Good afternoon.

There is one constant in life. That constant is change. You can modify it, you can deflect it, you can slow it down and maybe you can control it, but you'll never stop it. However, change can be led. I think that's what we'll be talking about here today. Certainly Mr. Grebey was talking about that earlier—all about change and how it's being handled. Based upon the discussions that I've heard up until now, we'll be discussing the flip side of what you've heard today. I guess you could call it confrontation versus cooperation.

But to give you a few more facts so that you can understand where we are today, I think you need to take a look at a bit of the history of New United Motor Manufacturing, Inc. ("NUMMI"), and how it came about.

In 1962 General Motors built an assembly plant in Fremont, California, some three million square feet of facility. At that same point in time, the UAW built a union hall directly across the street to represent the employees who would be working in that new plant. At that point in time it was the most modern automobile assembly plant in the United States and probably in the world, and it was the flag carrier of the General Motors system.

In 1979 it reached its peak employment of approximately 7,000 people. The plant stayed open for approximately twenty years. During that twenty years it had a tumultuous history. That whole twenty years there...
was never a management meeting conducted in the union hall. Management never took the time to walk across the street and talk to the union. It was an adversarial relationship with which most of you are familiar.

There were numerous wildcat strikes during the course of the twenty years, constant bickering and infighting between the parties and, indeed, between the parties themselves and their home offices. It was not unusual to have a grievance load in that plant on any given day of five to six thousand grievances. The quality of the product was something less than perfection. The employees were treated like cattle. They were not encouraged to come forward with their ideas, nor were those ideas wanted. Nor did anybody react to what employees had to say. Layoffs took place at least annually, and frequently more often than that: a regular roller coaster.

But during the last eighteen months of operation of that facility, General Motors spent $280 million in modernizing that plant. GM wanted to build a small, competitive, front wheel drive, subcompact automobile there to compete with the Japanese. When GM spent that much money to modernize, the average worker in that plant was sure that he would be there for some time to come. Who in their right mind would spend that kind of money and then close the plant down? However, in March of 1982 the plant was, in fact, closed. There were some basic reasons for that. One, it cost five to six hundred dollars more to produce a car in Fremont, California and sell it than it did to build that same automobile in the midwest and ship it to California to sell it. This was not to mention the labor relations atmosphere that existed in the plant.

When the plant was closed we had all the suffering that went along with it: the families torn apart, the separations, divorces, homes lost, and indeed, several suicides, but that’s pretty much the end of the negative part of the story.

In February 1983 General Motors and Toyota made an announcement that they were going to form a joint venture corporation to reopen that facility to build a small, front wheel drive, subcompact car. And that all sounded very good. However, shortly after that comments were made by some of the people from Toyota and General Motors that it was the intent of this new joint venture company not to hire the prior workforce or recognize or work with the UAW.

However, after response from community leaders and labor that decision was in fact turned around. The joint venture engaged the services of Bill Usery, former Secretary of Labor, to enter into negotiations with the UAW. Negotiations commenced around March or April of 1983. Usery dealt directly with Douglas Fraser and later Owen Bieber, the president of the UAW, and my direct supervisor, Regional Director of
Region 6 Bruce Lee, who should get the lion's share of the credit for putting this together.

In September 1983 a letter of intent was entered into between the parties. That letter of intent addressed several issues. Primarily, the company agreed to hire the prior workforce as its primary source of employees and to go outside of that workforce only to obtain skills that were not available in that pool. The plant had a new stamping plant that was going to be added to it, and since it had not had one in the past, it would be looking to hire people with stamping plant experience outside of that pool.

Incidentally, since the prior workforce would be hired and since they were members of the UAW and that therefore at least a majority would be UAW members, recognition was granted to the UAW. And that's how that came about. Nobody ever did challenge it, so here we are.

The foundation of the letter of intent, which reflects the uniqueness of the organization, was that the parties were going to utilize mutual trust, cooperation and, indeed, a deep sense of respect for each other, and that we agreed to minimize the traditionally adversarial roles of the parties and to build and implement innovative labor relations. Of course, nobody knew at that time what all that meant, but that's what we agreed to do.

There were several practical matters that came out of this letter of intent. One was that in the past, when General Motors operated that facility, there were seventy-five or eighty classifications of production line workers. In the letter of intent, the parties agreed to reduce that to one classification. There were also approximately eighteen skilled trades or craft trades in the plant and we agreed to make that three to five. The union also agreed to assist in implementing the Toyota system of production in that plant and to be concerned with and work toward higher productivity. In return our understanding—although we didn't have it in writing in terms of lifetime employment as you might get out of the Japanese industry—was that we would have at least long-term, stable employment with an eye to never having any layoffs.

