

# “Japanization” *of the employment relationship: three cases in Argentina*

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Over the past 20 years, the Japanese employment relationship has been emerging as the global standard for multinational enterprises. Its introduction has created conflicts with local standards, however: in the case of Argentina, with the egalitarian culture of the unions. The essence of the Japanese employment relationship lies i) in the combination of different elements that go to make up flexible working (multi-skilling, *kaizen*, etc.) with competitive wages based on individual assessments, and ii) in long-term employment agreements, which have been undermined in Argentina by neoliberal reforms. How might the unions encourage cooperative internal flexibility, whilst ensuring job stability? The present essay addresses this issue, drawing on interviews with Ford, GM, Toyota and the Sindicato de Mecánicos y Afines del Transporte Automotor (SMATA), the car workers' union.

# I

## Introduction

The Japanese economy emerged strengthened from the two oil crises thanks to the rapid introduction of microelectronic technology into products and production processes during the second half of the 1970s and the 1980s. The speed of this recovery drew the attention of the international business and academic communities to the organization of production and the characteristics of the “employment relationship”<sup>1</sup> in Japan, as they sought for alternatives to the Taylorist-Fordist model that had gone into crisis in the early 1970s.

The superior capacity of this system to generate productivity increases and quality improvements in a context of continuous technological innovation and competition on a world scale meant that it spread internationally in the 1980s and 1990s. It advanced particularly quickly in the latter decade, alongside market opening and deregulation.

In Argentina, the populist development paradigm established after the Second World War began to show signs of institutional exhaustion in the first half of the 1970s, manifested chiefly by a relative decline in economic activity and high inflation rates. In 1976 the first neoliberal reform was implemented; this led to an unprecedented external debt crisis and culminated in failure, and it is mainly because of this that the 1980s have come to be known as the “lost decade”. Subsequently, 1991 saw the launch of what would become a far-reaching second neoliberal reform, including the introduction of a fixed exchange rate against the dollar, rapid trade and financial liberalization, large-scale privatization of public-sector

companies and a labour reform that, among other things, cut redundancy payments and brought in short-term employment contracts. Hyperinflation was tamed and the economy grew intermittently, but unemployment reached levels unprecedented in the country’s history.

While all this was going on, multinational automotive companies had been applying, both in their home countries and in subsidiaries around the world, elements of the production organization and employment relationship originating in Japan. In the 1990s they did the same in Argentina, although Ford had already made a first effort in this direction in the early 1980s, as will be seen shortly.

How far have automotive multinationals operating in Argentina gone in introducing a Japanese-style employment relationship? What obstacles have they encountered in the process? What ought to be done to overcome these? The purpose of this essay is to answer these questions. To do this, of course, we need to consider employment relationships in Argentina generally. The efforts we refer to here have necessarily come up against the history and current situation of national and sectoral labour relations, involving different institutions that have influenced the timing and nature of the results. These institutions include the unions, labour laws and labour markets, both within and outside the companies concerned. In Argentina, the behaviour of unions is a crucial factor.

In section II of this paper, we briefly review the stylized facts of the Japanese employment relationship, drawing directly on the most important studies compiled by Japanese researchers and laying particular emphasis on their ambivalent aspects, since these are of special importance for the strategy that ought to be adopted by Argentine unions. We also touch on the impact that neoliberal economic policy has had on the image of the Japanese employment relationship among workers.

In section III, we look at the current situation of the Argentine subsidiaries of three automotive multinationals (General Motors, Ford and Toyota) in order to evaluate the nature and institutional dynamic of the conflicts between companies and unions to which efforts to “Japanize” the employment relationship are giving rise.

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<sup>1</sup> By “employment relationship” is meant specifically the way labour utilization is organized and wages set; this intermediate-level concept allows the macro wage labour relationship to be analysed at the company level (Coriat, 1991).

In section IV, we discuss the strategy needed to prevent the combination of a “Japanized” employment relationship<sup>2</sup> and a neoliberal economic policy becoming the standard form of capital accumulation. As well as seeking a “third way” that

rejects neoliberalism (and populism) and can generate stable growth and long-term employment, we suggest that a necessary objective is internal flexibility based on cooperative relationships among workers.

