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Automobile Parts

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The Lear Corporation’s plant in Elsie, Michigan, and its union partner, Local 1660 of the United Automobile Workers (UAW) International Union, graphically illustrate global and national forces at play in reaching the goals of remaining competitive while providing for employment protection and job creation. Although the Lear Corporation in the aggregate is a conglomerate business with sales of over U.S.$5.9 billion, each of its auto component plants faces strong pressures from the corporation to demonstrate economic viability and advantage. It also faces pressures from its community to maintain or increase its employment base. The story of this rural plant and its employees’ 35-year journey to remain open and to continue to be awarded new product placements is a typical yet fascinating story for a U.S. firm.

The Lear–Elsie and UAW Local 1660 case demonstrates the ability of collective bargaining practices and noncontractual workplace processes to cope with changing manufacturing paradigms. Between its opening in 1966 and the present, this plant has exemplified three manufacturing models. From 1966 to 1996, the Lear plant was a typical mass production facility. From 1996 to 2000, the plant shifted to a team-based work system closely aligned with the sociotechnical systems model. With the adoption of the 2000 contract with UAW Local 1660, the plant transformed itself into a lean production plant based on the principles of the Toyota Production System (Ohno 1988). The presentation of these contextual factors will be elaborated in the final sections of this chapter, as case findings are augmented with current
(2001) interview data. Attention now turns to the fundamentals of the business, the facility, the collective bargaining relationship, and the pressures toward competition and employment protection/creation at Lear–Elsie.

DESCRIPTION OF THE BUSINESS

The Lear–Elsie plant is part of Lear Corporation, an automotive components supplier. Lear’s goal is to supply every component of an automobile interior in kitted modules suitable for assembly by major automotive producers. The corporation’s worldwide sales were U.S.$9.1 billion in 1999, and it is clearly an expert in the design of seating systems. Lear’s major competitors in the power seating business are Bertrand Pfaume (France), Mariner Corporation (originally Rockwell International), and the Johnson Controls Corporation. Since 1990, four major competitors have left the power seating business. These former competitors are Magna Corporation, Excel Corporation, Thompson Tennessee, and the Dura Corporation. The seat and seat component business is highly competitive worldwide.

HISTORY OF THE FACILITY

Elsie, Michigan, is a town of 700 people, located about 28 miles northeast of Lansing and about 110 miles northwest of Detroit, the major industrial area in the state. It is a farming community with a focus on dairy production and beef cattle. The Lear plant is the only major manufacturing employer in this town.

The plant opened in 1966 and was privately owned. During the 1966–1972 period, it made door latches, hood latches, and manual seat adjusters. The plant was sold to International Telephone and Telegraph (ITT) Automotive in 1973. ITT, which eventually became a division of United Technologies, aggressively pursued power seat assembly and power window regulator business. In the mid 1990s, ITT reconceptual-
Lear’s business strategy was and is to earn an acceptable rate of return while maximizing its share in the market for vehicle interiors. Local 1660 of the UAW represented the employees through all of these ownership changes and had to work through the necessary transitions. Financial results from the first quarter of 1999 indicate that this strategy has been successful for Lear, as the company increased earnings by 6.3 percent compared with the first quarter of 1999.

This Lear–Elsie plant currently manufactures power seat track assemblies, seat frames, torsion bars, and seat recliner mechanisms. Customers include Ford, General Motors, Daimler Chrysler, Saturn, and Toyota. The power seat track assemblies must be assembled to meet high customer standards. Because the driver’s and passenger’s seats are fitted onto these power seat tracks, any squeaks, noise, or wobble in their operation is likely to be immediately noticed by customers as a defect. The plant also has a repair shop capable of repairing seat track assemblies damaged in accidents or returned for other reasons.

The Lear–Elsie plant currently employs about 500 unionized production employees called process specialists, 15 skilled trades employees, 15 unit advisors (formerly supervisors), 8–10 clerical people, and about 8 material analysts and quality analysts in addition to the upper tier of managers. Employment levels have varied widely, though. In 1991, the plant employed 305 assembly employees. By 1995, the product market for sport utility vehicles had boosted the plant labor force to over 800 employees. In 1996, the bubble burst and jobs at Elsie fell from 800 to 258, as ITT management pulled all its Chrysler work from this plant and sent it to a sister ITT plant in Walker, Michigan, near Grand Rapids. Another sister plant in St. Thomas, Ontario (Canada), that did the same work as Lear–Elsie closed in 1996 due to high labor costs. Elsie realized that it had an opportunity to become more competitive by the mid 1990s, but it needed to find a way to survive.

