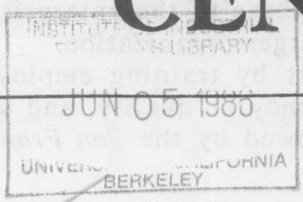


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## LEARNING THE ART OF FULL EMPLOYMENT: UAW & NUMMI

by David Stern

The three-year contract signed in June by the UAW and New United Motor Manufacturing, Inc. (NUMMI) received a lot of publicity--and rightly so. The experiment undertaken by the GM-Toyota joint venture in Fremont will test whether a whole new set of management practices can work in the American automobile industry. If the experiment succeeds, it could point the way toward achieving nothing less than sustained full employment in this country.

Standard American management practices have made it difficult to sustain full employment here. Whenever the unemployment rate has gone down to the point where there are nearly as many available jobs as there are people who want to work, companies have had trouble maintaining high productivity, in part because quit rates and absenteeism have gone up sharply. The new contract at NUMMI may avoid this problem. It provides good enough working conditions and compensation that relatively few employees probably will want to quit the company if a sustained economic expansion makes other good jobs available. It also protects employees against layoffs during economic downturns. And it commits everyone to keeping the company competitive by constantly improving productivity.

Employment practices by individual companies cannot, by themselves, sustain full employment, no matter how enlightened these practices may be. They must be supported by appropriate macroeconomic policies. But macroeconomic policies also cannot do the job alone. Sustaining full employment will require more companies and unions to move in the direction of the UAW-NUMMI contract.

**Avoiding Layoffs**--First of all, the new contract contributes to full employment in a direct way by committing NUMMI not to lay off employees "unless compelled to do so by severe economic conditions that threaten the long-term viability of the company." Before resorting to involuntary layoffs, the company is required to reduce executive salaries, assign previously subcontracted work back to the bargaining unit, and solicit voluntary layoffs. This important provision follows the practice of major Japanese firms. Instead of laying off employees during business downturns, these companies use slack time for retooling, preventive maintenance, and training. These activities make the enterprise more productive and profitable when business picks up again.

This is a major departure from standard American labor contracts, which regulate layoffs but do not avoid them. Because they have not insisted on using layoffs only as a last resort, unions have had to accept situations where some members are on layoff even while other members are working overtime--for the same company. By accepting layoffs as a fact of life, these standard practices have permitted unnecessary unemployment during downturns, and have not minimized costs of production during upswings.

**Involving Employees in Improving Productivity**--A vital part of the bargain between UAW and NUMMI is the expectation that all employees will try to improve productivity, all the time. The first article of the contract commits the parties to "building and maintaining the most innovative and harmonious labor-management relationship in America." The contract also includes a provision on "standardized work," which protects employees in principle against having to work too fast, and creates a two-step procedure for joint resolution of any problems arising from work standards. But the most important contract provision for enlisting employees in the ceaseless search for higher productivity is the endorsement of the team concept, according to which employees are organized in teams of approximately five to ten members who share responsibility and rotate jobs.

BERKELEY, CA 94720  
(415) 642-0323

UNIVERSITY OF CALIFORNIA, BERKELEY

CENTER FOR LABOR RESEARCH AND EDUCATION  
INSTITUTE OF INDUSTRIAL RELATIONS



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The team concept is not particularly Japanese, and it is not new. It builds on the simple idea that human beings tend to form strong emotional bonds in small groups like families. If these small groups are part of an organization in which people want to contribute to the enterprise as a whole, then the small group attachments can reinforce commitment to the larger organization.

NUMMI is trying to mobilize that kind of commitment by training employees to work in teams, encouraging them to contribute ideas for improving efficiency or quality, and generally treating them with trust and respect. For example, a team leader interviewed by the *San Francisco Examiner's Image* magazine reported,

*Any team member can call for a group meeting to discuss our work--and NUMMI will pay us overtime for the discussion. I can't tell you how important that sort of thing is, the notion that they trust us. We don't punch in or out anymore. We don't have to get passes to go to the medical clinic. It's made us care about the quality of these cars. American cars were famous for their sloppy work. But now, we have this feeling that we're in it together. (October 6, 1985, p. 28.)*

**Keeping Employees Satisfied--**Maintaining this "gung-ho" spirit requires more than pep talks. Basic pay and benefits have to be good--and the new contract meets national UAW standards on those accounts. There are also some unusual amenities at NUMMI, like carpets on the floor and optional calisthenics to limber up for work. And there are symbols that affirm "we're in it together"; for instance, managers wear the same uniform jacket as employees on the line.

After NUMMI and its employees pass through their honeymoon period, material compensation and amenities will help maintain employees' belief that it is a good place to work. This belief is important in preventing the high absenteeism and turnover that plague employers whenever economic prosperity enlarges the number of good alternative jobs for employees to choose from.

**Sustaining Full Employment--**The UAW-NUMMI contract provides a model of the kind of bargain that helps make full employment sustainable. In bad times, employees are protected against layoffs. In good times, the company is protected against quits. In any kind of economic climate, the enterprise maintains and improves its competitive position by keeping everyone involved in the effort for ever-higher productivity and quality. Let's hope it all really works that way.

- David Stern

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