

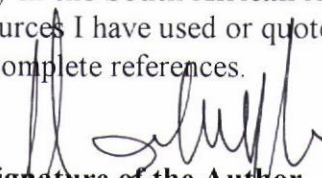
**Human Resource Development and Training in a competitive marketplace :  
A case study in the South African auto assembly sector**

by

**Noel van Wyk**

## DECLARATION

I declare that **Human Resource Development and Training in a Competitive marketplace : A case study in the South African Auto Assembly Sector** is my own work and that all the sources I have used or quoted have been indicated and acknowledged by means of complete references.



**Signature of the Author**

October 2000 Institute for Social Development

**Human Resource Development and Training in a competitive  
market place : A case study in the South African auto assembly**

**Sector**

by

**Noel Van Wyk**

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**Supervisor** : Prof. Philip A. Hirschsohn  
Department of Management

**Co-supervisor:** Prof P.J. du Pré Le Roux

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## **ABSTRACT**

In this study the ongoing Human Resource Development and training practices at Daimler Chrysler's East London assembly plant in the Eastern Cape is investigated in the context of the increasingly globalised economy and intensifying international competition.

Chapter one provides the background to the company and the industry. The reader is introduced to the efforts to restructure the plant as part of their efforts to adapt to the increasingly changing world market conditions. The significant role of the labour movement in the restructuring of the industry that led to the establishment of the Automobile Manufacturers Industry Education and Training Board (AMIETB) is also outlined.

Chapter two contextualises the transformations in the plant against the background of the broader shifts in the sector's industrial relations. It highlights how the company navigated its way through the adversarial industrial relations to embrace a more cooperative model based on joint consultation. The auto sector's training framework is compared to government policy represented by the National Qualifications Framework and the Skills Development Act of 1998.

Chapter three teases out the German and Japanese influences on Daimler Chrysler's manufacturing system. The primary focus is on the interface between the human resource requirements and the manufacturing system in the plant. This interface is discussed with regards to management strategies, work organisation and human resource practices and the role of the union in their attempts to set up world class manufacturing entities.

Chapter four reports on a survey of the perceptions of shopfloor workers of the human resource management strategies in the plant. The analysis is based

on a survey of selected workers in the plant to uncover some of the attitudes towards change and worker perceptions of the training initiatives in the company.

Chapter five is a recapitulatory chapter that attempts to place the challenge of developing human resources for the auto sector, especially how world class manufacturing practices have been crafted to suit local conditions, into perspective.

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## LIST OF ABBREVIATIONS

AMIETB	Automobile Manufacturers Industry Education and Training Board
ABE	Adult Basic Education
AMEO	Automobile Manufacturers Employers Organisation
COSATU	Congress of South African Trade Unions
DCSA	Daimler Chrysler South Africa
DQP	Diversified Quality Production
HRD	Human Resource development
MBSA	Mercedes Benz of South Africa
NBF	National Bargaining Forum
NEDLAC	National Economic Development and Labour Council
NEF	National Economic Forum
NUMSA	National Union of Metal Workers of South Africa
NQF	National Qualification Framework
RPL	Recognition of Prior Learning
SACTWU	South African Clothing and Textile Workers Union

# CHAPTER ONE

## INTRODUCTION

### 1. OVERVIEW AND BACKGROUND OF RESEARCH DOMAIN

This thesis is a gaze at the ongoing human resource development and training practices at Daimler Chrysler's East London Assembly Plant in the Eastern Cape<sup>(1)</sup>. By investigating and analysing the current human resource development and training practices at Daimler Chrysler, I want to map out the extent to which the workforce are developed in terms of the company's skill formation needs and Adult Basic Education and Training (ABET) programmes. The study seeks to make a contribution towards a better understanding of the developments and constraints of the human resource development programmes as they are manifested at Daimler Chrysler. The study is particularly interested in looking at education and training in the context of employer objectives, on the one hand and union and worker objectives on the other as Daimler Chrysler represents a leading example of South African auto plants that are being integrated into the global economy. How this relates to the company's overall production imperatives is also considered in this chapter. These issues, will be explored in the context of the industry's established training framework.

