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UAW/NUMMI: THE FREMONT, CALIF. EXPERIMENT

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The joint venture operation between General Motors and Toyota to produce automobiles using UAW workers in the old GM plant in Fremont, California has resulted in exciting, new industrial relations and production systems. NUMMI (New United Motor Manufacturing, Inc.), as the joint venture is called, produces a high quality car with an extremely productive unionized workforce. The plant's quality and productivity match that of Toyota factories in Japan. Labor relations are harmonious as labor and management use a non-confrontational, cooperative approach. Employees work in teams that emphasize joint problem-solving, and they have a strong no lay-off commitment from the company. After four years of production and two contracts negotiated, NUMMI has shown it has constructed a successful triangle of company performance, job security, and training. Underlying the triangle is a labor relations system that emphasizes trust and respect while it involves workers in the decision-making process. Both formal training programs and informal on-the-job training provide workers with the many skills they need, including problem solving, quality control, communication, conflict resolution, safety, and ergonomics, along with learning the actual production-line jobs themselves.

Background

The aim of the Joint Venture was to produce a high-quality automobile at a competitive price. It grew from Toyota's desire to gain experience working with U.S. workers, unions, and suppliers and General Motor's desire to learn the efficient Toyota production system. In September 1983, after a period of intense negotiations, the Joint Venture and the UAW signed a letter of intent which recognized the UAW as the bargaining agent and contained a commitment to hiring a majority of employees from the former workforce. In addition, NUMMI would not be bound by former agreements with GM, although it would pay prevailing U.S. auto industry wages and benefits. The UAW agreed to using a team concept and broad job classifications.

Approximately 3,000 applicants were returned from the former workforce. NUMMI and the UAW local jointly selected the workforce, after each applicant completed a three-day assessment. All of the production workers, and three-fourths of the craft workers hired were former employees, with only four grievances being filed on hiring decisions. In addition, well-known union activists were included among those hired. The selection process did not weed out workers; rather it became part of the process of building trust and of teaching workers the Toyota production system.

NUMMI is committed to training its workers in order to ensure high quality and productivity. Each new team member received four days classroom training. Production was slowly increased over a period of one year, beginning in December 1984, in order to maintain quality and allow for on-the-job training. Full production for the first shift was reached in November 1985. First shift members trained the second shift members, and in April 1986, NUMMI reached full, two-shift production of 940 vehicles per day.

Market conditions necessitated line speed reductions in June 1986 and three times in 1987. No team members were laid off. Instead, the time was used for members to work in other jobs, especially "continual improvement" teams, plant maintenance, and training programs. Demand for output was improved by adding production of the Corolla FX16 in 1986.

Overall, the performance of NUMMI is impressive. Measured defects meet Toyota's high standard. Unexcused absences have been reduced. In four years only 257 grievances have been filed;

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235 were resolved, 22 are still open, and only three were referred to arbitration. The goal of producing a high quality car at competitive prices within a cooperative labor-management system has been reached.

The NUMMI Labor-Management System

The key to NUMMI's success is the application of the team concept to reorganize production in the context of union-management cooperation. Employee involvement through teams results in improvements such as reductions in the number of steps needed to accomplish a specific task, or modifications to ease the task, such as installing rubber pads to ease worker strain. These improvements occur because workers are interested in making improvements and because management actively solicits and encourages them. In the first 10 months of 1988, two-thirds (or 1,600 out of 2,400) employees participated in NUMMI's suggestion program. They submitted an average of 3.9 suggestions per person, and NUMMI adopted more than 6,000 of the suggestions.

The team system discourages unscheduled absenteeism. The team leader usually fills in for an absent member. Although NUMMI strictly enforces attendance standards, there have been only 27 discharge cases for "misconduct" in the period from March 1984 to July 1988. In 1985, a Ñno-fault" attendance policy was adopted. Workers with perfect attendance earn one extra day of vacation, while workers with less than standard attendance have some reduction in vacation time. By the first 10 months of 1988, plant attendance rates were 94% overall, 96% excluding vacations, and 98% also excluding leaves of absence; daily absenteeism for all reasons was approximately 2%.

UAW members have benefited from the no lay-off commitment negotiated by the union with NUMMI. Since plant production went down earlier this year, all members have received 48 hours of paid training time in the plant, beginning last March. This avoided cutting a shift. In addition, most members in 1988 (excluding skilled trades and those in training) took nine vacation days and one holiday during plant re-tooling. These arrangements are important to the union, which relies on the no lay-off commitment in lieu of SUB funding.

The efficient operation of the production line means less down time during the work day. The pressure to pass on no defects coupled with the pressures of the line are alleviated by the right of workers to stop the line at any time to correct problems. Stopping the line also allowed an agreement of no-strikes over production or safety standards.

