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# Innovation and management control

Labour relations at BL Cars

PAUL WILLMAN

*and*

GRAHAM WINCH

*in collaboration with*

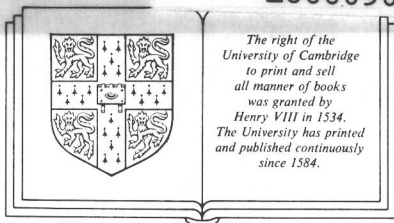
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*and*

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**Innovation and management control**

Labour relations at BL Cars

## Management and Industrial Relations Series

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Social science research has much to contribute to the better understanding and solution of problems in the field of management and industrial relations. The difficulty, however, is that there is frequently a gap between the researcher and the practitioner who wants to use the research results. This new series is designed to make available to practitioners in the relevant fields the results of the best research which the Economic and Social Research Council (ESRC) has supported in the fields of management and industrial relations. The subjects covered and the style adopted will appeal to managers, trade unionists and administrators because there will be an emphasis upon the practical implications of research findings. But the volumes will also serve as a useful introduction to particular areas for students and teachers of management and industrial relations.

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## Preface

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This volume stems from research supported by the Joint Committee of the (then) SRC and SSRC. The main focus of the research was on the social and economic implications of the adoption of new technology in British manufacturing industry, and it involved a number of case studies of different types of innovation throughout the engineering industries.

We have singled out the BL case for separate consideration for a number of reasons. First, the Metro project was the single largest investment in new equipment encountered in our research: the social and economic consequences of this one innovation were, potentially, massive. Second, BL as a case study is of considerable interest in its own right: the problems of Britain's only major car producer have been a constant source of interest for the press, and the survival of BL as such a major producer is of political as well as economic interest because of the large amounts of public money BL has received since 1974. Third, the reform of industrial relations at BL is in itself of substantial interest: to some extent, the approach to reform by BL management encouraged a 'style' of industrial relations management in the early 1980s and, as we shall argue below, influenced views on the role of unions, on shop stewards and on employee communications and union democracy. Finally, the case shows the relationship between company strategy, the adoption of new technology and industrial relations in a particularly clear way. It thus allows a number of interesting theoretical questions to be addressed.

The fieldwork on this case began in August 1980 and ended in December 1983. It thus covered the period during which the Metro and Maestro were launched, and allowed some longer-term assessment both of the Metro line and of BL's strategy. However, at the time of writing changes are occurring in industrial relations at (now)

## *Preface*

Austin Rover: this volume covers just a phase in a much longer story.

We are grateful for the cooperation of BL employees in the completion of this book. Members of BL management at both Longbridge and Cowley and worker representatives throughout the Company offered us their time and access to records and files. In addition, we are grateful for the cooperation of full-time officials of the AUEW (E) and TGWU. We owe a considerable debt also to a number of our academic colleagues. In particular, Professor D. E. C. Wedderburn was involved in the design of the research project and, as editor of the series, has offered numerous helpful comments on earlier drafts of the manuscript; Mr Frank Heller of the Tavistock Institute kindly allowed us access to the minutes of the Cars Council Participation Committee. Howard Gospel and Rod Martin have also commented on all or part of the volume. Of course, the usual disclaimers apply: none of the above is responsible for any errors or misconceptions which remain in the final version.

This volume has undergone several drafts. The first was completed while the first-named author enjoyed the hospitality of Willy Brown and his colleagues at the Industrial Relations Research Unit at the University of Warwick; their general support and access to the excellent Warwick library was invaluable. In addition, we owe a particular debt of thanks to Pat Burge who typed and re-typed draft chapters of occasionally execrable quality without complaint.