## II

### What “Japanization” means for unions in the neoliberal era

In its original form, the employment relationship prevailing among male production workers in large Japanese companies involves a tacit agreement between companies and workers: the companies undertake to provide long-term employment,<sup>3</sup> the workers to do their best to meet company objectives. In this context, workers accept flexible job assignments and working hours, ongoing training to meet the changing needs of the company and a wage system that, while taking account of age and years of service, encourages competition among workers through individual assessments that are reflected in pay differences. Although these differences were relatively small during the period of rapid economic growth (1955-1973), they gradually increased over the 1990s. At the same time, greater and greater importance was attached to actual skills, to the detriment of potential ones, in setting

wages; in other words, there was a widening of wage differences based on evaluations of work done.<sup>4</sup>

Where production workers are concerned, all these elements clearly contrast with the “employment bureaucracy”<sup>5</sup> of the Taylorist-Fordist tradition, which prevails in countries whose culture is Western in a broad sense, including the Latin American ones. Among them, we should particularly like to emphasize individual assessment –a basic tool developed to encourage competition among workers– and its impact on wages.<sup>6</sup>

<sup>2</sup> See Sano, 1998, chapter 5 for an initial approach to the “Japanization” of the employment relationship in Argentina. Sano (1999) analyses the increasing flexibility of the employment relationship that has been a feature of Latin America over recent years. Di Martino (1999a) carries out a historical analysis of the employment relationship in the case of engineering staff at two multinationals producing equipment for telephone exchanges in Argentina.

<sup>3</sup> This is not the same as so-called lifetime employment, which wrongly tends to be considered one of the characteristics of the Japanese employment relationship. In fact, there are Japanese companies that have laid workers off after suffering losses for two years running, although they usually try to maintain employment through various institutional mechanisms before resorting to this (Koike, 1991, pp. 101-103). As different cases of fairly large-scale redundancies in big enterprises have shown, traditional long-term employment practices have begun to weaken owing to the long recession that has afflicted the Japanese economy over the last 10 years. For the time being, however, no definitive breakdown in this arrangement is necessarily in prospect.

<sup>4</sup> The most representative studies of the employment relationship in large Japanese firms, such as those of Kumazawa (1997), Koike (1997), Ishida (1990), Nomura (1993) and others, while they differ in their evaluation criteria and the aspects they highlight, are not in substantial disagreement over the stylized facts we have been setting forth. Di Martino (1996 and 1999b) examines the employment relationship in the case of engineers in large Japanese electronics firms.

<sup>5</sup> This concept, introduced by Jacoby (1985), refers to the way arbitrary treatment of workers by employers is done away with by institutionalizing practices such as stable employment, internal promotion and the wage scale, resulting in a reduction of competition among workers.

<sup>6</sup> The following example of wage composition taken from a large automotive company is suggestive. In 1991, a worker’s basic wage was composed of the following four parts: fixed wage (about 30%), seniority wage (about 25%), qualification wage (just under 40%) and performance wage (about 7%). Of these, the third depends on each worker’s qualification level, which is determined by assessing his or her skills (breadth and depth of work experience). The fixed wage, on the other hand, is determined by qualifications, ongoing assessment of skills and length of service. The performance wage is determined on the basis of the annual skills assessment within a given qualification level. Thus, if the purely egalitarian part (the seniority wage) is deducted, about 75% of a worker’s basic wage in that company is influenced in some way by competitive factors (Koike, 1997, pp. 102-108). Similar competitive relationships have been observed among white-collar workers, not only in Japan but in Western countries as well, although the same thing does not necessarily happen among Western blue-collar workers (Ishida, 1990; Koike, 1997; Kumazawa, 1997).

Large Japanese companies like to encourage such competition because they claim that it drives productivity and product quality improvements. Union organizations in Argentina, meanwhile, are rooted in the tradition of employment bureaucracy. They prefer an egalitarian culture, regarding this indeed as their reason for existing, and seek as far as possible to retain a close link between the position worked in and the wage paid (equal pay for equal work). They thus see efforts to promote competition among individual workers as a threat to their own existence.

