trade union decision making. In fact, the promotion of expert knowledge within trade unionism is sometimes viewed as a threat to trade union democracy. Clarke (1977), Scargill (1978), Lilja and Wood (1981) and Hyman (1975), for example, all argue that a fundamental change in society is only realizable by the prior abolition of the capitalist system of production and the hierarchical system of authority on which it is based. Business expertise is seen only to be relevant to a market economy which the radical wants to replace. For example, Clarke (1977) states:

> "In capitalist society, the management function is largely to interpret, influence and respond to the dictates of the market... The anarchy of the market is beyond the control of the worker representatives at the individual company-level. What is needed is a transformation of the general production relationships of capitalist society" (pp. 365-6).

Radicals argue that fundamental economic and political change will only arise when workers are made aware of the class nature of society by engaging management in industrial conflict. Ideally, trade union demands should not only be based upon an aggressive advancement of

members' economic interests, but should also challenge management's authority within the employing firm. Such policies have been advocated by miners'leader, Arthur Scargill (1978) in the following terms:

> "There is only one way to advance our movement, there is only one way to advance our class, by taking on the system under which we live. By so doing, we will in the short term wrench from this society in return for what we put in, the maximum amount of wages and conditions. We will at the same time have to use whatever influence we can to preserve the jobs of our members, wherever they are threatened. But in the long term, what we really need is a complete transformation of society" (p. 6).

Successful militant action serves two purposes. Firstly, it heightens the political awareness of members, so as to establish that there is a fundamental conflict of interests between workers and employers, which can only be overcome by political change. Members who accept this view have developed what Hyman (op cit) has termed an 'oppositional ideology' (p. 177). Secondly, worker experience of collective decision making is seen to undermine the hierarchical nature of management authority, and according to Hyman (1975), at such times worker viewpoints can be subject to radical transformation. He states:

> "When engaged in collective struggle, workers are most susceptible to the appeal of new world views, the 'deviant' element in working class attitudes are thrust to the fore, while the conventional 'official' society momentarily lose their hold" (p. 177).

The involvement of trade union members in discussions to formulate trade union demands, and the pursuance of these demands through industrial action is seen as a crucial way of developing 'class consciousness'. Hyman states:

> "...there is a positive dimension to rank and file action, it represents the <u>practice</u> of the working class, containing intimation of a different form of social and industrial order in which the character of relations of production would be transformed" (p. 200).

Hyman is of the opinion that during the 1960s and early 1970s many workers engaged in militant trade unionism without any awareness of the political significance of their actions. He states:

> "Workplace organization and action have come to perform an increasingly important role in a growing number of industries, and their cumulative effect has been exceedingly corrosive of capitalist order in industry. Workplace controls have undermined management power to utilize labour at will as a passive resource; competitive wage bargaining has increased labour costs in a period when stabilization (and indeed reduction) has been urgently required, shop floor militancy has disrupted production schedules and forced an array of unplanned concessions by employers. ... Yet the economic, and to some extent political and social, instability resulting from rank and file organization and action is intended by no more than an insignificant fraction of trade unionists. For the vast majority, their piecemeal actions are legitimate within the terms of the political economy of capital, no systematic challenge is envisaged" (pp. 174-75).

For radicals, such experiences are significant since not only do they threaten the existing institutionalized aspects of collective bargaining, they are also based upon the democratic ideal so fundamental to the socialist transformation of society.

Unfortunately, radicals do not explain how these experiences of democratic decision making in an oppositional mode prepares workers for applying such principles to the complex problems of co-ordinating production activities within the transformed society or, indeed, how it prepares workers to confront management strategic plans in the process of transforming society. There is a tendency to assert that the democratic procedures are causally sufficient in themselves to ensure the realization of the 'socialist alternative'. Hyman (1975), for example, is of the opinion that no plan could encompass the spontaneous creativity of worker initiatives. He states:

> "The character of the socialist alternative to capitalist industry is rarely described in detail. This is understandable for if socialism is to be established by the creativity of the workers' own collective action, it will not be according to any pre-determined blueprint" (p. 201).

Such visionary ideals have to date failed to convince workers as to the dispensibility of management. As the Lucas case study indicated, in times of recession, workers readily accept that their company's current problems are best solved by managers who are expert in business affairs. This readiness is invariably unhindered by trade union promotion of alternative plans, a failing in conventional trade unionism which the radical feels able to condone. Lilja and Wood's (1979) review of the Lucas Aerospace 'alternative corporate plan' is forced to welcome the initiative to the extent that it is a multi-union action which challenges management's prerogative at the level of strategic decision. However, they criticize the lack of coherence in the implementation proposals of the Combine, suggesting that it reflects a 'kind of naive realism' and a form of 'utopian socialism'. In their view:

> "... there is underlying much of the literature on the (Lucas) campaign a 'rationalist theory of change'. Accordingly obstacles to the acceptance of the ideas presented are seen as primarily irrational based on misconceptions and inadequate discussion of new, self-evidently progressive ideas. In search for the acceptance of 'all parties' (Government, management) the plan is presented not so much in class terms as in terms of the most enlightened management literature. This is, for example, the case with the presentations of demands for job redesign and an end to deskilling. Overall the plan is seen as putting some flesh on an idea often expounded by management, ie, that of social responsible business. The Lucas management are seen as being offered a challenge to put its money where its mouth is, that is to see if 'it really is prepared to take its social responsibility seriously or not.'
>
> Whatever the conclusion one could or would draw from the Lucas case, the resort to the thesis of 'Corporate Social Responsibility' supports the spreading of this

> ideology and may give pretence to the idea that it could exist without a fundamental change in society. The offering of such a challenge to management may re-inforce paternalistic and deferential definitions of management" (p. 93).

Furthermore, they argue that the combine placed too much emphasis on the power of knowledge, thereby relegating the importance of militant trade union action. They state:

> "Relying on the government support and the emphasis on the discussions with management within the frame of reference of the 'rationalist theory of change' has meant not enough attention has been paid to the need to extend the organization of the rank and file, and relate it to the campaign for the plan. The conception seems to be based on the power of knowledge and not on the only real power of the working class, namely, the power to withdraw their labour" (p. 94).

Summary

In my opinion the radical view point is valuable in that it legitimately criticizes traditional trade union practice for its over-reliance on the process of collective bargaining, and for its critique of the artificial separation which is made between industrial and political issues. However, by disregarding business expertise, and failing to examine ways in which expert knowledge might be made accountable to trade union members, radicals are forced to rely on oppositional policies which are based on trade union principles rather than promoting employee opposition to management plans by an analysis of employee interests. Thus the radical necessarily diverts trade union attention from the use of accounting information which can be used to support trade union objectives. As a result, radicals do not consider the possible political consequences of a co-ordinated trade union effort to 'shadow plan' major investor strategies. In my view,

the dismissal of expert knowledge as being an unnecessary complement to trade union democratic principles can only result in the perpetuation of the situation whereby trade union members are asked to assess their interests on the basis of information provided by management experts. The promotion of oppositional policies on the basis of trade union principles, rather than employee interests, is fraught with difficulty. In the context of industrial disputes, Batstone et al (1977) have shown how trade union principles are open to re-interpretation and cannot provide a basis for consistent decision making. Furthermore, research by Nielken (1975) suggests that questions of principles and values only influence decision-making when technical/expert advice has been neutralized by dispute amongst the experts. The role of the expert in trade unions could therefore be to at least neutralize management claims that 'there is only one way' to overcome an identified problem. The failure of trade unions to provide members with expert knowledge can only sustain a situation where management plans go unchallenged because no alternative is on offer.

In the next secion, it will be argued that many of the perceived obstacles to independent strategic planning by trade unions, could in principle be overcome, if trade unions were prepared to commit themselves to this course of action.

Conclusions: Planning and Trade Union Information Needs

The fourth policy option available to trade unions, militancy based on alternative plans, adopts a different perspective to the identification of trade union information needs. The three other policy options generally, (implicitly) assume that the decisions in which trade unions have an interest are easily identified, and moreover it is normal to assume that these decisions are confined to so-called

industrial relations issues. In contrast, it is argued here that trade unions must engage in the planning process as a necessary pre-requisite of being able to identify decisions in which they have an interest. This accords with the view that successful organizational decision-making is related to the ability to continually recognise and define important problems and a wide range of alternative courses of action, rather than being based on a careful choice of identified options (Newell et al, 1958). It is now widely recognised that successful problem-orientated organizations are characterized by a rich flow of information both formal and informal (Burns and Stalker, 1961).

For trade unions to successfully contest strategic decisions of management, they must realize that the above conditions are equally applicable to them. As Chapter 2 has shown, planning is a fundamental aspect of organizational development, a major function of planning being to promote learning and adaption which involves a continuous process of relating the organization to its environment. To a large extent, information can only be meaningfully interpreted in relation to an evolving plan. It is often argued that trade union access to information is a major constraint on trade union planning ability, however, below it will be argued that this problem has been overstated. The disclosure debate is to a large degree founded on the belief that trade unions have inadequate sources of information. However, it may be that trade unions have not tried to utilize the information currently available.

Shareholder control of strategic decision-making requires that relevant financial information is publicly-available. The best financial analysts use both public and 'private' information to build financial models of companies, industries and economies (Sharpe, 1981). Trade unions, in developing their own financial models, might not have access to company managers. However, as employees, trade unionists

could develop direct access to relevant information circulating in the company, and moreover, access to this information could become a primary collective bargaining objective. Case study research, such as Bryer et al's (1981) study of BSC, mine in the Lucas study, and the SSRC studies all indicate that lack of information use can be related to trade union disinterest rather than non-availability.