An additional factor in understanding this plant is the turnover in the plant manager position. David Chambers, the current plant manager since 1996, was also plant manager from 1979 to 1987. Other plant managers served from 1987 to 1991 and from 1991 until 1996, while Chambers’ career took him to roles as operations manager for
five ITT plants and then as advanced engineering manager for ITT. He chose to return to the Elsie plant in 1996 and was retained by Lear when that company completed its purchase in 1997.

HISTORY AND BACKGROUND OF COLLECTIVE BARGAINING AT LEAR–ELSIE

Today, approximately 500 workers are represented by UAW Local 1660. The union was formed as Local 1660 in 1969 and has never merged or been amalgamated since then. There was one strike in 1979 that lasted for about 10 days over pension benefits. Use of third parties for arbitration is rare—possibly three or four cases in the last 30 years.

The union–management relationship with ITT was seen as “arm’s length” at best and adversarial most of the time. The company saw all issues in terms of their business objectives. The union described this relationship as “take, take, take” in terms of ITT behavior, and it focused on filing grievances with little sense of any “give and take” in the process.

The 1997 negotiations began with ITT amid a flurry of rumors that the plant would be sold or closed. With three other ITT plants vying for seat track work, the union felt that the company held the upper hand in bargaining. The union had observed ITT changing its focus on automotive work from aggressive pursuit of business to letting workers and engineers be laid off. The workforce hoped for a new owner who would keep the Elsie plant open. Lear Corporation bought the plant and completed the negotiation process in 1997.

Lear Corporation differed from ITT in its stance toward unions. It pledged neutrality and recognized a union that possesses 51 percent of potential member cards stating a willingness to join that union. Furthermore, Lear has stated publicly that it “liked the UAW,” and it enjoyed a good relationship with the international union. The parties have characterized their relationship since 1997 as “cooperative and collaborative.”
COMPETITIVE PRESSURES

Employment in motor vehicle parts and accessories experienced growth in the last two decades of the 1980s. The trend of employment in the industry is presented in Figure 7.1. After a drop in the early 1980s, associated with the recession, employment in the industry began to grow in 1983 and continued to grow through 2000. Over the 20-year period, total employment increased by 57.5 percent, from approximately 349,500 to approximately 553,000. The growth rate in production employment was slightly greater; production employment grew by 60.5 percent, from 268,800 to 431,300.

But this overall growth in employment presented only an opportunity for the Elsie plant. There was no guarantee that all plants in the industry would share equally in this growth, or share at all. More specifically, given the small number of purchasers of motor vehicle parts and accessories, and the large contracts associated with those purchases, a small, stand-alone plant like Lear–Elsie found itself in a continual cycle of high risk, high reward; acquisition of a large contract meant increased employment; loss of a large contract meant a decline in employment.

Figure 7.1 Motor Vehicle Parts and Accessories, Total Employment and Production Employment in the United States, 1980–2000
At the same time, global competition hit the Elsie plant in 1990–1991. Orders appeared from Toyota and Nissan, and suddenly employees realized that they were no longer linked only to domestic automotive production. At about the same time, Ford pulled its valuable Taurus contract from Elsie and gave it to Johnson Controls. Employees were shocked to see several lines closed. Since the plant is set up with decoupled assembly lines for each contract, employees can easily discern exactly which contracts the plant is gaining or losing. Employees no longer assumed that management or “someone” would always keep the Elsie plant supplied with work. Seeing employment drop from the 800s to the 200s in 1995 and 1996 (“high risk, high reward”) demonstrated the vulnerability of this plant, as did the closing of the St. Thomas plant in Canada, and ITT’s decision to move Chrysler work to the Walker plant.

COLLECTIVE BARGAINING, COMPETITIVENESS, AND EMPLOYMENT PROTECTION/CREATION: CONTRACT CHANGES

As noted, by the early 1990s the union at Elsie had become aware of the importance of competition and employment protection/creation at Elsie. These were also concerns of Lear when it assumed ownership of the plant. Of this joint concern, almost nothing was reflected in the formal collective bargaining agreement. Plant management stated that it could never guarantee levels of employment or offer job security. Job security was “based on seniority as long as the plant stays open.” Job security was also seen as derived from “competitiveness and continuous improvement” in the 1997 collective bargaining agreement. This provision emphasizes a mutual commitment to team-based work systems, customer satisfaction, training and education for all employees, creation of a climate of mutual dignity and respect, and use of participation to improve productivity, efficiency, quality, and cost performance. The provision also states that employees will assume personal responsibility and accountability for the Elsie plant’s success.