*March 1984*

PW/GW



# Metro chronology

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<i>Early 1970s</i>	Decision to design replacement for Mini – decision on volume taken then.
<i>Dec. 1974</i>	Ryder Committee appointed.
<i>1974–1975</i>	Production technology options evaluated.
<i>March 1975</i>	Ryder Report presented.
<i>Jan. 1976</i>	Participation scheme inaugurated.
<i>Early 1976</i>	ADO88 project team set up.
<i>Oct. 1976</i>	ADO88 sub-committee. Longbridge JMC committed to productivity targets. NEB approval for ADO88 project.
<i>Feb. 1977</i>	Toolmakers strike.
<i>Summer 1977</i>	Building work for West Works 2 started.
<i>Oct. 1977</i>	Michael Edwardes appointed chairman. Workforce accepts parity and centralisation by ballot.
<i>Early 1978</i>	ADO88 rethought (Metro) full-time project team set up.
<i>Feb. 1978</i>	Edwardes plan.
<i>Dec. 1978</i>	Ballot accepts 5% pay offer.
<i>June 1979</i>	Management of change negotiations. First robot on line.
<i>Sept. 1979</i>	Participation ends.
<i>Oct. 1979</i>	Ballot accepts recovery plan.
<i>Nov. 1979</i>	Robinson dismissal.
<i>April 1980</i>	92-Page Document imposed.
<i>Oct. 1980</i>	Launch.



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# 1

## Introduction

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During the latter part of the 1970s, a number of large manufacturing organisations in Great Britain confronted similar sets of problems: contracting or increasingly competitive markets for their products required simultaneously both rationalisation or cost-cutting exercises and substantial innovative activity to produce new, more marketable goods and services. For those within such organisations concerned with industrial relations, these increasingly straitened economic circumstances required the solution of seemingly impossible labour management problems: the negotiation of change without the ability to offer extra benefits, the increase in work intensity and workloads while workforce reductions were occurring, and the necessity of shedding old skills while retraining for new ones. For trade unionists, the problems were seen to some extent in reverse: the maintenance both of employment levels and real living standards, encouragement of managerial innovation while protecting benefits and job security, the retention of a central role in discussions between companies and their employees, and resistance to management's attempts to re-establish control of the shop floor.

This book describes and explains how one company, BL Cars, dealt with these problems. It is concerned to show how deep rooted historically were the trends which fostered labour relations problems, and to analyse how the adoption of the new processes involved in the launch of the Metro in 1980 involved long-term planning of both technological and organisational change. Although BL's 'crisis' in labour relations occurred in 1980, it was really the last act of a much longer drama.

BL may not be typical of the responses of British manufacturing industry in general, but as a case study it is of considerable interest in its own right. It is by far the largest British producer of motor vehicles, it has received a great deal of public money to effect

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innovations since 1974, and its affairs – particularly its industrial relations – have been an almost constant focus of interest by the press.

Moreover, analysis of events at BL between 1974 and 1983 allows discussion of a number of developments which are to some extent 'typical' of industrial relations in UK manufacturing during the 1970s. The first of these is the centralisation of collective bargaining at company level. It does seem to be the case that a number of large manufacturing organisations sought to move towards in-company bargaining during this period and that several sought bargaining at corporate level (Brown and Terry, 1978; Brown (ed.), 1981). The reform of bargaining in BL from 1977 to 1980 offers a particularly clear view of the motives behind such moves and the consequences of them.

One of the more important of these consequences was the radical alteration of the role of the shop steward. Decentralised bargaining in the car industry prior to the 1970s had sustained a form of trade unionism which relied heavily on the activities of shop stewards (Turner *et al.*, 1967). The ability of stewards to perform this pivotal role appears in turn to have relied heavily upon their ability to influence the pay and working conditions of trade union members (Batstone *et al.*, 1977). Consequently, removal of this influence in the centralisation of pay bargaining was likely to lead to a diminution of the power of shop stewards.

Terry has illustrated the role both of management policy and of governmental influence in the achievement of such changes (1978, 1983). In BL, both such mechanisms were visibly at work: the change in the nature of shop steward organisation in the company after 1980 was particularly marked as management, under pressure from those with power over public funding, sought to remove the shopfloor influence of, perhaps, one of the more powerful steward organisations within the car industry.