It is sometimes argued (Owen and Lloyd, forthcoming 1985; Cooper and Essex, 1977) that trade union disinterest in available information reflects inadequacies in the characteristics of information. The two main criticisms are that accounting information is too historical and too aggregated. These criticisms will be examined first.

Firstly, it is usually argued that the historical nature of accounting information reduces its relevance to trade unions and therefore the call is for future-orientated information such as company plans. However, as Bryer et al's (1981) study shows, access to plans does not necessarily lead to their effective evaluation. The TUC's Steel Committee had access to BSC's ten year corporate strategy, yet this went unevaluated because the committee lacked the expertise which arises from an ongoing involvement with planning and a reasonable technical education. Without reconstructing the plan presented by management, or developing a plan of their own, the Steel Committee were unable to identify the critical factors which required an evaluation from an employee perspective, and in consequence trade union support was given to the BSC plan without any effective valuation. Without an evaluation the belief can easily develop that there is only one way in which an organization can respond to changes in its environment. The Steel Committee developed this view of the corporate strategy developed by BSC management, accepting that 'technological advance' was an inexorable force to which BSC was responding. However, the analysis

provided by Bryer et al shows that there were other, clearly preferable, alternatives.

As trade unions cannot rely on management to prepare plans, they must use what accounting information is now available in the same way as management and analysts. Company plans generally result from a process whereby past performance as represented by historical accounting information, is projected into the future by taking account of changes occurring in the organization's environment, eg, inflation accounting. Also as was seen in the Lucas case study, much strategic information is not company specific and is publicly available. Clearly, the challenge to trade unions is to make effective use of existing accounting information. Unfortunately, many trade unionists share the same prejudices as accounting researchers and dismiss accounting information as a 'malleable resource' (Bougen and Ogden, 1981) which is 'inherently subjective' (Hird, 1983), and which can be manipulated to support plans advanced by management. In the view of Clive Jenkins, for example, the general secretary of ASTMS, 'published accounts are utterly and absolutely useless' (quoted by Holmes and Sugden, 1982). However, this is inconsistent with the three fundamental objectives of financial statements identified by the Society of Investment Analysts (The Investment Analyst, September, 1974). To quote them at length:

> "...the fundamental objective of periodic financial statements is to provide the investor with information useful for <u>predicting</u> his expected return from the investment, evaluating the risks involved and comparing with the returns expected from other investments.
> ... a second objective (is).. the need to provide the user with information which is useful for <u>predicting</u> the company's cash flow and potential earning power....
> ... a third fundamental objective ... is to provide the users of accounts with information about the primary policy <u>aims</u> of management, to enable judgements to be made about their ability to achieve those aims" (p. 27).

To the extent that these are met (cf. Beaver, 1981), accounts do provide much information of relevance to trade unions and the problem would appear to be that trade unions do not possess the requisite skills necessary to interpret relevant information. This accords with the view that possession of information is only a power resource when you are able to effectively use it. As Pettigrew (1972) puts it:

> "Power resources must not only be possessed by an actor, they must be controlled by him ... Control may not be enough, there is also the issue of the skillful use of resources" (p. 202).

According to Bryer et al (1984) the effective use of historical accounting information on the part of trade unions in the mid 1970s could in principle have involved the development of an alternative strategy for UK manufacturing industry, based on value-added rather than profit-generation criteria of evaluation. The relevant information was available, the ability to use the information was lacking.

Secondly, the aggregate nature of company financial information has been criticized. This criticism reflects the fact that most pay bargaining has a plant rather than a company focus, and if you accept this as the relevant level for bargaining, then the criticism is well-founded, although segmented reports help. However, it can be argued that the diversification of business interests within one company is a way of spreading risk. Currently, risk-spreading has been undertaken to benefit shareholder interests. A case can be made for the view that trade unions should use similar structures to provide greater stability for employee interests, regarding not only questions of pay, but also employment factors. For example, in the Lucas case study, overtime was being worked in Lucas Aerospace, whilst redundancies were being implemented at Lucas Electrical. However, the possibility of job transfer was limited by the different worker skills utilized in each

division. Trade unions in developing company structure might wish to emphasise the possibility of job transfer between divisions in evaluating diversification policies. Moreover, it can be argued that bargaining at a company level is consistent with trade union objectives to promote social justice as between employees. If the latter objective is viewed as operative then company information is relevant and currently available. Finally, in that management make their strategic decisions by utilizing aggregate data, it would seem necessary for trade unions to contest decisions at this level before considering the distributional issues which are involved in implementing the strategic decisions.

In short, trade unions cannot evaluate the usefulness of existing information until they attempt to use it. As has already been argued, planning is a major means of promoting learning, and for this reason planning cannot be done on behalf of an organization by a third party. Only by engaging in planning will trade unions be able to identify decisions for which information is necessary, and thereafter make an assessment of the adequacy of existing information. More fundamentally, by ignoring planning trade unions policies are not only re-active, they become isolated and divided from the rest of society. This situation is the antithesis of planning.

Concluding Remarks:

Planning is the fundamental management process which has underwritten the development of modern large-scale business enterprises. It represents a proactive process whereby alternatives are evaluated against objectives as a first step in realizing a preferred alternative. Throughout their history, trade unions have failed to engage in serious planning activities despite apparent early

recognition that it was a necessary condition for advancing the interests of employees. Thus, for example, over sixty years ago Tawney (1964) argued:

> "If the workers are to be able to veto the solution of industrial problems propounded by the employer, their status in industry must be such that they can offer an alternative solution themselves. If they are to resist effectively the types of organization which menace them, they must not merely resist; they must take their part in discovering equally effective types of organizations which do not. If they are to exercise corporate freedom, they must be ready to undertake corporate responsibility" (p. 112).

Trade unions have never met this challenge, and have remained simply representative organizations committed to reactive, oppositional policies. Ironically, it is the disruptive consequences of these policies that has contributed to the hostile public image of trade unions as 'over mighty subjects'. In reality, because of their stance on planning, trade union 'powers' are highly constrained being set within the context of management's strategic plans.

A re-orientation of trade union practice to planning will not be easily realized, because even its radicals do not appear to realize how fundamental are the changes required. As has been seen, the negotiation of short-term sectionalist issues within a collective bargaining context provides no automatic stimulus to trade union decision-making capabilites. The problem for trade unions is how to shift from short-term and sectionalist perspectives to long-term and collective perspectives. This change can only occur when trade unions are organized to collect, assess, assemble and review information against predetermined objectives in the process of developing their own long-term 'shadow' plans in employee interests. The need to separate long and short term decision making has long been recognised by management, and within the modern business enterprisse, decision making

is an increasingly specialized skill. This alone limits the immediate prospects of a rapid and dramatic change to 'workers' control' as proposed by radicals because they simply do not have the knowledge to implement it. Even where the need for a trade union planning perspective is recognised (eg, Lane, 1981), the origin of the resistance to change which lies deep within the structure and self-conception of what trade unions are for, is nowhere analysed. Certainly management can be expected to resist change, but the central message of this thesis is that the fundamental constraint on the usefulness of accounting information to trade unions, is trade unions themselves.

Appendices

Appendix 1. Exploratory Questionaire:

Wage Bargaining at Lucas Electrical

This questionaire was the subject of interview discussions with all negotiating groups which are affiliated to the SSSC.

- CAN YOU EXPLAIN THE WAGE BARGAINING PROCESS IN LUCAS, AND WHAT IS YOUR INVOLVEMENT AS A REPRESENTATIVE OF ONE OF THE NEGOTIATING GROUPS?
- WHAT INFORMATION DO YOU CURRENTLY USE IN WAGE NEGOTIATIONS?
- WHAT INFORMATION WOULD YOU LIKE BUT WHICH YOU ARE UNABLE TO GET?
- WHAT LEVEL OF COMPANY INFORMATION IS RELEVANT:
  - LUCAS INDUSTRIES?
  - LUCAS ELECTRICAL?
  - PLANT?
  - WORK PLACE?
- WHAT FINANCIAL INFORMATION DO YOU OBTAIN REGARDING LUCAS
  - OFFICIALLY?
  - UNOFFICALLY?
- WHAT OTHER INFORMATION DO YOU USE, AND WHAT IS ITS SOURCE
  - OFFICIAL UNION/LABOUR RESEARCH DEPARTMENT/OTHER?
- WHAT ARGUMENTS DO MANAGEMENT FORWARD TO COUNTER YOUR CLAIMS?
- HOW, IF AT ALL, DO YOU ATTEMPT TO CHALLENGE THESE ARGUMENTS?
- DO YOU THINK THAT UNION REPRESENTATIVES HAVE A RIGHT TO BE CONSULTED WHEN THE COMPANY IS DECIDING ITS INVESTMENT PLANS?
- TO WHAT EXTENT SHOULD TRADE UNIONS BE INVOLVED IN SUCH DECISIONS?
- DO YOU BELIEVE THAT DIFFERENT UNION ORGANIZATION AT LUCAS ELECTRICAL SHOULD 'POOL' THEIR INFORMATION?
- WHAT PROBLEMS WOULD YOU ANTICIPATE FROM SUCH AN APPROACH?
- DO YOU THINK THAT WITH RELEVANT INFORMATION TRADE UNIONS COULD DEVELOP ALTERNATIVE POLICIES TO THOSE DEVELOPED BY MANAGEMENT AND IN WHAT WAYS WOULD THOSE POLICIES DIFFER?