This study was undertaken shortly after the company announced at its headquarters in Centurion Park outside Pretoria that investment in structural material and human resources would increase from a previous R900 million to R1,3 billion<sup>(2)</sup>. This huge investment injection will see the company completely alter the manufacturing strategy at its East London plant<sup>(3)</sup>. The company will also abandon the manufacture of their Honda units from completely knocked down kits. Prior to the mid 1990's Daimler Chrysler and other auto firms remained inefficient as they focused on local markets behind massive tariff protection. However, government reduced tariff protection "from 115% to 80% in 1994 to 57,5% in 1997 and will decline to 40% by 2002" (Hirschsohn 1998:169) making it no longer viable to produce such small volumes in the context of intensified competition. According to Daimler Chrysler's Chief Executive Officer and Chairman of the Management board, Christoph Köpke the manufacturing plant will in future undertake sole manufacture worldwide of the four door C-class Mercedes Benz Sedans for right hand drive markets. The complexity of assembling both right and left hand drives at the Bremen plant in Germany became no longer viable as, input costs (particularly labour) are relatively cheaper in South Africa. Immediate target volumes are between 40 000 and 45 000 units annually, about 60 percent of which will be exported. Eventually DCSA's East London plant will be capable of producing 60 000 units a year. The target date for the first unit is August 2000 and production is expected to peak in September 2000<sup>(4)</sup>.

The strategic changes at DCSA are best understood in the context of the global

economy and increased competition. They are a reaction to rapid technological advances and increased competition in the macro environment. Moreover, chiefly to consider when supplying global markets will be to upgrade employees' skills profiles to meet world quality standards. This represents a major challenge for the company in terms of developing their human resources to make them globally competitive and world class.

## **2. INDUSTRY BACKGROUND**

Daimler Chrysler Southern Africa is one of seven automobile manufacturers in Southern Africa<sup>(5)</sup>. It plays a crucial role in the South African economy employing approximately 4000 people in the Eastern Cape. A further 2500 new jobs could be created over the next two years as Daimler Chrysler South Africa gets its major car export programme off the ground with the company's R1,3 billion investment in the manufacturing facility in East London<sup>(6)</sup>. All the hourly paid employees in the plant are unionised belonging to the COSATU affiliated National Union of Metalworkers of South Africa (NUMSA)<sup>(7)</sup>.

The union was founded through the merger of six unions under COSATU in 1987. During this time "the South African auto industry was largely isolated from the revolution that was shaking up the auto industry worldwide through the transfer of Japanese production and work organisation" (Hirschsohn 1998 : 176). Numsa subsequently forced all auto assembly firms to join the National Bargaining Forum (NBF) which was established in 1989. After the establishment

of the NBF the seven auto firms formed AMEO (Automobile Manufacturing Employers Organisation) to represent their collective interests in collective Bargaining (Hirschsohn 1998 : 176). Numsa took the initiative and conceptualised the vision and developed the framework for the auto assembly sector's human resource development strategy. This was one of the first steps of preparing the industry for a future of intensified international competition by modifying the work process. Key team production elements, ideas based on the developments in the Australian metal industry and the German auto industry were adopted by the union. This soon led to the formulation of a comprehensive human resource development strategy which would enhance competitiveness in the industry. However, the responsibility for this at industry level was assigned to the AMIETB.

### **3. AUTOMOBILE MANUFACTURERS INDUSTRY EDUCATION AND TRAINING BOARD (AMIETB)**

The establishment of the AMIETB resulted from the 1991 National Bargaining Forum Agreement between NUMSA and AMEO. Although the AMIETB does not design training modules and provide training and education in the industry, it “ratifies industry standards and the competency outcomes of each module and regulates the process of accreditation and training provision” (Hirschsohn 1998 : 183).

The training board, is jointly controlled but financed by employers. AMIETB

developed the training structure for grades below artisan level with the syllabus covering modules in ABE (Adult Basic Education), core business and technical skills (Hirschsohn 1998). The training provided in the organisation from the AMIETB agreement developed a framework that consists of three broad categories of training and competency enhancement. Under this structure employees are encouraged to develop their careers by taking electives with their career tracks. A brief overview of the training provided from AMIETB agreement is given below. Firstly, employees are introduced to category one that focuses on numeracy and literacy (ABE skills). These are fundamental requirements putting in place the “building blocks” for an individual to launch his/her career and receive further training. Where employees lack these basic skills they are unable to progress through a career path structure and contribute to the development of the workplace. The second type/category comprises of common core-knowledge modules, in line with World Class Manufacturing concepts, which provide a sound theoretical base for each operator. These core-knowledge modules focus on aspects such as understanding of the business, teamwork, communication, material handling, health and safety and Industrial and Process Engineering.

The cornerstone in this level of training is quality which underpins every aspect of training. Communication skills focus on the common language spoken by all shop floor operators. The third category consists of what they term specialisation (knowledge and skills). Here the focus is on the practical application of acquired knowledge i.e. the integration of learning with hands on skill in the employee’s

immediate work area, e.g. paint shop.

The company and the union's focus here is for the curriculum to be flexible so that it should interlink with the various career streams in the engineering sector and enable recognition of prior learning (RPL) to take place.