The third area of interest is that of workers' participation in industry. Ramsay (1977) has argued that the 1970s was characterised by an upswing in the development of participation arrangements as companies in financial difficulties sought to enlist the support of their workforces in order to improve efficiency and performance. He goes on to argue that participation arrangements tend subsequently to go into decline as the fundamentally antagonistic nature of employment relationships comes to the fore. Th

## *Introduction*

BL case provides a good test for these propositions: a scheme established after the Ryder Report with considerable shopfloor support subsequently wilted in the harsher climate of 1978, after the arrival of Michael Edwardes.

The final general area of interest is the relationship between technological change and trade union activity. In the latter part of the 1970s, a great deal of interest arose over the consequences for employment and skill levels of the adoption of microprocessor-based technology. In the context of competing predictions about the consequences of such changes, trade unions developed wide-ranging policies on earnings, employment, job security and health and safety (Manwaring, 1981). However, the available evidence seems to indicate limited success in the implementation of such policies, and important questions remain unanswered about the empirical consequences of technological change. BL's Longbridge plant experienced one of the largest single investments within British industry during the 1970s, and examination of the implications of new technology therein for skills, employment levels and trade union organisation is of considerable interest.

As the latter part of this chapter will show, the general concern which integrates these different areas of interest is with the development of a company strategy on labour relations which in turn formed part of an overall corporate 'recovery' strategy. However, if events at BL were in some sense illustrative of more widespread developments within British manufacturing industry, they were also heavily conditioned by what was happening to the UK car industry as a whole. Before returning to the general themes of the book, it is thus useful to outline the main features of the industrial context in which BL operated. The strategy BL developed in the late 1970s, involving rationalisation and contraction, together with process and product innovation, was shared with its UK competitors in the industry.

### **The British car industry**

#### *(a) Structure*

When the war ended, the British car industry consisted of the 'Big Six' of Austin, Ford, Morris, Vauxhall, Rootes and Standard. They accounted for 91% of car output in 1947; the remainder being

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produced by eight specialist firms. The market leader was Morris, followed closely by Austin and Ford; the largest specialist producer was Rover. US interests were represented by Ford who had arrived in Britain in 1911, and by General Motors (GM) who had taken over Vauxhall in 1925 – the rest were British owned (PEP, 1950, Chapter 3).

The first major post-war development in industrial structure took place in 1952 when Austin and Morris merged to form the British Motor Corporation (BMC), with over one third of market share. Also during the early post-war period, a certain amount of vertical integration took place as companies absorbed their body suppliers, which left Pressed Steel as the only independent producer of body shells (Silberston, 1965, p. 263). The remaining developments in the period prior to the mid-sixties were the takeover of the ailing Singer company by Rootes in 1955, the acquisition of Daimler by Jaguar in 1960, and the takeover of Standard Triumph International (the name had changed in 1959) by a commercial vehicle producer, Leyland, in 1961. Although the government did not actively participate in any of these developments, it generally favoured the rationalisation of the industry, and facilitated the purchase by Ford of the Briggs body plant through sanctioning scarce American dollars for the deal.

The reason for supporting mergers and takeovers was to encourage the rationalisation of the industry to achieve economies of scale; however, these goals were not quickly achieved. Ford and Vauxhall had developed through growth rather than acquisition, and so were more integrated companies, but Rootes and BMC had major problems which they tackled only slowly. Although BMC made progress in integrating its engine and gearbox manufacturing (the so-called 'power and train'), little integration took place elsewhere. Rootes, too, suffered problems of lack of integration (Young and Hood, 1977, pp. 89–93): both companies produced a relatively large number of models for their size (Silberston, 1965, Table 5:4).

Capacity in the industry expanded significantly in the fifties and early sixties. Much of this expansion took place in areas away from the traditional centres of the motor industry in the West Midlands and South East. A combination of the 'stick' of the refusal of an Industrial Development Certificate, and the 'carrot' of development grants and loans persuaded the 'Big Five' to locate new

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capacity in the development areas. Rootes' Linwood and Ford's Halewood plants produced their first cars in 1963; Vauxhall's Ellesmere Port plant did so in 1964. BMC and Standard Triumph opened body plants at Llanelli (1962) and Speke (1960) respectively. It has been argued that the government's regional policy imposed cost burdens on the industry, in the form of greater transport and inventory costs, as well as those costs involved in initiating production on greenfield sites. However, economies of scale appear to have been rather more important than location (Young and Hood, 1977, p. 266). Moreover, many of the costs were offset, at least at first, by the lower wages paid in the regions (Silberston, 1965, Table 5:1).

