Labor and Industrial Relations Strategies in the State of Michigan

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The 1980s was a period of extensive experimentation in industrial policy in the State of Michigan. The need for a new strategy was obvious to those who were struggling with the rapid changes in the structure and vitality of the economy. The state was hit very hard by the recession in the early 1980s. The global reorganization of the auto industry meant massive job loss, fiscal crises for government, and a declining standard of living for many citizens.

In 1983, first-term Governor James Blanchard and his economic policy staff responded by organizing a policy advisory group to craft a strategy for maintaining and revitalizing the industrial base. The group was led by Douglas Fraser, former president of the International Union, UAW, and Lee Iacocca of the Chrysler Corporation. The deliberations resulted in a three-pronged strategy based on a vision of the future of Michigan as an international center for the development and application of manufacturing technology.

The first part of the plan was to develop an applied technology strategy. The goal was to design public and private programs, and ultimately build institutions, that would be in the business of developing and applying technology to the manufacturing base in Michigan and the nation.

The second part of the state's strategy was to complement the private capital markets with new innovation capital and capital-gap financing. A new institution called the Michigan Strategic Fund was developed to perform a variety of financing functions in an attempt to bridge the gaps perceived to exist in the private financial markets.

The last area of concern was titled "workforce learning and work relations"; that is, education, training, and innovations in labor rela-
tions to meet the needs of the changing workforce and to help adapt to the changing labor relations structures and practices in the workplace. This third part of the strategy, investing in "human capital" and reforming the related institutions, proved to be the most difficult part to craft change strategies that could be measured for their effectiveness.

The three-part effort was an aggressive state intervention strategy to create new public investment and program vehicles and to turn around the faltering industrial economy of the early 1980s. These new institutions were expected to deliver a steady stream of services into a revitalized industrial base.

Publicly Supported Institutions for Manufacturing

To implement the overall strategy, state government, with the assistance of private foundations, supported the development of the Industrial Technology Institute, a nonprofit organization staffed by manufacturing engineers and social scientists. The original design for the Institute was to create and develop new technology for manufacturing. The strategy has since been adjusted to include the application of existing and appropriate technology and production processes into the Michigan industrial base by leveraging resources and concentrating on particular geographic areas, industries, and technologies.

The second institution created was the Michigan Modernization Service (MMS), which was designed to serve as the state's major outreach service to the small and medium-sized manufacturers. It is the largest public organization of its kind in the United States with the mission of delivering strategic advice to small and medium-sized firms on technology, training, and marketing issues.

MMS functions through consultations with individual firms and by working on projects with groups of firms. The consultations are carried out by three-person teams with expertise in manufacturing methods and technologies, workforce training, and market analysis and marketing planning. The typical case involves five days of work from each of three members of the team. One of the products is a detailed written report analyzing the firm's performance and a series of recommendations for change.
The individual firm consultations typically cover several areas, including strategic business planning, technology utilization, productivity improvements, general management issues, quality control, workforce training, labor relations (in unionized settings), and market analysis and planning. The service is provided at no cost to the firm.

MMS also works with groups of firms to encourage cooperation among firms and between groups of firms and other players in the economy. This program is carried out through grants to groups of firms, trade associations, or unions. Projects that have been funded include: production networks in the metalworking and furniture industries; research and development strategies for the machine tool industry; and a program for auto parts suppliers, represented by Region 1-A of the United Auto Workers.

MMS has an annual budget of approximately $4 million. The staff consists of a combination of state employees, private contractors, and employees of private, nonprofit organizations such as the Industrial Technology Institute in Ann Arbor.

Focusing on the Smaller-Firm Sector

As a number of researchers have noted, firms with 20 to 500 employees produce over 40 percent of the value added in American manufacturing. MMS and the Industrial Technology Institute made a decision to target the small-firm sector because (1) the smaller firms did not have the resources or the market opportunities that the larger-firm sector had, (2) the original equipment manufacturers (OEMs) were increasing the amount of outsourcing to the supplier sector, and (3) the productivity gaps between the large firms and the small firms was growing (see Figure 1). As a result of the restructuring of the industrial system, wage gaps were growing, unionization rates between the small and large industrial firms were growing apart,1 and there was a need to focus public attention and, indeed, public investment on the small-firm sector of the industrial economy.