Indeed, “Japanization” of the employment relationship—the example of Japan itself seems to suggest this—would result in a world where unions were unable to offer their members ways of improving their working conditions, i.e., in a world without unions. At the same time, though, workers have a “guarantee” of long-term employment and, with the system of flexible job allocation (internal flexibility),<sup>7</sup> they quickly acquire the skills to perform a variety of tasks; these things enrich their working

lives and can be regarded as positive in themselves. As we shall see later, though, this Japanese world of work, whose two facets derive from the undertaking we described earlier, was introduced into Argentina almost contemporaneously with neoliberal reforms. For this reason, “Japanization” advanced alongside external employment flexibilization and massive unemployment, thus leaving a negative impression.<sup>8</sup>

In these circumstances, the unions need to make the effort, on the one hand, to get past Taylorist-Fordist thinking and accept internal flexibility in the use of labour and, on the other, to oppose neoliberalism, which entails increased external flexibility, and seek an alternative form of labour use that ensures efficiency, participation, solidarity and distributive justice. We shall return to this point in more detail in the last section, but first, in the section that follows, we shall use three case studies of multinational automotive companies to look at the actual forms taken on by the micropolitical economy of “Japanization”.

### III

## The micropolitical economy of “Japanization”: three multinational automotive companies<sup>9</sup>

#### 1. The first attempt: Ford

Ford pioneered certain aspects of Japanese staff management methods in Argentina. The company’s first attempt, in 1980, extended principally to the creation of quality control circles (QCCs) so that workers would be involved in producing incremental technological innovations (i.e., adaptation or improvement), and it was a direct response to the threat posed to the company at that time by the deregulation of car imports resulting from neoliberal economic policy and by the competitive advantages secured by the Japanese car industry.

The economic policy of the military dictatorship established in Argentina in 1976 was an early (and abortive) attempt to open up the economy to the world market. General Motors controlled between 10% and 15% of the market at that time, and in 1978 it chose to

withdraw from the country. By contrast, Ford, which controlled 40%, tried to improve its competitiveness by introducing QCCs, which operated from 1980 to 1983. To this end, the company invested heavily in staff training. The results were very encouraging while the military dictatorship lasted, a period in which union activity was banned and real wages deteriorated considerably.

In late 1983, with the return of democracy and union activity, workers concentrated on wage demands and lost interest in QCCs; these were associated with a

<sup>7</sup> The concepts of internal and external flexibility come from Boyer (1992).

<sup>8</sup> According to Sano (2001a), the fall in recruitment that took place at the same time as “Japanization” was one of the causes of mass unemployment in Argentina in the 1990s.

<sup>9</sup> This section and part of the next are based on interviews held in July 1999, March 2000 and January 2003 at Ford (General Pacheco, Buenos Aires), Volkswagen (General Pacheco, Buenos Aires), Toyota (Zárate, Buenos Aires) and General Motors (Rosario), and with the Sindicato de Mecánicos y Afines del Transporte Automotor (SMATA), the car workers’ union.

period in which their rights had been harshly repressed, although in implementing them the management had stressed worker participation in production management. QCC activities went downhill. At the same time, the external debt crisis led to the economy being closed to external markets once again, with renewed exchange controls and import regulations, so that the management now had much less motivation to insist on these circles being used.

Nonetheless, the period resulted in a lasting change in Ford's management style, which was no longer based solely on supervision but was more open to dialogue and entailed closer relations among workers, supervisors and engineers. From 1987 to 1996, Ford in Argentina was merged with Volkswagen in the Autolatina company. Efforts were made during this period to introduce management techniques from Germany, including the formation of groups to resolve specific problems and carry out activities similar to those of *kaizen*.<sup>10</sup>

## 2. Job-linked pay as an obstacle

In 1996, after separating from Volkswagen, Ford began a new effort to bring in Japanese production and personnel management methods; as of 2000, the implementation process was still going on.<sup>11</sup> In 1991 the Government had introduced a neoliberal economic policy based on a fixed exchange rate against the dollar, trade and financial liberalization, mass privatization of public-sector companies and labour reform (lower redundancy payments, acceptance of short-term

employment, etc.). By contrast with the abortive neoliberal effort that began in 1976, this time Argentina actually did integrate into the globalizing system of wealth production and distribution. Its industrial structure changed rapidly. In these new circumstances, General Motors returned to the country in 1993 and Toyota set up its first Argentine plant, which began to operate in March 1997, producing pickup trucks.

