

The role of Social Dialogue in skills initiatives: a case study approach

Eur Ing Dr Keith Bevis, University of Hertfordshire, UK

Address: School of Engineering and Technology, University of Hertfordshire
College Lane Campus, Hatfield, AL10 9AB, UK

Email address: k.bevis@herts.ac.uk

Keith Bevis is Business Manager for the School of Engineering and Technology at the University of Hertfordshire. His research interests are focused on the effectiveness of in-company learning and its effect on innovation, particularly focusing on the skills shortage. His twenty five years of industrial experience has covered manufacturing and quality across a range of companies from GEC-Marconi down to SMEs. To this he added five years as a consultant targeting quality improvement. Other network activity has included the Interreg IIIc Automotive Regions programme which was aimed at developing understanding and linkages between organisations across a number of European regions.

Fiorenza Paoletti, (formerly of) ComunImprese, Milan, Italy

Via Matteotti, 2, 20020 Arese (MI), Italia

Email address: fiorenza.paoletti@gmail.com

All other communication c/o Keith Bevis

Fiorenza Paoletti is a Geographer, with expertise in Territorial Marketing. Her activities have included social-economic analysis and research, strategic development plans and Public Relations with the stakeholders. She has collaborated on a number of EU projects, for example the *Equal Chance* (aimed at workers aged over 40) and the Interreg IIIc *Automotive Regions*. She worked for ComunImprese - the North West Development Agency of the Milan metropolitan area - and Fondazione Fiera Milano.

Keywords: European Social Dialogue, Skills, Training, Regional Policy.

Abstract

With an automotive industry racked by uncertainty and continuing competition, the stability of companies and the risk of job losses have been tackled differently across a number of European regions. In each scenario, governments, employers and the workforce, represented by the unions, have had to work together in what is termed European social dialogue. Using case studies this paper samples the approaches taken to social dialogue on the issue of skills, highlighting both positive and negative scenarios. The lessons drawn are about speed, communication and cooperation.

SMEs, engaged in the supply chain projects, became involved and embraced the opportunities, with measureable training outcomes. The factory run-down scenarios demonstrate the importance of the social partners working together at the local level and acting with speed as the situation develops. Policy makers can and must react quickly to changing circumstances. Training strategies need to adapt to the life cycle of companies.

1. Introduction

The European Automotive industry is a key strategic player in the European Union with an estimated 10 million workers. The majority of these work in the supply chain (CLEPA 2005). As a major employer, the sector must work to maintain its competitive edge if it is to keep that workforce engaged.

Despite a long period of unease in the European car industry, it was the beginning of the twenty first century that saw major turmoil with the European car market going through an extremely weak phase. This can be illustrated with a few examples. Historically, Belgium had attracted all the major car producers. However, during the period 1992-2001, the total number of jobs in Belgian car assembly fell by 30%, while the added value fell by 8%. Genk Ford lost 30% of its direct labour. The UK saw the break up of the Rover Group, accounting for around 2,500 voluntary redundancies in its successor companies. In May 2000, Ford ceased vehicle production in Dagenham. In December of the same year, General Motors, GM, closed Vauxhall's Luton plant. Fiat Auto's car sales dwindled both in Italy and in Europe. There the domestic drop in

demand reached 6%. Employers have identified overcapacity in the European car market as the cause of price pressures on new cars.

Human resources are central to the creation and exploitation of knowledge and a determining factor in the European automotive industry's potential for innovation. Employees are increasingly required to demonstrate significant judgement and flexibility, while maximising performance and improving productivity. To become more efficient and competitive, people need the right skills. Lean manufacturing systems are 'highly dependent on the contribution of a skilled, flexible and motivated workforce' (Krafcik and MacDuffie, 1989). Given the continuing turmoil in the industry, for many employees skills are needed for new roles in different sectors. This increases the importance of the social partners to the discussion of training in the sector

2. The role of Social Dialogue in promoting training initiatives

Recognition that European employers, workforce and governments must work together was enshrined in Articles 138 and 139 of the Treaty of Rome¹. The collective term used is European Social Dialogue, which encompasses both the formal meetings at the European level and the more localised discussions centred around an enterprise (Smallbone et al.,2005).

One of the key features of Social Dialogue is the primacy of Human Capital. People need to be developed in order to secure employment, to be productive in employment and to keep pace with developments in their employer's organisation and the industry around them.

“Education and training are the key messages coming out of the social dialogue. This is not a generic request for training. The voice of industry and unions has been very precise in articulating their needs in terms of subject matter and form of learning. The providers need to respond in different ways to these needs. It is not simply a progression of qualifications. It is also about the role of learning in different situations. There are those who need training to gain employment. Businesses need staff trained to improve the competitiveness of their businesses. There is the need to capture the knowledge locked in older workers and to retrain those workers for new technologies. Above all in the new Knowledge Based Economy, routes for innovation must be found and staff trained to adjust to the changes that innovation will bring with it.” (Automotive-Regions 2006)

Given the pressures on the international automotive industry as a whole, western countries cannot compete with low-wage countries on labour costs alone. For the European market they have the advantage of geographical situation and logistic infrastructure. Companies need to drive up the productivity and availability of their employees and prepare them for the demands of work in a Knowledge Based Economy. This strongly suggests a movement to High Performance Work Systems where the employees have a greater degree of autonomy in their tasks, work in self directed teams, can participate in problem solving and are supported with excellent communications (Appelbaum 2002) . The range of courses highlighted in the following case studies supports this drive.