A major gain for Lear in the 1997 contract was the ability to collapse six job classifications into one to gain flexibility. The union feels
that merging assembly, maintenance, material handling, inspection, forklift, and salvage employees into one classification overdoes the flexibility concept and should be rethought on the next negotiation.

Lear management’s vision was comprehensive. It downloaded quality, scrap, and cost objectives for each line to employee teams. It changed the designation of supervisor to unit advisor and demanded that they assume a teaching, coaching, and facilitating role with employee teams rather than a directive role. A 1999 assessment is that some supervisors still complain about their loss of power to direct employees, but that this role transition has been mostly successful except for periodic incidents of old ways of thinking. The philosophy is that “we are all in this together,” and that everyone needs to work together to improve multiskilled and multifunctioning employees.

Combined with the collapsing of six classifications into one, the plant has gained huge cost efficiencies. The Elsie collective bargaining agreement differs from most other Lear plants in that it does not specify production standards. Elsie management believes people in teams working in units can do a better job of setting and achieving competitive standards than by using a top-down industrial engineering approach.

The parties did not limit themselves to competitiveness in the 1997 negotiations. A lump sum payment of $750 was provided to each employee. In addition, the parties incorporated a “neutrality pledge” to accept the union as a partner at Lear workplaces.

FORMAL NONCONTRACTUAL MECHANISMS

The current philosophy is anchored in a formal noncontractual participation system. The company and union created a joint steering team (JST) that reports to a planning team consisting of the plant manager, plant superintendent, union president, and bargaining chair of Local 1660. The JST is a parallel organization that bridges upper leadership to the workforce. The JST includes the plant manager, plant superintendent, human resources manager, quality manager, materials manager, and quality analyst. Their union counterparts on the JST are the president, bargaining chair, and volunteers such as the statistical pro-
cess control coordinator (SPC) and a process specialist employee from the shop floor. The JST charters four design and development committees to serve all 14 business unit teams on the line. Design and development function teams are staffed by at least one JST member plus technical volunteers. Four teams are used: finance, people and groups, equipment and facilities, and information. These teams act as in-house consultants to help each business unit (assembly teams) with budgets, layout, process improvements, and team issues necessary to remain competitive and attract new business. All design and development team projects lead to recommendations to the JST. The JST may also create ad hoc teams to host recognition dinners, examine rewards, or to be a community service team to help the plant support its community. These JST mechanisms have created formal opportunities for employees to become engaged in making their business units more productive and customer responsive.

The plant now runs as an open book and “glass wall” plant with all cost, quality, scrap, and productivity data made available to employees in business units. Management still reserves the right to allocate employees across business units.

Both union and management stressed the need for training. Plant employees indicated that they had attended courses in SPC, pull training, traceability, process analysis, QS 9000, team interaction training, compass, and problem solving. Training may be initiated by either management or the union; the business unit makes the decision. Both management and the union see the current system as effective in promoting competitiveness and in creating and protecting jobs. Other formal but noncontractual elements of the current situation include the 40 hours guarantee, which allows employees to volunteer to work extra hours elsewhere in the plant or just take time off if a line runs short of materials or work during any week, and the “six pack” system, where each business unit works on the top six line problems and issues reported each week. The JST system is clearly evolving to meet jointly perceived needs for competitiveness and job protection/creation.
CREATING A FORMAL, NONCONTRACTUAL PARTICIPATION SYSTEM

ITT had experimented with teams since the mid 1980s and had focused on individual skill training. Team roll-outs failed twice. But plant management and the union learned together how to build a successful participation system. They read books on teams, worked with private consultants, and jointly benchmarked firms such as Johnsonville Sausage, Sealed Power, Saturn, and Delphi-Saginaw, firms known for having successfully installed team-based work systems. Company and union leadership attended seminars on team development offered at North Texas State University. New union leadership and the return of David Chambers as plant manager were seen as pluses in terms of consistent leadership of this competitive effort. The plant experimented with new work system concepts until it reached a workable solution for the Elsie work context.

