

FORD STRATEGY AND PUBLIC POLICY

1 There are two basic approaches to public policy towards Ford. The first sees the main function of local and national government as ensuring that Ford has the right conditions in which it can work: a well-housed and disciplined labour force; a stable exchange rate; an adequate transport system and an international trade and financial regime which allows the free flow of goods and finance to where the international market price signals dictate. The task of government is to ensure that the local 'environment' is competitive. If the system of international market prices leads Ford to shift production from the UK to abroad, then governments should respond by supporting policies which make a plant like Dagenham competitive again with other sites abroad. Lowering the exchange rate would be one method. Supporting Ford's own attempts to increase labour productivity would be another. As Ford once put it to a delegation of local MPs, councillors and the GLC, if they are concerned about future employment and investment prospects at Dagenham, then it is the unions not Ford management to whom they should be talking. Ford management was forced to obey the realities of the international market. If they did not they would be put out of business. Public policy and the trade unions should ensure that Ford could continue as competitive producers in their traditional producing areas.

2 This is Ford's view, but it is also one which is reflected in the conventional wisdom of the economics profession. If the market is allowed to operate freely on an international level then production will take place at its most efficient location. For example, Northern Spain, or even Brazil, may now be the cheapest places for Ford's assembly operations. Dagenham will attract new types of industry for which its location and available skills are more appropriate. Redundancy and unemployment are, in one cabinet minister's words, merely the sign of an economy changing gear. If new industry is not forthcoming, then older industry can be won back. The problem may be either management or labour. In the case of multinational companies it is unlikely to be management, since we can assume that the quality of management will be similar internationally. The main variable then becomes labour. Conventional economic hawks see the question largely in terms of the breaking of monopoly unions and cutting the cost of labour. Workers in their words can price themselves back into jobs. The conventional doves have a more subtle view, based on stable structures of union/management co-operation, individual incentive schemes and centrally agreed forms of wage limitation.

3 The underlying argument of this approach is that conforming to the market realities will in the end benefit everyone, since growth in general will be higher. Interruptions in growth, unemployment, plant closures, even the decline of particular regions or countries are the result of the market not being able to work smoothly. Industrial monopolies, restrictive unions, national protection through tariffs and exchange controls - these are the kind of 'market imperfections' which it is the job of public policy to remove. It is one of the arguments put forward in favour the multinational corporations like Ford by conventional economic wisdom, that they have the power to break down local labour monopolies and side step national protectionist policy. They help to make the international market more perfect.

4 According to the internal Ford document 'Improving the External Environment' presented to this Enquiry, Ford are following this course. They argue that they should move their main sources of production away from Europe to Japan and the Third World because the 'economic environment' in Europe is

becoming so restrictive. By this they mean the tax regulations, labour laws, company information requirements and so on. This is the real world as far as Ford is concerned. If European countries, or particularly localities like Greater London, want to keep Ford producing there, then they should adjust their policies accordingly. They should reduce their restrictiveness. It is a message similar to that conveyed to Ford's trade unions throughout Europe and similar to that being implemented by the present government. It may appear to be in the interests of Ford's owners and managers. But at its back lies a wider social confidence, grounded in an elaborate and dominant economic theory, that what is good for the competitive individual company is in the end also good for international society as a whole. Just as General Motors could once say that what was good for them was good for the USA, so Ford can say - on the basis of these kind of arguments - that what is good for Ford is also good for Greater London.

5 The second general approach sees no such harmony of interests. At root this is because it does not see the world economy as a full employment machine in need of oil (and a good driver) to ensure that it can change gear easily. Instead it observes a tendency to increasing international unemployment, to a world recession which free markets appear to make worse rather than better and to a sustained attempt to shift the costs of this recession from the strong to the weak. What is good for Ford can in no way be assumed to be good for Dagenham. If Ford's employment there falls, then new jobs are unlikely to take their place. Wages on the production line are amongst the lowest in Europe, yet this has not prevented a halving of jobs in the last decade. The pound has fallen from \$2.40 to \$1.12 in a little over three years, Government policy has been designed to cut public control of national and international markets, yet still Dagenham has been run down. Neither the Ford workers, nor the British economy, appear to be able to price themselves back into jobs. Instead working conditions and the welfare of local economies have substantially worsened.

