

INCENTIVES FOR WORKERS FROM MOTOR VEHICLE ASSEMBLERS: POINTERS FROM EMPIRICAL EVIDENCE

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People respond to incentives. This is a principle of modern economics that is drilled into the heads of the undergrad economics students. Be that as it may, in this paper we examine the incentives that are actually given to workers by employers in the global automobile industry as against what they are supposed to offer for obtaining commitment maximizing labour relations. We observe that there is neither coherence nor consistency in the package of incentives that are offered in the real world. We argue that it is impossible to give a consistent set of incentives due to the contradictory goals of the employers. Implicit in the workers' taking of whatever substandard incentives that are given them and in their compliance with the arbitrary and highhanded labour control mechanisms of management is the fear of losing job in depressed labour markets almost everywhere, which have tilted the balance of power away from labour towards capital.

1. INTRODUCTION

How labour relations are influenced by the micro level industrial restructuring in terms of lean production (which can be considered as part and parcel of the supply sided economics of neoliberalism) that has occurred to cope with increasing new competitive pressures to bring out high quality products at competitive prices, as brought in by the neoliberal forces of liberalization, privatization and globalization, has been a heavily researched area. The ideologues of lean production have created a lot of hype about the materialization of high-road or commendable labour relations in terms of worker empowerment, workers development through training, employment security, performance based pay systems, consultative decision making, labour rights recognition as human rights recognition, etc., while the critics have debunked the possibility of such improved, high road labour relations.

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In this milieu, what follows is an account of the incentives that are actually given to workers in the global auto industry by reviewing the differentiated picture of labour relations in relation to each of the five sets of labour aspects, viz., work organization and worker participation, skill formation and development, remuneration and compensation, job security and staffing arrangements, and enterprise governance and labour-management relations. Kochan *et al.* (1997), followed by Charron and Stewart (eds., 2003) were the notable scholars who had documented the diversity in labour relations in this industry. We draw on these pioneering writers and others as follows.

2. INCENTIVES IN GLOBAL AUTOMOBILE INDUSTRY

2.1 Work Organisation and Worker Participation

There has been a great variety of experiments with team work, employee participation in problem solving and productivity improvements, quality circles and the use of TQM (Total Quality Management). However, diffusion of these practices remains uneven. For example, the Japanese and Korean plants are the most advanced in terms of multiskilling whereas plants in the USA and Canada remain the most specialized in their work systems. Interestingly, those assembly plants with the most multiskilled work systems also exhibited the lowest number of hours per vehicle, which is the indicator for productivity.

In USA, Britain, Canada and Australia where there is the strongest tradition of job control by unions, some of the most profound departures from traditional work practices are observed. This is particularly the case where a new greenfield plant or worksite is established or when major technological changes are introduced. In some situations, management has involved the unions and the employees in decisions about the introduction of workplace change, while in others a unilateral approach has been taken. In some Canadian plants there has been strong resistance to management initiatives in the area of work redesign by the Canadian Auto Workers union on the basis that these were particularly of an anti-union strategy. Research indicates that the greatest commitment to change tends to occur where employees and their unions are involved at appropriate points in the decision-making process.

In settings where new union-management partnerships have been created, there has also been considerable work reform. However, in the non Japanese-owned plants in North America, innovation in work organization practices is only partially diffused and often remains fragile. This is the case in Britain and Australia, although recent years have witnessed significant reforms in Australia with strong union and government support. Similarly, in Brazil, there has been a breakthrough in union-management relations at Mercedes Benz with an agreement on the introduction of team work and group technology.