We also agreed to have no lines of demarcation in the skilled trades. Basically we would all pitch in together and try to get the job done as quickly and as competitively as we could.

To bring this into perspective, one has to recognize that this joint venture is fifty percent owned by Toyota and fifty percent owned by General Motors. Toyota is responsible for managing the new corporate entity which is now called New United Motor Manufacturing, Inc., and
General Motors markets and retails the product, the Chevrolet Nova.* That's the relationship, so that what we have is a facility, in terms of its management structure, which is controlled by Toyota Motor Corporation and therefore utilizing the Toyota system of management.

You may recall from the newspaper coverage at that time that the Federal Trade Commission ("FTC") had to give approval to this marriage between General Motors and Toyota, and there was some considerable discussion whether it would do that or not. This letter of intent was signed in September of 1983. We assumed the FTC was going to approve the arrangement in October, and then November, and then December and January, and so on. So we had an agreement, General Motors and Toyota had an agreement, but we didn't have a corporation; there was no corporate entity because the FTC had not approved it.

However, part of the agreement between GM and Toyota and part of the financial structure of the agreement was that the facility would have to produce automobiles no later than December of 1984. So we were faced with a situation in April where there were neither employees nor a recognized company. So what we did was formulate a letter and a job application to mail out to the prior workforce to encourage them to fill it out and send it back so we could at least start the process of bringing people back to work.

Bill Childs, who will be speaking to you next, is the General Manager of Human Resources. He did not have a staff at that point, not even company pencils, or paper. He had an office and some temporary people because there was no corporate entity to hire staff, and so on. So the application was put together and when we got everything back from the printers and ready to mail out, there was nobody to stuff the envelopes and lick the stamps. To make a long story short, we ended up with union volunteers stuffing the envelopes and licking the stamps and mailing it out.

There was a note in the letter that said that if you had any questions, you should call this number. Once we got it mailed out we looked at each other and said, "Who's going to answer the phone and answer all these questions?" Same problem, same solution. We had union members answering the phone, and answering the questions, as we had been doing for the last couple of years while the plant was closed. That experience started us cooperating and mutually trusting each other. Had that not happened, what we eventually accomplished probably would have been more difficult to come by. But that's the past. Now to bring you up to where we are today.

Our employees at New United Motor today enjoy the highest wages

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* EDITOR'S NOTE: In September 1986, NUMMI began producing the Toyota Corolla FX 16 as well. The Corolla is marketed by Toyota Motor Sales, U.S.A.
in the industry. I hate to say that because I know I'm going to hear this
come next round of negotiations, but it is a fact of life: in terms of the
industry we are the highest paid.

One of the things that is unique about the plant is that employees get
paid to stay in the plant and eat their lunch. Also, we have a review
system whereby before an employee is suspended or discharged, a com-
mittee made up of the chairman of the bargaining committee, the presi-
dent of the local union, the manager of labor relations and the affected
operational manager is called into session. The committee reviews the
case and makes a decision or recommendation to Bill Childs as to
whether the individual should be suspended or discharged. This is some-
thing that we have tried for fifty years to gain in the industry but without
success until now. We've got full-time union representation in the plant.
We have a relationship that is really second to none and it's quite
successful.

The Toyota production system that we agreed to implement in the
letter of intent has now been implemented and it is now working at full
steam. We have what's called the team concept: groups of four to seven
bargaining unit people led by a team leader who is also a member of the
bargaining unit. Each four teams that go together are supervised by a
group leader. On the assembly line in the rest of the auto industry, not to
single out General Motors, if a worker has a problem and stops the line
by pushing an emergency button, the worker would probably be termi-
nated for doing so. In our facility, as part of the team concept and total
quality control, you're encouraged to stop the line if there's a problem
and, in fact, there's a cord available to do that at arm's length from
where each worker is stationed.

For those of you who would ask how the union could make these
kinds of adjustments and why this effort is successful, I'd like to point
out that for fifty years since the inception of our union we have said that
our members should be treated with dignity and respect. They should be
treated like valuable human beings. They should be given opportunity
and it should be recognized that they have something to contribute be-
sides just their hands and legs. We want to be proud of the products that
we build and we want long-term, stable employment, and we like to
make a fair wage.

