

U.S. Economy: Unilever, Union Boost Productivity With Workers

Baltimore, June 21 (Bloomberg) - Economists point to computers as an explanation for why U.S. productivity surged in the last half of the 1990s. At Unilever's soap plant in Baltimore, assembly line operator Leon Hinton points to his ears.

"I can just listen and tell you what's going on," Hinton shouts over the noise of Unilever's largest soap factory, where his income will be tied next year to how efficiently his machines turn out Caress soap. He listens for wrong notes in the clatter that may signal production is flagging.

Hinton, who once rotated from line to line, is now considered an expert in his machinery under a labor agreement that Unilever says helped cut production costs while tripling output. Other companies, such as General Motors Corp. and Kaiser Permanente, say they are increasing efficiency by giving workers more authority over how to make their products. The trend may help the U.S. economy by allowing companies to achieve productivity gains without investing in new equipment.

"With the change in technology, we had to change the way we worked and looked at things," says Talmadge Ellerbe, an electrician and president of Local 217-C of the International Chemical Workers Union. "It isn't about union and management anymore; it is about us."

Output Per Hour

Productivity measures the amount of goods produced for every hour worked, and gains allow the economy to grow without increases in business costs, keeping inflation in check. U.S. labor productivity accelerated to a 2.67 percent average annual growth rate between 1995 and 2000, compared with a 1.35 percent pace between 1973 and 1995, according to the Federal Reserve.

As much as three-fourths of the U.S. economy's productivity gains in the late 1990s came from investment in computer-related devices that speed up processes and help workers generate more value in the same number of hours, Harvard University economist Dale Jorgenson says. U.S. companies spent \$373 billion on

hardware, software and telecommunications equipment in 1999 alone, according to the Federal Reserve.

By putting sophisticated systems on the shop floor, companies have also shifted much of the authority over how a plant operates out of the hands of managers and into the hands of workers. The trouble is that many labor-management relationships haven't caught up with this change.

"Technology lends itself to management and labor jointly working together," says Thomas J. Schneider, chief executive officer of Restructuring Associates Inc., a Washington, D.C., consulting firm that has advised more than 20 companies, including Unilever, on improving performance.

More Responsibility

The idea is to get management to be more transparent about decisions and goals, and to get labor to take more responsibility for processes they already control, Schneider says.

In automated factories like Unilever's Baltimore plant, which fills and packages bottles of Wisk and All laundry detergent with almost no human contact, costs rise when machinery breaks down or doesn't work well. So Unilever and the union agreed on an incentive bonus tied to the budget. If the plant runs below projected costs in 2003, workers will get a share of the surplus.

The company also set aside manuals full of engineering schematics and asked line operators to make hand-sketched drawings of their equipment. Plant bulletin boards now resemble a fourth-grade art class, and the drawings have refined operators' understanding of their machinery, the company says.

"If something breaks, I can usually tell the mechanic what he has to fix," says Hinton, the Caress bar soap line operator.

Used Machines

Workers are encouraged to refine their packaging or filling lines at the Baltimore plant, which employs 500. One team bought \$25,000 in used machines over the Internet and adapted it to

improve a packaging line; a new piece of equipment would have cost \$500,000, Unilever says.

With the new work rules in place from 1994 to 2001, Unilever cut the cost of making a case of liquid laundry soap by 45 percent even as output increased 241 percent as the company closed other plants and shifted production to this facility, Unilever says.

Other companies have been working for the past decade to team up with labor unions. At the Spring Hill, Tennessee, Saturn plant, General Motors and the United Auto Workers have cooperated on everything from the choice of suppliers to the ergonomics of the assembly line for the past 12 years.

The threat of plant closure has sometimes prompted change. When Kaiser Permanente, America's largest not-for-profit health maintenance organization, discussed closing an optical lab in 1998, union and management committed to a series of talks about how they could improve performance.

Sharing Information

As a result, management shared financial information, giving the union an insight into just how much slow customer service was hurting profitability.

"Workers now said, 'If I break a lens, that is going to eat into my paycheck,'" says Preston Lasley, an optician and president of a local of the Service Employees International Union, which represents about 300 workers in Kaiser's optical labs. The optical lab's productivity rose 5.8 percent in 2000 and 6 percent in 1999. Instead of closing the lab, Kaiser has opened a new, expanded plant this year.

Changing behavior often takes time. Unilever hasn't been able to get the International Chemical Workers Union to endorse an agreement that would allow a full, plant-wide change in work rules in Baltimore. Instead, management and the union have converted to new work methods line by line over the past seven years, and the job still isn't complete.

New Opposition

Much of the work of persuading union members falls to Gary Sysak, the plant manager, and Ellerbe, the union leader. Sysak says all numbers describing the plant's performance are posted on a bulletin board. When performance needs to improve, "I basically throw the numbers on the table and ask them how we are going to get there," he says.

Rather than view each other as the opposition, the union and management are focused on outperforming other Unilever plants and keeping away outsourcing companies that always argue they can do a job cheaper.

In a recent round of negotiations, teams of union and management were on one side of the table arguing with a team of union and management on the other side over the best way achieve the production goals, Sysak said.

"It was different," Ellerbe says, with a laugh.

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