In countries such as Sweden and Germany, the industrial-union movement has been sufficiently strong, particularly the metal workers, to influence the direction and pace of change. The famous system of codetermination in Germany has provided a channel for participation by employees through works councils. In Sweden, there has been a long tradition of experimentation with group work and participative approaches to work design so much so that researchers talk about the "Swedish model of work organization". In both the countries there is a trend toward more decentralized forms of organization; systems of work organization have been developed which rely on a highly skilled workforce involved in decision making at the plant level. In fact, researchers have pointed to greater employee influence and autonomy in Sweden and Germany than in Japanese plants. As Streb and Gellert (2011) point out, car manufacturers in these countries "are increasingly under pressure from international competition to reduce costs and improve quality. Consequently, the industry is currently setting more rigorous task performance standards, especially for workers on the production line. Jobs are analysed in terms of their value creation and streamlined according to the core value-creating tasks. Workers are then trained to perform according to a strictly laid out work design. This includes fixed workstations, within which assigned production line tasks have to be performed, fixed cycle times for each station, and single-step clocked jobs. The basic idea is to increase quality by making tasks and job training easier." The adverse impacts of this work regimen on workers is sought to be overcome, in countries such as Germany and Sweden, through job rotation (multi-functional behaviour) which lies at the heart of the team work process: "Production line rotation can be defined as an alternating system that schedules the deployment of employees in an organization work setting within a defined range of workstations or tasks. By switching workstations and tasks several times per day, or even per hour, physical overexertion with all its short-term and long-term health effects can be avoided, as can technical flaws due to repetitive and tedious tasks. The basic assumption is that rotation is beneficial with regard to variety, experience, the varying of physical strain, and job flexibility" (*ibid.*, p.145).

In France, where union density is low, the state took a leading role in fostering experiments with worker participation from the late 1960s onwards, which promote the expression of employee views. However, the process of work reform has been haphazard, at best. In Italy, the unions were super active in the 1980s promoting group-based work organization, but the employers preferred weaker forms of employee involvement such as quality circles. However, in the case of Fiat, there are a number of new initiatives being taken, especially in greenfield sites such as Melfi, which

emphasize the importance of work organization and teams.

The Japanese plants exhibit great flexibility and adaptability. Some researchers have questioned the degree of autonomy available to work groups (e.g. Dohse *et al.*, 1986); Marsh (1992) has argued that there is no 'workplace democracy' in Japanese workplaces. However, most researchers allude favourably to the Japanese makers having introduced continuous improvements in productivity and quality, given extensive training to supervisors—front line managers—who play a key role in workplace change and used extensive job rotation and workgroup activities to enhance the skills of the workforce. As such, the Japanese transplants in the USA and Britain have yielded much higher productivity and quality than the local manufacturers. Indeed, some of the local ones in North America are now successfully emulating the Japanese, but the application of lean production principles by them shows modifications made to suit local circumstances resulting in varying outcomes in different settings.

In seeking to understand changes in work organization, and supporting or rejecting them, scholars have created a lot of confusion in categorizing the lean workplace as mean in terms of Taylorism plus Fordism leading to "super-Taylorism" or the lean workplace as "creative" post-Fordism or epoch-making Toyotism that integrates high efficiency with flexibility and humanity. Taylorism married to Fordism means that while Taylorism decomposes tasks and assigns those tasks to individual workers, Fordism recomposes the tasks by welding the individual labours into a human machine (Clarke, 1990). The best way to get out of confusion in this regard is to follow Naruse's (1991) insights drawn from the greatly prescient Karl Marx himself. There is no difference between American and Japanese assembly lines but the only difference between Fordism and Toyotism, as he says, is that in the latter the rationality of work organization in terms of Taylorism is fully stretched. Which is to say, following Juravich (1985), that the Japanese, unlike the Americans, have worked on the Taylor's fundamental insight that workers' knowledge is the place to begin any production reform. This insight of Taylor was forgotten in the Western context where those aspects of the Taylor system that stress tight managerial control on the shopfloor have been most thoroughly accepted.

The Toyota production system has a more rational character with regard to the role of human labour in the workplace, particularly that of collective workers, as compared to the Ford system. The central point is that improvement in manufacturing methods or product quality depends on collective workers' concern or desire to achieve it in the

workplace. In the words of Marx (1967, p.104), "It is only the experience of the combined labourer which discovers and reveals the where and how of saving, the simplest methods of applying the discoveries, and the ways to overcome the practical frictions arising from carrying out the theory—in its application to the production process". The Ford system, based on Taylorism which aimed to exploit workers through job fragmentation and the separation of conception from execution, has further promoted the separation between intellectual and manual labour through the mechanization of production. The skills of workers on the line were narrowed and equalized in order to adapt them to fragmented jobs and specialized machine operations; in this way, management emphasized the interchangeability of the workforce. The result, however, was the diffusion of alienation among productive workers; low productivity, decline of workers' commitment to the job due to monotonous and boring work, strikes, absenteeism and instrumental attitudes to work. Since the 1970s, there has been a big wave of job redesign ideas, such as job enrichment, job enlargement and job rotation. Underlying this trend is a concern to render work both more productive and more humane by restructuring work and work organization. Fundamental to this is a belief that improvements in productivity and quality depend on the experience and creativity of the collective worker. The Toyota work organization needs to be seen as a logical culmination of work organization innovation in high volume production. In the Toyota workplace, teams are formed from multifunctional workers. Teamwork in Japan means not only cooperation between workers but also the full use of the potential capacity of each worker. Whereas Taylorism and Fordism lost sight of the benefits to be generated by cooperation between workers, that is, of the importance of the collective productive capacity of combined workers, the Toyota system on the contrary has developed a combination of job design securing the benefits of cooperation and technological design of the production process maximizing the benefits of the division of labour, achieving improvement in individual as also collective productive capacity through making each worker multifunctional.