This has started to take effect in the older EU states. It must be anticipated that this trend will follow across the whole of the EU, since at the Lisbon European Council in March 2000, government leaders set the EU a ten-year mission to become the most competitive and dynamic Knowledge Based Economy in the world, capable of sustained economic growth with more and better jobs and greater social cohesion.

The European Community defines social dialogue as a “force for economic and social modernisation”. Attainment of the strategic goals set in Lisbon depends largely on the action taken by the social partners. At a European level, both bipartite² and tripartite³ dialogues have a contribution to make to employment, job training, modernisation and the adaptation of social protection systems.

Within the Automotive Industry, Social Dialogue is the positive convergence of interests between social and institutional players to develop locally (Smallbone et al., 2005). Such convergence is crucial, if the shared aims of socially sustainable growth and development are to be effectively achieved.

For the components of the European automotive sector to remain viable, their growth and development are essential and that needs greater responsiveness. This is not just a reference to lean manufacturing, but acknowledgement that companies who cannot keep up with the pace of change will suffer. The pressure for Lean manufacturing is an important part of this. The introduction of ‘Lean’ at both Ford and General Motors has created additional jobs at their

suppliers. It has also required a greater level of operational and management skills at these suppliers.

The pace of change is reflected in the case studies in section 3. The companies are different: British, American and Japanese. Their progress is different: demise, retraction and growth. Their approaches to the skills challenge differ. There is no "one case fits all" approach as a standard of good practice; there are illustrations that show how the various players can use social dialogue to their organisational, commercial and social advantage. There are also certainly some clear lessons about how not to engage.

3. Understanding Government Responses

INTERREG is an acronym for an EU-funded programme in which partnerships from European regions work together on common projects. One project that ran from July 2005 to December 2007 within that programme brought together a group of regional and sub-regional partners, all having direct and significant contact with the automotive industry. These participating regions were very aware of the vulnerability of their own economies to changes in the automotive industry. The specific objective of "Automotive-Regions" was to share good practice and work together on policy in preparation for further turmoil in the industry, an objective close to those of other post closure reports (Bailey 2008a). Labour market issues and training featured as one of the thematic areas within the project (Bevis 2007).

The methodology of this paper has been to bring together the Social Dialogue and Skills strand of reflections and case studies that ran through the project. The case studies presented later have been edited down to focus on this strand. Whilst partners came from seven Western European countries, this strand was best represented in contributions from the UK and Italy.

There are good examples of agencies working well with industry and being able to take a long view, uninhibited by regional or national prejudices. Government agencies have had to change, to take account of the changing global pattern. They have had to work with industry to develop strategically important partnerships. Two examples are the Fiat Auto Project in Northern Italy and the Automotive Academy in the UK.

The Fiat Auto Project came into being as a result of the Programme Agreement signed by Fiat Auto Spa and the Italian government in December 2002, in which the company, considered to be strategically important for the Italian economy, undertook to support a major training scheme, co-funded by the state. The project had to meet guidelines identified by the Ministry of Labour and Social Security and by the European Community.

The project's Auto Training Plan was formulated with the company's needs in mind and its aim was to assist the workers in developing their ability to adapt to the market. Along with the training plan, welfare services were implemented to aid groups of workers that would otherwise risk being dismissed from the labour market, taking action to improve their basic and technical skills.

The Automotive Academy was set up by the UK government under a predominately industrial board chaired by Joe Greenwell, CEO⁴ of Jaguar Cars. At its launch in June 2003, the UK Trade and Industry Secretary, Patricia Hewitt, said: "The sector can't compete on the global stage on the basis of low wages and nor should it want to. It must compete on the basis of new technologies, new processes and skills - all key strands of the [UK] Government's manufacturing strategy."

As a response to the Leitch report, from 2005, the UK Government began to launch a series of National Skills Academies (Leitch 2006). One of these, the National Skills Academy for Manufacturing subsumed the activities of the existing Automotive Academy but with a larger brief to cover all manufacturing.

In these partnerships governments are having to work with industry, both employers and unions, and very often are being guided by industry rather than providing standard solutions. Implicitly, these are social partnerships which cannot be controlled by one strong political partner.

The skills agenda has become important in most countries and there are examples where this has been worked out with input from the social partners.

Case Study I covers the period 1994 to 2006 of the Rover plant at Longbridge (abridged from Davey (2006)). It concentrates on the training issues. The complex training scheme at Rover was

intended to provide the workers with the specific know-how required to manufacture the proposed new Rover models, and to increase their basic skills.

