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Local Responses to a Global Downturn: Labour Adjustment in Two Multinational Companies

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Abstract: After years of steadily declining sales and profits, the global financial crisis sent the United States and Australian automotive manufacturing industries into crises of their own. Faced with dramatically reduced demand, the companies cut production and, consequently, their production workforces. Using qualitative data from case studies of the Ford Motor Company, the General Motors Company and their wholly owned Australian subsidiaries, Ford Australia and Holden, we can assess the extent to which these two multinational companies standardized their methods of adjusting labour levels and to what extent such responses were localized. In four manufacturing plants implementing similar cuts in production, responses were developed locally, shaped largely by local market, institutional and political forces.

Keywords: *Australia; cross-border transfer of employment relations practices; headquarters–subsidiary relationship; multinational corporations; United States of America*

Introduction

In late 2008, the automotive industries of Australia and the United States (US) entered a period of severe crisis. After years of losses caused by steadily

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increasing competition, declining sales and a reducing market share, which had already threatened the viability of the industries, demand for new vehicles plummeted suddenly and dramatically due to the effects of the global financial crisis. Needing to decrease production levels in both Australia and the US in response to an almost uniform drop in demand, the Australian and US automotive producers, the subject of this study, all reduced their production workforces to match the newly reduced production requirements. This article examines responses to the crisis in four production facilities of the Ford Motor Company (Ford) and the General Motors Company (GM) in the US and Australia. It specifically asks how labour levels were adjusted to match reduced production and what influence the parent companies and other factors had over the extent of reduction and the methods chosen in each location.

Multinational companies (MNCs) hold a unique position in being able to transfer employment policies and practices across international borders, potentially enabling them to influence local patterns of employment relations. Dominant in literature considering these phenomena are institutional and strategic theories ascribing development of employment relations practices in overseas subsidiaries of MNCs to the powerful influences of national patterns of business (Whitley, 1992) and of the rational will of the firm's headquarters management (Schuler and Tarique, 2007). In recent years, transfer of practices within MNCs has been considered in terms of power struggles between various actors within MNCs (Ferner and Tempel, 2006).

This article uses an integrated conceptual framework to examine the development of employment relations practices in each of the production facilities and the involvement and influence of headquarters. Drawing on the 'political economy' framework developed by Edwards et al. (2007), this article brings together institutional, market-based and micro-political influences shaping outcomes in each location and examines interactions between each factor. However, the framework is extended by considering the roles of actors at micro, meso and macro levels. This extension allows a place for the influence of actors beyond that of individuals within the workplace and, most importantly, treats the state as an actor rather than as a static institution, a limitation of much of the institutional literature examining MNCs.

The remainder of this article is structured as follows. The next section reviews the extant literature on the determinants of employment relations practices within subsidiaries of MNCs. The third section describes the research context and the fourth section details the methods used in the case studies. The fifth section examines the findings and develops some explanations within the theoretical framework and the final section concludes, considering the implications of the findings.

Determinants of Employment Relations Practices in MNCs: the Literature

Development of employment relations practices in subsidiaries of MNCs has been examined in numerous ways in recent research. Dominant among the

theoretical approaches to this issue is institutionalism, emphasizing the systems of business and other institutions of MNCs' country of origin and country of operation (or host country) as shapers of employment relations practices within those companies (Ferner, 1997). Empirical studies have found that US-based MNCs typically exert strong central control over employment relations practices in overseas subsidiaries, setting standardized practices internationally as far as allowed by local regulations (Clark and Almond, 2006; Harzing and Sorge, 2003; Harzing et al., 2002). However, Clark and Almond (2006) note that the large variety of US MNCs and their subsidiaries makes generalization a risky proposition, which is itself a strong reason to undertake qualitative research.

While common practices may be expected in US MNCs, findings in empirical studies employing institutional theory have been inconsistent. Some research has found the localization of practices affecting rank-and-file workers, attributed to pressures faced by MNCs to conform with practices having 'precise or mandated local norms most closely resembl[ing] local practices', whereas practices having more to do with executives or the internal decision-making of the firm were more likely to resemble the parent company's practices (Rosenzweig and Nohria, 1994: 241; see also DiMaggio and Powell, 1983; Meyer and Rowan, 1977). Conversely, other studies have found strong central control in US MNCs over classic industrial relations matters such as union recognition and collective bargaining (Bomers and Peterson, 1977; Gunnigle, 1995).