In light of this the rise of Japanese capitalism as 'collective capitalism' that taps the gold in the head of the collective worker vis-à-vis the individualistic North American capitalism can be appreciated (also see the brilliant analysis of Juravich, 1985).

So be it. But in practice, what if there is managerial failure to respond to what it is hearing from the workers? There is some evidence to this effect. This discourages the workers from providing new information, even as lack of more equitable financial

sharing arrangements does not reinforce non-financial participation in terms of suggestion schemes or problem solving groups or quality circles by convincing the employees that all benefits will flow only to the employers. Unless the employers encourage organizational solidarity through job security and narrow pay differentials, worker participation does not take off (Lewin *et al.*, 1997). This is not all. That participation leads to commitment which in turn results in higher productivity and improved quality of product sounds very nice in theory. But this may not work in practice as workers fear that greater productivity will mean the loss of their jobs. Again we are back to square one in that unless job security is guaranteed, worker participation will not be sustained. All these issues seem to explain much of the observed reality of lack of proactive worker participation in the lean factories around the world.

Employee involvement and commitment is sought by some large firms through financial participation in terms of employee stock ownership plans or profit sharing. But there is research to show that such plans do not necessarily entail employee participation in decision making. The reason is that intrinsic to these plans is the so-called 1/N problem. If N is the number of participating employees, and if N is large, the reward an individual worker will obtain from added effort is small (*ibid.*, p.6).

2.2 Skill Formation and Development

Approaches to skill formation within the auto industry appear to be strongly influenced by national traditions. In Germany, a leading nation in skills development, for example, vocational training has long been a significant feature of the educational system and has provided a steady supply of skilled workers. Germany has a more regulated system than many other countries and greater union involvement in decision making about skills development (ILO, 1993). Works councils play an important role in training issues at the enterprise and plant levels. However, there has been criticism of the ability of the system to meet the changing needs of industry. Hence, in 1987, training regulations in the German metal industry were reformed in order to foster a broader and more flexible system. Skill formation has played an important role in facilitating the introduction of systemofacture and lean production.

The German vocational training, universally admired, underpins the competitive advantages of German manufacturing business, in general. Kay (2004, p.340) says thus: "Young workers undergo apprenticeships which involve a combination of formal general education, training specific to the proposed career, and personal supervision and

advice on the job from an experienced worker. Apprenticeships are available not only to craft trainees such as engineers and plumbers but also for hotel workers and shop assistants. There is no legal obligation on individuals to take such training or on firms to provide it, but the credentials obtained are valued, able students wish to have them, and as a result employers wish to hire both apprentices and qualified workers. The largest German firms, such as Siemens and Daimler Chrysler, organize training nationally, but training is mostly administered locally. Chambers of Commerce co-ordinate the efforts of business and the contribution of provincial governments. Large firms, responsible for a high proportion of industry-specific training, probably make a disproportionate contribution, to the benefit of smaller businesses and the economy as a whole. If we ask 'Why do firms do this?' the answer is 'They just do': participation is a norm of the German business community and local business organizations reinforce social pressures." Why the German training works and attempts to replicate it elsewhere like in Britain were a fiasco needs to be understood as the absence elsewhere of the presence in Germany of markets embedded in social institutions and policy resulting from the interaction of "norms and values" which is part of a subtle relationship between private and social institutions, and the powers and resources of the state (*ibid.*, p.341).

In Japan, which is also a leading nation in skills development, there is less regulation by government and a lower level of union involvement than in Germany and some other European countries. However, employers in the auto industry have emphasized the importance of continuous on the job training as a key element in developing and maintaining Japan's competitive edge. Although state-run vocational education has not been developed as much in Japan as in Germany, companies have consistently increased the amount and levels of training within the enterprise. Many maintenance and other technical skills which are the province of skilled tradespersons in other countries have been 'built into' the jobs of production workers in the Japanese auto makers.