Although the training was primarily targeted at up-skilling the company workforce, the secondary purpose was to develop the trainees so they could create their own career opportunities outside Rover too, if the need arose for them to move. With transferable skills they would have improved levels of employability and adaptability. Despite the seeming effectiveness of the programmes made under the aegis of the Rover Task Force, a wider view reveals that each initiative has been reactive and delayed (Bailey 2008b).

Case Study II covers the period during which the Vauxhall plant at Luton was closed down, again concentrating on the training and skills issues around that event (abridged from Wood's case study (2006)). The key initial task was to identify skills shortages in the local area, to map the skills of the Vauxhall workforce and then to consider the training and re-skilling requirements, which would enable them to be redeployed in the UK labour market. Particular reference was made to local labour shortages.

Case Study III illustrates the role that training has had in the planning and development of Nissan's very successful plant in Sunderland. The priority given to skills was demonstrated by the early plans and negotiations for the plant. Here the unions have played a positive role in creating a learning organisation.

Case Study IV illustrates examples of active partnerships within supply chains. Here the role of unions is less, but the strength is the host company working collaboratively with its suppliers rather than in an adversarial purchasing mode. There is still the same element of managing risk as in the other case studies.

Governments' responses to social dialogue have also helped to shape their budgetary policy. The challenge is how to use available budgets across similar but competing demands:

- Training to raise skills within the automotive and advanced engineering sectors, targeting acknowledged skill gaps.
- Training to improve employment prospects of those in the labour market, including basic skills.

- Training to prolong the working usefulness of older workers, enabling them to keep abreast of new technologies.
- Training to prepare the whole workforce to embrace the shift to a Knowledge Based Economy.

4. Case Studies

4.1. Case Study I - Rover Group Ltd, Longbridge

Once the biggest manufacturing plant in the world, the Longbridge Rover plant in the West Midlands has declined despite significant investment both financial and in the development of its human capital. It opened in 1894 as Austin. Its history and its financial traumas are well documented, for instance by Oliver, Holweg and Carver (Oliver 2008), but to consider it from the perspective of skills development, a good starting point is 1994 when the then Rover Group was taken over by BMW.

In the following year, the 30,000 strong staff were trained in the philosophies and tools of total quality. Within six years the still failing company was sold to the Phoenix Venture Holdings, PVH, in a management buyout.

Over 400 employees underwent a nine-week training programme. The “pilot production” facility in the Longbridge Methods Build Department was used for intensive five-day “hands-on” training modules.

In the period from 1999 to 2004, a training scheme for around 6,000 workers received funding of 15.6 million Euros from the European Commission. The scheme was intended to provide the workers with the specific know-how required to manufacture the new Rover model, to increase their basic skills and by using accredited training (NVQ), to ensure full transferability into the job market.

The scheme involved four levels of training:

1. basic skills;
2. job-related skills;
3. vocational training;
4. development of related skills (management, leadership, information technology).

However, the Phoenix Consortium had to put MG Rover Group into administration in 2005 at the cost of 6000 jobs in the plant and in the supply chain. Further rescue plans followed but were ultimately unsuccessful.

Public support was provided through the 'Manufacturing Offer' delivered by the Learning & Skills Council, LSC; Job Centre Plus, JCP, and Skills4Auto⁵, supported by the Sector Skills Council, SEMTA; Society of Motor Manufacturers and Traders, SMMT; and the Engineering Employers Federation, EEF. The UK Government provided £150 million and the EU a further £68 million. The aim of the offer was to retain the much needed manufacturing skills of the workforce within the regional economy and provide an opportunity to enhance this skills base. Over 800 people have been successfully retained in a manufacturing/engineering role within the region. Skills4Auto worked with its partners to support companies' own recruitment activities.

Over 270 companies have participated in the offer, involving potentially over 800 ex-Rover, supply chain employees. 600 individuals have been referred to almost 40 different providers. Business Improvement Techniques⁶, NVQ Level 2⁷, was the main training programme. Other training programmes included the Project Management Tool, PRINCE 2, and various computer aided design courses from AutoCAD to Catia V⁸.

Stephen Lilley, who led the work for the LSC said "The fact that so many individuals were retained by successfully transferring between manufacturing companies is a mark of the vibrancy and breadth of the sector. Manufacturing is still a vitally important part of the West Midlands economy".

One of the companies that benefited from the 'Manufacturing Offer' was Abex Ltd of Birmingham, a leading provider of materials handling solutions, providing a hire fleet of 450 trucks to the automotive, aerospace, electrical goods and utilities markets. An increase in sales and the consequent business growth had left Abex with an urgent skills shortage.

Managing Director Martin Connop explained his situation, "It is widely recognised that the materials handling sector struggles from an ageing workforce and a lack of recognised qualifications, which means it is difficult to recruit new and highly skilled staff. ... Everyone

knew that a fair number of the [MG Rover] employees would have been involved in the maintenance department, would be highly skilled and used to meeting deadlines.”

There was a good response at a local “Job Fair” and Abex was able to interview a shortlist of five people.

“After the round of discussions, we eventually offered jobs to Adrian Pickerill, Stephen Herbert and Graeme Hogg, who had been with MG Rover for a combined 40 year period.”