Appendix 2. Sample Minutes of Business Review and Joint Policy Communication Meetings

Documents of this kind are provided by Lucas Electrical management to the SSSC approximately 4-5 times a year.

Appendix 2a

LUCAS ELECTRICAL

SUMMARY OF MAIN POINTS OF THE GENERAL MANAGER'S

BUSINESS REVIEW - 1977/78

WITH

BIRMINGHAM AREA SENIOR UNION REPRESENTATIVES

October 1977

BUSINESS REVIEW 1977/78

MARKET BACKGROUND

Current worldwide vehicle production is 41.1 million per annum, including 10.7 million vehicles per annum produced in Europe. UK vehicle production is 1.9 million per annum and the constraints of the home market necessitate Lucas Electrical expansion into other markets via exports, licences/joint ventures and all makes activities.

There seems to be no opportunity to break into Japan, but the company is seeking to penetrate American markets. Undoubtedly, however, the market with highest potential is Europe.

ACHIEVEMENT TO DATE

GROWTH	new business to the value of £6.9 million has been gained since 1975/76; this will increase to £10.6 million by the end of 1977/78
NEW PRODUCTS	we now have a technologically advanced international range of products
NEW FACILITIES	we spent over £21 million in capital and revenue expenditure in 1976/77 and this year plan to spend over £29 million providing productive use can be made of the expenditure.

DIVISIONAL HIGHLIGHTS

Electronics and Systems

Product development includes:

- EFI - Lucas control box manufacture beginning in 1978
- small motors - screenwiper range opening up European markets
- new competitive range of horns for production early in 1978
- electronic ignition - Phase 4, late 1978.

Significant new business has been obtained already with VW (coils and small motors), Fiat and Simca (screenwipers). Prospects are good for securing electronic ignition on new Citroen models.

An investment programme is underway to support new products and to replace overage plating and presses. In 1977/78 Mere Green diode capacity is to be extended and computer-aided testing introduced for wipers and distributors.

Lighting

Reorganisation remains the key factor to restoring the division to profitability. Progress has been delayed but the Joint Union Management Committee is now moving forward.

Investment is allied to the reorganisation. Last year a new aluminising plant was installed at Cannock, and DMC facilities extended; a new plating plant has been commissioned at BW4; 1977/78 will see re-tooling of transfer press and round headlamp assembly which will move to Cannock.

DMC has a major role in the Lighting division's future. DMC headlamp business has already been achieved on the Princess, UK Alpine, and Chevette. The division is attempting to secure the new Renault and Peugeot models as well as split DMC reflector business at BMW. There is also significant licensing potential with DMC.

Starters and Generators

The product range has been extended to provide shorter versions with higher power suitable for international application. Starters manufactured in Australia and South Africa will lead to all makes potential in home and European markets.

Diesel business is a major growth area: Lucas is strongly equipped to supply export markets, opening up opportunities for other company products. Diesel starters are currently on test at Peugeot.

Switchgear

The division has secured a high level of business gains including the wiper switch at Peugeot. Product development includes:

- oil pressure transmitter
- battery master switch
- miniature relays
- solenoid valves for diesel starters.

The investment programme has included extension of the Eastern Avenue factory and installation of automatic process control on moulding machines. In 1977/78 facilities are to be laid down in support of 30% sales increase over the next 3/4 years - half of it being for exports, particularly to France and USA.

Plastics, Diecasting and Rubber

Plastics	Emphasis is being placed on improved quality and productivity, with automatic process/production control. New fan for Fiesta and new horn body have been introduced recently.
Diecasting	Output improvements were achieved during 1976/77. £½ million was spent on new aluminium diecasting plant and development is underway on thin wall diecasting technology.
Rubber	Expansion is planned to give a five fold increase in turnover by 1981. The Girling brake seal business has been recovered, and efforts are now being concentrated on securing more business with outside companies. A new mixing plant is being installed.

Parts and Service

Promotions during 1976/77 contributed to a substantial increase in sales over 1975/76 and included:

- TV commercials
- Egon Ronay Guides
- Lucas Sport
- B90 compaigns
- Motostock

Output from the manufacturing divisions was redirected to Parts and Service during the Leyland strike in Spring 1977. The strike at Cowley Parts warehouse enabled Lucas to supply agents direct at the expense of the Leyland Unit Exchange Scheme.

All-makes business is growing; contact sets are now being manufactured for VW and Datsun cars. In addition, improvements have been achieved in core collection and reclamation.

Overseas

New developments within the existing businesses continue.

In particular, India, where £4 million expansion is planned for this year to meet market growth and maintain market share. Exports and bi-lateral trading opportunities are available with countries inaccessible from the UK (eg Egypt). The political scene in the country gives cause for concern.

New projects are as follows:-

Yugoslavia	The new factory, to be opened late 1977, will initially manufacture screenwipers and fan motors. The joint venture will open up opportunities for exports to Eastern Bloc countries. We have already had substantial benefits in the UK factories from CKD supplies for this venture.
Iran	This joint venture will cover starters, alternators, distributors, and coils. Plant and components are now in transit in preparation for commencement of production late 1977. This project will mean substantial CKD business.
Philippines	A licence agreement for starters, alternators and screenwipers will give the company a toehold in an expanding economy and a defence against Japan. There is, in addition, export potential to Brazil and Nigeria.
Poland	A licence agreement, initially for starters and column switches, is due to be signed this year. This agreement, which will open up further opportunities with Fiat, will involve CKD exports from the UK.

The company is in the final stages of negotiating a licence with Ducellier and is seeking to increase its shareholding. This will give Lucas a much stronger position in France and help us to compete with Bosch in Europe. Lucas Electrical will obtain substantial benefits from component supplies to Ducellier - particularly in the Electronics and Systems division since Ducellier will source its silicon processing requirements on Lucas.

MAJOR MATTERS FOR 1977/78

Everyone in the company must play a part in ensuring maximum quality and reliability, which will increase the company's prospects of further business gains.

After having been considered by our customers as a good supplier of a quality product our reputation was severely damaged by the poor rate of recovery after the toolmakers' strike. Although we would have been forgiven for the strike we will not be forgiven for failing to get supplies back to normal as quickly as possible. Because of this, all customers are now

making enquiries with alternative suppliers worldwide and we are under serious threat of permanently losing a large amount of business unless output improves. It is therefore essential that we restore our previous image as a good supplier and to do this we need to maintain a substantially improved output performance throughout the remainder of this financial year.

Continued emphasis is to be laid on the importance of communications, consultation and, where appropriate, joint decision making.

Increases in output give the opportunity for all employees to increase their earnings from self financing schemes which can be operated during this special year of pay policy and will be in addition to the stage II payment.

Provided this opportunity is seized, there is good expectation that the company will continue to grow. If not, there is surplus capacity on our products throughout the world, with foreign competitors very ready to benefit from any of our shortcomings. In this event, the company would become weaker and smaller: the choice therefore is jointly ours.

Appendix 2b

WORKS MEETING NO. 25
GTP/JEW
9 AUGUST 1979

NOTES ON THE GENERAL MANAGER'S JOINT POLICY COMMUNICATION MEETING

HELD ON 8 AUGUST 1979

WITH SENIOR MANUAL WORKERS' REPRESENTATIVES

Mr Wilkinson introduced Mr Brown, recently appointed Director and General Manager, Lucas Electrical Limited, and said that Mr Brown would chair future meetings.

1. SUMMARY OF BUSINESS TRENDS

Mr Wilkinson reviewed Group performance, indicating that all the major operating Companies had experienced difficulties:

Lucas CAV	had been affected by the general downturn in the agricultural market but had managed to offset some of the shortfall with new contracts
Lucas Girling	had suffered a setback as a result of the prolonged Ford strike, but both Companies had recovered well
Lucas Aerospace	was enjoying record demand for its products, but was experiencing production difficulties
Lucas Batteries	had experienced a major dispute which had seriously affected its position immediately and longer term, customers resourcing business to competitors.

Lucas Electrical performance had been affected by a number of serious problems throughout the year, but had suffered primarily as a result of the contraction of the U.K. market. The anticipated vehicle build for the year was only 1.7m, compared with the original forecast of 1.94m, and this had led to problems which the Company had offset only partially by good performance in the aftermarket and overseas.

The vehicle production forecast for 1979/80, 1.7m, showed no growth. The fundamental problem of the industry could be summarised in an analysis of vehicle production in recent years in the UK, France, and Germany:

in 1965 UK vehicle production stood at 2.5m per annum, a level comparable with Germany and greater than the build in France.

in 1978/79 the vehicle production analysis showed:

UK	1.7m
France	3.5m
Germany	4.5m

This analysis clearly highlighted the contraction of the UK market, a trend unlikely to be reversed in the near future, and served to emphasise the need for the Company to penetrate the buoyant markets of continental Europe. Some progress had been made:

- during the last three years all Divisions had developed product ranges capable of securing business in European markets

- significant contracts had been secured with some major continental customers : five years ago direct exports were negligible, but in 1978/79 the total was approximately £46m.

Over the next two years, however, the Company planned to increase export business to £80m; if this target was not met contraction of the Company would follow. The key to the future stability and subsequent growth, of the Company lay in increased export business; opportunities could be maximised only if the Company learned from previous experiences and took appropriate steps now to improve efficiency and competitiveness.

Achievement of the planned additional export business, therefore, was a critical objective, and short term pressures, such as the strengthening in the value of the pound must not be allowed to impede progress. It was clear, however, that the Company faced fierce commercial pressures; in particular the Company was competing with European, Japanese, and American component suppliers, all of whom had high volume home markets, from which they could launch their efforts to secure further business.