The NUMMI production system and the NUMMI philosophy and
the way we've been working this out has provided that. One of our pri-
mary goals is never to have layoffs and to work together to make sure
that that doesn't happen. We in fact build the best quality automobile
made in the country today, and in my opinion, it's as good if not better
than anything made in Japan. General Motors' own internal system of
quality checks verify that, and it is a fact. In terms of opportunity, every-
body is promoted from within. If Bill Childs was to quit tomorrow and leave, I'm sure that somebody within the corporation would move up, and that's true from the lowest to the highest.

In the past we had an industrial engineering department in the plant that would design the job and then would tell the individual, "Here's the job, it's designed, you do it this way, and if you don't like it, pack your bag and go home." Today, we don't have any industrial engineers in the plant. All we have is the people in the bargaining units. They design the job and they implement the job and they carry out the job and they build the best quality car in the country.

So we've come together using this common ground and it has worked well and we're proud of it. And with that, let me just repeat one final thing that I mentioned earlier. In the past it was not unusual to have anywhere from five to six thousand grievances in the procedure at any given time. Today, I think we have three in the procedure. We always say in the grievance meetings and discussions and education seminars that the most effective way to settle a grievance is at the first step with the supervisor. But in fact, that happens very little. In our plant it's the norm and that's the way things are done. And again, it's working well.

II

PRESENTATION OF WILLIAM CHILDS

Good afternoon.

Joel talked a little bit about the transition in labor-management relations between the UAW and General Motors, from what could only be described as adversarial and nonproductive to a relationship between the UAW and New United Motor that is nonadversarial and productive. How did this transition come about? We rehired the same workers that were there before when the plant shut down. We hired the same union, and the same local union leadership that existed in that plant before it shut down. We hired the same type of management, the same type of supervisors that existed in United States industry. These supervisors were used to telling people, "Do the job as I tell you and I'm the boss." The workers were used to that kind of treatment. Union leadership was used to that type of treatment, and they had always reacted accordingly.

There are many answers to how this transition came about. For instance, employees who have lost their jobs after twenty years are going to do what they're told. They're going to be easy to get along with. They're not going to cause you any problem. Employees given the opportunity to participate in decisions are going to be more responsible. Employees treated with dignity and respect are going to be more respon-
sible and efficient. They're going to increase productivity. If you give workers security, they will improve the process. These are all explanations of the success of our particular company to date. And all these explanations have some validity.

Our workers want to be more successful. They experienced economic death when the plant closed down in 1982. Our workers are given the opportunity to participate in decisions that affect them. For example, Joel mentioned the opportunity to set their own standards on the production line. GM had eighty-five industrial engineers that did that, and when they set the standard, brought it down on the floor, the battle started and raged until such time as the production standard was reduced and became less efficient. We have none of those engineers at the current time. The employees set their own standards, if you will. If you have a 50-second or a 54-second cycle time, they’re responsible for loading that up to the maximum or to the greatest efficiency that they can obtain. They're responsible for making it more efficient. If it takes twenty steps to walk from here to there, they’re responsible for trying to reduce that. And when you give people that responsibility, they do respond.

Our workers enjoy mutual trust and respect. They are treated as a vital part of the success of the venture. Joel mentioned the line stop where the employee or the worker is given the responsibility and the obligation to pull that line if there’s a quality problem, not to send the inferior product down the line to somebody else or out the door to the customer. It’s his responsibility to make sure when it goes out the door that that quality is built into the product.

We emphasize security for our employees. The one thing that was utmost on their minds when they came back to work was security for themselves and their families. The company has made a commitment to employees that if they are able to improve their productivity, improve efficiency, no one will be laid off as a result of that improvement in productivity or efficiency. The individual is encouraged to make suggestions and improvements that will eliminate an individual off the production line. However, that individual who is eliminated is guaranteed that he will not be laid off, nor will he have to bump somebody else who will be laid off along down the line. Our employees have responded to that commitment and have, in the short time that we have been in operation, been able to come up with some very efficient suggestions on how to improve our quality and productivity.

Japanese management philosophy is probably the single most important aspect of the success of the transition from the adversarial relationship that we had in the past to the nonadversarial relationship that we enjoy now. I don’t profess to be an expert on the Japanese manage-
ment philosophy or the Japanese management style, but I can provide a few observations that I think are significant in this transition.