In Italy, there has been a long-term decline in vocational training and fewer apprenticeships, compared with some other European countries. However, a national agreement was signed between unions and employers in 1989 on vocational training, involving the establishment of joint committees. In recent years, there has been an expansion of formal systems for the accreditation of skills attainment. In countries such as USA and Canada, however, which have more highly decentralized systems of industrial relations, training investment is very uneven and lower overall. Yet there is discussion of how to develop stronger joint public-private initiatives to overcome

inherent market failure problems that inhibit individual firms from investing more in skills development.

In the Australian automobile industry, since the introduction of what is called the Vehicle Industry Certificate (VIC), all new employees have been required to undertake formal training on the job to acquire necessary competencies. Wage increases are increasingly based on skills acquired and demonstrated levels of competencies. The VIC was introduced with the support of both employers and unions to formalize the training process and to recognize skills acquired. Progression by individuals within the industry will ultimately depend on having passed all stages of the VIC course. Although financial support is also provided by the government for the development of training within the auto industry, the new emphasis on competency-based wage systems was the result of negotiations between employers and unions over the restructuring of awards. While the new system is generally regarded as successful, there are considerable variations between firms in terms of the speed and extent with which they have introduced the VIC.

In terms of the number of training hours provided—an index of training—for assembly workers, there is wide variation between countries. The aggregate number of training hours provided for newly hired production workers (during their first six months of employment) was highest for Australia, followed by Japan. As noted above, the high figure for Australia may be explained in terms of the introduction of the VIC which has required all new employees to be provided with comprehensive training. However, the number of training hours provided for experienced workers was greatest in the Japanese transplants in North America. This may be due to the fact that when the Japanese firms either took over existing plants or built new ones in North America, they found that there was a considerable skills deficit among the workforce which needed to be rectified. In terms of training hours provided for all employees (production workers, supervisors, and engineers), the Japanese transplants in North America provided the most skills development, followed by the European countries (France, Italy, Spain) and then Australia. The laggards in terms of training hours for both new and experienced employees were the non Japanese owned assembly plants in Canada and USA.

According to Lewin *et al.* (1997), with employment becoming more contingent and with turnover rates higher than that in Europe and Japan, the American employers are reluctant to provide “enough” skill-enhancing training. Despite all the hype, and given the dearth of data on training practices, much training appears to be informal and is provided by co-workers. Employers also avoid training costs by selecting people with

preexisting skills so that further training is not needed.

ILO (1998) points out that the use of new technologies, in particular information-based technologies, and the use of new organizational practices for higher productivity, quality and flexibility, calls for more, better and newer kinds of skills. Some of the features of new organizational practices that ILO (1998) emphasizes are as follows. The first is work teams. This involves greater group responsibility, broader skills on the part of the workers and frequent job rotation. The second is involvement in off-line activities, such as problem solving, quality improvement, health and safety. The third is a flattening of organizational hierarchies, with greater responsibility by shopfloor workers and more intense information exchange. Work organization can only be successful if training and remuneration systems are changed to prepare and reward employees for the new responsibilities. Moreover, "Because the new forms of work organization require greater responsibility and greater skills from the workforce, low literacy rates in developing countries impede its introduction. However, in many cases, firms in developing countries have managed to become significantly more competitive through changes in work organization despite relatively low levels of education. This has required much time and resources being devoted to group meetings and training... Though considerable progress can be made with a poorly educated labour force, particularly in early stages of restructuring, in the long run firms which have educated labour are likely to make more progress in their training schemes. This is because the requirements of a multi-skilled workforce and worker participation in continuous improvement call for an understanding of the underlying technical processes" (*ibid.*, p.45). In the developing country context, it is found that many firms do not train their employees and that market failures are an important constraint on training, and that informal on the job training, by co-workers and supervisors, is more common. In the context of the automotive industry, little is known about the enterprise context, especially in India, in which training takes place and how decisions regarding training are linked to employer strategies on technological and organizational innovations.