To be successful in export markets, therefore, the Company had to improve its performance; comparisons with competitors had been made, and some examples of critical areas for improvement could be detailed:

: continental motor manufacturers, very professional and exacting customers, demanded that components were to specification. High standards were critical if business was to be secured and maintained in the face of alternative suppliers.

: customers insisted on rapid response on, for example, enquiries, prototypes, and samples.

: continuity and reliability of supply was vital; the customers could easily divert business to an alternative supplier, identified as part of their dual sourcing policies.

: the ability to manage the increased product variety, a growing problem in several Divisions, was a major factor in determining success or failure in European markets.

The essential improvement in these areas would be generated by:

- continued investment to ensure that the Company's facilities were compatible with the business demands

- appropriate action to overcome obstacles to securing export business.

Management in the Divisions would be enlisting the involvement of appropriate representatives in joint effort to facilitate and improve export capability and potential. In this context it was not the Company's intention to focus on matters of principle; rather it was necessary that wherever impediments to growth in export markets were identified locally, joint effort should be concentrated on steering a course which did not prejudice the Company's objectives.

Given the current business position and the associated marketing strategy, the Company was looking to hold its economic situation without resort to redundancy. Existing controls, including those designed to keep down overtime and subcontract work to an irreducible minimum, would be retained, but it was essential also that the Company received continuing cooperation from its workforce. The cooperation given to date was recognised, and efforts such as the recent work at BW4 on the Ford Teresa lamps were particularly noted. Extended cooperation and commitment was now critical to maximise both export business and employment opportunities.

2. MATTERS ARISING FROM REPRESENTATIVES' QUESTIONS

a) All Makes

In response to a question concerning the Company's approach to the increasing foreign vehicle parc in the UK, Mr Wilkinson stated that the Company's strategy fell into two parts:

- the drive to secure original equipment business with foreign vehicle manufacturers, which in turn opened up aftermarket opportunities.

- the All Makes programme, whereby the Company was able to offer, progressively, a range of parts to replace non Lucas original equipment.

The All Makes business, which had started only three years ago, had an expected turnover next year of £20m, a clear indication of the growth achieved and the ongoing potential.

b) Ducellier

The representatives invited comment on the progress regarding Ducellier, highlighting in particular the position of Ferodo and the impact on the UK workforce, and repeated their request for a delegation to visit Ducellier.

Mr Wilkinson indicated that recent negotiations with Ferodo had resulted in agreement between the two Companies. It should be noted, however, that two further developments were necessary before the agreement could be operational:

approval of the arrangements by the French Government

agreement of Bendix DBA to sell their shares in Ducellier

It was unlikely, therefore, that there would be an operational agreement before January 1980.

The agreement with Ferodo had been concluded since it provided for arrangements consistent with the Company's marketing strategy. The following features could be highlighted:

Ducellier would be established as a second source to meet, above all, the requirements of European customers.

the volume of business available to Lucas and Ducellier should be sufficient to facilitate ongoing expenditure on Engineering and Design.

there will be growth opportunities for both Lucas and Ducellier.

the UK factories will benefit from being able to supply Ducellier as the latter moved progressively into the Lucas product range.

The terms of the agreement with Ferodo specified that during the first five years Lucas would have operational responsibility for Ducellier. This period would be used by Lucas and Ferodo to explore the potential advantages of increased cooperation. If, after five years, an ongoing arrangement had not been agreed between the two Companies, the next five years would see rotating operational responsibility. In the unlikely event of no agreement after ten years, then a position of deadlock had consciously been provided for.

The Company remained committed to support a visit to Ducellier, providing terms of reference and appropriate arrangements were agreed. The timing of such a visit, however, remained sensitive and Spring 1980 would be the first opportunity, conditional of course upon final ratification of the Lucas-Ferodo agreement.

c) BL/Honda

Replying to a question concerning the implications of the proposed link between BL and Honda, Mr Wilkinson clarified that a final decision on the arrangement between the two Companies was expected by December 1979. Although it was too early to make definitive statements on the implications for Lucas Electrical, the impact would clearly depend on the extent to which BL imported "dressed" engines.

The Company had already registered with Honda its intent to "dress" the engines in the UK, and would be taking all appropriate measures to safeguard its position.

d) Social Club

In response to the representatives asking whether the appointment of Mr Brown as Director and General Manager, Lucas Electrical Limited, would lead to any change in the Company's approach towards the proposed Social Club, Mr Wilkinson confirmed that the Company's position would continue to be based on pertinent considerations only. The results of th planning applications and investigations into the fiscal implications were awaited and would determine future progress.

e) Bought out work

Referring to the Company's policy of bringing back into the factories work sourced externally, the representatives expressed concern at the difficulties experienced in some areas in securing relevant information. They also queried whether additional impetus was necessary, quoting a number of specific jobs which they felt could be carried out in the Diecasting factory.

Mr Wilkinson reaffirmed the Company's intention to hold sub-contract work at an irreducible minimum. Over the course of the last financial year sub-contract expenditure, without allowing for inflation, had been reduced by ~~20%~~ 30%, a clear indication of the effort which was continuing.

All Divisions were bringing in work consistent with the efficient operation of the Company, and General Managers would ensure that appropriate information was not withheld from representatives.

The specific jobs quoted would be the subject of detailed discussion in the Diecasting factory.

f) Shirley site : Supplies facilities

In response to a request for the current plans for the Shirley site, Mr Wilkinson confirmed that it remained the Company's intention to relocate the supplies facilities to Shirley. The clear priority was to move the Oozells Street and Garrison Lane operations; the transport activity, less of a priority, would follow.

The timing of the moves had to be consistent with continuing growth in export business and the huge cash investment needed. In the interim the Company had taken a lease on the Arden Estate to relieve some of the strain on the Oozells Street facility.

G T Plumley
Divisional Personnel Manager
E & S Divison

Appendix 3. Lucas Electrical Limited: Information Request

This information request was prepared by the author on behalf of the SSSC and was submitted to management by the T.G.W.U. District Official.

LUCAS ELECTRICAL LIMITED

INFORMATION REQUEST

1. Please provide details of the case used to make the decision to reduce the workforce by some 3,000 employees.

2. Please provide Profit and Loss Accounts, Balance Sheets and Funds Flow Statements for Lucas Electrical Limited for the last five years and the current year (to date) as these are not published independently of Lucas Trading Limited. State whether forecasts of these financial statements exist. If so, please provide them.

3. Please provide the other background information requested below.

SECTION 1 - SALES INFORMATION

1.1. Please provide data for Vehicle Production (cars, C.Vs. tractors) by country of manufacture.

a) Detail Lucas Electricals market share for each country by product group (e.g. Lighting, Starters etc.) and represent these market shares as sales volumes (units and revenue) by manufacturing site.

The above information should be provided for

(i) The last 5 years.

(ii) The current year.

(iii) The next 5 years a) Without redundancies
b) With redundancies

How sensitive are these market shares to changes in pricing policies vis a vis competitors, and state price elasticities by product group. Indicate the proportion of business secured by long term contracts. Are such long term contracts negotiated in sterling or local currencies. Please state rates of exchange used to convert foreign currencies to sterling.

1.2. Please provide data with respect to replacement business and detail as in 1.1. above.

1.3. General Motors have plans to produce a 'world car' in Saragossa and Cadiz from 1982. Within 1.1. and 1.2. what levels of production are assumed with respect to this business.

1.4. Where Lucas Industries subsidiary or associated companies supply markets identified in 1.1. and 1.2., provide details of their sales volume (units and revenue) by country, by product grouping, by manufacturing site.

SECTION 2 - PRODUCTION CAPACITY AND UTILISATION

2.1. Please provide details of productive capacity (defined by such measures as standard hours; number of employees etc. please indicate which definition is used) and indicate the level of utilisation by

a) Site

b) Product

The above information should be provided for

i) The last 5 years

ii) The current year

iii) The next 5 years
a) Without redundancies
b) With redundancies

2.2. For each product group detail by site, the amount of work currently sub-contracted. State the number of standard hours involved, and for those products which are both sub-contracted and produced in-house indicate direct product cost, and the average sub-contracted cost per unit.

2.3. Where subsidiary companies of Lucas Industries are sub-contracting work, how does the tendering system work? Also, do special provisions exist to direct work to other Lucas subsidiary companies in preference to external suppliers? Please state whether Lucas Electrical has undertaken such work; and whether future plans allow for such work. State the number of standard hours involved by site.

2.4. What is the appraisal system for determining whether components should be 'bought-in' or 'made-in'. Does the Division currently have facilities to reduce the level of 'bought-in' components; and if so, please state the number of standard hours of work involved, currently and over the next five years.

2.5. Is Lucas Electrical prepared to undertake work on a 'contribution basis'? Define how 'contribution' is calculated. Is the Division currently undertaking 'contribution business' and are there any plans to undertake more of this type of business? State number of standard hours involved.

SECTION 3 - MANUFACTURING AND OVERHEAD COST INFORMATION

3.1. For the Lucas Electrical sales identified in Section 1.1. and 1.2. provide a cost analysis by site; by product group (original equipment and replacement) and by country showing

a) Direct Materials

b) Direct Labour

c) Overheads : Production
Engineering and Design
Production Engineering
Sales
Distribution
Personnel
Admin. and Accounting
Rents, rates and insurance

Payment to Government e.g. NI.
Depreciation

The above information should be provided for

i) The last 5 years

ii) The current year

iii) The next 5 years a) Without redundancies
b) With redundancies

SECTION 4 - PROFIT AND CASH FLOW ANALYSIS

4.1. For the Lucas Electrical sales identified in Section 1.1. and 1.2. provide statements of profit (before tax and interest) by site, by product (O/E and Replacement) and by country of sale.