COMPETITION AND EMPLOYMENT PROTECTION/CREATION WITHIN DIFFERING MANUFACTURING PARADIGMS

The Elsie plant of the Lear Corporation and Local 1660 of the UAW have had to bargain competitiveness, employment security, and growth issues in the context of major changes in the manufacturing systems of the plant. These three manufacturing systems or paradigms are those of: 1) mass production (Womack, Jones, and Roos 1990); 2) sociotechnical systems production (Trist and Bamforth 1951; Niepce and Molleman 1998); and 3) lean manufacturing (Ohno 1988; Kenney and Florida 1993; Womack and Jones 1996). Each system differs in fundamental dimensions from the others. These manufacturing systems will be discussed in turn and related to the business context and the collective bargaining relationship at the Elsie plant.
MASS PRODUCTION AT LEAR–ELsie

Mass production is based upon the ability of a system to standardize outputs from a manufacturing or service process. It is an American system that spread around the world from 1915 to the present, and until the late 1980s, received few challenges from competing systems. Mass production is based on the principle of economies of scale. Its components include functional specialization, infrequent job rotation, tightly supervised machine-paced work, many job classifications, and problem solving by manufacturing and staff (engineering, accounting, production control, labor relations, quality, and human resources, to name a few). It also utilizes a deskilled workforce, work standards imposed on workers, seniority as the basis for wages and promotion, arm’s-length relationships with suppliers, and adversarial labor relations. The general objective of mass production was creation of products of “good enough” quality and to maintain large inventories as buffers against machine or worker problems. While mass production can be employed with management styles ranging from coercive to enlightened, it still represents a problematic manufacturing model in the twenty-first century.

The Lear–Elsie plant was run by several owners as a mass production facility until the mid 1990s. Management was in control of the plant, and workers received little training, did not work in teams, received little information about quality, and were tightly supervised. Employment at the Elsie plant fluctuated wildly as it competed with other plants to be awarded lines of business. While unionized since 1969, the relationship was characterized by company “take-away’s” according to the union. The basic hope of the union was that a more enlightened owner would purchase the plant. When the Lear Corporation purchased the plant in 1997, it brought a new manufacturing paradigm plus a plant manager who knew and respected the plant and its people. The new manufacturing paradigm of team-based work systems closely followed the sociotechnical systems model.
SOCIOTECHNICAL TEAM-BASED SYSTEMS AT LEAR–ELsie

The team-based “sociotechnical” systems (STS) bargained in the 1997 contract by plant manager David Chambers were American but were built heavily on ideas first tested in England (Trist and Bamforth 1951) and northern Europe (Berggren 1992). These systems were designed to create high levels of worker satisfaction, which was believed to lead to high levels of quality production and retention of workers. These STS approaches grouped employees into large teams, changed the role of supervisor into more of a group facilitator, incorporated team process skills and quality skills into the training of all group members, and led to frequent team meetings to discuss plant performance—the “glass wall” concept. The union was accepted by management as a partner rather than an adversary, and its opinion was sought on all workplace changes. Ergonomics received new attention, and workers were given more freedom to design and schedule tasks as long as quality standards and productivity standards were met. Employees were urged to deeply identify with their team and the product it produced for each of the contracts in the plant.

This STS story is largely the story told in this case, which portrays the successful shift to a team-based work system; improved worker, management, and union attitudes; a successful contract negotiation in 1997; and the general prosperity of the plant. The team-based system was seen by all as incorporating the elements necessary to maintain a competitive posture and to secure jobs for the Elsie plant for the foreseeable future. The case ended with appreciation for the versatility of the collective bargaining process and noncontractual arrangements in securing a positive future for the Elsie plant, its union, and its workforce. However, in a surprising turn of events, an interview conducted in 2001 indicated that the plant had largely discarded this paradigm and had shifted to lean manufacturing in 2000, thus removing many team-based elements from the contract bargained by Lear and UAW Local 1660.
LEAN MANUFACTURING AT LEAR–ELSIE

The lean manufacturing system originated in Asia as the Toyota Production System created by Taiichi Ohno (1988). Lean manufacturing became known to the West when popularized by the International Motor Vehicle Program at MIT. The book *The Machine That Changed the World* (Womack, Jones, and Roos 1990) startled U.S. and European mass producers by showing that lean principles allow factories to operate with half the space of comparable mass production facilities. Further, lean plants showed only half the defects found in mass products, used half the hours of human effort, needed only one-tenth the amount of in-process inventory, and reduced product development times by one-third. The best European STS plants were shown to be nearly one-third less efficient than lean plants in Japan and those of Japanese transplants in the United States. Controversy arose immediately as intellectuals of the STS orientation (Berggren 1992; Van Eijnatten, Hoevenaars, and Rutte 1992; Fucini and Fucini 1990; Parker and Slaughter 1995) launched attacks on lean manufacturing as simply being an advanced form of “Fordism.” Lean advocates (Adler and Cole 1993) responded that lean plants could not only out-produce other paradigms, but that the secret of the lean approach was in its superior way of promoting organizational learning through its standardized work systems and team-based suggestion systems. This is the direction taken by the Elsie plant in 2000.