#### **4. METHODOLOGY**

The study will primarily employ qualitative research methodology. The aim here, however, is not to prove a hypothesis but to map out the development of the process of training and human resources development at Daimler Chrysler.

Qualitative methodology is generally associated with interpretative epistemology<sup>(8)</sup> which refers to the forms of data collection and analysis which rely on understanding with an emphasis on meaning" (Marshall 1994 : 432).

It is for this reason that this case study relies primarily on in-depth interviews with management and the trade union comprising shop stewards and members which provide a qualitative assessment of the joint training and delivery process in the plant. The quantitative method of data collection for this study is the interview questionnaire. The Statistical Package for the Social Sciences (SPSS) was used for the quantitative analysis of responses from the interview questionnaire.<sup>(9)</sup> It was used in the calculation of the descriptive statistics.

Daimler Chrysler South Africa was selected for a number of reasons. Firstly, it employs approximately 4000 people in the East London area of the Eastern Cape, the second poorest province in the country, not only making it the largest manufacturing plant in the city, but a cornerstone in the economic well being of the region. Secondly, as a DCSA employee during the late 80's and early 90's, I witnessed some of the most intense struggles for change and head-on confrontation between management and labour and consequently have developed an interest in developments at the plant. Finally, this study was undertaken with the belief that DCSA is a leading example of South African auto plants that are being integrated into the global economy, and that such a study would give a leading picture of the state of events in the South African auto sector as a whole.

## **5. THE SOUTH AFRICAN AUTOMOBILE SECTOR AND SKILL FORMATION**

Globalisation and competitiveness at international level have become critical factors spurring on change in the world manufacturing sectors. In South Africa a high priority for NUMSA and management has been to negotiate increased skill formation for the production workforce. This is exactly what was done by the South African Automobile manufacturing industry. Thus “ the initiative of NUMSA to prepare the industry for increasing international competition, has made it possible to formulate a human resource development strategy that can provide the sector with a long competitive competency and the potential to implement a version of lean production which is adapted to local conditions”

(Hirschsohn 1998 : 1). However, today employers are at the forefront of driving change and availing financial resources. The current transformations at DCSA is evidence of this. These changes are driven within the context of the global economy of rapid technological advances and increased competition.

In the past the training that workers, especially black workers, received was “job specific, narrow and unable to be upgraded, while employer investment in training was extremely low” (Bird 1990, cited in Cooper 1998). The labour movement’s education and training policies in the early 90’s (see Kraak, 1992) were integral to its broader endeavor to restructure South Africa’s racially segmented labour market with its historically discriminatory occupational structure. In short, both production and consumption in South Africa were racially structured. The model that emerged in South Africa “ was a caricature of Fordism in the developed countries, principally due to the interaction between race (apartheid) and class (capitalism)” (Klerck, 1996).<sup>(10)</sup>

Kraak has written quite extensively on issues relating to labour market policy and in turn also influenced the union movement’s labour market policies (Cooper 1998 : 5)<sup>(11)</sup>. Thus institutionalised racial oppression proved to be a major qualification on the type of Fordism (racial Fordism) that was possible in South Africa. In this regard Kraak (1992) argued in favour of an “active labour market strategy” which would ensure training and career paths for the workforce in order to “counter a racially segmented labour market, a racial and gender discriminatory occupational structure, minimal training opportunities for

workers, and massive black unemployment” (Kraak cited in Cooper 1998 : 6). It was exactly this approach that was adopted by the labour movement, NUMSA and Automobile Manufacturers Employers Organisation (AMEO) when they established the Automobile Manufactures Education and Training Board (AMIETB) in 1992 <sup>(12)</sup>. The trade union movement argued for the following principles to underpin the human resource development policy.

- “training opportunities should be continuous throughout their working lives.
- Training should help to ensure employment security.
- Human resources development (HRD) should be linked to planned economic restructuring in the industry.
- Workers should have the right to paid leave both for training and general education
- Training should be linked to broad skills bands
- Training should provide all workers with a career path moving from broad general skills to specialisation.
- There must be recognition of prior learning (RPL) of skills, whether gained formally or informally
- Skills should be transferable and flexible” (Kraak 1992 : 415).

It was only in 1993 that the National Bargaining Forum (NBF) agreement set out the commitment of employers and unions to a nationally accredited

education and training structure to upgrade skills (Hirschsohn 1998 : 6).