That lean production or flexible automation requires skilled workers seems to be a myth which needs to be investigated. If history is a good guide, then throughout the history of capitalism employers have relentlessly pursued the supreme principle of division of labour and specialization and mechanized their production as well. This has reduced the skill requirements of jobs. Skills have been increasingly incorporated into the new machinery. Or else, how do we understand this: "Today, unskilled workers in Mexico

can make complex automobile engines for a fraction of the wages received by workers in the United States precisely because the detailed division of labour and machinery have removed the skill content of the job” (Yates, 2003, p.93). Neoclassical economists cannot explain this because they believe that machinery tends to raise the skill requirements of jobs. If they are prejudiced against the Marxist Braverman (1979), how they have overlooked the great work of non-Marxist Bright (1958)—the more the technological sophistication, the more the deskilling—at Harvard Business School is a mystery or a case of selective self-selection to sleep with one's ideology. What can neoclassicals say against the lively and exhaustive Noble's (1984) research about the introduction of CNC tools shifting the balance of power upward by putting production under the control of engineers and deskilling master machinists on the shop floor?

2.3 Remuneration and Compensation

In light of the worldwide slow-down in economic growth and productivity in most advanced industrialized countries in the 1980s and 1990s, real wage growth was held back and income inequality grew. In such a milieu, a wide variety of forms of payment emerged in the industrial landscape. In some countries there was a growth in contingent pay, which means compensation that is contingent on some measure of performance which can be assessed at the level of the individual, workgroup, plant or firm. Examples are profit sharing, employee stock ownership plans and bonuses. In most countries, there was also a modest trend toward compensation based on skills or competencies attained rather than for specific tasks performed or on the basis of seniority. Many firms also moved their employees from wages and salaries as part of the process of reducing status differentials between blue-collar workers and salaried staff.

Japan has conventionally been seen as having highly developed seniority wage systems, but these apply to only a relatively small proportion of the workforce located in large enterprises. This has changed in recent times with the wide introduction of ability-based or performance based wage systems. For most employees, much of their annual income is related to the profit performance of their employing organization.

In Australia, despite a tradition of centralized wage determination, there has been a movement toward enterprise-based bargaining which is designed to take greater account of the economic performance of the firm in wage negotiations. There has also been a trend toward employment contracts with complex compensation packages negotiated for a fixed period of years. In theory, the renewal of such contracts depends on a number

of factors, including the achievement of agreed performance targets. While this approach was initially confined mainly to professional and managerial staff, it is increasingly applied to the unionized workforce.

Rather paradoxically, contingent forms of compensation were found to be more extensive in Japan, Australia and Europe than in USA and Canada. Firm conclusions are not possible but the plausible hypothesis is that employers and unions outside North America demonstrated greater willingness to negotiate over issues of wage flexibility and apply a wider diversity of methods of compensation in return for wage increases. By contrast, North American employers have focused more narrowly on simply reducing the level of real wages.

Watson Wyatt Worldwide (1998), which makes money by advising employers how they could make money by adopting suitable compensation policies in a world of “constant change and unforgiving competition”, has come to the conclusion that “no single type of reward plan guarantees success—i.e. there are no silver bullets” although its annual surveys of Strategic Rewards practices in America do indicate that “organizations that have an overall strategic approach to rewarding employees perform better overall”. It is very critical of the merit pay or pay for performance in that it “is the primary vehicle for employee retention. However, it has lost almost all the power it may have once had to motivate performance or reward an employee for attaining skills or competencies important to the organization....As the workforce ages and tenure lengthens over the next decade, companies are likely to place even less emphasis on merit pay increases. Why? Having achieved entitlement status, merit pay largely rises with age and tenure. That link could cause payrolls to rise dramatically. Only de-linking pay from age and tenure and re-linking it to performance and productivity, such as through Strategic Rewards plans, can protect a company from the cost impact of an aging workforce.”

In the context of lean production, in theory, the use of piece rates to get more productivity does not hold good because it contradicts with the made-to-order JIT production and quality botheration of the employers. But piece rates as a compensation-related device is commonly found in most of the subcontractors attached to the lead firms of the auto industry. Piece rates induce higher productivity and higher pay for the workers. But the worker focus on quantity over quality apart, there is the problem of lack of incentive to avoid wastage of materials which is important in lean production. Furthermore, piece rates reward individual behaviour, not teamwork, and might encourage competition where cooperation is required. If employers institute team work, then they will have to