Taking on the trio was a major investment for Abex. With support from the ‘Manufacturing Offer’ the three new recruits received comprehensive in-house training on materials handling and then spent six-months shadowing experienced technicians on repair contracts across the UK.

“We had to make sure that the guys could apply what they had learned to a real working environment and also discover how to give the right level of customer service,” explained Martin. “This was a major decision to make, but one that is now reaping dividends. The MG Rover scenario inadvertently helped solve our skills shortage and will now help us grow as a business.” Employing just 30 people, Abex is now looking to grow by strengthening existing dealerships and examining the possibility of another local acquisition.

This case study has been abridged directly from a report presented to Skills4Auto (Davey 2006)

4.2. Case Study II – Vauxhall Cars – Luton

The closure of Vauxhall in Luton was part of a wider restructuring programme announced by GM involving 10,000 job losses in North America and Europe over a period of 18 months. The Vauxhall Car Plant in Luton, which had opened in 1905, had been one of the area’s major employers for almost a century. At the height of production, the plant employed around 25,000 people.

The plant finally closed in March 2002 with the direct loss of just over 2000 employees, with an average length of service of 17 years. 1000 jobs were transferred to the neighbouring IBC⁹ van

plant. It was also calculated that there was an indirect loss of a further 563 jobs. The impact on the wider supply chain was estimated at £85 million.

The potential impact of the closure of Vauxhall on Luton was such that it provoked an extremely fast response. A day after the closure announcement, a number of concerned organisations, led by EEDA¹⁰, were brought together to form the 'Luton Vauxhall Partnership'. This was a partnership of the public and private sector encompassing the Vauxhall Company, trade unions, the Employment Service, regional supply network, the local authorities and local university. Its purpose was to address job losses and the effects of the closure on the local economy.

Despite initial hostility to the closure, the unions were instrumental in identifying a need for an accreditation of prior learning (APL) programme at the plant, and played an active role in delivering an NVQ programme. The Learning and Skills Council helped to identify training providers and supported the APL programme. A local Further Education College was the main provider of the training and re-skilling programme along with other private providers. The project was delivered by an ESF Project Management Team, whose remit was to 'tackle issues arising from the closure'. With matched funding the total budget for the project was £1.6 million.

A key initial task was to identify skills shortages in the local area, to map the skills of the Vauxhall workforce and then to consider the retraining and re-skilling requirements, which would enable them to be redeployed in the UK labour market, locally in particular. This was undertaken by the local Jobcentre Plus, who also provided initial advice and guidance to workers.

Workers were offered impartial guidance interviews with advice on their training needs, appropriate training/re-training courses, interview techniques, CV writing and Basic Skills. Training sessions were organised by the local college and private training providers on Friday, with some training taking place on Saturday morning, thus easing pressure on production.

The training provided included computer networking, teacher training, LGV¹¹ and forklift truck training, construction trades, PC maintenance, management studies and data cable installation.

An APL assessment scheme was initiated with extra funding from the LSC, Vauxhall and EEDA.

The partnership offered an enhanced business support package to a core of very skilled workers who wanted to set up their own smaller manufacturing businesses. It worked with them on a special programme, offering incubation space to build and grow businesses, on the basis that these could be the sort of businesses that might provide replacement jobs.

The project tracked the activities of each beneficiary through the various stages of support. 1,540 beneficiaries took part in the programme (27% more than had been expected at the start of the project). Vocational training was accessed by 1,214 workers with 105 workers attending Business Start-Up Courses organised by the Chamber of Commerce.

A key aspect was the focus on the supply chain. To enable the Partnership to support companies in the region, Vauxhall provided details of their supply chain. Here 66 companies and 452 individuals received support. Training was in terms of marketing, lean production, health and safety, up-skilling, management training and ICT training. This intervention left the supply chain in better shape, more able to cope with change and seek new opportunities.

This case study has been abridged directly from a report presented to EEDA (Amicus 2004; Parliament 2002a; Parliament 2002b; Wood 2006)

4.3. Case Study III Nissan Motor Manufacturing (NMUK)

Nissan Motor Manufacturing (UK) Ltd, NMUK, is the largest car plant in the United Kingdom, as well as the most productive in Europe, producing more 'cars per employee' than any other factory. There are 4,500 workers directly employed by NMUK, and approximately 500 contracted, indirect staff. NMUK employs a well developed lean manufacturing system which includes Kaizen¹², Just in Time¹³ and Job Rotation¹⁴.

In accordance with its Investors in People¹⁵ responsibilities, NMUK has a very active training department and offers a wide range of on- and off-the-job training. The Flexible Learning Centre established on-site is open to all staff and allows them to taken part in over 300 courses.

Technical on-the-job training is available to all staff, and most of the courses are given on-site by qualified trainers. People development courses (e.g. Presentation Skills) are also provided. NMUK spends more per head on staff-development than the British industry average. NMUK has a Continuous Development Programme (CDP) whereby staff are given personal and professional objectives each year, and are appraised against these objects. This appraisal is linked to pay increases. This is also an opportunity for staff to identify where further training may be appropriate.