The main difference in philosophy is the treatment of people. While the notion that people are important has been a standard U.S. business cliché for many years, the emergence of the Japanese in the world market has demonstrated both the truth of the proposition and the extent to which U.S. business has departed from it. It is now very clear to us at New United Motor that people who design, assemble, inspect and supervise play a very significant role in the competitiveness of the auto industry. The role extends not only to the traditional role of cost efficiency, but also to the quality and performance of the vehicle. It has always been obvious that people are important in these areas, but the Japanese have redefined and driven home that point. The importance of the worker is a primary emphasis in the Japanese system. An atmosphere is created whereby the importance of the worker is nurtured and allowed to develop to a much greater degree than that which is normal in U.S. business practice.

Some people will argue that the success of the Japanese is deeply rooted in their cultural heritage, where hard work, servitude and respect for authority dictate the efficiency of the enterprise. If this were true, we might as well start turning over to the Asian culture economic leadership in the world. The Japanese workplace management is successful because it is able to coordinate and direct the workforce to higher levels of competitiveness. Now New United Motor is an example of the Japanese philosophy and management style, and dispels the idea that the Asian culture itself creates a competitive advantage.

Is New United Motor an unqualified success? The jury is still out on that question. We’ve been in operation now for two years. However, there are a number of significant points that can be made in response to that question. The union-management relationship is a dramatic departure from the past in the auto industry and in U.S. industrial relations. The UAW has taken steps, more than halfway, by the way, to create a newer, more competitive U.S. auto industry. Joel Smith and Bruce Lee, the regional director in southern California, have taken a leadership role in that transition.

The quality of the product that we are building with the former Fremont workforce is equivalent to the product of Japanese companies, and particularly to the Toyota automobile, which is considered the industry leader in quality. The efficiency of our plant is twice that of any other U.S. auto plant. It is equivalent to that of the Japanese auto industry. Our workers have renewed self-dignity far superior to that enjoyed in the former Fremont plant under the General Motors stewardship.

The success of the test is due in large part to our attendance at the
plant. Prior to the shutdown in 1982, attendance in the facility was somewhere around eighty percent. In other words, one out of five people was absent every day on an average. On Monday and Friday, it was often difficult to start that plant up. They didn't have enough workers. They would hire college students to be on call to come in one of those days in order to get the plant going. You can imagine what impact that had not only on productivity but also on the quality of the vehicle. It was thrown together. Now attendance in the plant including vacation, absences, paid time off the job for personal absence, industrial injury, leave of absence, et cetera, is ninety-six percent.

There are many other comparisons of performance in our plant versus the overall auto industry in the U.S. as well as the former Fremont plant. We won't know for certain whether this is going to be an unqualified success for a couple more years. The newness of the operation has something to do with the success of the plant. Enthusiasm built up in the first two years of operation, while we were going in and training employees in a new way of doing business, is still carrying over. It remains to be seen whether we can continue this success over the next two or three years and sustain the growth and enthusiasm of our workers, the cooperation with our unions, and the development of a unique system within the U.S. auto industry.

If the U.S. auto industry does not respond to a different way of doing business, it has a very bleak future. The Japanese produce twice as much. Their quality is far superior and they are able to put the product that people want and are willing to buy in the marketplace. So unless we do something in the auto industry similar to what is happening at New United Motor, we can expect the death knell of a very large part of our economic capability in this country.

III
QUESTIONS AND ANSWERS

In reading the NUMMI contract I found several references to the term “kaizen.” I want to know what “kaizen” is. In the contract language, at every place that seems to be crucial to the success of the enterprise there is reference to “kaizen.”

MR. CHILDS: It's a Japanese term meaning “constant improvement.” The concept is based on constant improvement. We tell our employees, as we tell ourselves, that if we don't improve the product, improve the efficiency, improve the quality, we will not be in business three to four years from now. So it's constant improvement. It's part of the total philosophy of the company.

MR. SMITH: The idea is to work smarter, not harder.
What is the termination for cause rate at NUMMI, and how does it compare with GM's old rate at Fremont?

MR. SMITH: We were just talking about that, trying to remember how many people had been discharged for cause in the last two years. I've got three here, two for fighting and one for falsification. There may have been a couple of others, but very, very few terminations for cause. In terms of the probationary period, which we call the evaluationary period—that way we're new and innovative—we do lose people during that ninety day period, but very few thereafter.

Is the union coordinator in Article III a traditional union steward? Does she/he perform duties in a different manner than stewards in other UAW plants?

MR. SMITH: Yes, it's different. We have a representation system in the plant whereby we have full-time union committee persons on the day shift. That consists of five people, plus the chairman and the president of the local union. The five committee people represent a variety of departments. Basically one committee person would have an assembly department and the other paint and the other stamping and so on. In addition to those individuals, we have an additional sixty-seven coordinators in the plant, and basically each coordinator represents approximately forty people. That individual has the role of the traditional steward, but more importantly, they are there to facilitate solutions and to do so as quickly as possible in an informal setting.

