

Photo: Paul Weinberg



Co-determination vs co-option *PPWAWU and PG Bison* *negotiate restructuring*

Worker participation at PG Bison collapses. Management proposes retrenchment. The union embarks on a research project. Union and company negotiate redundancies and restructuring. LAEL BETHLEHEM, SAKHELA BUHLUNGU, OWEN CRANKSHAW and CAROLINE WHITE report.

In June 1993, the Paper, Printing, Wood and Allied Workers' Union (PPWAWU) requested SWOP's assistance in responding to a restructuring initiative at PG Bison, a company where it organises. PG Bison had proposed a restructuring process involving the loss of up to 1 000 jobs over three years – or 25% of the company's workforce. Management's rationale for the exercise was a need for 'global competitiveness' and to restore falling profit rates.

For years, PG Bison, a leading manufacturer and distributor of particle board and related wood products, was seen as taking the lead in building "a kind of partnership [with its workers]...that may well be the way forward" (Evans, *SA Labour Bulletin Vol 16 No 3*). The restructuring experience must be seen in this context.

In 1987, in an attempt to address shopfloor conflict and raise productivity, PG Bison adopted an overall strategy which it called 'Total Productivity and Quality' (TPQ). Over the next four years, the process went through a number of phases, the most crucial being the 'sensitisation' stage. This consisted of 'value sharing' workshops at the shopfloor level. In addition, management created a national shopstewards' committee where management and shopstewards could address sources of shopfloor conflict and try to build trust between management and workers.

PPWAWU was unable to present a united response to PG Bison's new strategy. Some workers and shopstewards supported TPQ, seeing it as a sincere attempt to improve their lives. However, many other workers, shopstewards, union officials and the national executive committee were deeply suspicious and even opposed to what they saw as a 'co-optive' management strategy. They felt that the national shopstewards' committee was a consultative structure with no mandate or powers to negotiate. At the 1990 conference, the latter position carried the day and the union decided to suspend its involvement until the process had been negotiated with a "properly constituted committee of shopstewards and officials".

In 1991, PPWAWU resumed its involvement in the TPQ process on much more favourable terms than before. The National Forum, where shopstewards and officials met with management, now had negotiating powers and clearer lines of accountability. It was at the first National Negotiating Forum, in 1991, that unions (PPWAWU is the majority union, but NUMSA, SACCAWU and UWUSA also have members at the company) and management agreed on a new vision for the company. This included a key commitment from management: "PG BISON differentiates between retrenchment and redundancy. Redundancy refers to permanent shifts in employment levels due to irreversible shifts in markets, products or technology.

"PG BISON does not use retrenchments as a way to manage economic downturns. We all share in the success and difficulties of our company, such as company-wide pay cuts, rather than retrenchment."

The forum also adopted a management proposal for a strategy to devolve certain decisions affecting productivity to the person or people actually doing the job. This relied on a teamwork model called 'In-a-Groups'. Each person in production was designated to one or more 'In-a-Groups', depending on their task and its relation to other tasks. Elements of TPQ and their relation to one another were presented in the form of a 'Continuous Improvement Model' and included participatory processes, improved communication, internal leadership, a literacy and internal training programme, corporate social responsibility efforts, creative structures and common values, all of which would contribute to improved performance.

The adoption of the plans for a

NOTE: The Sociology of Work Unit (SWOP) is a research unit in the Sociology Department at the University of the Witwatersrand. SWOP is researching the changing nature of workplace relations in South Africa. This has involved working with and consulting the trade union movement, particularly COSATU.

participatory management style inspired a trade union official to say:

“What we have done here is not small. It is very big. We are makers of history of the new South Africa. This is not easy. There are no set rules, no precedents to follow. We are pioneers of the new industrial order in South Africa” (E Masinga cited in Evans).

However, this enthusiasm was not shared by all trade union members and officials. Debates raged and many members on the shopfloor expressed serious dissatisfaction with the lack of progress in implementing agreements. Consequently, the union’s involvement in PG Bison’s participatory processes wavered. An attitude survey commissioned by the National Forum towards the end of 1992 highlighted a number of areas of dissatisfaction including racism, lack of equal treatment and resistance to the changes by some management representatives. A major blow for TPQ came in October 1992, when PG Bison workers in Piet Retief boycotted the National Forum and suspended their participation in TPQ processes. At the end of 1992, the forum virtually ceased to function when shopsteward delegates nationally suspended their involvement.