The above information should be provided for

i) The last 5 years

ii) The current year

iii) The next 5 years a) Without redundancies
b) With redundancies

4.2. Express profit performance as detailed in 4.1. as a percentage of capital employed by product group and site. Please define the measure of capital employed.

4.3. For product groups and site provide Cash Flow Statements for the time periods stated in 4.1.

SECTION 5 - CAPITAL INVESTMENT AND R & D EXPENDITURES

5.1. Please provide details of Lucas Electrical's capital investment programme (including low value capital items, installation cost etc. charged to revenue); R & D expenditure, both expenditures to be identified by site (both UK and overseas) and product group, and classified by purpose etc. cost reduction; product development, machine replacement etc.

The above information should be provided for

i) The last 5 years

ii) The current year

iii) The next 5 years a) Without redundancies
b) With redundancies

Where such investments have led to a direct change in the levels of employment please give details.

5.2. What criteria are used to judge the various types of investment? What are the Division's minimum objectives against each of these criteria?

5.3. Lucas Electrical has recently suspended the development of a 'small motor' factory at Chester Road. At which site is this investment now to be undertaken?

5.4. In the last 5 years have any 'employment creating' investments (such as in 5.3. above) been rejected on the basis of financial or other criteria? If so, please give details regarding nature, employment effects, capital investment required etc.

5.5. What capital investment expenditure would be required to eliminate/reduce the level of 'bought-in' work identified in 2.4. above. What would be the 'employment effects' of such investments?

Appendix 4. Lucas Industries: Statement to Employee Representatives on the State of the Company

This document was circulated to all Lucas Industries wage negotiating groups to explain the company's 'non-negotiable' wage offer.

LUCAS INDUSTRIES

STATEMENT TO EMPLOYEE REPRESENTATIVES ON THE STATE OF THE COMPANY

INTRODUCTION

THE OBJECT OF THIS STATEMENT IS TO CONVEY TO OUR EMPLOYEES VIA YOU THEIR REPRESENTATIVES THE SITUATION IN WHICH LUCAS INDUSTRIES IS AT PRESENT TRADING AND IS FACING IN THE NEXT FINANCIAL YEAR. IT IS BEING MADE IN THE HOPE AND EXPECTATION THAT IN SUCH DIFFICULT CIRCUMSTANCES AS ARE CLEARLY WITH US NOW - AND ARE EXPECTED TO CONTINUE INTO THE FORESEEABLE FUTURE - YOU AND THOSE YOU REPRESENT CAN SEE THE NEED TO ACT WITH THE UTMOST COMMONSENSE, CAUTION AND REASONABLENESS SO THAT THE COMPANY MAY EMERGE FROM WHAT ALREADY IS AND PROMISES TO BE THE MOST ADVERSE SITUATION IT HAS EVER FACED, AND EMERGE IN A CONDITION IN WHICH IT WILL BE ABLE TO BENEFIT FROM FUTURE OPPORTUNITIES.

WHAT IS THE SITUATION?

A) THE FIRST POINT OF REFERENCE MUST BE THE LUCAS INDUSTRIES LIMITED INTERIM REPORT WHICH COVERED THE PERIOD FOR THE HALF YEAR TO 31 JANUARY 1980. YOU WILL REMEMBER THIS PERIOD INCLUDED THE ENGINEERING STRIKE. OVERALL OUR PROFITS WERE ONLY £12.3 MILLIONS - (HALF THE LEVEL OF THE PREVIOUS YEAR) AND THIS CONTAINED A LOSS IN THE UK OF £1.8 MILLIONS. THE REST CAME FROM ABROAD. THE COST OF THE STRIKE WAS £20 MILLION IN PROFITS AND ALSO MEANT A LOSS OF CASH - WHICH IS LOST, NEVER TO BE RETRIEVED.

I WOULD LIKE ALSO TO POINT OUT THAT THE PROFIT FIGURES JUST MENTIONED ARE BASED UPON PRESENTLY ACCEPTED ACCOUNTING METHODS WHICH TAKE NO ACCOUNT OF THE EFFECTS OF

INFLATION. A MEASURE OF SUCH EFFECT WAS SHOWN IN THE 1979 LUCAS ACCOUNTS - WHEN THE PROFIT BEFORE TAX FOR THAT YEAR AT £ 71 MILLIONS BECAME ONLY £29 MILLIONS AFTER PROVIDING FOR INFLATION. IN EFFECT, THIS MEASURES THE EXTRA COST OF PROVIDING FOR THE REPLACEMENT OF OUR PLANT AND EQUIPMENT AT PRESENT PURCHASE PRICES RATHER THAN WHAT WAS ORIGINALLY PAID MORE THAN 15/20 YEARS AGO - AND ALSO MEASURES THE EXTRA COST OF HOLDING STOCKS OF RAW MATERIALS, BOUGHT-OUT PARTS, WORK IN PROGRESS AND FINISHED GOODS.

BASED UPON THAT GAP - £ 71m DOWN TO £29 MILLIONS - IE £41 MILLIONS IN A FULL YEAR - IT IS NOT DIFFICULT TO SEE THAT ON THE SAME BASIS HAD SUCH FIGURES BEEN PUBLISHED AT THE HALF YEAR STAGE, THE WHOLE GROUP WOULD HAVE SHOWN A SIGNIFICANT OVERALL LOSS AND A VERY HEAVY LOSS IN THE UK.

MAY I EMPHASIZE THAT THIS IS NOT JUST TO MAKE THE FIGURES LOOK WORSE - THEY ARE WORSE AND THAT IS WHY, AS A PUBLICLY QUOTED COMPANY, WE ARE OBLIGED TO DECLARE THEM IN THIS WAY IN OUR 12 MONTHS ACCOUNTS - AND WHY THE GOVERNMENT ALLOWS SOME OF THIS TO BE OFFSET AGAINST OUR TAX BILL TO AVOID PAYING TAX OUT OF THE MONEY WE NEED TO SUSTAIN OUR BUSINESS ASSETS.

B) ALTHOUGH THE FIRST SIX MONTHS WERE ESPECIALLY BAD, THEY WERE NEVERTHELESS A REFLECTION OF THE TREND DOWNWARDS THAT HAS BEEN TAKING PLACE IN OUR PERFORMANCE FOR SOME TIME.

THERE HAVE BEEN A NUMBER OF VERY SIGNIFICANT FACTORS WHICH HAVE MADE SUCCESS DIFFICULT TO ACHIEVE:

1) FIRST AND FOREMOST, WE NOW HAVE IN THE AUTOMOTIVE INDUSTRY IN THE UK A VERY WEAK AND DECLINING HOME MANUFACTURING BASE INTO WHICH WE CAN SELL OUR PRODUCTS.

1) CONTINUED

THE FIGURES ARE SO BAD, THEY ARE HARD TO BELIEVE VIZ:

IN 1970 THE VEHICLE PRODUCTION IN THE MAJOR PRODUCING COUNTRIES OF THE WORLD WAS AS FOLLOWS:

	MILLIONS OF VEHICLES 1970	1979	% CHANGE
WEST GERMANY	3.9	4.25	+ 9
FRANCE	2.75	3.62	+ 32
SPAIN	0.54	1.12	+107
USA	8.28	11.47	+ 38
JAPAN	5.29	9.63	+ 82
ITALY	1.85	1.63	- 12
UK	2.10	1.48	- 30

THE EFFECT OF THIS IS TWO EDGED:

IT WEAKENS US AS OUR BASE BUSINESS REDUCES AND IT STRENGTHENS OUR COMPETITORS AS THEIR HOME BASES EXPAND.

THIS HAS ALSO BEEN THE PICTURE, BUT NOT SO BAD, IN OUR OTHER PRIME MARKET, DIESEL ENGINES.

	000's OF ENGINES 1973/4	1979/80	% CHANGE
UK	633	614	- 3
FRANCE	252	428	+ 70
WEST GERMANY	539	1,045	+ 94
ITALY	238	328	+ 38
SPAIN	132	191	+ 45
USA	523	995	+ 90
JAPAN	537	1,002	+ 87

THE ONLY MARKET SHOWING DECLINE SINCE 1973/4 IS THE UK. THE PRINCIPAL MARKET IN WHICH OUR MAJOR COMPETITOR OPERATES HAS ALMOST DOUBLED.

11) OUR ANTICIPATION OF THIS CONTRACTION HAD LED US TO PURSUE, WITH SOME SUCCESS, THE PATH OF EXPORTING FROM OUR UK FACTORIES INTO THOSE MARKETS ABROAD WHERE EXPANSION HAD BEEN TAKING PLACE.

HOWEVER, THIS STRATEGY - WHICH MUST BE AND IS THE MOST CONSTRUCTIVE IN TERMS OF PRESERVING THE WELL BEING OF OUR UK FACTORIES AND THOSE WHO WORK IN THEM HAS BEEN GETTING MORE AND MORE DIFFICULT. THIS IS BECAUSE OF THE COMBINED EFFECT OF TWO FACTORS:

1) INFLATION IN COSTS AND DOMESTIC PRICES IN THE UK HAS BEEN FAR HIGHER THAN IN THE COUNTRIES INTO WHICH WE SELL OUR PRODUCTS AND COUNTRIES WHERE OUR COMPETITORS MANUFACTURE.