Something that's unique in this is that because of the production system and the efficiency of it, we agreed that these individuals do not get time off the job or off the line to take care of representation problems. However, taking into consideration that this would take some time maybe on their break or lunch or whatever, they get two hours extra pay per week in their pay envelopes. So if they work a forty-hour week, they in fact get paid for forty-two hours at straight time rate. Also, what has happened is that if there is an immediate problem that the supervisor needs to work out with the coordinator, they may be taken off the job anyway. So in this case, we ate the cake and we still have it too.

Does NUMMI have a drug testing program for incumbent employees?

MR. CHILDS: We instituted a drug screening for all new hires when we started hiring in May of 1984, and all new hires go through a drug screen and alcohol screen. If we suspect someone of being under the influence of either alcohol or drugs while working, we ask that person to take a drug screen.

MR. SMITH: Let me elaborate on that.

On the prehire, in terms of safeguards, if an individual comes up dirty on something, it's accompanied by an interview. So if the individual is asked, "Did you do so-and-so?" and they say, "Yes," that pretty
well confirms the test. If in fact the interview reflects something different, then we take it further. And yes we do back up tests by way of a mass spec and so on.

For incumbent employees, basically testing is for probable cause. If you get somebody walking around in the plant bumping into things and running over things with a forklift, you say, “What’s the problem, coach?” Now if the individual says, “Well, gee, there’s nothing wrong with me,” you say, “Well look, you look suspicious to me.”

We have a substance abuse representative on a full-time basis in addition to the other representation I told you about. That individual would be brought in and the employee more than likely would be given an option: “Look, something is wrong. You’re bumping into things. We’re going to send you home for three days because we think you’re under the influence of something, or you can take the tests and if the test shows you’re clean as a whistle and you’re just tired, we’ll pay you for the three days.” So I think we’ve got the checks and balances in there that represent everybody’s interests.

*Could you comment on the reduction in the levels of management?*

**MR. CHILDS:** We have substantially less management than most auto plants would have. Essentially we have a group leader, who is the first level of supervision, and we have the manager level, a general manager level, and then we have executive. Depending upon the size of a given department, there may be an assistant manager involved, but essentially, we have tried to cut out about two levels of management.

One of the differences in the management style is what is called a consensus type of management in which you attempt to get the consensus of all levels of management before you go forward with a particular policy or procedure. So that once a policy procedure is put out, you have uniform application of it. You have people behind that particular policy or procedure, whereas in the U.S. plants you put it out and fights might start among the different levels of management.

*Have there been any NLRB cases at NUMMI since it began operation and if so, what have they been about?*

**MR. CHILDS:** We’ve had a couple of cases on refusal to hire because of union activity. It seems rather ridiculous because of the fact that we hired the former union leadership of the local, which was basically considered among the more militant within the auto industry and particularly within General Motors. Those cases were quickly disposed of.

**MR. SMITH:** I think the union has been served in two cases of failure to properly represent, et cetera, but after investigation no complaint was issued. So we have had very little activity with the NLRB, very, very little.

*I wonder if either of you could comment on the inspection force and ex-
plain what ways inspection is different from a traditional automobile company?

MR. SMITH: Let me answer that. There is no comparison, absolutely none, other than that they call it inspection. The quality of the product that is put out of that plant is absolutely superb, and the reason is that every person who works in the plant is responsible for the quality of the job that he or she does. And that is that. You have the responsibility and the authority to do something about quality, i.e., you can pull the cord, stop the line, what have you, so we have fewer inspectors than most plants.

The long-term goal is to have no inspectors in the plant, so that each individual is totally responsible for the quality of the product. We may never get there, but that is the intention. We would offset by way of attrition so that we wouldn't be laying off anybody as a result of the reduction of the inspection function.

One of the big differences that you might appreciate concerns the responsibilities of the chairman of the bargaining committee. In the past that person was also an inspector and basically what he did was keep a little stamp and stamp things that weren't acceptable. Then a supervisor came along and scratched them out and said to ship it anyway. Now, as part of the training program in inspection work completed prior to assuming full-time responsibilities as chairman for NUMMI, that same person is interviewing suppliers, complaining about the quality of supplier products and insisting that the supplier engineers be brought to the facility. He tells them what is wrong and how to correct it and demands that the supplier respond, not at some foggy date in the future but tomorrow. So you might just say it's not just different, it's light-years away.