In Michigan, there are about 6,000 small to medium-sized manufacturing firms, employing 500,000 workers, with a total payroll of about $11 billion. In all, they account for close to half of the Michigan manu-
facturing economy. The proportion of the manufacturing base represented by the smaller-firm sector has been steadily increasing. The percent of manufacturing employment in smaller firms increased from 37 percent in 1979 to 44 percent in 1986.²

Figure 1
Productivity and Earnings in Manufacturing Establishments by Number of Employees

As the new flexible technologies reduce the importance of economies of scale, and as the large U.S. manufacturers continue to see market share threatened, more and more employment will be in small and medium-sized shops. Unless more is done to improve productivity and thereby raise wages, benefits, and conditions, the high industrywide living standards that exist will be threatened.
A Role for Unions and Workers

Throughout the 1980s we have seen many of the country's leading industrial states treat technology as a central element in the emerging equation of international competitiveness. It is usually only on an ad hoc basis, however, and often during a crisis, that those most affected by technological change—the workforce—are brought into the process to play a role in designing change strategies.

The goal of a technology strategy that includes unions and workers would be to mitigate the negative impacts of new technology and begin to empower workers to participate as an equal partner in the process of technological change. To do so would involve the development of programs that include a clear assessment of the effects of technology, an awareness of the possibilities for influencing changes, the exploration of options, and availability of appropriate technical assistance.

The Michigan Modernization Service is a strong actor in the state's technology thrust. Up until very recently, MMS has defined its customer base to include only the management of the companies served by the organization. There has been no formal process to communicate with the workforce or union on any of the issues discussed by the firms' management and MMS consultants.

Beginning in 1988, the state Departments of Commerce and Labor supported the development of a labor-management effort that would provide information and services to strengthen and improve labor-management relations in smaller workplaces where workers are represented by a recognized trade union.

After an intensive period of research and development, the labor-management project developed tools to (1) analyze the union-management relationship in smaller firms within the context of business conditions and the needs of the workforce, (2) recommend appropriate changes, and (3) deliver training on participation strategies.

After field testing the service to over 30 firms and their unions, the state's labor-management project began to transfer the labor relations assessment and training instruments to existing public and nonprofit institutions like MMS. As a result of a strategic planning process, MMS agreed to incorporate a role for the union and the workforce as a part of the consultation process. The case of Philips Drop Forge, out-
lined below, provided additional evidence to MMS leadership of the importance of involving unions in designing change strategies.

The Case of Philips Drop Forge

The primary business of Philips Drop Forge is the production of steel forgings with conventional drop hammers. Most of the production is for automotive applications. Founded in the early 1900s in downtown Detroit, the company has just under 100 employees who are represented by a local of the International Union, UAW. Due to the change in materials (from forging to castings and powdered metals), newer processes and overseas competition, the firm needed to restructure to remain in business. The owner indicated a need to see a restructuring plan in place and indications of a turnaround before the end of 1990 as a requirement for the continued operation of the business.

A local UAW representative, through the union's regional office, requested that the state consider providing turnaround assistance to Philips Drop Forge. The request was made to the state's Labor-Management Project. A decision was made to offer the assistance of both the Michigan Modernization Service and the Labor-Management Project.

Figure 2 shows a comparative analysis by the state's Labor-Management Project of the separate turnaround recommendations by MMS and the union shop committee at the plant. The reader should look across the boxes to understand the alternative perspectives. For example, while the MMS staff recommended a generic "employee involvement" program as a response to the poor economic conditions of the business, the union leadership insisted that a joint union-management steering committee be organized, trained, and empowered to plan and manage a change agenda for the facility.