EG	MID 75 TO MID 80 PRODUCER PRICES
GERMANY	+ 22%
FRANCE	+ 59%
USA	+ 57%
JAPAN	+ 27%
ITALY	+107%
UK	+ 97%

THIS DIFFERENCE PASSES INTO OUR PRODUCTION COSTS.

2) IN THE EARLY PART OF THE PERIOD REFERRED TO - IE UP UNTIL MID '77 THIS EXTRA INFLATION WAS OFFSET BY A WEAKENING OF THE £ STERLING TO $1.75 AND AGAINST THE DM TO 3.85 THE FR. FRANC TO 8.6 AND THE JAPANESE YEN TO 404.

TODAY IS A VERY DIFFERENT STORY. THE £ STERLING IS HIGH, ONE POUND WILL NOW BUY $2.34, DM 4.1, F..Fr 9.6 AND YEN 506 - IN SPITE OF HIGH INFLATION. THE EFFECT IS TO MAKE OUR PRODUCTS VERY EXPENSIVE TO FOREIGN

II) CONTINUED

CUSTOMERS - AND JUST AS BAD - IF NOT WORSE - IT MAKES THE UK A VERY ATTRACTIVE MARKET FOR OTHERS TO ATTACK.

THIS IS WHY BL IS SERIOUSLY LOOKING AT JAPANESE AUTOMOTIVE COMPONENTS.

FIGURES WE HAVE COMPILED SHOW QUITE CLEARLY THAT SINCE MID 1975 OUR COMPETITORS/CUSTOMERS HAVE BECOME 20%-25% MORE COMPETITIVE THAN US. THERE ARE NOW MANY SITUATIONS IN OUR COMPANIES WHERE OUR SELLING PRICES INTO FOREIGN MARKETS ARE HIGHER THAN OUR COMPETITORS AND AT THE SAME TIME DO NOT EARN US A PROFIT. ALSO, IT FOLLOWS THAT THERE IS NO CHANCE OF PASSING ON TO THOSE CUSTOMERS OUR ADDITIONAL COSTS IN THE FORM OF PRICE INCREASES. THE RESULT WOULD BE TO LOSE BUSINESS AND DEFEAT THE PURPOSE OF THE EXPORTING WHICH IS TO SUSTAIN OUR UK PRODUCTIVE CAPACITY AND PEOPLE.

III) A FURTHER FACTOR WHICH COULD HELP TO BRIDGE THE GAP IS PRODUCTIVITY. IN THE MOST SIMPLE TERMS THAT MEANS ACHIEVING A GIVEN LEVEL OF OUTPUT WITH A MINIMUM OF RESOURCES. OUR RECORD HERE IS DISAPPOINTING WITH NO IMPROVEMENT SHOWING FOR THE LAST FIVE YEARS. THE IMPROVEMENT OF PRODUCTIVITY IN THE GROUP BY ACCEPTING, MANAGING AND GRASPING THE NEW TECHNOLOGIES FAST BECOMING AVAILABLE TO US - AND OUR COMPETITORS - MUST BE A KEY OBJECTIVE FOR ALL EMPLOYED IN THE GROUP.

IV) THE COMMENTS ON COMPETITIVENESS AND PRODUCTIVITY APPLY EQUALLY <u>TO ALL</u> OUR UK BUSINESSES. WHERE THERE IS A DIFFERENCE, HOWEVER, IT IS IN THE LONG-AWAITED UPTURN IN THE AEROSPACE INDUSTRY WHICH IS NOW

IV) CONTINUED

OCCURRING. THIS IS GIVING THE AEROSPACE COMPANY THE OPPORTUNITY TO EARN PROFIT AND MAKE A CONTRIBUTION AFTER MANY YEARS OF POOR RESULTS AND SUPPORT FROM THE REST OF THE GROUP. ITS LONG UNDERUTILISED FACTORIES ARE BUSY AND PAST RESEARCH AND DEVELOPMENT EXPENDITURE IS NOW PAYING OFF.

I HAVE JUST REVIEWED THE LONGER TERM TRENDS WHICH HAVE BEEN AFFECTING OUR AFFAIRS OVER THE LAST TWO YEARS OR SO AND THESE ARE STILL CONTINUING. THERE IS, HOWEVER, A FURTHER FEATURE TO ADD TO THIS ALREADY DIFFICULT ENVIRONMENT, NAMELY A WORLD ECONOMIC RECESSION.

THIS HAD BECOME MOST APPARENT IN THE LAST FEW MONTHS AND ITS EFFECT UPON OUR CUSTOMERS AND OUR OWN COMPANIES IN THE AUTOMOTIVE INDUSTRY HAS BEEN VERY SERIOUS. IT WILL HAVE PREVENTED US FROM HAVING A GOOD SECOND HALF TO OUR FINANCIAL YEAR UPON WHICH WE HAVE RELIED IN THE PAST.

LET US JUST CONSIDER THE SITUATION WORLD-WIDE:

- A FEW HEADLINES <u>FROM THE USA</u> -

A THIRD OF THE MOTOR INDUSTRY WORKFORCE - 275,000 IS AT PRESENT LAID OFF. AS A WHOLE, US MANUFACTURERS SOLD ONLY 484,000 CARS IN MAY - 36% LOWER THAN IN MAY LAST YEAR. FORD AND CHRYSLER ARE MAKING HUGE LOSSES.

FORD IN IST QUARTER LOST $475m IN US
CHRYSLER IN IST QUARTER LOST $449m IN US

MASSEY FERGUSON IS TO SUSPEND PRODUCTION AT ITS PLANTS IN CANADA AND USA FOR THREE MONTHS FROM IST AUGUST 1980. THIS FOLLOWS A HUGE FALL IN THE SALE OF FARM TRACTORS AND COMBINE HARVESTERS. GENERAL MOTORS HAS REDUCED ITS QUARTERLY DIVIDEND.

- IN CONTINENTAL EUROPE :

THE FRENCH CAR MARKET BEGAN TO DETERIORATE IN LATE '79 AND CONTINUED TO DECLINE. OUTPUT WAS CUT BACK. CITROEN CLOSED ITS PLANTS FOR FIVE DAYS DURING MAY. PEUGEOT AND RENAULT HAVE ALSO CUT BACK.

IN ITALY, FIAT WAS REPORTED TO BE LAYING OFF 78,000 WORKERS TEMPORARILY BECAUSE OF A SHARP DECLINE IN EXPORT SALES - INTO THE FRENCH, GERMAN AND BRITISH MARKETS.

- IN UK

HIGH SALES OF NEW CARS IN JAN/FEB - NEARLY SIX OUT OF TEN BEING IMPORTED - WAS FOLLOWED BY A SHARP SLUMP IN APRIL - 40% DOWN ON THE MARCH TOTAL AND ONE THIRD DOWN ON THE YEAR BEFORE. IN MAY, LOW SALES WERE AGAIN RECORDED - FOLLOWING THE SAME TREND. BL SHARE WAS 18%.

COMMERCIAL VEHICLE SALES WERE ALMOST 20% DOWN ON LAST YEAR'S LEVEL.

YOU WILL NO DOUBT HAVE SEEN IN THE NEWSPAPERS WHAT THIS IS DOING TO OUR CUSTOMERS AND OTHER COMPONENT SUPPLIERS.

VAUXHALL ANNOUNCED A LAY-OFF OF 5,000 AT ELLESMERE PORT, FORD IS LAYING OFF 3,200 AT DAGENHAM AND HAS CALLED FOR 2,300 REDUNDANCIES. TALBOT IS CUTTING THE WORK-FORCE AT LINWOOD BY A FURTHER 1,300. SHORT-TIME WORKING ON TRUCKS HAS BEEN ANNOUNCED BY FORD, ERF AND SEDDON AND OUTPUT OF AGRICULTURAL TRACTORS AND PERKINS ENGINES IS ALSO BEING SHARPLY REDUCED. BL, AS YOU KNOW, TOOK EARLIER ACTION AND LAID OFF THE WORKFORCE

ON MOST MODEL LINES IN FEBRUARY.

THE TALBOT UK COMPANY DOUBLED LOSSES IN 1979 TO £41 MILLIONS, CHLORIDE PROFITS FELL SHARPLY FROM £29m TO £19m DUE TO THE VIRTUAL COLLAPSE IN DEMAND FOR AUTOMOTIVE BATTERIES - AND THERE WERE 700 REDUNDANCIES IN LATE '79.

IN SPITE OF THE RISING ACTIVITY IN THE AEROSPACE INDUSTRY, ROLLS ROYCE INCURRED A LOSS OF £58m IN 1979 ON RECORD VOLUME. THIS ILLUSTRATES VERY CLEARLY THE HIGHLY ADVERSE EFFECTS OF DOMESTIC COST INCREASES AND A STRONG £ - AS ROLLS ROYCE SOLD THE RB211 ENGINE IN FIXED DOLLAR PRICES AT A TIME WHEN THE EXCHANGE RATE OF $1.8 TO £ - A MATTER TO WHICH I REFERRED EARLIER.

OUTLOOK FOR NEXT YEAR

AS EACH DAY PASSES SO THE NEWS DETERIORATES AS THE RECESSION DEEPENS. OUR FORWARD LOOK IN THE UK AUTOMOTIVE SECTOR IS SHOWING THAT PRODUCTION IS EXPECTED TO BE EVEN LOWER IN OUR 80/81 YEAR THAN IN THIS YEAR - WHICH YOU WILL REMEMBER WAS BADLY AFFECTED BY THE ENGINEERING DISPUTE AND CURRENTLY BY LOW SALES - AND IS AN ALL TIME LOW. THERE ARE OPPORTUNITIES FOR EXPORTS WHICH WILL GIVE SOME SMALL HELP IN VOLUME TERMS BUT ARE ALREADY TAKEN AT PRICES FAR FROM SATISFACTORY. THIS GENERAL OUTLOOK AFFECTS ALL OUR UK AUTOMOTIVE COMPANIES.