install group piece rate systems. But this invokes the aforementioned 1/N problem if the group becomes too large (Lewin *et al.*, 1997). In case employers offer promotions as rewards to get the best behaviour from executives and non-supervisory employees, that will not work because, as with individual piece rates, competition for a few higher opportunities above rather than cooperation is encouraged. "Office politics and sabotage are part of popular corporate lore as a result" (*ibid.*, p.7). Most employers, especially in larger firms, pay on a time basis (per hour, per week, per month, or per year). But higher productivity does not materialize without considerable monitoring. Employers may set a minimum work standard and dismiss those employees who do not measure up to it. They may institute merit pay in terms of merit bonuses or wage increases based on subjective supervisory evaluations like in the Japanese factories. The "pay for performance" wave which came into vogue in the 1980s is not a new idea. The idea of having an element of pay based on performance of the firm, plant, work group, or individual—also known as pay or wage flexibility is an old one (*ibid.*, p.8; also see Suri, 1999). However, some employers prefer to avoid pay-for-performance altogether! Many employers in the US showed "employer militancy" during the 1980s, by doing aggressive wage cutting despite theories like 'efficiency wages' or the historical example of Henry Ford using the theory of efficiency wages for the first time successfully, guiding them not to do so. This apart, the topic of 'performance appraisal' with all its new fads coming from the USA—like the 360° feedback in terms of self-appraisal, peer appraisal, subordinate appraisal and appraisal by customers, internal and external—is so confusing, murky and dysfunctional-prone that it is not really a developmental tool to objectively get the best out of the employees; it is more likely to become a subjective exercise in negative sanctions to promote the American culture of "hire-and-fire-at-will" (Rao, 1998c).

Some scholars have highlighted five principles that underscore the international convergence towards an optimal flexible pay system to boost productivity: "(a) Flexible pay should not be a substitute for guaranteed pay. Roughly speaking, 70 per cent of the pay can be fixed and 30 per cent variable. Normal pay revisions may reflect changes in cost of living or per capita incomes in the country; (b) Pay revision should lag behind productivity improvement. Define the lag period; (c) Performance appraisal system should be revamped to define and measure performance; (d) Define profits, the share of workers, and procedure for sharing; and (e) Provide a measure of stability in workers' income by pooling workers' share in excess of 30 per cent of their pay into a fund that can be used to pay to workers in lean years for imparting a sense of stability in their earnings" (Venkata Ratnam, 1999).

Let us consider the issue of bonus which ranks next only to wages in its adverse impact on industrial peace and harmony in India. At the outset, bonus is a simple apple-pie statement to understand as an incentive to promote productivity of the workforce and so it should be integral to any productivity boosting restructuring such as lean production. But in the Indian context, bonus is really a bastardized concept; the government through its legislation and the judicial system interpreting that legislation, have both mucked it up as a perennial cumbersome bone of contention without clarity and precision. If bonus is treated as 'deferred wage', the implication is that the employees would be entitled to 13 months' wages for 12 months' work and it is perfectly logical. In this version of thinking about bonus, bonus is totally severed from profits and becomes a 'statutory liability' of compulsory character. In such an event, there can be no question of paying more than 8.33 per cent under any circumstances. If, on the other hand, bonus is regarded as 'profit-sharing' and/or 'productivity-linked', it is certainly a welcome measure, in the context of industrial restructuring based on lean production, for the employers as also employees, because both parties can formulate their strategies to improve productivity and/or profits and of sharing the gains thereof. Such an arrangement is supposed to infuse a sense of competitiveness in both the employer and the employee as the focus automatically shifts from 'fixed-pie' to 'expanded-pie' bargaining. Operational efficiency becomes the focal point and payment of bonus thus becomes a rational 'contingent liability'. If this argument is accepted, then the idea of bonus as a 'deferred wage' should be dropped. The matter is made extremely confounding by the argument that bonus should be treated as both, which does not make any sense. "Such a theory would, if any, be the next-of-kin to caprice and humour" (Rao and Sinha, 1998). The problem of lack of clarity and the absence of corrective justice, distributive justice and productivity-boosting justice permeates not just the bonus issue, but the whole ambit of the procedures and practices of industrial dispute resolution covering gratuity, wage structure and unfair termination of service of workmen as well (Malhotra, 2001). Such is the world of industrial relations system in India even as judicial activism, even from the High Courts and the Supreme Court, has been by and large in tandem with the employer militancy in the neoliberal times.