The time it has been taking Ford to implement its new personnel management system can be put down to the nature of the collective labour agreement governing the employment relationship between the company and its production staff. This agreement dates from 1989 (Autolatina-SMATA, 1989), but hardly differs from the one signed in 1975. It stipulates that workers' wages are determined by the job they do and can only be changed on the basis of length of service (an increase of 1% a year) or a change of job within the company. There are 10 wage categories directly related to specific jobs. Within each category there are different wage levels that depend on whether or not minor maintenance tasks, self-monitoring for quality, etc. (partial elements taken from the Japanese model) are performed.

About half of all production staff are in three categories (5, 6 and 7), since any employee working over 400 hours in a job with a higher wage category than his or her normal one becomes entitled thenceforth to receive the wage for that higher category. Not a single worker remains in categories 1 and 2, and wage costs per worker have risen so much over the years that they are 60% higher than in companies such as General Motors and Toyota. The two latter entered the country (or returned to it, in the case of General Motors) in the 1990s; consequently, they have agreements signed then which provide for flexible job allocation, i.e., internal flexibility (General Motors de Argentina-SMATA, 1997; Toyota Argentina-SMATA, 1996).

## 3. A new wage system on hold

The introduction of flexible manufacturing systems has simplified the operations carried out by each worker; many tasks have been programmed into numerically controlled machine tools and computer-aided design and manufacturing (CAD and CAM) systems, and workers can more easily be switched among different jobs. The Ford management argues that the old wage system does not reflect this situation and wants to replace it with a new one containing two to four basic wage categories. If a two-category wage system were opted for, one would be for production tasks and the

<sup>10</sup> In the words of Toyota (Toyota Argentina-SMATA, 1996, p. 12), "*Kaizen* is a Japanese word that means improvement or the search for a better way of doing things, making the company more efficient and successful. It is a process of identifying and eliminating waste or losses in machinery, materials or labour, or in production methods or administrative procedures. This system sets out from the 'standardized work principle', which involves the company laying down the procedures and standards that teams are to work to, and team members working accordingly. Each team of employees can review working procedures and standards continuously with a view to improving efficiency, quality and working conditions so that, once approval has been given, a new standard of work is established" (translated from the Spanish).

<sup>11</sup> In Latin America, the Ford México factory in Hermosillo is in the vanguard of "Japanization". The manager of the Personnel Department of Ford in Mexico was transferred from there to Argentina. In an interview, he stated that productivity was then higher at the Hermosillo factory than at the General Pacheco plant in Argentina.

other for maintenance. In turn, each category would have two wage levels related to the actual functions performed by workers, thereby retaining part of the old system.

The company is not willing to keep workers' current wage levels as a floor when changing the system, since this would mean an increase in wage costs that are already much higher than the company's competitors'. The union, for its part, is unwilling to accept what would in practice be a wage cut for the great majority of workers. Consequently, in early 1998 the company began negotiating with the union with a view to applying the new wage system to all new workers entering the company.

In early 1999, however, the macroeconomic situation changed radically. The Brazilian currency was devalued while in Argentina the fixed exchange rate against the dollar was retained. Producing in the country became steadily dearer in relative terms and its economy went into a long recession. As a result, Ford laid off 1,900 workers that year, half of the total. Since there was little prospect of further recruitment, negotiations with the union were broken off.

The new wage system that the company wishes to impose would be consistent with the new work organization system it is implementing. Although the prospects of adopting a new wage system are virtually nil at present, the company is pressing ahead with the adoption of the Japanese system of labour organization. Workers are being grouped into teams that can be allocated flexibly to different tasks, while the command chain has been reduced to the following ranks: team members, team leaders, instructors (one for every three teams), superintendents (one per sector: production, maintenance and logistics), area managers (one per area: painting, stamping, bodywork, etc.) and plant manager, the highest authority in manufacturing.

As a result of this long and convoluted process of change that began in 1980, there is now a much closer relationship between production area management and workers. Whereas in 1980 a worker had virtually no opportunities to talk to an area manager, the latter now goes to the shop floor daily. Even in 1990 the number of levels in the command chain was much greater than it is now. They were thinned out with a view to reducing costs along Japanese lines. For production and maintenance workers, however, the wage structure has not changed. It is in this area that the company has not yet been able to leave the Fordist tradition behind it.