Management, too, was divided over TPQ, with senior national-level managers sometimes clashing with middle and line management who were resistant to change. Senior management now acknowledges that the brave hopes for many innovative agreements have not been fulfilled, particularly in the area of productivity and the devolution of decision-making. On the whole, ‘In-a-Groups’ do not meet as they should nor do they deal with matters as intended. Several of the most important components of the Continuous Improvement Model have never been put in place. There are few remaining worker participation processes, and the literacy programme has so far had limited success.

The decision to restructure

It was against this background that PG Bison decided, in early 1993, to fundamentally restructure its operations. According to management, a number of factors led to this

decision.

- ❑ The domestic market had declined in absolute terms, due to the recession’s effects on demand for housing and furniture. PG Bison sales volumes had therefore dropped.
- ❑ Increasing market share was being taken up by imports. Particle board, in particular, was being imported at prices lower than the domestic price, despite tariff protection. Management also expected tariff barriers to be lowered and feared flooding of the domestic market with cheaper imports.
- ❑ The above factors contributed to a steadily declining profit rate which was of concern to shareholders.
- ❑ Finally, it was recognised that the objectives agreed upon at the National Forum, including increased productivity through participation, were not being achieved. Top management felt this was partly due to an inability to impress their vision upon the relatively autonomous management of the company’s separate divisions.

In August 1992, a small management ‘task team’ began to develop a comprehensive strategic plan “to determine the company’s overall direction into the 21st century”. To achieve this, the company brought in international management consultants who facilitated the development of an overall vision for the company.

The consultants proposed a restructuring process that comprised three main elements:

- ❑ Re-organising the three different companies into a single unit with different line functions. This centralisation would make some jobs redundant.
- ❑ Raising the organisation’s efficiency, so that, in the long term, it could compete globally. This rise in labour productivity would lead to some job losses. The plan was also to reduce what it saw as overstaffing in certain areas.
- ❑ Concentrating the company’s efforts on its core functions and sub-contracting non-core functions. This would also lead to redundancy within the company.

This overall strategy, it was envisaged, would

make up to 1 000 jobs redundant (25% of the company's workforce) over three years.

Negotiating the restructuring

Coincidental with this planning phase of the restructuring process, PPWAWU began a general campaign to oppose unilateral restructuring by employers. The union sent a memorandum to all employers where it is organised, demanding, *inter alia*, "an end to retrenchments and unilateral restructuring". PG Bison responded immediately by inviting PPWAWU to a general discussion about the possible restructuring of the company. By this time, top management had already decided that major restructuring was desirable, but not what form it should take. PPWAWU failed to respond to this initiative, and to two subsequent letters from the company. It only responded when the company wrote to the union proposing a significant number of redundancies within PPWAWU's bargaining unit. The union then asked for details of the redundancies and stated its intention to oppose them.

Later, the PPWAWU leadership acknowledged that their delaying tactics had been a mistake:

"We realised that we had allowed PG to develop their plan without us, so now we were faced with negotiating. We regretted not being involved from the beginning as we may have been able to prevent any redundancy whatever. However, our non-inclusion was not the company's fault."

Eventually a Restructuring Negotiation Forum was held at the end of May. It included PG Bison management and delegates from PPWAWU, NUMSA and UWUSA, from all the plants and divisions around the country. PPWAWU went into this meeting with no concrete plan regarding restructuring except that they would oppose the redundancies. However, during a caucus meeting, union delegates decided that they would demand an investigation into the restructuring by independent researchers, to be paid for by management. This was more a delaying tactic than a demand they expected would be met. However, on the last day of the Forum,

management, PPWAWU and UWUSA signed an agreement for research to be carried out into market trends in the industry, the company's financial situation and ways of avoiding job losses. The company agreed to a temporary moratorium on redundancies among union members and also to "sponsor reasonable costs of the research/investigation".

PPWAWU has no research capacity of its own and, since they had a relationship with SWOP, they approached the Unit to conduct research into the proposed redundancies.

The processes that followed and the final settlement broke new ground and were to be a learning experience, not only for PPWAWU and PG Bison management, but for all companies and the entire trade union movement. For the union, the experience opened up greater opportunities for participation than under the TPQ strategy.

The research process

During June and July, SWOP researchers conducted interviews with shopstewards, workers and management in each of the four particle board (chipboard) factories, in three of the major distribution centres and at the company head office. This was to establish which jobs were earmarked for redundancies and on what basis management had chosen those particular jobs. The second purpose was to find out from shopstewards and the workforce about possible alternatives to the redundancies. Management and shopstewards made every effort to give the researchers the information they required. For management, this meant opening their books on all aspects of production and employment. For shopstewards, it meant convening discussion groups with workers.