6 Seen against this background, the laws of the international market as enforced through a company like Ford, means not an increase in general welfare, but a decline in the general international level of wages and conditions of work. Some form of Gresham's Law (that bad money drives out the good) also works in the field of employment, with bad labour conditions and low wages driving out the better. Ford's ability to shift production and investment internationally means that factory is pitted against factory and area against area. Ford tells its workers in Dagenham that their productivity is lower than in Cologne and its workers in Cologne that their wages are much higher than those in Dagenham. The new plant at Bridgend was set up after a European auction among governments for the plant, with the result public funds contributed 40% of the £180 million invested. Now European governments as a whole are facing a Ford strategy which says that Europe is too restrictive an environment and that production will move South and East.

7 What all this means is not a mechanism to increase productive efficiency for the general good, but one which worsens working conditions and distributes unemployment between areas. It also results in a general shift in income distribution from labour to capital. This is in part a direct result of cutting wages. But there is also an indirect mechanism through Ford's accounting practices. In as much as transfer pricing allows Ford to declare its profit in the areas of lower tax, then the cost of public services is

shifted to other taxpayers. Similarly, a tax concession, or a subsidy granted to Ford, is another taxpayers' burden. The rise of multinational companies like Ford have led to a shift in taxation from these companies to local companies and local people.

8 According to the second approach, the issues posed for public policy are ones of distribution rather than productive efficiency, of acceptable standards rather than an impoverishment of whole areas, and of enforcing a control on companies like Ford so that industrial companies can be made to service social needs, rather than social conditions being sacrificed to serve the balance sheet needs of the private companies. In the words of Lewis Carroll's Red Queen: 'The question is, who has the power'.

9 As far as London is concerned, it is the second approach which is relevant. Ford has cut a third of its workforce in five years (from 30,531 in 1979 to 20,402 in 1984). London's growth industries in the service sector have been quite insufficient to offset the decline in manufacturing employment and a number of them - particularly in the financial and office sectors - are themselves liable to face substantial job loss over the next decade. The prospects in the Dagenham area are particularly serious. Like the whole of the Eastern corridor extending from Docklands down the Lower Thames to the Medway towns and South Essex, unemployment has been rising as new growth fails to compensate for cut backs and closures. In Tower Hamlets and Newham registered unemployment is now over 20%. In the parliamentary constituencies of Barking and Dagenham it is 13% and 11% respectively. The Borough of Barking is the one London Borough to suffer a decline in the value of its rate base between 1973 and 1983. The area which grew around Ford, is now threatened with the same economic collapse as has affected the Inner City areas of Britain's major cities. There is no sign of any kind that even an economic upturn would lead to the regeneration of the Dagenham area were Ford's decline to continue.

10 Over the last decade Ford have transformed their Dagenham operations from an integrated series of plants capable of producing a total car, to a number of specialised plants producing particular components for the European market, or assembling models on the basis of components drawn from all over Europe.

Ford are now able to play Dagenham off against other areas abroad, both in Europe and now further afield. As a result the pressure on Dagenham as outlined in the second approach, is to depress wages and conditions and to increase speeds to those of the worst practice in Europe rather than the best. This is the inevitable result of a multinational operation in a free market on a European scale. Ford have argued that it is necessary for them to follow such a policy in order to remain competitive. The strategic challenge for unions and public policy alike is how to set limits to the downward pressure on labour which all motor manufacturers must observe.

Policy implications

11 In the case of the first approach the detailed application of public policy is relatively straightforward. The strategy is set by Ford. National and local governments then use what power they have to support that strategy, or to change market conditions in such a way as to encourage Ford to retain or expand production in this country. With the second approach, the strategy is

not so straightforward. Partly this is because an alternative investment plan to that of Ford has to be developed. If Ford wish to move Escort assembly to Brazil, what is the alternative? Partly, too, it is the question of the power to resist the logic of Ford and its version of the logic of the international market. Public policy cannot assume public power over Ford. An alternative strategy must be as much a strategy about countervailing power as one about a set of agreed ends.