However, institutional approaches have been criticized for being deterministic, failing to account for many variations and influences occurring outside of the national level model (Crouch, 2005) as well as variations within each national business system (Edwards and Kuruvilla, 2005). Even accepting that national systems change over time (Streeck and Thelen, 2005), institutional explanations for the transfer of practices risk viewing 'organisations as passive in their interaction with the institutional environment' (Edwards et al., 2007: 203). In this way, institutional approaches leave little scope for agency (Jackson and Deeg, 2006) and are limited by their adherence to treating the state as a static influence in terms of its role as a regulator. Deeg and Jackson (2007) argue for a contemporary treatment of institutions, more dynamic than classically portrayed, within which actors operate to the extent that they can achieve their desired outcomes, but without constraining those actors entirely in certain circumstances.

Research emphasizing corporate strategy as influencing employment relations practices in MNCs' subsidiaries allows some space for agency. Studies linking MNCs' human resource strategies to their business strategies and structures, or 'stage of internationalization' (Bartlett and Ghoshal, 1998; Taylor et al., 1996), and those employing a strategic human resource management approach, examining how managing human resources contributes to achievement of business goals (Schuler and Tarique, 2007; Sparrow et al., 2004), have allowed some understanding of the complex factors impacting decision-making within MNCs. However, in these frameworks, the place of human resource

management is still largely reactive and operational, linked directly to firm strategy (Hall and Wailes, 2009). It does not, thus, provide a strong place for the development of strategy through the complex reality of organizational agency within a model for examining the transfer of employment relations practices, a void that this article argues can be partially filled by market-based considerations. Research utilizing the market-based approach to strategy (Edwards et al., 2007; Schmitt and Sadowski, 2003) views organizational strategy within the context of the markets in which MNCs operate. In this way, decisions regarding the transfer and implementation of employment relations practices from MNCs' headquarters are made in the context of labour, financial and product market conditions.

While a market-based approach complements institutional considerations by allowing a place for organizational agency and building a more complete place for the dual contexts of institutions and markets, this article argues that it does not adequately account for the impact of actors on the formation of employment relations practices within MNCs' subsidiaries. For many years, micro-political struggles have been recognized as shaping outcomes within workplaces (e.g. Crozier, 1964; Pfeffer, 1981). However, it is only relatively recently that the literature has considered control within MNCs through relationships of power, which, as Ferner (2000) notes, is curious given the language of managers including such phrases as 'forcing things through' and 'resisting pressures'. Politics has been emphasized in studies on the transfer of employment relations practices with MNCs being categorized as structures of power (Ferner and Edwards, 1995; Ferner and Tempel, 2006). Political approaches have focused on how individuals within organizations, acting in their own interests or those of their principals or constituents, affect the transfer of employment relations practices (Hall and Wailes, 2009). In other words, such approaches have concentrated on 'the conflicts that emerge when powerful actors with different goals or interests interact with each other locally and across national and functional borders' (Dörrenbächer and Geppert, 2006: 255). However, research into the impact of politics on the transfer of employment relations practices has generally been limited to political struggles between MNCs' headquarters and subsidiary management (Ferner, 2000) and, to a lesser extent, involving shop-floor workers (Broad, 1994; Sharpe, 2006). It has failed in this way to recognize the political role of actors outside of the organization in shaping outcomes within MNCs. Thus, the state has only been afforded a place as a static institutional influence over development of practices within firms, rather than a political influence in its own right.

The integrated theoretical framework developed in this article draws upon Edwards et al.'s (2007) 'political economy' framework, which combines consideration of comparative institutional, market-based and political factors impacting the transfer of employment relations practices. In this way, Edwards and colleagues view organizational actors as having space to exercise agency within the 'range of indeterminacy' created by markets and national institutions. Their framework is expanded here to examine three 'realms' of influence on the transfer of employment relations practices at micro (between

workers and management), meso (between subsidiary and headquarters) and macro (between the MNC and external actors) levels and three 'forms' of power exercised by actors, being: economic power, relating to the control of resources; political power, relating to physical force and rights of authority; and ideological power, relating to ideas, meaning systems and symbols (Bélanger and Edwards, 2006). It is argued that viewing employment relations practices as developed and implemented within institutional and market contexts, influenced by a variety of actors potentially utilizing a range of powers, accounts for the strongest influences within MNCs and gives an appropriate place for actors both endogenous and exogenous to the firm.