Merger activity greatly increased in the mid-sixties, and the government began to take a more active role. In 1965, Rover took over Alvis, and BMC acquired Pressed Steel although it sold its Linwood plant to Rootes; in 1966, Jaguar and BMC merged to form British Motor Holdings (BMH). In response to this development, Leyland acquired Rover in the same year. These developments left Rolls Royce and Reliant as the only significant independent producers.

During the sixties, the third of the major American producers, Chrysler, began to enter the UK market – in 1964 it took a minority share in the ailing Rootes Group. The company continued to be in difficulties, and the government sought to resolve its problems by trying to persuade either Leyland or BMC to take it over. Massive government support was offered, but both Leyland and BMC rejected the proposal. Nationalisation was rejected on the grounds that Rootes was not a viable proposition on its own, and so the only alternative was a takeover by Chrysler. This went through in 1967 with the Industrial Reorganisation Corporation (IRC) taking a minority stake. The process was completed when Chrysler bought out the IRC at the government's instigation in 1972, and the remaining small shareholders in 1973 (Young and Hood, 1977, Chapter 3).

The major development in industrial structure during the latter part of the sixties was the merger between BMH and Leyland in 1968 to form the British Leyland Motor Corporation (BLMC). The details of the merger and the major role of the IRC will be described in the next chapter, but it meant that by the end of the sixties there were four major car manufacturers in Britain, three of them owned

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by American multinationals. In 1969, BLMC became the last of the British companies to open a final assembly plant in a developing area with the Speke No. 2 plant.

During the seventies the three multinationals began to integrate their European operations, with Ford leading the way. Ford Europe is now almost completely integrated, with the freedom to locate production of new models in a variety of countries. GM is less integrated, but is now rationalising its Vauxhall and Opel operations. Similarly, Chrysler UK operations were slowly integrated with those of Simca (Bhaskar, 1979, Chapter 6; see also Kendall, 1970, Maps 4 and 5). BLMC did operate assembly operations in Belgium, France and Italy (which have now been closed), but it remained essentially a UK producer.

As the decade wore on, the signs of stress in the industry increased. BLMC went virtually bankrupt in 1974 and was purchased by the government. The ailing Chrysler UK swung seriously into the red in 1975 and had to be propped up by its US parent. At the end of the year, the government was obliged to provide substantial funds and guarantees to keep the company operating. In 1978, the entire European operations of Chrysler were sold to Peugeot-Citroen, and renamed Talbot (see Young and Hood, 1977, Chapter 9; Dunnett, 1980, p. 163).

Productive capacity within the industry has been progressively decreased since 1978. In that year, BL closed the Speke No. 2 plant and followed this with the closure of assembly facilities at Abingdon (1980), Canley (1980) and Solihull (1982), as well as that of a number of component plants. In 1981, Peugeot-Citroen closed Linwood. Thus two out of the four assembly plants established under the stimulus of regional policy have now closed, leaving the main centres of production in the traditional areas of the West Midlands and South, and on Merseyside.

### *(b) Performance*

In the early post-war period, the British car industry was unrivalled in world markets. The continental producers were devastated by war, and the scarcity of American dollars made the purchase of US products difficult. Production expanded steadily up until the early sixties, and after a slight down-turn in the mid-sixties, climbed to a peak in 1972 (see Figure 1:1). However, as Table 1:1 indicates,