After vetting various sites in Europe, Nissan reached an agreement with the British Government in 1984 to set up its new plant to manufacture vehicles for the EC market in Sunderland. At that time, the North-East England had recently undergone a period of industrial decline, with the closure of most of its shipyards and coal mines. The full story is covered in great depth in “The Nissan Enigma”(Garrahan and Stewart 1992).

In the next year Nissan’s management began talks with various trade unions, proposing a company organisation project that was not very hierarchical, devoid of job compartmentalisation, based on a workforce that was *all* highly skilled, on-going professional training programmes, working groups with a considerable level of autonomy, and marked interchangeability of roles. The importance of the flow of information between employees and management, as well as the attention that would be devoted to implementing and improving it was particularly stressed. An agreement was reached with the Amalgamated Engineering Union (AEU)¹⁶.

This agreement was innovative and unprecedented in UK industry. Amongst the general principles of that agreement two objectives stand out:

- to establish procedures to solve each issue connected with these [*industrial*] relations rapidly and effectively;
- to recognise that all workers, at all levels, play a significant role in the company’s success.

In this regard, the trade unions and the employer agreed on the need to (Art.1):

- create a team committed to achieving the highest levels of quality, productivity and skills, using modern technology and forms of work, and prepared to make the changes necessary to maintain these levels of excellence;
- actively promote the workers' contribution to the pursuit of these objectives.

By 1986 the first 247 employees were selected. The workforce quadrupled in four years. In 1991 NMUK turned its first profit of £18.4 million and was awarded 'British Manufacturer' status by the Society of Motor Manufacturers and Traders (SMMT). That accolade was followed by the Micra being voted "European Car of the Year 1993".

NMUK increased both its productivity and its innovativeness. Its co-operation with Cranfield University which had started with *Customer Understanding Processes in Design (CUPID)* extended to the design of a number of components for the vehicles manufactured.

The Sunderland plant, with a production rate of 73 vehicles per employee, achieved first place in the classification of the most productive car manufacturing plants in the world. It subsequently retained this leadership reaching a record production rate of 101 vehicles per employee in 2000¹⁷.

The Institute for Automotive and Manufacturing Advanced Practice was set up at Sunderland University and began operation, with the task of supplying scientific research and technical design work to the car industry and to enterprises supplying services to it, as well as training personnel to be employed by them.

This case study has been abridged with an emphasis on learning directly from a case study in a report to Automotive Regions Working Group TW5 (Paoletti and Bevis, 2006)

4.4. Case Study IV Supply Chain Groups

The UK Government set up its Supply Chain Groups Programme in 2004 to bolster the global competitiveness of the automotive and aerospace industries. Host companies, with a minimum of eight of their suppliers, work in partnership to identify potential business improvements. The Government has funded 50% of the costs of the necessary training and interventions. Sixty four

groups have been supported with funds of £5.5 million. Ten of those groups were in the East of England. Three of these have been located with Visteon, Lotus and Flexible Lamps.

Visteon UK Limited is a multinational Tier one supplier, with 170 facilities in 24 countries and 3000 staff in the UK. As it rationalises its supply base, it needs long term relationships with suppliers who like Visteon are lean, responsive and committed to continuous improvement. This means developing the suppliers.

Jon Diss, Supply Chain Project Champion, Visteon UK, said “We are not aiming to ‘Visteonise’ the suppliers... we want to work with them to develop their core competences to a point whereby when the programme ends they can continue to move forward and build on the foundations that have been laid.”

He had a team of internal experts delivering training and practical interventions to twelve of Visteon’s long term suppliers. The focus was on eliminating waste. The team helped the suppliers to commit to improving the capabilities of their teams, individuals and their processes. Key to this was understanding and rectifying their skills deficiencies.

Tools tailored to the supplier’s needs included: Value Stream Mapping; Standardised Work; SMED¹⁸; Workplace Organisation; Visual Management; Advanced Product Quality Planning, APQP, and Six Sigma. Progress against an action plan was monitored on a balanced scorecard. Targets were set for overall equipment effectiveness, delivery rating, quality, stability and customer relations, value added per person, floor space utilisation and stock turns.

In the two year project which finished in November 2005, the team delivered 3000 hours of training. One supplier delivered a 40% productivity improvement to what had been a loss-making cell. Another found sufficient cost saving to be able to continue winning work from Visteon.

Lotus Cars Ltd started a Supply Chain Groups project in January 2004. With a focus on scheduling and communications, they achieved a 50% improvement in delivery performance in two years.

For its own car manufacture it receives over 2,800 parts from 200 suppliers, but with a shift towards more Tier 0.5 manufacturing with predictions of sales growth, Lotus needed to develop its supply chain to be reliable, flexible and lean.

Dan Parnell, Material Control Manager and Project Champion at Lotus, said “Through the Supply Chain Groups project we wanted to improve scheduling to give suppliers a very clear demand profile so that we could reduce shortages and also tackle the problem of obsolescence.”

Work included value stream mapping to simplify processes and supplier development activities including workshops with trained change agents. Both Lotus and nine of their suppliers implemented changes.