Research Context: GM and Ford as MNCs

The findings presented in this article are drawn from two case studies: GM, headquartered in Detroit, Michigan, and Ford, headquartered in Dearborn, Michigan, and their wholly owned Australian subsidiaries, Holden and Ford Australia, respectively, both headquartered in Melbourne. Ford and GM have been manufacturing vehicles since forming in the US in 1903 and 1908, respectively. Ford Australia was established in 1925, commencing manufacturing in that year, and GM acquired Holden in 1926, manufacturing whole vehicles in Australia since 1936. Holden's assembly facilities are located in the outer suburbs of Adelaide; Ford's are similarly on the outskirts of Melbourne; and both companies' 'hourly' manufacturing workforces are 100% unionized, the majority being members of the United Auto Workers (UAW) in the US and the Australian Manufacturing Workers Union (AMWU) in Australia.

After years of market dominance in Australia and the US by Ford and, in particular, GM, the last few decades of the 20th century witnessed a steady decline in the fortunes of the two companies. In both countries, increasing competition from mainly Japanese imports and transplanted manufacturing operations was defended for some time by continued strong domestic sales of relatively high-margin large passenger vehicles such as SUVs, light trucks and large family sedans. However, increasing oil prices, peaking at record levels in mid-2008, changed consumer preferences in favour of smaller and more fuel-efficient cars. By 2006, both parent companies had posted losses in excess of US$10b each. Ford and GM reported further losses in 2007 and then in 2008, almost immediately following the peak of oil prices, the effects of the global financial crisis struck the Australian and US automotive manufacturers catastrophically. The effects of the financial crisis were felt strongly in late 2008 when, following the collapse of Lehman Brothers, flagging consumer confidence and diminished availability of finance caused Ford's and GM's sales to collapse. The October 2008 US industry sales volumes reached the lowest annualized level in 25 years, down 34% from the October 2007 volumes (Ford Motor Company, 2008); and in Australia, sales of new cars dropped approximately 20% from 2008 to 2009 (Beveridge, 2009). Further, in January 2009, all of Holden's exports, except for those to New Zealand, were cancelled,

representing an 86% cut in its export volume, which had accounted for half of its total production.

In late 2008, GM projected that it would soon be unable to service its debts and sought emergency finance from the US government of US$18b. Following a similar request from Chrysler, itself facing a serious lack of liquidity, and in light of the US government having provided funding worth US$25b to the 'big three' US automotive manufacturers in late 2007 (Roth and Feaster, 2009), a Congressional enquiry was called to consider the requests and to more broadly investigate the viability of the US automotive industry. In its submission to the enquiry, Ford also sought access to funding upon which it would call only if the crisis proved to be longer or deeper than they anticipated (Ford Motor Company, 2008). Due to considerable finance obtained in 2006 to fund a major restructure, Ford has to date been able to avoid calling on the line of credit eventually made available by the US government. In 2009, GM received large funding from the US government, undertook a corporate restructure via Chapter 11 of the US Bankruptcy Code and emerged largely owned by the US government. As well as discontinuing businesses such as Pontiac and divesting others such as Hummer, GM was required by the US government to make major changes to their employment relations practices as a condition of financing in order to all become competitive with transplants.

The 31 December 2008 and 16 January 2009 Loan and Security Agreements with the United States Department of the Treasury imposed various conditions upon GM, including that it obtain approval from its unionized workforce for 'Labor Modifications' comprising compensation reductions, severance rationalization, work rule modifications and the removal of GM's hourly workers' right to strike for the duration of the loan. Under pressure from the US government, both GM and Ford negotiated with the UAW for concessions, which were agreed to in the first half of 2009 and formalized in amendments to the national labour contracts, collective agreements between each company and the UAW. There being no right to strike for GM's workers, should agreement not be reached in the next contract negotiations, binding arbitration is available to the parties. As it did not obtain finance from the US government, Ford's amended labour contract did not include a strike ban or related arbitration clause.