12 There have been three distinct lines of policy that have emerged within the second approach.

- (a) National protection. Through tarriffs, individual company import quotas and public purchasing, Ford should be required to expand production in the UK in proportion to its share of the market. Currently it has 30% of the UK market, but accounts for only 15% of production. Not only should its share of production be increased, but local content regulations would specify that Ford should buy a certain percentage of its components in the UK. If Ford refuse to comply with these requirements they should face restrictions to the UK market which would allow the domestic UK car industry to expand.
- (b) A European strategy for the motor industry, designed to restructure both component and assembly operations in order to match competition from the Japanese. This policy recognises that it is the structure of production that is at fault in Europe; the component sector is too fragmented, there needs to be rationalisation of both component design and production and more integrated co-ordination of suppliers with the main car producers, from design to final assembly and sale. Ford Europe would be part of such a restructuring plan.
- (c) European co-ordination of Ford's trade unions. To prevent one area of Europe being played off against another, the existing links between Ford's unions in Europe need to be strengthened to the point where they can take united action against threats to jobs in any one place. To Ford's international location strategy dictated by the market, the unions would present an alternative location plan in Europe dictated by the needs of existing communities.

13 All three lines of policy have their strengths and limitations. National protection faces the dangers of a counter attack from other countries and from Ford's workforces abroad. It would lead to higher prices if unsupported with a complementary industrial policy.

At the same time it uses public control over access to national and public markets as a lever to resist Ford's international market strategies and could almost certainly go some way to countering a long term run down of Ford's UK operations.

14 The strategy for European restructuring, which has been considered by the European Commission, has as its principal drawback the difficulty of implementation. Such restructuring plans have been difficult to introduce at a national let alone a European level. They have often required public

ownership to bring them about, or dominant control in the industry among a small number of active investment banks. These conditions do not hold in Europe nor are they likely to do so in the foreseeable future. There is a danger that state organised restructuring might become merely a profit rationalisation involving heavy job losses in the components industry. Nevertheless, the modernisation and co-ordination of this sector offers some scope for an alternative to Ford's strategy to respond to Japanese competition by cheapening labour.

15 The developing unity of Ford's European unions is perhaps the most important development at the present time. It faces one overriding question, however, a question constantly posed by Ford itself. Ford's argument is that its weak labour policy is necessary if it is to remain competitive. Any alternative union strategy must take this argument on board.

16 This paper proposes a fourth line of policy with the following characteristics:-

- (a) It involves the mutual support of all the previous lines of policy; the power of national and Local Government over access to markets; the support of the European Commission and the developing strength of Ford's European unions.
- (b) It aims to ensure the maintenance of employment at the level of best rather than worst practise.
- (c) It should extend the requirements to follow best practise to all motor manufacturers who produce and sell in Europe and not merely to Ford.

17 With respect to the maintenance of employment, this does not mean that old jobs will be 'frozen'. There will be changes in methods and models. Plastic bodies may replace steelones and change the process of body production as a result. The key point is that employment should be maintained, either in the new processes, in the making of the capital goods for the new processes, or in the distribution of the new products. Improved methods should lead to increased output not reduced employment. They should retain employment in communities which have built up around the motor industry, with the skills and trade union conditions of thoses communities and not shift new employment to areas of weak labour.

18 No car should be produced or sold in Britain that does not conform to an agreed production code. Such a code would not only specify employment levels, it would cover wages, working hours, health and safety, the intensity of work, equal opportunities for men and women and for people whatever their ethnic origin. Such a code would reduce the incentive to replace existing employment. It would force motor companies to plan each stage of the production process in relation to the needs of their local communities and not simply to the requirments of the balance sheet. It would encourage technologies which would improve the conditions of work (such as robots in the paint room) rather than worsen them.

19 The code of labour, covering job maintenance and the wages and conditions of work, would be linked to a code of use. The code of use would set similar conditions as far as motor users are concerned; this would include the development of cars running on lead free petrol, minimum safety standards and noise control.

20 A plan of this kind should be pressed for first on a European level. Its aim is to unite the interests of users and of workers in the motor industry and ancillary branches of production, against the logic of the unfettered market. Presently, this logic centres around price. Behind the price of a Ford lies a whole international inferno which only some modern Dante could describe; an inferno of speed, of wasted lives, of the tyranny of the line, and of the dereliction of communities. The common interests of users are swamped by the power of the motor interest; anti-pollution measures, non rusting steels, safer cars, all are swept aside by the litany of price. These things are hidden in the simple numbers of the showroom and list prices. Public policy, representing the wider social interest, should re-affirm the collective minima beneath which we are not willing to go. Every society should have its price, of conditions of labour and standards of product, and this price should rise with growth, not be undercut by new areas drawn into the world market by the motor industry giants.