The results across the project were a 10% increase in delivery performance, a 50% drop in line shortages and a substantial drop in unnecessary inventory amounting to 20 stock turns per year. Now regular Quality, Cost and Delivery, QCD, reporting from suppliers is assisting the integration of the supply chain into Lotus’ internal operations.

In 2003/2004 Flexible Lamps in Essex, a manufacturer of commercial vehicle lighting systems, had annual sales of £30 million. To grow it needed to address the ever evolving niche markets and for this it needed an efficient, flexible, design orientated supply chain. Nine of its suppliers, with turnovers of between £1 and £6 million, joined its supply chain project.

Early training activities and value stream mapping diagnostics provided a number of specific improvement projects. A Steering Group maintained commitment from all partners and co-ordinated training and improvement activities. Early scepticism from the suppliers was overcome once the commitment of Flexible Lamps was seen. The company analysed its own processes and improved its ordering to allow suppliers to reduce their stock holding.

In just the first year of the project, delivery performance had increased by 5% with eight of the nine suppliers reaching their target 95%. Productivity across the group had increased by 17% in value added per person. In particular suppliers, examples included a 41% rise in throughput and 70% reduction in set-up time. The improvements in the group’s performance meant that Flexible Lamps’ competitiveness increased and the suppliers saw increased sales.

This case study has been abridged with a deliberate emphasis on learning directly from the BERR website http://www.supplychaingroups.co.uk/case_studies together with discussion with EEDA advisers.

5 Implications

5.1. Implication for the vehicle manufacturers

For both employers and the unions engaged in large organisations there has been the realisation that a purely confrontational approach is no longer tenable. The details given in the case studies at Rover and Vauxhall show that the main preoccupation for unions had been to save members' jobs. Only more recently have there been examples of employers and unions working together to face the external competition. The supply chain examples show that progress is made once scepticism is overcome.

The challenge of a congested market with low cost competitors located nearer to the new growing markets has meant that the vehicle manufacturers need an adaptable rather than a stable workforce. Companies have had to be prepared to be innovative in their approaches to recruitment, employment and training.

The training programmes that are presented here in the case studies have been designed to do more than just increase operational skills. They have included basic and life skills. Companies have seen that access to European Funding is predicated on development plans that support competitiveness of industry and job security or job readiness of the population.

Both the Fiat and the Vauxhall training plans and welfare services have aided workers who were at risk of dismissal from the labour market. Their basic and technical skills had to be targeted. As in the Rover scenario, even before the current global recession, new employment outside the automotive industry was less stable and at lower rates. Government backed training supported those who were displaced and enabled them to gain subsequent employment outside the sector, but with no guarantee of security (Armstrong et al., 2008).

The challenges for large companies and their union partners are:

- to engage with the challenges of over capacity in a moving global market. The Nissan example faces the transnational pressures;
- to develop a skilled, adaptable but fluid employee resource;
- to become agile innovative operations that can follow the market.

5.2. Implication for small to medium sized manufacturing enterprises

There is no homogeneity amongst SMEs. As the message about lifelong learning takes root, SMEs need to understand not the advantages or disadvantages of training, but the perils of missing the opportunities that are open to an SME with a well trained workforce. These companies, who form a significant part of the automotive supply chain, suffer from lack of skills. Recruitment is difficult as they rely on multi-skilled staff. If they have embraced lean production, the tighter level of staffing means they have little capacity to engage in training activities (Automotive-Regions 2006). However, engagement with their customers can bring particular benefits. Although the original Supply Chain Groups project only ran until March 2008, there is strong support for stronger supply chain development. The UK's New Automotive Innovation and Growth Team report supported the recommendations of its predecessor that had set up the Supply Chain Groups but added the need to develop the management and leadership amongst the suppliers (Parry-Jones 2009).

5.3. Implication for training providers and support agencies

Education and training are the key messages coming out of the social dialogue. This is not a generic request for training. The voice of industry and unions has been very precise in articulating their needs in terms of subject matter and form of learning. The courses mentioned in these case studies have ranged from computer networking, teacher training, LGV and forklift truck training, construction trades, PC maintenance, management studies and data cable installation, project management using PRINCE 2 and various computer graphics courses from AutoCAD to Catia V.

The providers need to respond in different ways to these needs. It is not simply a progression of qualifications. It is also about the role of learning in different situations. There are those who need training to gain employment. This might include counselling services to provide access to

welfare and financial advice. Businesses need staff trained to improve the competitiveness of their businesses. There is the need to capture and acknowledge the knowledge locked in older workers and to retrain those workers for new technologies.

With the emergence of a highly flexible workforce, there is the need for skills and the evidence of skills to be transferable from one employment to another (Tolley et al. 2002). In the UK, National Vocational Qualifications, NVQs, which are awarded on demonstration of competence in the workplace, provide a good means to acknowledge learning. Accreditation of Prior Learning, APL, at Rover gave credence to the experience of the company's many well established staff before they found themselves in the job market.