#### 4. Union opposition to individual assessment-based pay

The Sindicato de Mecánicos y Afines del Transporte Automotor (SMATA), which represents car industry workers, held out against the reduction of wage categories at Ford for the reasons already noted. However, it did accept that there could be less than four wage categories at new General Motors and Toyota plants (table 1). It was argued at the time that opposing this would make these plants less likely to be established on Argentine soil, thereby jeopardizing these new sources of jobs. From the union point of view, then, this was an exception. Even now the union has not accepted the reduction of wage categories as inevitable. This was made clear by the union leader at the Toyota plant when he stated that his main objective in the renewal negotiations for the 2000 collective labour agreement was to increase the number of wage categories to allow for greater wage variation, reflecting the diversity of jobs.<sup>12</sup>

Although SMATA is still unwilling to see the number of wage categories cut right back, it has welcomed the introduction of a variable wage linked to the attainment of productivity goals. Since this part of the wage is paid to all workers alike, its introduction does not go against the egalitarian working culture of the union. In both General Motors and Toyota the variable portion is about 15% of the basic wage, although this percentage varies depending on the extent to which productivity goals are met. At General Motors, the variable wage rate in relation to the basic wage changes every three months, depending on the results achieved by the firm, and is paid to all staff whether or not they are included in the collective labour agreement. At Toyota the rate changes monthly. Ford has refused to introduce a variable wage since, as we have seen, doing so would put yet further

<sup>12</sup> In December 2000, Toyota renewed the collective labour agreement to deal with the rising length of service among its staff (Toyota Argentina-SMATA, 2002), so that the categories of *operario polivalente* (now also called "team member") and *operario polivalente líder de célula* ("team leader") were more narrowly defined. In fact, there are six categories of *operario polivalente* or team member (*operario polivalente de ingreso*, or entry-level team member, and *operario polivalente 1, 2, 3, 3A and 3B*) and four categories of *operario polivalente líder de célula* or team leader (1, 2, 3 and 3A). At the same time, the criteria for moving up a category were made more explicit, although after a year's service all entry-level team members automatically move up into the category immediately above. The leaders of SMATA regard this change as highly positive.

TABLE 1

**Argentina: Wage scales at General Motors and Toyota**  
(Argentine pesos)

A. General Motors, 1997						
Length of service	Basic starting wage		Basic wage after a year's employment		Basic wage after two years' employment	
Function	Multi-skilled worker	Multi-skilled worker (team leader)	Multi-skilled worker	Multi-skilled worker (team leader)	Multi-skilled worker	Multi-skilled worker (team leader)
Multi-skilled worker (starting level)	522	574				
Multi-skilled worker (full)	678	746	783	861	843	927
Specialized multi-skilled worker (starting level)	739	813				
Specialized multi-skilled worker (full)	913	1 004	1 043	1 148	1 104	1 214
B. Toyota, 1996						
Length of service	Basic starting wage	Basic wage after a year's employment		Basic wage after two years' employment	Basic wage after three years' employment	
Function						
Multi-skilled worker	520	630		650		670
Multi-skilled worker (team leader)	900	1 000		1 030		1 060

Source: General Motors de Argentina-SMATA (1997) and Toyota Argentina-SMATA (1996).

upward pressure on wage costs that are already much higher than its competitors'.

All three companies carry out assessments at both the team and individual level, but these have no immediate effect on wages. At Toyota there are "skills maps" for each worker placed alongside the production line for all to see. These charts, known as *shigotohyou* (work tables) at the parent company in Japan, show the extent to which each worker has developed the skills necessary to carry out every one of a set of tasks, and they are continuously updated as each person progresses with the concrete application of these skills (table 2). At Ford, workers are assessed by means of versatility charts much like Toyota's "maps".<sup>13</sup> At the individual level, rewards in kind are generally given to workers who have made the greatest number of suggestions leading to improvements in the production process or product quality.<sup>14</sup> However, there is still a long way to

go before the union will accept individual wage variations linked to workers' performance.

General Motors and Toyota apply internal flexibility in labour organization with a view to raising efficiency and lowering costs, although changes in the wage structure have been more modest in Argentine subsidiaries than in the original Japanese model, owing to the unwillingness of the union to agree to wage differences based on individual performance. In any event, the companies have taken the first steps in this direction in the form of more minor incentives to individual competition such as rewards in kind, early payment of the length of service portion of wages in recognition of rapid skill improvements, possible promotion to team leader, and the displaying of individual skill charts on the shop floor. In the view of General Motors and Toyota, competition is still the only route to efficiency.