Agreement by the UAW to such radical changes to the labour contracts is indicative of more cooperative relationships formed between the union and the companies in the lead-up to and during the crisis. Facing increasing competition from non-unionized transplant facilities, pressure from government for reform and the near collapse of the big three US auto manufacturers, the union and companies found common interest in survival, which precipitated a departure from their historically adversarial relationships in favour of greater cooperation.

Similarly, the Australian automotive manufacturing industry is now, as it has always been, reliant upon the Australian government for its ongoing existence. The industry was founded and grew behind protectionist policies shielding local manufacturers from foreign competition. Tariff protection has been gradually wound back from its peak in the early 1980s of 57.5% to 5% today, under

the Australian government's policy of revitalizing the industry, by exposing it to increasing international competition. Protectionism has been replaced by direct government assistance, without which, in an increasingly competitive market, it is unlikely local automotive production would exist (Wright et al., 2011). The current Labor government, under the guidance of the Industry Minister Senator Kim Carr, has been particularly supportive of the industry. Since the publication of a government-commissioned report on the industry (Bracks, 2008) and the Australian government's associated policy document (Carr, 2008) detailing AU$6.2b of direct support for Australian automotive manufacturing, including the Green Car Innovation Fund, Holden has received funding to prepare its Elizabeth, South Australia assembly plant to manufacture the new Cruze small vehicle and Ford has received funding for production of a new economical engine.

Research Methods

The data were obtained using a comparative case study method, which is most suitable for examining the occurrence and evolution of linkages between phenomena through investigation of interaction between actors and the impact of the market and institutional contexts on the operations of MNCs (Edwards et al., 2007). In order to triangulate data and to allow exploration of sources of influence on the development of policies and practices at multiple levels, interviews were conducted with people holding a variety of positions and responsibilities within numerous organizations.

Access to both Ford and GM was obtained through contact with senior employment relations managers at the Australian subsidiaries with access to further informants within the companies gained via snowballing. The majority of the analysis is based on 41 interviews with 44 people conducted from mid-2009 to mid-2010. Interview data were obtained from multiple sources: the two companies located in two countries; the Australian government; and unions in both countries. Further, interviews were undertaken with respondents holding positions ranging from the shop floor in assembly plants to senior management in global headquarters. Interview data were supplemented with plant tours, attendance at speeches given by senior employment relations managers from Ford and Holden and by the then Vice President UAW-Ford, internal company documents, collective labour agreements, and publicy available government and company documents. In particular, the 2008 enquiry into the automotive manufacturing industry commissioned by the Australian government (Bracks, 2008) and the 2008 US Congressional enquiry, including the transcripts of evidence and written submissions by the companies and unions, provided considerable insight.

Interviews were conducted in Ford's and GM's US headquarters with employment relations managers holding global and local responsibilities, two within GM and five within Ford. These interviews enabled understanding of the extent of control sought by headquarters over policies and practices within subsidiaries and the influences upon development of policies and practices of

the US business system, broad market trends and the companies' relationships with the UAW and government. In Ford Australia's and Holden's headquarters, interviews were conducted with the most senior employment relations manager and with a number of other managers with policy and day-to-day responsibilities for employment relations within their Australian operations. These interviews provided insight into the locus of development of policies and practices and the interplay between subsidiary management and US headquarters in the negotiation and application of those policies and practices. They also provided rich insight into the companies' relationships with union leaderships and with government, as well as the impact of broad market trends and local institutions.

In order to understand the development and implementation of policies and practices within the plants, interviews were conducted in the assembly plant nearest to each of the four national headquarters in Dearborn and East Lansing, Michigan, in Melbourne, Victoria and in Adelaide, South Australia. Interviews were conducted in each plant with two managers responsible for employment relations, with either two or three managers responsible for production ranging from plant manager to area manager/supervisor, and with either one or two shop-floor workers holding the responsibility of team leader. Interviews were also conducted with union representatives located within the Ford plants in the US and Australia.

In order to understand the unions' roles at meso and macro levels and their relationships with the two MNCs and governments, interviews were conducted with full-time leaders within the AMWU. Three senior leaders of the AMWU with responsibilities for the automotive industry were interviewed: one based in the National headquarters in Melbourne and two based in the state headquarters in Adelaide.