The importance of the specific proposals put forward by the union is that (1) they reflect the significance of the collective bargaining agreement, and (2) they emanate from a clear recognition of a worker's organization that has ideas based on experience and that is independent from management with different goals and values.
### Comparable Issues/Different Perspectives

#### MMS Action Plan Recommendations
- a. Introduce employee involvement by communication from owner on poor financial condition of company
- b. Management and workforce training on problem solving, SPC, team building, hammerman
- c. Track incoming material inspection data
- d. Conduct hot inspections with cheap fixtures
- e. Group purchasing and better utilization of material
- f. Preventive maintenance program
- g. Explore viability of gainsharing

#### UAW 174 Action Plan Recommendations
- a. Empower joint union-management steering committee to manage and plan the change agenda
- b. Address qualifications of supervisors; provide personnel skills training
- c. Smarter steel ordering to reduce scrap
- d. Management must make effort to repair and maintain equipment
- e. Gainsharing plan must be evaluated, fully implemented so that payoff of new initiatives is clear to the workers

#### Different Issues

#### MMS Action Plan Recommendations
- a. Closer relationship with major customers
- b. Track inventory
- c. Tool control program
- d. Quality team on high-value part

#### UAW 174 Action Plan Recommendations
- a. Company has too many supervisors, white-collar staff
- b. Collective bargaining agreement will not be opened as a result of this activity
- c. Entire workforce must be informed and educated about the problems and plans for change
- d. UAW research department should analyze finances.
- e. Create health and safety joint training program
Recommenments by MMS for restructuring the manufacturing process at the facility were presented to both top-level management and the entire workforce at an off-site meeting. The proposals were debated and an action plan for the future was agreed upon. Company management, recognizing the need to more formally and completely involve the union in the change process, agreed to support the development of a top-level joint steering committee which would assume responsibility for implementing participation strategies to meet the objectives of the action plan.

Labor as Catalyst to Strengthen an Industrial Sector

Beyond the individual workplace level are a variety of structural issues that planners ignore at their peril. Globalization of manufacturing processes due to capital mobility and the existence of cheap labor havens around the world are seriously affecting the U.S. auto supply industry. Suppliers, faced with higher demands from automakers for quality, just-in-time delivery, lower-cost production, and greater design capabilities have found it increasingly difficult to succeed in a more competitive marketplace. The number of U.S. suppliers has declined as U.S. automakers limit contracts to those suppliers who provide a fuller complement of services and can meet increasing demands. Likewise, most U.S. suppliers have not been successful in winning over Japanese automakers more accustomed to doing business based on long-term relationships.

To respond to this environment, and in the face of inadequate federal policy measures designed to introduce fair trade practices into the system, management and labor must equip themselves to save their businesses and their jobs. However, they must also recognize that each firm acting alone does not have the resources or the expertise to be able to respond effectively at every turn in the road.

Regional Director Bob King of UAW Region 1-A, representing over 100 independent parts suppliers in southwestern Detroit, developed a plan for a labor-management Council of Independent Parts Suppliers. The Michigan Modernization Service provided a planning grant to begin the process. The Council’s goals include (1) providing the union
and management with new tools to improve company performance and save jobs; (2) strengthening labor-management relations in small supplier shops; (3) developing a program that will help stop job losses and plant closings in the small-shop sector; (4) building a new government/labor/management collaborative process; and (5) targeting appropriate publicly available education, training, and technical services to the union and companies involved in the Council.

The project began with solicitations to 10 firms to establish the Council. Over 20 firms ultimately formed the organizing committee of the Council, with both top management and union leadership from each plant attending meetings.

Over the course of several meetings, participants heard presentations describing the current state of the auto industry and global examples of interfirm strategies. A day-long planning session was held to develop priorities. Groups were organized around (1) interfirm strategies to improve competitiveness; (2) skill development; (3) participation strategies; (4) health, safety, and environmental issues; and (5) employee assistance programs.

As a result of the planning meetings, the membership of the Council crafted a two-part strategy. First, a Market Development and Job Retention program was created to help meet the challenges of external demands. The program included (1) documenting the technology, skills, and production capabilities of member firms; (2) establishing a formal relationship between the Council and the sourcing managers of the large manufacturers; (3) aggregating the production capabilities of member firms and identifying co-production possibilities; and (4) conducting industry-specific research and auto industry information-sharing sessions.

The second part of the strategy involved an Individual Firm Performance and Quality Jobs program. This program was established recognizing the fact that the implementation of any restructuring effort would need to be accomplished at the individual firm level, and that the interrelationship between the nature of industrial relations and the economic performance of the firm was a determining factor. Included in the action plan for the program was (1) implementing UAW Right-To-Know training; (2) developing a cost-sharing program; (3) implementing labor-management training programs; and (4) analyzing the
skill demand needs of member firms to determine the content of a training agenda.