The other challenge that permeates these case studies is that training providers themselves need to be reactive to demand and flexible in delivery. Where short courses are required to handle a particular skills gap, they must deliver a product that meets the company need but also provides the employee with the component of a qualification that can be built into a recognised certificate or "passport" which will have credibility with other employers.

The situations at Fiat, Rover and Vauxhall changed in different ways and at different rates. The one parameter on which it is possible to compare the actions of FIAT Auto, Rover Task Force and Luton Vauxhall Partnership is responsiveness. In order to be effective, agencies need to engage speedily. This does not replace the need for long term strategies (Bailey 2008b) but does help to reduce the risks in an unstable economic environment.

The supply chain development programme portrayed in case study IV started in 2004, but despite its dramatic performance, was terminated in March 2008. Although the original Supply Chain Groups project was curtailed, there has been extremely strong support from across industry and the associated agencies for stronger supply chain development (Parry-Jones 2009; Sakamoto 2008). A further project has been introduced for a limited number of suppliers to Honda, Nissan and Toyota (BERR 2008). It is anticipated that this will be further developed in the light of the UK's New Automotive Innovation and Growth Team report (Parry-Jones 2009).

4. Conclusion

This paper has used the concept of Social Dialogue to demonstrate the mixed role of learning in the major vehicle manufacturers in Western Europe. The four case studies provide evidence of diverse applications of training. Challenges have been gleaned from the experiences presented in the case studies. They are certainly not the definitive list of challenges facing participants in Social Dialogue, nor those involved in training, but they are manifest in more than one European country.

Two of the case studies covered a downturn in the industry and the other two show glimpses of positive improvements. These have centred on vehicle manufacturers and their major Tier 1 and Tier 2 suppliers. The juxtaposition of these case studies helps to stress the complicated nature of training and training policy and hence the role of social dialogue in supporting the development of policy. The Automotive Regions project on which this research was based had set out to assist policy makers. This paper has identified three policy recommendations, about responsiveness, about training scope and finally about supply chain development.

Two of the case studies have shown that Governments, employers and unions can unwittingly be trapped into preserving a failing enterprise. This reduced the resources for re-skilling or up-skilling the workforce when change became inevitable. More recent failures have only emphasised that need for a faster response. Social dialogue would seem to assist here, but the intractable component is that automotive manufacturers are multinational and driven by the market.

Being at the level of company engagement, each case study has illustrated that the range of training required goes beyond the company's expected skill set. The division of training between life skills, operational and technical skills and leadership skills shows that training needs vary dramatically through the life cycle of an enterprise. Regional agencies and training providers need to be prepared to support and deliver training across these divisions, rather than focus solely on operational and technical skills.

Both the Nissan and the supply chain case studies illustrate the migration of skills from the automotive manufacturer down through the supply chain. The companies in the chain have common objectives and there is a sharing of expertise, not just a training activity. The case study

and UK's Automotive Innovation Growth Team report (Parry-Jones 2009) stress the importance that industry places on supply chain development.

Training can be seen as more than a remedy for skills. It relates to industrial relations and to employment policy. In the continuing upheaval in the industry, on the one hand Human Relations interactions need to be agile and on the other up-skilling and diversification in the supply base are key to the survival of the manufacturing sector in Western Europe.

References

- Amicus. (2004). "Amicus and the Motor Vehicles Industry." Amicus, London.
- Appelbaum, E. (2002). "The impact of new forms of work organisation on workers." Work and employment relations in the high performance workplace, G. Murray, ed., Continuum, London, New York.
- Armstrong, K., Bailey, D., de Ruyter, A., Mahdon, M., Thomas, H.,. (2008). "Auto plant closures, policy responses and labour market outcomes: a comparison of MG Rover in the UK and Mitsubishi in Australia " *Policy Studies*, 29(3), pp. 343-355.
- Automotive-Regions. (2006). "Social Dialogue: A Work in Progress." Network of Automotive Regions.
- Bailey, D., Chapain, C., Mahdon, M., Fauth, R.,. (2008a). "Life After Longbridge: Three Years On; Pathways to re-employment in a restructuring economy ", The Work Foundation.
- Bailey, D., MacNeill, S.,. (2008b). "The Rover Task Force: A case study in proactive and reactive policy intervention?" *Regional Science Policy & Practice*, 1(1), 109-124.
- BERR. (2008). "Automotive Supply Chains: Support Mechanisms." *URN 09/602*, BERR, London.
- Bevis, K. (2007). "Automotive Regions: Present and Future, Final Report of the Network." Interreg IIIIC project funded by EU and ERDF, Hertfordshire.
- CLEPA. (2005). "Education, Training and Learning to Increase Competitiveness in the Automotive Industry." European Association of Automotive Suppliers.
- Davey, R. (2006). "Rover Case Study." K. Bevis, ed., Skills4Auto.
- Garrahan, P., and Stewart, P. (1992). *The Nissan Enigma. Flexibility at work in a local economy*, Mansell, London.
- Krafcik, J. K., Macduffie, J.P. (1989) "Explaining high performance manufacturing: the international and automotive assembly plant study." *IMVP International Policy Forum*, Pierre Marques, Acapulco.
- Leitch, S. (2006). "Prosperity for all in the global economy - world class skills." HM Treasury.
- Oliver, N., Holweg, M., Carver, M.,. (2008). "A systems perspective on the death of a car company." *International Journal of Operations & Production Management*, 28(6), 562 - 583.
- Paoletti, F., Bevis, K. (2006). "Social Dialogue: a work in progress: Case Histories." Network of Automotive Regions.