Finally, a senior official from the office of the federal Minister for Innovation, Industry, Science and Research was interviewed to illuminate the role of government and its influences in relation to the automotive industry, and Ford Australia and Holden in particular.

Interviews were semi-structured, allowing for consistency as well as the exploration of emergent themes. All interviews were recorded and transcribed for later analysis. Analysis was undertaken using the framework based on the 'political economy' framework of Edwards et al. (2007), as extended in this article. Transcripts of interviews were read and coded using themes based on the theoretical framework focusing on political, market and institutional influences occurring at macro, meso and micro levels.

Findings and Discussion: Four Local Responses to a Global Crisis

This section examines the ways in which, and the extent to which, each of the four assembly plants adjusted their labour levels in response to the large and sudden downturn in product demand and the factors that shaped those outcomes. The major influence on decisions regarding staffing levels in the four

locations was clearly the change in the product and financial markets. Yet, despite the similarity of this factor and despite the case study companies being US-based MNCs in which institutional theory predicts an internationally standardized response, each of the four assembly plants developed a local solution to its changed labour requirements.

GM's US Assembly Plant

In April 2009, GM's Lansing Delta Township (LDT) assembly plant cut one of its two production shifts to meet the new demand. One shift's worth of workers was 'laid off' in the manner outlined in the national labour contract between GM and the UAW. Under the labour contract, employees can be laid off for long periods of time during which they do not report to work and they receive unemployment benefits of about 50% of base pay from the state as well as supplemental benefits from GM, taking their income to about 85% of base pay. These employees remain available to return to work when required, thus allowing GM considerable flexibility in staffing to meet fluctuations in production demands.

The solution at the LDT plant was developed cooperatively between local management and US headquarters, and was described by a plant manager as:

> . . . a two way. They [headquarters] visualise the number of units that need to be removed from the demand, and they'd give us some proposals, and we went back and forth two or three times on proposals, and they accepted the plant recommendation to take the shift off, rather than their recommendation of de-rating. (GM LDT plant manager 1, 2009, personal communication)

Plant management resisted 'de-rating', that is, slowing the assembly line and reducing labour proportionally, due to the associated short-term costs involved in changing each job station, moving tools and retraining.

The outcome in the LDT assembly plant is illustrative of the flexibility afforded to an organization like GM by the layoff provisions in their labour contract. In June 2009, only two months after cutting the shift and laying off employees, the corporate scheduling team in GM's US headquarters informed LDT's plant management that demand for their vehicles was increasing and that the stock of produced vehicles was rapidly depleting, and consequently requested that they increase production. Thus, the plant reinstated the second assembly shift and called back their laid-off employees. A plant manager said:

> at the time, if we had known what we know now we might have suggested something entirely different . . . we'd have probably said keep both shifts at the current rate and rotate [staff] . . . so you keep the skills fresh. (GM LDT plant manager 1, 2009, personal communication)

However, as observed by another plant manager, the events of this particular six-month period were not unusual for the plant that opened in 2006:

> we've been through so many ups and downs. We started out on one shift, went to two shifts almost immediately, went to three shifts, went back to two shifts, went to

> three shifts, went to two shifts, and now we're down to one shift, and then in two months we're going back to two shifts again. It's very, very flexible although not easy. (GM LDT plant manager 2, 2009, personal communication)

Thus, the strongest influences determining the LDT plant's staffing response to the drop in production demand were institutional and meso-political. They were institutional in that the labour contract allowed for flexible staffing of hourly labour. Plant management's comparative cost analysis allowed them to resist US headquarters' suggestion of de-rating in favour of cutting a shift and laying off employees, an example of the meso-political exercise of economic power, that is, using their knowledge of local resources to negotiate with headquarters.