In addition to SWOP's research, a manufacturing and operations consultancy and a firm of chartered accountants were engaged to provide specialist input. Consultants Faull and van der Riet were asked to provide an operational audit of the Stellenbosch chipboard factory. This was to establish whether there was the technical possibility of increased productivity without implementing the proposed redundancies. Chartered

accountants Douglas and Velcich conducted an accounting analysis of PG Bison to verify management's claims of declining profits and to establish exactly what the savings of the proposed redundancies would be for PG Bison.

A significant aspect of the research was the ongoing interaction with workers during the interviews and ongoing consultation with shopstewards and union officials at both local and national levels. At national level, PPWAWU elected a National Co-ordinating Committee comprising PG Bison shopstewards and union officials. This committee was responsible for overseeing the research process, facilitating access at the various plants, and dealing with any problems. The researchers were required to present interim reports and the final report to this committee. These processes ensured that the researchers were, at all times, sensitive to the union's needs while at the same time maintaining their independence.

Research findings

SWOP's research confirmed some of management's own findings and challenged others. Firstly, an analysis of sales figures and profit rates confirmed that profit rates were declining steadily. In the light of this, management's proposal to cut back on their retailing operations was considered a reasonable measure, provided that management could prove that certain outlets were fundamentally unprofitable. Associated job redundancies were not contested.

Secondly, the research confirmed that the market for wood veneer products is in long-term decline, mostly because of the increased popularity of the cheaper melamine and formica surfaces. It was therefore accepted that PG Bison would withdraw completely from wood veneer production and close down its three wood veneer preparation departments. It was recommended, however, that workers made redundant in the process be transferred, where possible, to companies producing alternative products.

Thirdly, there was no evidence to support PPWAWU's fear that management had

targeted unskilled and semi-skilled jobs for redundancy. An analysis of management's proposals indicated that the grade distribution of jobs targeted for redundancy covered all levels, from management to the shopfloor.

The research did, however, raise serious doubts about other aspects of management's redundancy proposals:

- ❑ that the labour force in the pressing, finishing, despatch and warehousing departments in one of the factories could continue doing the same amount of work with only half the workforce (41 jobs affected);
- ❑ that the company respond to lower absentee rates in one of its factories by making some of the jobs redundant (7 jobs affected);
- ❑ that the building maintenance and security functions be sub-contracted out to specialist firms on the basis that they would be more efficient (63 jobs affected).

The research also went beyond proposals on specific redundancies and made a number of general points about the running of the company: Even if the company carried out all the proposed redundancies, the saving would only amount to 0,9% of its annual turnover. Labour costs account for only 15% of variable production costs. The SWOP research concluded that these points indicate the need to shift away from an exclusive focus on labour costs, and look at improving efficiency and broadening markets. This conclusion was strengthened by the findings of Faull and van der Riet at the Stellenbosch factory.

In addition, the research pointed out that workers were unwilling to agree to redundancies in a context where:

- ❑ in certain factories, management employed significant numbers of casuals on a long-term basis,
- ❑ there were excessive levels of management, and excessive numbers of supervisors (in some plants there was one supervisor or foremen for every eight workers),
- ❑ there was widespread confusion over the grading system. Workers performing the



Photo: Shariff

Participation collapsed: PG Bison 'In-a-group' meeting, 1992

- same jobs at the same factory and in different factories were on different grades and therefore paid different wages,
- ❑ grading problems were compounded by racial discrimination in promotion and therefore in the allocation of grades,
 - ❑ the company suffered from inadequate training, which affected efficiency, worker motivation and workers' prospects for upward mobility,
 - ❑ the participatory structures which had been put into place as part of the TPQ process had mostly collapsed.

The agreement

The company agreed

- ❑ to retain the security and building maintenance under its own management, rather than sub-contract (58 redundancies avoided).
- ❑ The proposed closure of certain Timber City outlets be reconsidered pending the outcome of an in-house investigation (105 redundancies reconsidered).
- ❑ Where staff cuts were proposed due to what management saw as overstaffing, the correct staffing levels would be determined by mutually agreed consultants (89

redundancies reconsidered).

- ❑ Casual jobs would be converted into permanent jobs and this would be used to offset job loss.
- ❑ The remaining 215 proposed redundancies were not disputed by the union, and a favourable retrenchment package was negotiated for the affected workers.
- ❑ Management agreed that no further redundancies would be considered without a joint investigation by the company and the union.
- ❑ The company and the union would jointly evaluate the company's grading system, and review current job descriptions,

To address the efficiency problems identified in the course of the research, the company and the union would jointly embark on a process of 're-engineering' of production.

Senior management and the union would work together to eradicate racist practices.