21 So much for the goals of strategy. What of the powers? There are two. First is that of those who work for Ford. The first goal of public policy should be to ensure that the power of those workforces can remain strong in pursuit of this common end. Secondly, there is the public power over the access of Ford and other multinational companies to the British market. There are many instruments of protection:

- import duties
- import controls
- exchange controls
- general taxation
- public purchasing

These instruments should be used to protect the new code outlined above.

22 In the case of Ford, this implies the following. First, it will be required to have a local UK content of the same value as it has sales in the final British market. Currently it has 30% of the British market, but only 15% of production. If it wishes to maintain its market share it has to expand its local production and/or its use of UK components. Secondly, expanded production should be concentrated on its existing areas of production according to the labour code. Already unions, local councils and researchers can establish with or without the co-operation of Ford, a set of targets to be enforced by an incoming Government supporting this broad strategic approach. Thirdly, concerned local councils and trade unions should work with similar organisations in Europe to extend such a scheme to a European level, notably through action by the European Parliament and European Commission. The goal should be the adoption of a labour and user code for the European motor industry as a whole and the development of European protection to that end. This will involve negotiation with the Japanese and the Americans and this should centre on their adoption of a similar code.

23 Such a strategy goes beyond one which aims merely to protect a British motor industry, or particular plants. It goes beyond demands for social ownership of particular companies. All these are implied in the strategy outlined, for example a publicly owned British Leyland would play a key role in changing to the new code. But nationalisation as such, for example of Ford UK, is in a period of the internationalisation of the motor industry quite insufficient to the problems now before us. A nationalised Dagenham plant separated from Ford's international network, would be like taking a platoon

away from its supporting army.

24 In the present period a purely national strategy for the motor industry is no longer adequate. We require a policy which can be imposed nationally, which can be spread in co-operation with other national governments, which can form a joint platform for action by local as well as national governments and for public bodies as well as unions.

What the GLC can do

25 The first approach we discussed sees the role of local councils as being confined to 'local' issues which are quite separate from broader questions of Ford's international strategy and national motor industry policy. Local councils should stick to questions of local housing, transport, planning and rates. In refusing to attend the present Inquiry, Bill Hayden - Vice President of Ford Europe - wrote that Ford had 'always accepted readily that Local Authorities have a right to information about developments involving our plants and local employment' and that they would be willing to talk later about 'specific local issues affecting Dagenham and other plants in the London area'. Such local issues are then contrasted to the subject matter of the present hearings. 'We do not accept that such sweeping enquiries into the operations of Ford or any other company are a proper function of a Local Authority....I believe an important issue is involved here.'

26 The GLC agrees that there is an important issue here. It is that our concern with local employment in Ford in London necessarily involves us in understanding Ford's wider international strategy. Without that, none of the massive job losses which have taken place in Ford's London operations over the last five years can be adequately understood. In the era of multinational companies, the international economy can be read as a myriad of local ones. Local, national and international are not three separate compartments of economic life. Equally important, most of what the GLC or indeed any Borough Council can do with respect to maintaining Ford's employment in London only makes sense as part of a wider integrated policy, involving other Local Authorities, national governments and the trade unions, both in this country and overseas. In countering the extraordinary power of a multinational like Ford, all these organisations must work together. In this way the local supports the national and becomes part of an international network of countervailing power. If a local council wishes to go beyond the policy approach which restricts public policy to one of supporting Ford, or clearing up the economic mess once Ford has departed, then the broader view is indispensable. The important issue is whether the economy is geared to social needs, or whether society is geared to the balance sheet needs of a multinational company.

27 Within the broader perspective, the GLC sees its role as a strategic Authority in the London area in four ways:

- providing information and research capacity in order to assess the likely developments in Ford as they affect London;
- working with trade unions and various user groups to produce a draft code which could be adopted in London;
- with other interested parties, urging the European Parliament and the Commission to adopt the motor industry code as the basis for a motor industry strategy throughout Europe; and

- developing its purchasing policy to support a strategy such as is outlined in this paper. That is to say, we think that the GLC and London Boroughs should purchase motor vehicles in line with the labour and user code for the motor industry.