GM's Australian Assembly Plant

Like its US counterpart, Holden's Elizabeth assembly plant cut one of its two production shifts to meet the new lower demand. However, unlike LDT, its management was aware of a short-term future increase in production due to the recent announcement that they would commence production of the new Cruze small car in 2010. Needing to halve its production output, and with the knowledge that production at the plant would increase considerably in the short term, Holden had one obvious option available to it within the existing labour laws, their enterprise bargaining agreement (EBA) and usual way of doing business: retrench the workers from one shift. Instead, when Holden cut one of its two production shifts, it retained its two crews of production workers working either alternating weeks or two weeks on, two weeks off. Employees received half-pay during their time off and received training funded by the Australian government. To retrench workers would have carried an immediate financial cost due to the retrenchment packages required under the EBA, but there were two more pressing deterrents to following this course.

Holden's solution was largely influenced by anticipated difficulties in rehiring workers when production increased and by tacit pressure from the Australian government. Holden's management considered the local labour market in the northern suburbs of Adelaide to be short of skilled candidates for roles in the assembly plant so that, aside from the time and cost associated with recruiting employees to fill a new second shift anticipated for 2010, they were not confident of being able to find sufficient suitable employees at all. Also strongly in the minds of those formulating Holden's staffing solution was the significant, and very public, funding received from the Australian government to produce the Cruze. This money, along with lobbying by the government of GM headquarters, had secured for Holden production of the Cruze over GM's Korean subsidiary from where the model was then imported to Australia. The government was not directly involved in formulating the two crew/one shift solution, but throughout negotiations the Industry Minister was in regular contact with the AMWU leadership and with Holden's CEO, Mark Reuss, and

the government agreed to fund training during downtime. An AMWU leader described the negotiation process as follows:

> we're dealing [with the government] almost daily with those sorts of issues, the use of training monies for the purpose of the GM staff for example . . . we raised some sensible issues with government and they listened at the end of the day, so that keeps people employed, it keeps GM operable, it keeps them from being illiquid if you like. I think that the government's been just a pleasure to work with. (AMWU leader, 2009, personal communication)

US headquarters' involvement in this solution was 'negligible' and, had it been more involved, it might have pushed for an alternative approach with one local manager noting: 'the manufacturing function says, "why don't you just retrench the surplus; that's what you should do." So the battle becomes locally, well, no, that doesn't make sense for a whole lot of reasons here' (Holden plant manager, 2009, personal communication).

While Holden's EBA did contain a 'market response downtime' provision, allowing for the partial payment of employees during non-production days, the final solution 'was loose at best under our industrial arrangements to be able to implement that sort of shift pattern' (Polglaze, 2010). In the prevailing product market environment, and in light of GM's financial woes in the US, the AMWU agreed to the solution, despite it not being strictly allowed by the EBA. Recognizing that this agreement was reached in the context of the precarious nature of the Australian automotive manufacturing industry, an AMWU leader said:

> I think that often the first casualty in tough times is the relationship between the union and the company. I think everybody is at pains to ensure that that doesn't occur in the automotive industry. We've had to make some difficult calls. The one week on, one week off at [Holden] is a tough call that requires, again, a degree of innovation about how you tackle the problem. Again it goes to demonstrate the importance of having government because without a government that is prepared to work with the union and prepared to work with industry, ultimately we wouldn't have been able to do that and we'd have 2,000 more people in the dole queues. (AMWU leader, 2009, personal communication)

Thus, Holden's solution was developed in the face of inconsistent local institutions (the EBA) and opposing strategic influence from US headquarters. The local labour market conditions, anticipated local product market conditions and macro-political pressure from the Australian government were the strongest forces determining the locally developed outcome. Strong links between the AMWU and the Australian government also demonstrate the union's role in shaping outcomes within an MNC through macro-political influence.

Ford's US Assembly Plant

In late 2008, Ford's Dearborn Truck (DT) plant was operating at capacity on three shifts and needed to cut one shift. In determining the plant's response to the product market downturn, and forecasting production needs for their entire US business, Ford's US headquarters anticipated a need to employ the surplus

DT plant production workers somewhere in their US operations at some time within the coming year. Further, while subject to a very similar national labour contract to GM's allowing for layoff of hourly employees, management at Ford perceived tacit pressure from the US government and from the UAW to enter into an alternative arrangement rather than simply relying on the existing labour adjustment mechanisms. Ford's decision was made in light of it's recent agreement with the VAW to amend their 2007 labour contract, rolling back some long-standing rights including the 'jobs bank' programme, which had effectively guaranteed workers' employment on full pay during long periods of layoff. Post-amendment, workers could remain on layoff for a more limited period before termination of their employment. Thus, Ford sought to implement a short-term solution, retaining workers for longer, maintaining the workers' skills and obtaining labour flexibility through negotiating an innovative solution with the UAW. The DT plant thus cut its third shift but retained all workers on a rotating four weeks on/two weeks laid off basis, with workers receiving about 85% of base pay during layoff weeks. This arrangement effectively extended the maximum layoff period, keeping skills fresh and increasing job security. The solution was developed initially by plant management and then negotiated at the national level between Ford and the UAW.