Distinctive features

The redundancy process at PG Bison was distinctive in three ways. Firstly, the process was 'co-determined' in that both parties had sufficient power and information to influence



the nature and outcome of the process. The union's power stemmed not only from its strong organisation, but also from the opportunity to make its own assessment of management's proposals. What is new in the PG Bison case, is the involvement of a trade union in restructuring at company level. This precedent sets an example of union participation in restructuring and the handling of redundancies.

The second distinctive feature is the fact that both the union and the company departed from their traditional adversarial approaches to the issue of redundancy where the company asserts its prerogative to hire and fire and the union opposes job losses per se. In this case, the company agreed to limit its managerial prerogative in favour of a participatory approach. The union, in turn, tempered its blanket opposition to job loss by assessing the planned redundancies on their own merits

rather than simply calling for an end to retrenchments. In this way, the union demonstrated an ability to take account of the pressures faced by the company and to address the long-term needs of its members through demanding a role in ensuring the firm's viability.

Thirdly, the process involved full disclosure of company information. In the past, unions have tended to demand full financial disclosure when challenging retrenchments. In this case, PPWAWU demanded a much broader knowledge of the company's position and management's thinking. The union shifted the concept of consultation to include a qualitative assessment of the firm rather than a simple quantitative measure of its profitability.

Both the successes and limitations of this process offer important lessons to trade

unions, and management.

Lessons for management

The process demonstrated that management can benefit from a union assessment of the company's performance precisely because it offers a different perspective on the firm. There have been other managerial attempts to tap into workers' perceptions and suggestions, including work teams and quality circles. This process was more successful, however, because it was driven from the bottom and not the top, and because workers had a real interest in contributing to the process. In this way, management benefitted not only in avoiding industrial action, but also in creating the basis for future co-operation over certain issues.

The other important lesson for management is that a process of change in a company (be it participation, quality

improvement or re-orientation) cannot easily be driven by the head office alone. In PG Bison's case, previous management attempts at change and re-orientation were blocked, either by trade unions who had not been given a structured role in defining the nature of the change, or by plant and line managers who opposed worker participation. Restructuring is more likely to be successful if the union is fully involved from the outset and if co-operation from local management is secured.

Lessons for trade unions

The process implies that trade unions can benefit from in-depth research into companies, rather than relying on rhetoric or industrial action alone. This is not to imply that research can replace trade union's organisational and political strength. Indeed, it is largely on the basis of strong shopfloor organisation that unions will be able to force concessions over restructuring. But research and informed participation can complement traditional weapons in ways that many unions may not have considered.

Secondly, the process enabled PPWAWU and its members to make interventions about the way the company is run. This not only shaped the way the question of redundancy and restructuring was handled, it also allowed the union to intervene on longer-term issues such as training and grading. However, these interventions need not have waited for a redundancy crisis. PPWAWU could have approached the company with its own restructuring agenda, especially since it had already called on all companies to suspend unilateral restructuring. Such pro-active involvement would have also given the researchers and the union more time to undertake research and to develop recommendations. Following its success at PG Bison, the union could now make interventions at other companies, provided that it is sufficiently organised and prepared to do so. In this way, PPWAWU could extend the collective bargaining agenda and attempt to shape aspects of the companies where it organises. This could not be done successfully, however, without a determined

and systematic programme and sufficient research capacity.

The implications of the PG Bison experience for the debate on industrial democracy

In the years ahead, it is likely that South African manufacturing firms will increasingly be drawn into the global arena. If these firms are to survive and grow, they will need to compete with international companies. Trade unions and their members will be affected by this process. To compete more effectively, companies may follow a number of routes, including retrenchment, work re-organisation and investment in new technology. Any of these would impact on union members' working conditions.

Trade unions face a policy dilemma in this regard. Either they can leave restructuring to the employers, or they can play an active role in reshaping firms. The latter option would constitute a demand for some form of industrial democracy. Both options involve some dangers. Union participation in restructuring may blur the sharply oppositional relationship they have built with management. This may undermine the traditional ways in which unions organise. But if they remain aloof from restructuring, they will constantly be forced onto the defensive and find themselves fighting to preserve the status quo rather than building their own agenda for change.

The dilemma is not entirely new for trade unions generally or for PPWAWU. In 1992 two PPWAWU activists produced a discussion paper on participation while on a research fellowship at SWOP. In this they advocated an approach they called "adversarial participation":

"Engaging with participation schemes by extending our collective bargaining agenda would advance workers' control over the labour process, the labour market and investment decisions" (Ntshangase and Solomon, *SA Labour Bulletin Vol 17 No 4*).

The involvement of PPWAWU in restructuring at PG Bison appears to support their view. ☆