- Parliament. (2002a). "Select Committee on Work and Pensions Minutes of Evidence (Questions 159-179, 8 MAY 2002)
<http://www.publications.parliament.uk/pa/cm200102/cmselect/cmworpen/815/2050816.htm> ".
- Parliament. (2002b). "Supplementary memorandum submitted by the Trades Union Congress (ES 09A), correspondence between the clerk of the committee and the senior policy officer <http://www.parliament.the-stationery-office.co.uk/pa/cm200102/cmselect/cmworpen/815/2050818.htm> ".
- Parry-Jones, R. (2009). "An Independent Report on the Future of the Automotive Industry in the UK: New Automotive Innovation and Growth Team (NAIGT)." *BERR/Pub 8860/0.5K/05/09/NP. URN 09/921.*, BERR, London.
- Sakamoto, T. (2008). "Report on the business environment for Japanese automotive supply companies in the UK." BERR, London.
- Smallbone, D., Blackburn, Robert., Hart, Mark.,(2005). "Effective European social dialogue in an enlarged Europe: engaging small firm managers and workers in the European social dialogue." UK Presidency Social Dialogue Event, DTI, Cumberland Hotel, Marble Arch, London.
- Tolley, H., Greatbatch, D., Bolton, J., and Warmington, P. (2002). "The validity and transferability of NVQs in the workplace - Composite Report (Stage 1 and Stage 2) for the DfES." The University of Nottingham DfES Publications.
- Wood, H. (2006). "The closure of Vauxhall, Luton – a case study of the role of regional agencies in organisational restructuring in the UK." London Metropolitan University, London.

Notes

- ¹ The Treaty of Rome, 1958, amended by the Treaty of Maastricht, 1973, jointly known as the EC Treaty is the foundation stone of the European Union.
- ² Bipartite dialogue at the European level is between the European employers and trade union organisations, the social partners.
- ³ Tripartite dialogue at the European level involves interaction between the social partners and the public authorities.
- ⁴ Chief Executive Officer
- ⁵ Skills4Auto is a publicly funded organization that provides support to the Midlands Manufacturing and Engineering Automotive sector. It works with companies and individuals to identify business development needs and facilitate training based solutions. It has acted as the Midlands' spoke of the national Automotive Academy.
- ⁶ Business Improvement Techniques is an NVQ pathway which focuses on aspects of Lean Manufacturing.
- ⁷ NVQ Level 2 represents a course standard that is at the 'lower secondary or second stage of basic education' under the International Standard Classification of Education (ISCED) adopted by UNESCO in 1997
- ⁸ AutoCAD may suit the needs of SMEs but Catia V is needed for major automotive and aerospace companies.
- ⁹ IBC: Isuzu and Bedford Commercial (IBC) Vehicles was formed in 1987 as a joint venture between General Motors and Isuzu Motors of Japan. In 1998 IBC Vehicles became a 100% owned subsidiary of General Motors
- ¹⁰ EEDA is the East of England Development Agency. It is responsible for administering regional funding to the counties of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk.
- ¹¹ Large Goods Vehicle
- ¹² Kaizen is a Japanese word meaning 'Continuous Improvement'. NMUK encourages its entire workforce to seek out areas in which improvements, no matter how small, can be made to their working environment. The emphasis is on small, manageable improvements.

-
- ¹³ The JIT philosophy encourages the use of the minimum amount of resources (e.g. space, time, material, workers) necessary to add value to a product. NMUK uses this management technique throughout the factory and beyond. Synchronous Suppliers deliver parts line-side only when they are required, therefore reducing the need to store large supplies of parts at great cost.
- ¹⁴ In order to keep the workforce flexible, NMUK operates a policy of '1 man to 3 jobs, 3 men to 1 job'. In other words, a worker should be skilled in at least three different jobs, and at least three people should be capable of doing each job. This principle ensures that each job can be covered in the case of absence. It also means that jobs can be regularly rotated to prevent a worker from becoming bored in a particular role.
- ¹⁵ Investors in People is a voluntary assessment scheme backed by the UK Department for Education and Skills. IiP was developed in 1990 through a partnership of businesses and other national organizations. The scheme aims to improve organisational performance through better planning, implementation and evaluation of learning and development programmes, across organisations of all sizes and sectors.
- ¹⁶ The AEU was then the major engineering industry trade union, which in 1992 – following a merger with another trade union association – changed its name to Amicus the Union. Amicus has since merged with the Transport and General Workers Union, TGWU to form UNITE.
- ¹⁷ Figures from the 2002 press release by the World Markets Research Centre, *Nissan's Sunderland Car Plant once again sets European productivity standards*.
- ¹⁸ Single Minute Exchange of Die meaning reduction in changeover time.