<sup>13</sup> Versatility charts are used at Volkswagen too. In addition to evaluating staff by means of these, Volkswagen applies an "individual performance diagnosis for day-rate staff" whereby the supervisor considers factors such as "responsibility", "quality", "continuous improvement attitude", "teamwork", "tidiness and cleanliness", "safety attitude" and "punctuality and conduct", with the condition that "Personal characteristics and the friendliness or otherwise of relations" with the worker "must not influence the assessment" (Volkswagen, undated).

<sup>14</sup> At Toyota, the number of admissible proposals per worker initially averaged barely three a year, but by 1998 the figure had increased to 7.5. At the end of the year, after general consideration of the proposals submitted, rewards are given to the three workers who have most distinguished themselves in this respect. These rewards include television sets, shopping vouchers and so on. In 1998, 25 "improvement (*kaizen*) circles" were operating. Some of these circles take part in periodic meetings in Japan where they have the opportunity to explain the results of their activities. In July 1999, 57 such circles were active.

TABLE 2

Stylized skills “map” and versatility chart<sup>a</sup>

Surname, first name	Position, operation, specialization or skill formation												
	1	2	3	4	5	6	7	8	9	...			
A													
B													
C													
...													

Source: Prepared by the authors.

<sup>a</sup> For each position in which a worker operates there are four boxes representing four levels of skill formation in that position. As the worker's skill formation progresses, the boxes are shaded in black.

## IV

### Towards a new union strategy

In the previous section we referred to the micropolitical economy of manager-worker relations during the “Japanization” of the employment relationship. This relationship is also affected, however, by different aspects of the macropolitical economy. How can an alternative strategy be put forward in the current situation, given the incidence of macroeconomic factors? The considerations that follow are an attempt to cast light on the subject.

#### 1. The macroeconomic context

From April 1991 (when a fixed exchange rate was introduced with the passing of the convertibility act) until early 2002, the Argentine State deprived itself of the devaluation option. The authorities trusted that neoliberal theory would work and thought that if the peso became overvalued, trade liberalization and labour market reform would ensure that prices and wages had sufficient downward flexibility to make Argentina a competitive country without the need to devalue. In a context of unrestricted international capital movements,

however, and as a result of the Asian crisis that broke out in 1997 and the devaluation of the Brazilian currency in early 1999, the Argentine industrial sector went into a deep crisis. The speed of the expected downward adjustment in prices and wages did not match the urgency of companies' need to achieve competitiveness, and in situations like this multinational companies are quick to change their regional and global strategies. Thus, as we have seen, Ford dismissed half its workforce in 1999 and broke off negotiations over a new collective labour agreement because there was so little prospect of further recruitment.

Meanwhile, according to a report by the National Institute of Statistics and Censuses (INDEC) on the behaviour between 1993 and 1998 of the 500 largest companies operating in the country, over those five years the Argentine economy became increasingly concentrated, saw assets fall rapidly into foreign hands and experienced a worsening in the regressiveness of income distribution; the average productivity of the 500 companies rose by 49.2%, while the average wage rose by 19.6% (INDEC, 2000) and unemployment and the

informal sector expanded to levels unprecedented in the country's history. The 1999-2001 recession only aggravated these tendencies.

## 2. Internal flexibility versus external flexibility

As we have seen, Japanese practices were introduced into the employment relationship in a fragmentary way over the 1990s. The internal flexibility in the use of labour to which this process has given rise is a positive development which generates productivity increases indispensable for business competitiveness in the macroeconomic context to which we have referred. At the same time, it enriches or can enrich the working lives of employees, insofar as these are trained to carry out different jobs.<sup>15</sup>

For its part, external flexibility –i.e., the flexibility to hire and fire– does away with the positive features of the Japanese employment relationship for both company and worker, namely the long-term employment commitment of the firm and the worker's commitment to do his or her best to improve productivity and product quality. If the latter commitment is not matched by the former, the introduction of internal flexibility will be seen by unions and workers as a way of cutting costs and raising productivity at the expense of the workforce. The introduction of some aspects of the Japanese employment relationship in the Argentine automotive industry, both in the early 1980s and in the 1990s, was carried out in the framework of neoliberal economic policies that promoted external flexibility. As a result, unions and workers are not in a position to judge the positive aspects of the Japanese management style in its original form, and tend to confuse the problems deriving from neoliberal economic policies with those deriving from the “Japanization” of the employment relationship.