## Introduction

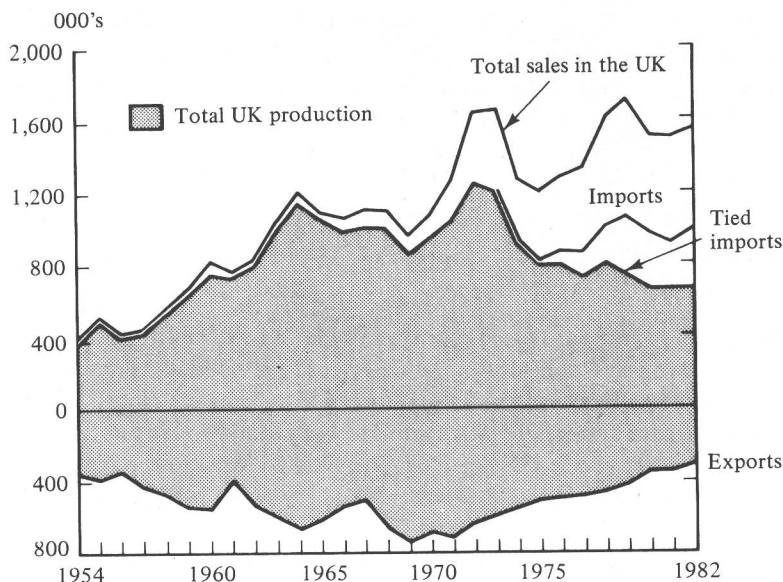


Figure 1:1. Car production and sales in the UK

*Notes:* Tied imports comprise those cars assembled by Ford, Vauxhall, BL and Talbot Chrysler in France, Spain, Germany, Belgium and Ireland and imported into the UK.

*Source:* Jones (1983).

during the period 1950 to 1980, output growth was much slower in the UK than in several major competitors.

The consequences of this were to some extent hidden by the fact that imports remained at a very low level. The home market had been protected since 1915 by import duties of  $33\frac{1}{3}\%$ . Although these were reduced to 30% in 1956 and again to 22% by the Dillon round of GATT talks in the 1960s, until the UK entry into the EEC a substantial amount of protection of home producers was maintained.

The 1950s also saw a rising incidence of strikes in the car industry and a concern with the impact of poor industrial relations on industrial performance (Durcan, McCarthy and Redman, 1983, Chapter 10). In 1957, industrial relations at Ford were the subject of a Court of Enquiry (Cameron Report, 1957; Beynon, 1973, Chapter 2). Following the rise in strike incidence in late 1960, the

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Table 1:1. 1980 car output as a percentage of 1960 (1950) output

UK	W. Germany	Italy	France	Japan	USA
68% (176%)	194% (1605%)	243% (1427%)	250% (1142%)	4263% (44154%)	96% (96%)

Source: SMMT

Ministry of Labour called together the leaders of both sides of the industry in 1961 (Turner *et al.*, 1967, p. 35). A further strike wave in 1965 led to the establishment of the Motor Industry Joint Labour Council with powers to act as a Court of Inquiry (Beynon, 1973, p. 12; Turner *et al.*, 1967, p. 37). The Royal Commission on Trade Unions and Employers Associations (1968) also took a particular interest in the vehicle industry.

The industry thus entered the seventies with output at its highest ever level, under little threat from imports, but debilitated by its underlying weaknesses. These deep-seated weaknesses were exposed in 1971, when a rapid expansion of the economy through changes in hire purchase restrictions and purchase tax stimulated demand by 43%. The home producers were unprepared, and imports formed a significant proportion of sales for the first time. However, Dunnett (1980, Chapter 6) considers that this boom only brought forward a development which would have taken place in any event. These developments were exacerbated by the growing exposure to world competition. In 1972, the import duties on cars were reduced to 11% by the Kennedy round of GATT talks. In 1973, Britain joined the EEC and tariffs were reduced to a transitional 4.4% before being removed entirely in 1977. After the oil price rises of 1973, UK output of cars dropped as demand fell, but there was no commensurate fall in imports to the UK; as a consequence import penetration grew.

In 1976, Britain became a net importer of cars for the first time, and in 1980, 57% of new registrations were of imported cars. Output dropped from 1.2m in 1972 to under 0.7m in 1982 and exports dropped to half of their 1969 peak. Thus as import barriers were removed, exposing the UK producers to the rigours of foreign competition, the world market itself was becoming increasingly