THE ONLY EXCEPTION TO THIS GLOOMY SITUATION IS LUCAS AEROSPACE WHERE A VERY SIGNIFICANT INCREASE IN SALES AND PRODUCTION IS REQUIRED TO MEET CUSTOMER DEMAND. EVEN HERE, HOWEVER, THERE ARE INDICATIONS OF A WEAKENING IN ACTIVITY AS THE RECESSION PUTS A SQUEEZE ON THE AIRLINES.

CONCLUSION

WE ARE CLEARLY IN AN EXTREMELY BAD TRADING SITUATION. THE TASK FOR THE NEXT TWO YEARS WILL BE TO SURVIVE THE MOST CRITICAL SITUATION WE HAVE EVER EXPERIENCED UNTIL THE RECESSION IS OVER. THERE WILL BE MANY COMPANIES THAT WILL NOT GET THROUGH BUT WE ARE DETERMINED TO SUCCEED AS THIS IS IN THE LONGER TERM INTEREST OF ALL THOSE WHO WORK FOR LUCAS.

IT MUST BE REALISED THAT LUCAS INDUSTRIES IS NO MORE THAN THE SUM OF ITS PARTS - AND THE FORTUNES OF LUCAS INDUSTRIES DEPEND ENTIRELY UPON THE SUCCESS OF THE COMPANIES WHOSE PEOPLE YOU REPRESENT.

THERE ARE A FEW VERY CLEAR ISSUES:

- WE HAVE TO TRY TO EXPORT MORE - IN SPITE OF THE DIFFICULTIES.

- WE HAVE TO INCREASE OUR SHARE OF THE UK MANUFACTURERS BUSINESS - OTHERS WILL BE TRYING TO TAKE THAT SHARE FROM US.

- WE HAVE TO KEEP DOWN ALL OUR COSTS - IE MATERIALS, LABOUR AND OVERHEADS - BY BETTER PURCHASING, BY PAYING WAGE LEVELS WE CAN AFFORD AND BY SIGNIFICANTLY IMPROVING OUR PRODUCTIVITY.
- IT IS CLEAR THAT IN EXPORT MARKETS THE OPPORTUNITY TO RECOVER INCREASED COSTS, IF ANYTHING, IS VERY SMALL AND IN THE UK WE HAVE ALREADY BEEN SERVED NOTICE BY TWO MAJOR CUSTOMERS (BL AND TALBOT) THAT THEY WILL NOT ENTERTAIN PRICE INCREASES IN THE NEXT 12 MONTHS WHICH INCLUDE LABOUR ELEMENTS IN EXCESS OF 7½%. THEY WILL BE SEEKING TO PURCHASE FROM THE MOST COMPETITIVE SOURCES.

Appendix 5. Lucas Electrical Ltd:

Information Relevant to Redundancies Announded 4th June, 1980

Management's response to information request submitted by TGWU District Official (see Appendix 3).

LUCAS ELECTRICAL LIMITED

INFORMATION RELEVANT TO REDUNDANCIES ANNOUNCED 4 JUNE 1980

The redundancy of 3,000 staff and hourly paid employees announced on 4 June 1980 is based purely on volume and the need to match falling sales which next year (1980/81), are expected to be at least 30% below the spring 1978 peak, when employees were at a post-1975 maximum. These notes cover what we regard as the relevant details.

Some vehicle statistics relating to home production are enclosed in Appendix 1 together with the Lucas Electrical Original Equipment Market Share. Our own share of the European market is well under 2% and in view of the fact that we have only minority shareholding in our associate company in France, we have discounted Europe from the considerations.

Figures relating to our total UK production in the manufacturing units over the past five years are given in Appendix 2, expressed as an output volume index quarterly (OVI is equivalent to standard hours). These volumes are set against the total gross payroll employed in full time equivalents. We have also given our next year's future prediction. No-one can forecast beyond one year with any accuracy in this business. From Appendix 2 it will be seen that we had peak production in February/May 1978 (OVI - 280) when we were operating at around 90% of installed capacity. Total monthly overtime was running at 180,000 hours. It will be seen that the number of employees had increased by 3,600 over the 1975 level.

Today, output levels are running at OVI = 210 (employees 17,800) and are expected to fall to 170 -175 by the summer of 1981. Future payroll levels have been calculated by the operating divisions taking into account the need to convert existing stocks of finished units into cash and also the impact of dual/triple sourcing on customers new models, for example, the Metro and the Erika etc. With overtime reduced to a minimum of 50,000 hours per month we expect that no more than 15,250 employees will be required from autumn 1980 onwards.

Appendices, 3, 4 and 5 indicate the volume and employee levels of the three main operating divisions.

Appendix 6 includes miscellaneous information which has been used in various presentations in Lucas and this includes the effects of inflation and the exchange rate on the UK competitive position vis-a-vis the major vehicle producing countries.

Our manufacturing policy over the years has been 'to make in' wherever possible and basically this still applies. Sub-contract has been and will be used to cater for 'peaks' of production and hence, has always been small since we are operating at below our installed capacity. Appendix 7 expresses the cost of sub-contract as a percentage of the total cost of production. It will be seen that the present level is around the post-redundancy figure of 1975/76. It should be noted that 50% of the sub-contract referred to is 'routed' ie, it represents parts of specialist processes for which we have no facilities and is, therefore, routed outside, for example, silver plating.

The other major operating companies in the Lucas Group are specialists equipped specifically for their type of business, for example, braking, diesel fuelling, Aerospace production etc. Therefore, interchange on major work is impossible. Some small components are inter-changed, usually from lower to higher technology factories but never vice-versa. This avoids quality problems.

Until recently our policy was never to accept work on a 'contributory basis'. Now, because of the strength of Sterling and UK inflation much of our export work falls into this category. Also, the major world producers of vehicles (Ford, GM, Chrysler/Talbot) have adopted world sourcing policies to benefit from the surplus capacity currently prevailing in the components industry and this has had the effect of depressing prices. As an example, a GM world car will be made in Spain and this obviously reflects the cost of Spanish labour and all accessories will be sourced within that country.

There are specialist skilled areas, toolrooms, MT development departments where spare capacity exists depending on the load and wherever possible we seek work around Lucas to balance out, and for this reason the impact of the 30% drop in business is not directly reflected in these areas.

From a manufacturing volume consideration the aftermarket accounts for 35/40% of the workload. Over the past five years this ratio has remained virtually constant ie, as the OE volume has dropped, the aftermarket has reduced accordingly.

In terms of investment in basic services, plant and equipment we have spent a total of £46m since August 1975. Of this, £10m has been spent overseas by wholly owned subsidiaries and the remainder in the UK. The comparable figures for nine years which have been quoted are £61m, £14m and £47m respectively.

BUSINESS DEVELOPMENT DEPARTMENT
ECONOMICS AND FORECASTING

INFORMATION FOR WORKFORCE REDUCTION DECISION

I UK VEHICLE PRODUCTION (Units 000's)

	CARS	CVs	TRACTORS	TOTAL	LUCAS ELECTRICAL OE %
1974/75	1355	406	167	1,928	75
1975/76	1325	388	177	1,870	74
1976/77	1347	386	162	1,895	73
1977/78	1359	404	143	1,906	72
1978/79	1183	414	138	1,735	71
1979/80 Estimate	1000	395	130	1,525	70
1980/81 F'cast	960	360	135	1,455	65-67

Figures include Alpine and Solara assembly at Ryton.

II UK CAR AND CV REGISTRATIONS WITH IMPORT PENETRATION

	CARS		CVs	
	REGS (000's)	IMPORT %	REGS (000's)	IMPORT %
1974/75	1236	32.3	241	12.1
1975/76	1236	34.8	212	11.8
1976/77	1294	42.3	221	14.9
1977/78	1495	47.6	249	19.8
1978/79	1743	54.3	291	21.9
1979/80 Estimate	1550	58.0	300	24.0
1980/81 F'cast	1400	56.0	250	25.0

NOTES

1) UK vehicle production was virtually flat from 1974/75 to 1977/78. In 1978/79 there was a fall of 9% with a further estimated fall of 12% in 1979/80. A reduction of 5% is forecast for 1980/81; this is 16% down on 1978/79 and 24% down on 1977/78.

2) UK car production showed no improvement from 1974/75 to 1977/78 despite a 20% increase in new registrations. Production fell 13% in 1978/79, although new registrations increased by 17% to a record 1,743,000. Rising imports and falling exports were responsible. Car production is forecast to fall to 960,000 in 1980/81, 19% below the 1978/79 level new registrations contract to 1,400,000.

3) UK commercial vehicle production remained flat from 1974/75 to 1978/79 even though registrations increased by 21%. CV Production is forecast to fall to 360,000 in 1980/81 due to falling registrations and growing import penetration.

III UK VEHICLE PRODUCTION BY MAJOR MANUFACTURERS (Units 000's)

	BL	FORD	VAUXHALL	CHRYSLER/TALBOT
1974/75	820	506	215	270
1975/76	780	602	189	175
1976/77	808	550	209	207
1977/78	785	597	188	225
1978/79	706	518	189	215
1979/80 Estimate	531	570	141	183
1980/81 F'cast	512	524	128	189

Production of BL vehicles in 1979/80 is estimated to show a 25% decline on 1978/79 and to be 32% down on 1977/78. The 1980/81 forecast shows a further 4% fall on 1979/80.