## 3. What is to be done?

It follows from the above that if the positive aspects of the Japanese employment relationship are to be applied fairly and efficiently in Argentina, it is essential for the following two conditions to be met. Firstly, at the

macroeconomic level, the Government should lay the groundwork for stable growth so that companies can take a long-term view. Secondly, and in parallel with this, the unions need to press companies for long-term employment commitments. In other words, if the idea is to introduce Japanese management methods in a sound, honest way, a stand needs to be taken against the current neoliberalism-driven globalization process. There should be no return to an outworn populism, nor should today's neoliberalism be accepted. A “third way” needs to be tried.<sup>16</sup>

Once these necessary conditions have been met, it is also important to consider a factor that is vital for improving the quality of people's working lives. The unions' insistence on maintaining job-linked wage categories is typical of the employment bureaucracy of the Taylorist era and is not suited to a situation in which job allocation will inevitably become more flexible. We say “inevitably” because this process is one of the pillars of the productivity growth that has been generated by the new organization of labour and that, with proper income distribution, could improve living standards for all.

Nonetheless, we want to raise some objections to the insistence that internal flexibility needs to be accompanied by the promotion of competitive relations among workers. Firstly, “relationship network externalities” operate in cooperative working situations, so that in practice it is very difficult to separate out accurately, using individual assessments, what each worker has contributed to productivity and product quality improvements. The actual results generated by individual workers are influenced both by their relationship with their workmates and by chance circumstances. If this fact is ignored, those assessed will be dissatisfied with the resultant wage differences and will be less motivated to work hard at acquiring knowledge that is specific to the company while they are being trained there. The company will then be unable to recover the costs it was put to in accumulating knowledge internally. A more intelligent option is to reap the “benefits deriving from cooperative work”

<sup>15</sup> However, the intensity of work and the diversity of the subjects and responsibilities assigned to each worker are very great, and create high levels of stress. It is worth noting that the annual staff turnover rate is 3% a year at General Motors and 7% at Toyota, although the difference may be at least partly due to the fact that Toyota workers have a lower average age (21 as against 28 at General Motors), making it less risky for them to brave the labour market outside the company.

<sup>16</sup> The Government of the Alianza, with its “nuevo camino” (the Argentine version of the “third way”), was in power from late 1999 until late 2001. It made some positive contributions, including the promotion of a labour reform with some progressive elements, but it did not confront the neoliberal economic institutions supported by the Menem Government, such as the fixed exchange rate against the dollar. This led to a very serious economic, social and political crisis in late 2001, resulting in the fall of the Alianza Government. The challenge in Argentina now is to find a new and genuine “third way”.

through long-term employment and length of service pay as ways of safeguarding workers' futures (Ohtaki, 1999).

There are other arguments, too. If we accept that selfishness is not the only motive of human conduct, we conclude that wages based on individual assessments, whose source of legitimacy is selfishness, are based on a narrow conception of the factors giving rise to this conduct. According to Sen (1989, pp. 133-159), it is also possible to create a propitious environment for successful training involving multiple skills by way of mutual "commitment" among work colleagues, i.e., through cooperative relationships forged spontaneously among workers. Again, the concept of "collective efficiency" (Schmitz, 1999), developed in relation to the competitive advantages of clusters of small and medium-sized enterprises, has elements in common with the point of view just expounded.

Further work is needed on these issues, and on others such as: cooperation between unions and the informal sector, bearing in mind that the latter has grown to a size unprecedented in Argentine history; the strengthening of international solidarity among unions; and a critical survey of the Argentine socio-economic system, taking the socio-economic system of Japan as a reference.<sup>17</sup> We shall return to this on another occasion.

<sup>17</sup> This does not mean that we believe the Japanese socio-economic system is the ideal standard to be followed. Japan has also suffered from what we might term the neoliberal syndrome, particularly as a result of financial liberalization and deregulation of various kinds since the 1980s, which have led to an asset bubble (1986-1990), its collapse (1991) and the "lost decade" of the 1990s (with stagnation, a deflationary spiral, rising unemployment, etc.). All this could be interpreted as a possible process of "Argentinization" in the Japanese socio-economic system (Sano, 2001b).

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\* These publications exist only in Japanese or are Japanese versions translated from original books written in other languages.