The lean system at Lear–Elsie is a close fit with lean principles (Ohno 1988). Chambers felt that the STS-type large teams had become too independent and rigid. They set up boundaries and isolated themselves from other plant teams. Their working autonomy was not translated into sharing ideas to help the plant but instead to become more impervious to ideas from others in the plant. These comments echo the Adler and Cole (1993) comments about the downsides of the STS team systems. In contrast, lean teams are small and are led by team leaders; they are not “semi-autonomous” but are tightly linked to other teams on their line. Lean is characterized by “andon” systems (which allow workers to stop the line in the event of materials shortage or quality problem), standardized work, just-in-time inventory and material handling systems, quick team meetings, and a focus on eliminating waste.
“Kaizen” (continuous improvement) events are used for extensive process and quality assessment of specific target areas in the plant. All of these systems and processes have been installed at the Lear–Elsie plant since 2000. The union allowed the company to remove many of the team concepts and install lean principles in order to support management’s goal of keeping the facility competitive. According to Chambers, the UAW Local 1660 leaders were somewhat cynical that lean production was simply a new “flavor of the month,” but they had built up enough trust in management after the 1997 contract to be willing to negotiate a shift to lean manufacturing. The union felt that both approaches are team-based and that team concepts were supported by the membership.

The lean system is already producing successes for the Elsie plant. Plant in-process inventory has dropped 22 percent. Four kaizen events have been held. Employees are contributing a steady flow of suggestions. “Glass-wall” knowledge of plant functioning is still shared with all employees. Employees have been trained in the seven types of waste and how to use the “5’s” model of workplace organization. Cross-functional teams are extensively used to solve problems and ensure the sharing of best practices and ideas. The Elsie plant has successfully launched new product lines and has reached productivity and quality performance levels faster than ever before. Plant employment levels have been maintained. The plant’s layout and footprint are the current constraints to future growth, but upcoming kaizen events are seen as likely to create improved space utilization so new product lines can be attracted to the plant. By having the courage to use the collective bargaining process to make a successful team-based plant even better, the union and the company have exemplified the creativity and flexibility necessary to keep a small auto supplier plant economically competitive and able to sustain employment levels in a small rural community.

CONCLUSION

In an industry with growing employment overall, but with the possibility of unstable employment at any single facility, competitiveness
means appropriating for that plant a share of the overall industry employment gains. In 1999 and in 2001, this plant was working at capacity with new jobs scheduled to replace jobs that will be closed out due to decisions made about the product’s life cycle by automotive manufacturers. Both management and union report that most employees are happy with the plant today and are pleased with its competitive position and its future likelihood of job protection and creation. Management spokespersons see a complete turnaround by both sides. Ten years ago, employee complaints were met with the statement “go write a grievance.” Five years ago, management would take the time to argue but would still resolve matters by telling the union to “go write a grievance.” Today the situation is characterized as both sides being willing to admit it if they are wrong. Plus, both sides are likely to give each other some leeway because trust has been established. Management recognizes it is always fighting inertia and resistance to change from both supervisors/unit advisors and employees. Union reservations to agree to total success of this system stem from the company’s use of bargaining power in the 1997 negotiation and the resulting classification collapse. The union believes the process of getting competitive could have been handled better.

Management and union seem to agree that sharing information makes everyone hungry to learn even more about the business and to become multiskilled and even more knowledgeable about the competitive global environment. Both are also likely to believe that Elsie was fortunate to have Chambers return as plant manager and point to his engineering background, product knowledge, benchmarking experience in Europe, Japan, and the United States, plus his vision and people skills. He earns approval by his willingness to aggressively pursue business for Lear–Elsie.

Finally, both union and management express appreciation for the institution of collective bargaining as a way to forge new relationships and to create new participation mechanisms necessary to foster competition and to protect and create jobs in response to global competitive pressures. The Elsie plant’s ability to illustrate the worldwide search for an optimum manufacturing paradigm while fully utilizing collective bargaining and noncontractual mechanisms makes this an important case study. This small North American plant exemplifies the global search for methods of achieving competitiveness while main-
taining employment levels. In that sense, the Lear plant in Elsie represents a prototypical example of a unionized facility attempting to maintain employment in the United States.

**Note**

The authors would like to thank the interviewees cited in the chapter.

Unless otherwise noted parenthetically in the text, the material in this chapter is based on Chambers and Laxton (1999), Rathbun and Tyler (1999), Jordan and Klatt (1999), Jablowski (1999), and Chambers (2001).

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