While the idea of rotating shifts originated in the plant, it was developed in the context of the headquarters' strategy based on anticipated product market developments and the labour contract providing for workers to be rehired to different plants after layoff. Further, the outcome was strongly shaped by changing national institutions, in particular the newly amended national labour contract, macro-political pressure from the US government to enter more competitive and creative arrangements with the UAW, and what Bob King, Vice President UAW-Ford, described as 'the problem-solving mode that we model at UAW and Ford' (King, 2009). This outcome, like the similar solution in Holden, also highlights the multi-level political influence of the union through direct discussions with management and connections with the state interacting with national institutions.

Ford's Australian Assembly Plant

With its exports limited to the small New Zealand market, and with no anticipated short-term increase in product demand, Ford Australia's assembly plant was already operating only one shift when the crisis hit. It was thus left with only one genuine option to adjust its labour force to meet lower demand during the crisis: to slow the production line and terminate the employment of a proportional number of workers. Ford Australia did slow its line by 30% in November 2008 and reduced its workforce proportionally. The company developed this solution independently of its US headquarters, except that the headquarters provided approval for funding of the voluntary redundancy packages that, consistent with the EBA, provided lump sum termination payments calculated by reference to years of service. When asked about headquarters' level of interest in how the Australian plant reaches solutions on downsizing,

a plant manager said there was none, adding that 'providing we are achieving our cost objectives, we . . . don't really get any direction' (Ford Australia plant manager, 2010, personal communication).

Thus, Ford Australia's solution was developed entirely within the constraints of local institutions due mainly to the very narrow product market conditions that had the plant already operating only one shift prior to the downturn. Its US headquarters' role was limited to the meso-political exercise of political power in their provision of funding for redundancies.

Conclusion

The catastrophic product market conditions that befell the US and Australian automotive manufacturing industries from late 2008 required Ford's and GM's US and Australian plants to cut production and to adjust their labour levels accordingly. However, the volume of labour reductions and the methods used to adjust labour in the four US and Australian assembly plants, as well as the level of central headquarters' involvement in reaching those solutions, differed greatly. A complex, and predominantly localized, pattern of influences shaped the ways in which the plants adjusted their labour to meet product demand. The major shapers of outcomes in these case studies were local product and labour markets, national institutions, and political actions at the meso and macro levels.

In order to consider the major influences on outcomes within the case study companies, it is crucial to allow for a more dynamic state, consistent with contemporary views about the more fluid nature of institutions and the importance of political processes. However, beyond viewing it as an institution, casting the state in the role of an exogenous actor allows it a proper place as an active player with interests, resources and goals of its own, intrinsically involved in the development of outcomes within MNCs.

Further, the role of unions in determining the methods and the extent of labour adjustment was considerable. During a time of crisis when traditional bargaining power was low, the unions and the companies engaged to some degree in a participatory relationship. With both parties facing uncertain futures, they cooperated to determine solutions suitable in the circumstances. This altered bargaining relationship, together with macro-political influence both from and over government, allowed unions continued influence over outcomes within the MNCs.

Finally, the results of the research show the enduring significance of institutions in a manner consistent with recent thinking about the role that institutions play in shaping economic and social outcomes. Given the market, institutional and macro-political contexts of the time, actors operated within institutions where prudent; however, they were not constrained by institutions and moved beyond them to achieve their preferred ends in the circumstances. Central among the circumstances prompting actors to operate outside institutions in this case were actual and anticipated local labour and product market conditions, macro-political pressure from government, and the participatory

relationship forged with unions during the crisis. While institutions remained important, they were not determinative of outcomes, but were more in the nature of resources upon which actors drew in to achieve their desired outcomes.

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