The key for this union-led project was to strike a balance between worker needs and business realities, on the one hand, and between education/information and action, on the other. At a recent Council planning meeting, one firm owner stood up to declare “for me this Council represents an opportunity to recognize the union in my plant as a strategic weapon in our effort toward industrial growth and renewal.”

The Need for a Strategic Response

Union-initiated industrial restructuring activity raises important strategic questions for trade unions and public policymakers. What institutional resources need to be developed to significantly increase the participation of workers and unions in this environment? How do we shape existing institutions toward the objective of addressing workers’ problems in the workplace and strengthening the unions for future struggles in both the workplace and in economic policymaking?

Models of government support for strengthening the role of unions and workers in firm and industry decisionmaking exist in Canada and Western Europe. Many of these competitively successful countries have established high standards of living by investing in modern education, labor market, and industry-specific policies and programs designed by innovative institutional partnerships between government, business, and labor; a partnership where labor plays a more co-equal role than that experienced in the U.S.

The development of a more strategic role for trade unions in the restructuring process is an important part of the process to stop the decline of unionization and to save the U.S. manufacturing base. State government, by commanding or effecting the deployment of technology, training, and financial services could act as a catalyst to counter the short term bias of current federal policies and private sector behavior. A public policy of assistance to workers and unions that complements and underpins all other interventions in the industrial economy can greatly enhance the prospects for maintaining good jobs and improving industry performance.
Epilogue

With an 11,000 vote margin, the newly elected Republican governor, by the stroke of a pen, closed down many of the programs serving Michigan's industrial community in the winter of 1990. Calling them "tinsel on the tree," the new governor shut down programs such as the Michigan Modernization Service. As a result, hundreds of smaller firms and thousands of workers would no longer have the benefit of publicly supported technical assistance in their struggle to maintain jobs and competitiveness.

Along with the loss of MMS went the start-up grant to help the UAW Region 1-A Labor-Management Council of Independent Parts Suppliers. To survive, the leadership organized a membership fundraising effort among the local unions and participating firms. Over 20 firms and the related union locals raised enough membership dues money to maintain the organization and staff, and bought some time to reorganize and identify outside funding sources.

The reorganization plan apparently satisfied federal IRS officials, winning tax-exempt status for the group and building the basis for attracting private foundation funds. The newly named Labor-Management Council for Economic Renewal serves as the education arm of the more action-oriented Labor-Management Suppliers Council.

More recently, the group was the recipient of a grant from the Manufacturing Technology Center (MTC), located at the Industrial Technology Institute. The MTC is one of five centers around the country sponsored by the government-financed National Institute of Standards and Technology. The MTC's Cooperative Capability Project, with the UAW/IPS Labor-Management Council, is assisting member firms and union locals in identifying and building interfirm production activity, or networks, with the goal of capturing business that is disproportionately being outsourced to the nonunion sector by the original equipment manufacturers.

The International Union, UAW, made an industrial policy proposal in 1983 that called for national coordination, democratic decisionmaking, a strong role for government, and the use of social accounting principles in the evaluation of industrial and employment policies and programs. Looking back, it appears that some people were listening.
Michigan in the 1980s was a positive example of the old democratic value that ordinary people and honest employers could depend on government for help in the effort to rebuild industry and create jobs. Michigan in the 1990s is a much different place, as jobs disappear and whole industrial sectors deteriorate. And no one appears to be listening.

NOTES

• At the time of writing, Mr. Schippani worked for the State of Michigan. He is now employed in the research department of the United Automobile Workers union.

1. A July 28, 1990 Detroit Free Press article showed that independent automotive suppliers whose workers belong to unions went from 62 percent in 1976 to 22 percent in 1988. Unionization of Big Three assembly plants, however, stayed constant relative to the overall decline in employment.


3. The most recent example is the Technology Adjustment Research Program funded by the Ontario government. Administered by the Ontario Federation of Labor, the purpose of the program is "to assist the Ontario trade union movement in developing constructive and progressive responses to change in the workplace."