The issue of human resource development cannot be ignored as South Africa emerges from an era of isolation. Firms operate in an era of declining tariffs and increased competition locally and on international markets. These issues are coupled to economic survival and the need for world class competitiveness. This was reiterated by DCSA's Management Board Member for Human Resources Johann Evertse:

**“DCSA has embarked on a major reskilling programme to enable employees to operate new technology at levels which will ensure the required quality standards are met. The company will spend R120 million on training to meet this goal”<sup>(13)</sup>.**

This should undoubtedly establish DCSA as a serious world player in the world markets and create a climate to succeed and contribute to much-needed economic growth in South Africa. Moreover, it highlights the importance of studying whether the firm's investment in training will enable DCSA and other South African firms to compete more effectively in global markets.

## 6. OVERVIEW OF THE THESIS STRUCTURE

The structure of this thesis is as follows. **Chapter two** provides a brief, and by no means complete, overview of the historical struggles and change approaches that led to change in the sector's industrial relations. It traces the period in the sector's industrial relations during the late 1980's and early 1990's up to the emergence of a more consultative decision making *modus vivendi*. NUMSA and management's human resource development models are also considered. Lastly, the chapter looks at the auto sector's training framework *vis à vis* the policy environment introduced by government through the National Qualifications Framework and the Skills Development Act of 1998.

**Chapter three** is devoted to establishing the requirements of world class manufacturing with the primary focus on the interface between the human resource requirements and the manufacturing system. An assessment of Japanese and German models of production and their relevance to this study are also considered.

**Chapter four** discusses the endeavor by human resource management in terms of human resource development. The workforce perceptions on work-related education are also analysed. The section used the Spearman correlation, and frequency distributions as statistical techniques in its analysis of the workforce surveys.

**Chapter five** provides a summary of the findings of the study including possible future research. It also provides a general discussion on the reinvention of workplace learning modelled on an industrial relations paradigm that could secure sustained economic development and industrial peace.

## NOTES

1. Daimler Chrysler SA was previously known as Mercedes Benz of South Africa.
2. Saturday Dispatch. 16/10/1999.
3. The new strategy will see it discontinue manufacture of certain units and a major step up in volumes as the company switches its emphasis to the export market.
4. Christoph Köpke, speaking at a business forum at Daimler Chrysler, East London's Imbizo on 22/10/1999. The theme of the forum was entitled "Daimler Chrysler South Africa : Leading East London into the new millennium."
5. Other automobile manufacturers in South Africa include :
  - BMW (Pty) Ltd
  - Delta Motor Corporation (Pty) Ltd
  - Nissan South Africa (Pty) Ltd
  - South African Motor Corporation (Pty) Ltd
  - Toyota South Africa Motors (Pty) Ltd
  - Volkswagen of South Africa (Pty) Ltd

6. Taken from Daimler Chrysler South Africa's corporate profile, a brochure produced by the company's corporate affairs division.
7. This information was obtained from an interview with Micheal Adriaanse a full-time shopsteward at Daimler Chrysler's production plant.
8. Quantitative methodology on the other hand is generally associated with positivist methodology and is usually regarded as referring to the collection and analysis of numerical data. Marshall (1994) gives a clear account of the Quantitative vs Qualitative Debate.
9. A sample of a workforce questionnaire is added as an appendix to this thesis.
10. See "**Types of Fordist coupling of accumulation and models of social regulation**" for the different types of Fordism as they developed in different parts of the world in Klerck (1996).
11. Cooper further, shows how Kraak (1992) underscores South Africa's historically racially defined labour market divided into "the independent primary market (white collar and professional jobs) which was occupied exclusively by whites, a subordinate primary market

occupied mainly by whites, Indians and “Coloured” semi-skilled operative workers and lastly a secondary labour market consisting of unskilled and un-unionised black migrant workers (1998:5).

12. For a wider description on AMIETB see Hirschsohn 1996, 1998.
13. Johann Evertse quoted in the DCSA STAR, a newspaper for the Daimler Chrysler South Africa team, October 1999.

## **CHAPTER TWO**

### **FORGING A DEMOCRATIC HUMAN RESOURCE**

#### **DEVELOPMENT STRATEGY**

##### **1. INTRODUCTION**

The aim of this chapter is to look at the roles of the trade union movement and management at Daimler Chrysler in terms of employee development and skill formation. As already noted in Chapter one, the period between the late 1980's and early 1990's, NUMSA anticipated that the South African auto industry would become increasingly exposed to international competition and thus took the initiative to drive and transform the sector's human resources into a world class competitor (Hirschsohn 1996). Moreover they developed a package of human resource development policies and initiated industry level negotiations with employers that led to the establishment of AMIETB (see chapter one). This gave rise to the restructuring of job grading, work organisation, training, compensation and multi-skilling in the industry. It is this consensus between