To sum up the incentives discussion as above, there is no logically and practically sound incentive system that is compatible with lean production which can be universally applied to get the best results. As Rajender (1992, p.43) points out, the question of incentives—fixed and variable—is not a mathematical question but a "social question which workers and management should decide among themselves keeping in mind their common interests and conflicting interests....The mechanism of collective bargaining

tries to do just that by asking labour and management to negotiate with each other. In spite of all its imperfections, this is probably the best method we have right now. Other methods of wage determination are even more unsatisfactory.”

Why do employers impose compulsory overtime on workers under lean production, much to the dislike of many workers? They may not reveal their logic but Yates (2003, p.116) sees through this as follows: “Employers find it cheaper to increase the hours of their regular employees. Compulsory overtime, even though it might have to be paid at a premium wage rate...., is cheaper than hiring new workers, who have to be trained and for whom there are hiring costs and fringe benefits. Fringe benefits payments do not increase if a regular worker works overtime, but they do rise if a new worker is employed. The use of overtime work then makes it difficult for new workers to find full-time employment, and these workers form a pool of exploitable part-time workers.”

Interestingly, it is not that workers are not willing to take on overtime. In fact, the increased demand for overtime work by employers is heightened by the increased willingness of workers to do it. What explains? Again Yates (*ibid.*, pp.116-17) sees through this as follows: “Workers who experience increases in family income quickly raise their expenditures for all sorts of consumer goods and services. They increase their use of credit and get caught in ... a cycle of 'getting and spending'. To pay their bills and maintain their increased consumption, they work as much overtime as they can get. I once taught groups of automobile workers, employed at a parts plant near Pittsburgh, Pennsylvania. In addition to their employer's demand for forced overtime and the get-and-spend cycle, many of these workers had also experienced extremely insecure employment as plants in the industry shut down in the 1980s and 1990s. They were 'willing' to work long hours today in part because they might be victims of another plant shutdown tomorrow. During breaks, some of them would tell me that they had been working twelve hours a day seven days a week.... The plight of people doing long hours of involuntary part-time work in the rich countries pales in comparison to the working lives faced by the third world proletariat (including the components of this proletariat sweating it out in the rich countries). For these workers, labor is a matter of life and death, all day, every day.”

In discussing compensation, we will have to make a distinction between wages and compensation. Compensation includes not just the hourly or weekly or monthly wage but also additional costs such as fringe benefits. The most important benefits are health

care and pensions. In much of the world these are very low or nonexistent, and so in effect wages and compensation are about the same. But in the rich countries, benefits are often significant (*ibid.*, pp.110-11). One can thus understand how employers in rich countries turn away from compensation to only low wages by finding ways of exploiting the workers, especially the nonstandard workers, in the emerging economies such as India and China.

Although instituting 'productivity linked wages' is considered as a way of flexibilising wage structure and the right way of motivating the workers under lean production, can we really measure individual worker productivity and explain the wages he receives in relation to it? No, no, no. Consider the answer as given in Yates (*ibid.*, pp.152-3): "According to the (neoclassical) theory, inequality in income is simply the monetary reflection of inequality in productivity. This notion can be challenged on both theoretical and empirical grounds. Although capital in the form of machinery, buildings, and equipment is productive in the sense that, other things equal, the more capital per worker, the more output is produced, the ownership of capital is not a productive act. Therefore, income from the ownership of the nonhuman means of production cannot be justified on the grounds that the means of production are productive. A significant fraction of the nonhuman means of production become the private property of individuals through inheritance, and these cases the argument that the inheritors are productive is particularly ridiculous....It is ownership that generates income, not productivity. The neoclassical explanation of wage inequality is likewise suspect. If we say that wages reflect productivity, we must be able to measure the productivity of individual workers. This, however, is for the most part impossible....In industrial settings, work is not an individual process; it involves the necessary cooperation of large groups of workers. The productivity of an individual worker is a meaningless concept....The neoclassical theory predicts that equally productive workers will make equal wages. This is manifestly not the case. If we look at workers across the world and observe the astronomical differences in wages among workers, this prediction looks increasingly preposterous. The Mexican workers making car engines for General Motors or Ford are as productive as their Detroit counterparts, but the pay of the former is a small fraction of that of the latter." So, as the lead automobile firms internationalise themselves and adopt lean production in developing country context, workers are as productive or even more productive than workers in the developed countries even as they get paid a pittance. If this is not low-road super-exploitation, then what is? How can the protagonists of lean production sell the idea of high road in terms of high wages under lean production in

developing countries? Sheer ideology of myths. As Yates (*ibid.*, p.160) remarks, the “fact that neoclassical economics is so wrong yet so powerful tells us that it is not a science but an ideology.”