Productivity is also enhanced because fewer supervisors and managers are needed. Several layers of management were eliminated at NUMMI compared to traditional GM plants, and there are a smaller number of managers at each level. Industrial engineers are not needed because workers set work standards directly in consultation with management.

Finally, the cooperation of labor and management means that less time is wasted on strategic but unproductive conflict between the two sides. Fewer resources are devoted to processing grievances and complaints of contract violations when problems can usually be worked out directly and informally on the shop floor. Workers have input into the extensive and constant training programs, and are consulted and informed on many major issues facing the plant.

The union (UAW Local 2244) maintains an active presence in the plant, both on major issues facing the plant as a whole and on issues concerning individual workers. The union has 60 coordinators in the plant, as well as about 15 full-time local representatives. While the local leadership preaches and practices union-management cooperation at NUMMI, it is evident that the power of the UAW enhances the degree of equality and reciprocity between labor and management in the plant. For example, grievances are usually resolved informally and immediately on the shop floor with the aid of union representatives. Another example is the negotiation in 1988 of a new method for selecting team leaders that included input from the union, so that selection was no longer done solely by the group leader.

In contrast to other auto plants, NUMMI appears to have a highly motivated and committed workforce. Union officials report that the workers now take pride in making a high quality product, and the company has shown that it is committed to the workers' quality of work life. Through a series of actions, the company showed its commitment to the workforce: to working with the union, to hiring from the former workforce, to eliciting and responding to worker input, to extensive on-going training programs, and to making no lay-offs during slack periods. The company has made commitments not just to changes that directly save it money. It also agreed to matters that are important to members, such as having full-time union representatives, even when they are not part of the "Japanese system." Important symbolic issues include one parking lot, and one cafeteria. In making these commitments and a no-layoff pledge, the company took a risk that its commitment would not diminish worker productivity.

The union agreed to flexibility in classifications and the team concept, and to a diminished role for seniority. It has shown concern for productivity as well as worker satisfaction, and it has overcome its initial skepticism. In so doing the union took a risk, not knowing whether giving up the protections of narrow job classifications and seniority provisions would only make them more vulnerable to management abuse.

In retrospect, it is apparent that NUMMI enjoyed some unique start-up advantages over other automobile plants. It started with an entirely new management team with a qualitatively different managerial philosophy, and the shutdown provided the opportunity to craft a qualitatively new relationship instead of incrementally changing the old one. Management and the union had to bargain a new contract. Moreover, as a single-plant operation, labor and management could simultaneously bargain all aspects of the employment relationship, whereas in multi-plant companies the wage and layoff provisions in the national agreemen

limit the opportunity to bargain over these issues simultaneously with productivity issues at the local level.

These specific conditions do not suggest that the NUMMI experience cannot be generalized, but instead indicate the factors that facilitate cooperation. In particular the company and the union both took significant risks, not knowing whether the other side would be credible and follow through on its commitments. The two sides succeeded in building increasing levels of commitment to each other through a process that involved risk-taking and trust-building between the two parties. The ongoing commitment to training in the plant and the company's honoring the no-layoff pledge worked to reinforce members' trust. The members' significant contributions to improvements, and the union's efficient handling of grievances, reinforce management's trust. But the trust-building process never ends, since it is part of the daily relationship, which includes conflict resolution and risk-taking based on the expectation that the other side has the company's members' well-being in mind.

The Role of the State

The State of California played an important role in the two-year transition period between the GM-Fremont plant closing and the NUMMI plant opening. Together, the state and the UAW-GM national agreement provided some income maintenance, job placement, and training for the workers, which served as an important bridge between the two production periods. The workers' situation would have been better had they known in early 1982 that the plant would reopen in 1984, so that they could have planned for the transition. The state also supported the training at NUMMI by grants from its Employment and Training Panel, part of the Unemployment Insurance program.

Program to Learn More About NUMMI

NUMMI provides an example of how the team system and employee involvement can work in a unionized plant to improve performance and working conditions. Since many unions and managers, as well as academics, have expressed interest in learning more about the NUMMI system, the Labor Center is proud to sponsor an educational program on NUMMI. The union (UAW) and management have jointly created the program. The teachers will be the rank-and-file members, along with management and union leaders. The educational program will reflect the NUMMI system itself, in that it is a product of labor-management cooperation and employee involvement. We expect that you will learn a great deal from them, and hope you can join us. Please complete the attached form and return it to us if you wish to attend.

This article draws heavily from two sources: *New United Motor Manufacturing, Inc., June 1988*, and Clair Brown and Michael Reich, "When Does Union-Management Cooperation Work? A Look at NUMMI and GM-Van Nuys," in Daniel Mitchell, ed., *Can California Be Competitive and Caring?*, UCLA, 1988.

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