IV LUCAS ELECTRICAL EXPORTS £MILLION

	OE	P&S (replacement)	TOTAL
1974/75	8.0	NA	
1975/76	8.1	18.4	26.5
1976/77	15.1	21.5	36.6
1977/78	16.5	25.7	42.2
1978/79	22.1	24.3	46.4
1979/80	27.0	23.4	50.4
1980/81 Estimate	31.0	21.0	52.0

This export growth has not been sufficient to offset the reduction in business available in the UK.

In volume terms there has been a drop of 40% in replacement business and this reflects the drop in export of UK vehicles.

V LUCAS ELECTRICAL SHARE OF UK OE MARKET (12 volt)

1974/75	75.1 %
1975/76	73.7
1976/77	74.0
1977/78	69.9
1978/79	70.8
1979/80	69 Estimate
1980/81	65-67 Forecast

Our share has been falling by approximately one percent point per year.

UK CAR PARC: IMPORTED SHARE (Million cars)

	% IMPORTS	TOTAL PARC	HOME	IMPORT
1974	14%	14	12	2
1975	16			
1976	19			
1977	22			
1978	25			
1979	30			
1980 Estimate	33			
1981 Forecast	36	17	11	6

By 1987 imports will account for over 50% of the UK car parc.

	Payroll	Index	Payroll	Index	Payroll	Index	Payroll	Index
August 1975	16222	192	4612	-	2452		2880	-
November	16155	210	4540	-	2419		2855	-
February 1976	16478	222	4652	-	2403	-	2925	-
May.	17192	250	4914	-	2516	-	3020	-
August	17598	210	5052	203	2650	89	3086	190
November	18288	254	5222	240	2796	115	3258	265
February 1977	18715	263	5315	244	2935	156	3323	274
May	18831	248	5321	213	2918	153	3418	263
August	18764	NIL	5301	NIL	2869	NIL	3363	NIL
November	18880	221	5372	207	2913	126	3381	198
February 1978	19421	280	5632	259	2978	151	3473	285
May	19562	284	5746	265	2972	152	3500	285
August	19580	226	5644	214	2935	109	3495	232
November	19216	213	5506	197	2846	101	3459	225
February 1979	18745	222	5348	206	2766	110	3418	233
May	18464	234	5245	209	2719	121	3359	255
August	18329	192	5143	172	2721	100	3302	200
November	18245	236	5090	202	2716	142	3281	226
February 1980	18270	240	5112	212	2658	129	3266	232
May	18030	233	5034	187	2609	124	3258	235
Inspection level. August	17230	210	4806	185	2485	100	3152	210
November	15244	187	4270	182	2004	90	2671	190
February 1981.	15244	180	4270	180	2004	85	2671	185
May	15244	178	4270	180	2004	85	2671	180

THE GROUP'S UNAUDITED RESULTS FOR THE HALF-YEAR TO 31 JANUARY 1980 ARE:

	HALF-YEAR TO 31.1.80 £MILLION	HALF-YEAR TO 31.1.79 £MILLION	YEAR TO 31.7.79 £MILLION
SALES TO OUTSIDE CUSTOMERS	567.15	510.14	1,071.66
SURPLUS ON TRADING	16.34	26.87	74.41
SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES	3.19	3.06	6.23
	19.53	29.93	80.64
INTEREST PAYABLE LESS RECEIVED	7.21	5.84	9.90
PROFIT BEFORE TAXATION	12.32	24.09	70.74
TAXATION	5.67	5.81	17.85
PROFIT AFTER TAXATION	6.65	18.28	52.89
MINORITY INTERESTS	1.04	.53	1.86
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	5.61	17.75	51.03
EARNINGS PER ORDINARY SHARE	5.90p	18.89p	54.30p
DEPRECIATION CHARGED IN ARRIVING AT THE SURPLUS ON TRADING	15.04	13.21	26.05

NB Loss of £1.8 million in the UK.

APPENDIX 6 (b)

VEHICLE PRODUCTION

EXCLUDING TRACTORS

	MILLIONS OF VEHICLES		%
	1970	1979	CHANGE
UNITED KINGDOM	2.10	1.48	- 30
ITALY	1.85	1.63	- 12
WEST GERMANY	3.90	4.25	+ 9
FRANCE	2.75	3.62	+ 32
USA	8.28	11.47	+ 38
JAPAN	5.29	9.63	+ 82
SPAIN	0.54	1.12	+ 107

APPENDIX 6 (c)

INFLATION - PRODUCER PRICES

	MID 1975 TO MID 1980 % INCREASE
ITALY	107
UNITED KINGDOM	97
FRANCE	59
USA	57
JAPAN	27
WEST GERMANY	22

APPENDIX 6 (d)

EXCHANGE RATE MOVEMENTS

		£1 STERLING =		
		MID 1975	MID 1977	MID 1980
USA	($)	2.22	1.75	2.34
GERMANY	(DM)	5.40	3.85	4.10
FRANCE	(FF)	9.30	8.60	9.60
JAPAN	(¥)	660	404	506
ITALY	(L)	1,440	1,530	1,950

LUCAS ELECTRICAL LIMITED

COST OF SUBCONTRACTORS AS % OF COST OF PRODUCTION

Year	Subcontract Cost £M	%
1975/76	2.14	1.6
1976/77	3.74	2.4
1977/78	3.15	1.9
1978/79	3.16	1.72
1979/80 (10 months)	2.93	1.71
1980/81 Estimate	3.44	1.71

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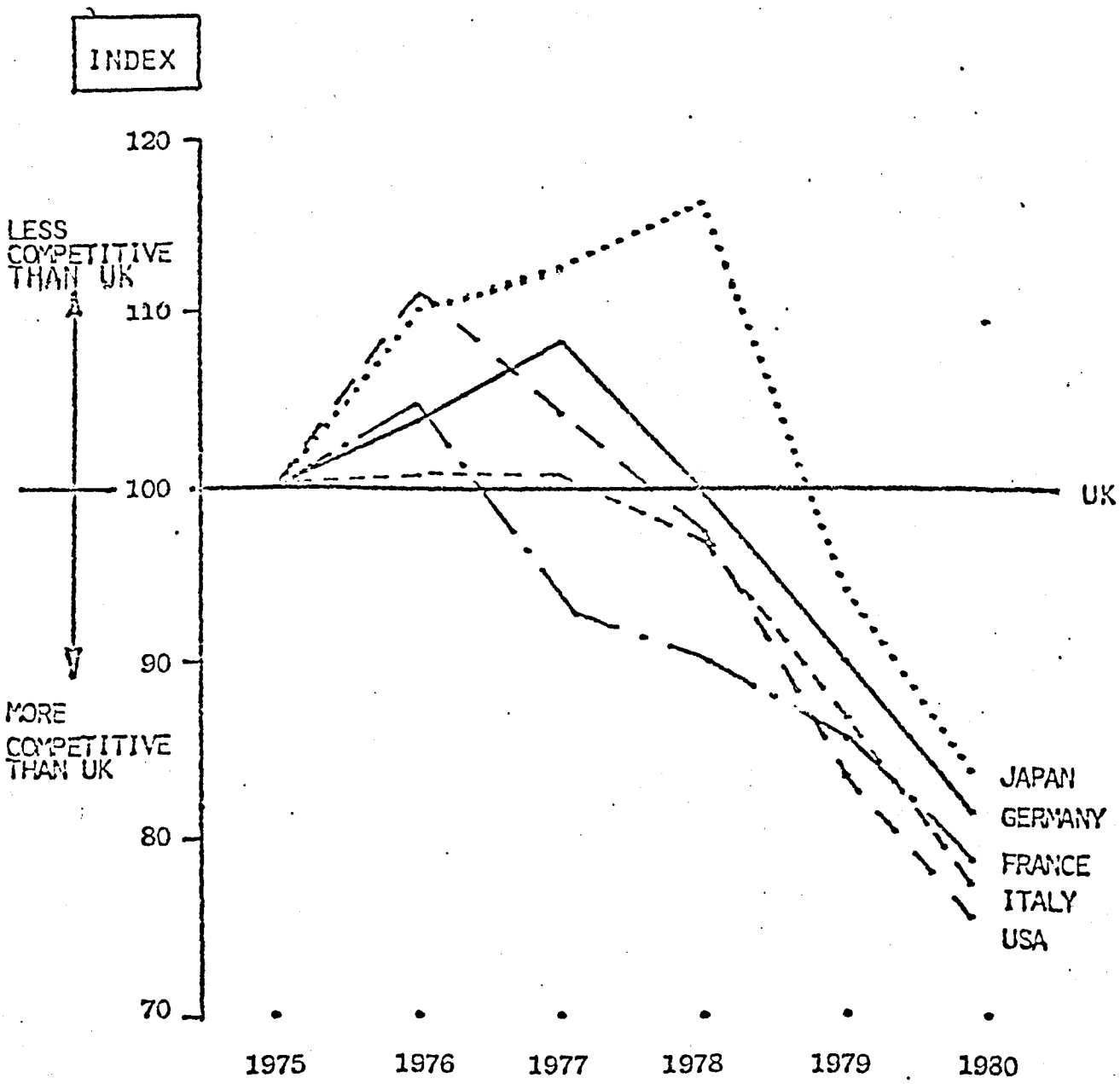
1979/80 (10 months)	2.93	1.71
1980/81 Estimate	3.44	1.71

THE COMBINED EFFECT OF INFLATION AND EXCHANGE RATE MOVEMENTS

(MID 1975 = 100)



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