Lastly, what explains executive pay, i.e. the colossal compensation for the CEOs of the corporations? Nothing. As a shareholder activist and writer on corporate governance issues, Monks (2011) says, “...only one simple conclusion is possible: Pay is not correlated in any way with the value these leaders create for shareholders, society or any other corporate constituency. CEOs largely pay themselves...Recent protests—Occupy Wall Street, of course, but also the Tea Party movement as it first began—rise out of a profound rage over unfairness in this country. The scale of this unfairness and inequity makes it hard to know where to direct that rage, to know what to do. Occupy Wall Street has the right target; but where their rage will go, nobody today knows. I am certain, though, that any alert board should be instructing their managers to do three things: admit the problem exists, take positive steps to make the corporation function fairly, and consider what other steps would address the concerns of the protests” (also see Gautney, 2011). What should shareholders do in this context? “They must promptly and credibly associate themselves with the protesters complaining against corporate unfairness—and then present themselves as legitimate vehicles for addressing the problem. The autocratic power of CEOs is fundamentally at odds with the sustainable functioning of corporations in a democratic society. Institutional shareholders must move quickly and decisively. They should defend and legitimate their right to own property and to be responsible for corporate conduct” (Monks, 2011).

2.4 Job Security and Staffing Arrangements

The automotive factory is not a good place to work; it has always been a tough environment in which to work—one has to read only Kamata (1983) or Hamper (1992) to get a sense of the hell of labouring, hilariously though in the case of Hamper. Therefore, high labour turnover has long been a characteristic of this back-breaking industry, and was one of the factors which motivated European makers such as Volvo to embark on 'quality of worklife' programmes of job redesign and work reform during the 1970s. It was hoped that by making the jobs more interesting, the auto industry might become a more sought-after source of employment. In some other countries, such as the USA, 'efficiency wages' in terms of higher hourly rates of pay and employment benefits were used in an attempt to attract and retain labour. In many European countries, legal and illegal 'guest workers' (e.g. from Morocco) were used to fill the vacancies in the

factories as local labour sought more desirable jobs. Even in Japan, the auto industry was known as the employment of last resort and was regarded as "dirty and dangerous". The industry also has tended to follow economic cycles of boom and bust. And so, workers have been used to being either hired or fired in large numbers as the auto sales waxed and waned.

Increased global competition in conjunction with economic recessions has devastated the 'good jobs' in the industry. In Japan, the land of the rising Sun, life-long employment in the lead firms is in decline. The case of Nissan is famous in this regard as it began to lay off workers during the recession of the early 1990s. Japanese auto unions have even sought to prevent their companies from opening plants overseas because they feared that this could threaten jobs in Japan. But they have not been successful in this regard in the long term. In Japan, it is difficult to distinguish between what is voluntary severance and outright dismissal, due to the practice of older workers being patted on the shoulder, and thereby asked to leave a company—getting rid of core workers through the practice of "kata tataki", as the Japanese call tapping on the shoulder. Furthermore, the Japanese have long used subcontractors and temporary workers as a means of providing large-scale employers with a relatively high degree of labour flexibility.

Most continental European countries have laws which require employers to follow certain procedures when redundancies occur, in order to afford some protection to employees and give them a period of warning before they lose their jobs. However, these procedures have tended to collapse during harsh economic times. In France, for example, the whole system of social protection has come under heavy fire. Firms are now permitted to depart from general provisions of the law, providing that the parties give their consent. Temporary workers and short-term contracts are increasingly used to reduce the liabilities. In Germany, where the auto industry is said to be vibrant, there is still high employment security for the core workers in the lead firms but the government has permitted greater use of temporary and part-time workers who are not covered by the same level of protection.

In Sweden where there is said to be the strongest degree of legal protection against job loss for both permanent and temporary workers, things have turned out to be bad as the economic recession hit the auto industry badly. During the early 1990s, Volvo closed a number of plants and Saab sold half of its auto business to General Motors. Although an economic recovery began by the mid-90s, and the health of the industry improved, companies have been reluctant to rehire auto workers at previous levels of employment.

