Labour turnover and management retention strategies in new manufacturing plants

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Abstract

This paper draws from on-going research on labour-management relations in transnational companies within a new town in the English Midlands, Telford (Elger and Smith, 1998a, 1998b; Smith and Elger, 1998). The paper examines the issue of labour turnover and the management of labour retention using two contrasting case examples from Japanese TNCs. The paper seeks to contextualize management decision-making with regard to labour turnover through a political economy and firm-level analysis. At the macro-level we highlight a shift from using wages (Fordism) and strong internal labour markets (bureaucracy) as labour retention mechanisms, towards an inter-firm collusion on wages, non-poaching and union-avoidance. At the micro-level these strategies are matched with firm-level HRM policies of careful labour selection, company paternalism, segmentation of the labour force into temporary and permanent group and accommodation to higher levels of labour turnover to balance product demand and labour supply. TNCs in our research site, Telford, dominate manufacturing employment, representing 60 per cent of all manufacturing jobs. This is similar to other sites of new jobs growth in the UK, for example Swindon where 66 per cent of manufacturing jobs are with TNCs and other new sites of TNC manufacturing investment. The findings are therefore applicable to other areas in which TNC employment has been dominant in manufacturing.
Keywords Labour turnover; Japanese companies; TNCs.

Introduction

The paper is concerned with the issue of labour turnover and employers' retention strategies in transnational manufacturing companies in Britain. It is based on preliminary research in one new town, Telford, where multinational manufacturing companies dominate employment. The paper reports two case studies in the management of labour turnover, and attempts to situate firm-level action over the question of persistently high turnover within the economic and political context of a non-union, low-wage, manufacturing enclave dominated by overseas multinational companies. The paper reflects ongoing research into labour turnover in Telford as a case site of enclave manufacturing dominated by transnational corporations (TNCs), and we report some of the problems of researching this theme longitudinally at firm level, especially gaining access and reliable information.

We suggest that high labour turnover has become a regular part of employment relations in large multinational manufacturing companies in our new town. By which we mean that employers are in a contradictory position. On the one hand, they maintain that they are attempting to eliminate or reduce labour turnover using a variety of levers. On the other hand, they are simultaneously receiving various benefits from high labour turnover, and are adjusting work organization regimes, governance practices and employment systems to accommodate to rather than change the high levels of labour turnover they encounter and help to produce. The current paper examines policies towards high labour turnover at firm level, in particular human resource management policies within two specific companies. It questions both the extent to which turnover is experienced as problematical and the room for manoeuvre for management policy to alter turnover patterns at firm level.

The paper is in several parts. First we discuss, in summary fashion, assumptions about theories of labour turnover, and suggest that collective action, context and employers' preferences are understated as critical elements in high-turnover contexts. We then outline our own assumptions about the relationship between high levels of labour turnover and employers' retention policies within what we see as a new industrial relations situation in new manufacturing environments. We then ask how high labour turnover fits within new production and product market conditions, and suggest that it may have some positive outcomes for the firm, despite management's claims to see high turnover as unremittingly problematic. We then examine the pros and cons of turnover, and relate these to the new conditions of production and product life cycles within our enclave setting. We then examine what action management takes in attempting to accommodate to or reduce the high levels of labour turnover they encounter at firm level. This is accomplished through two case studies, which highlight the common and divergent ways in which firms seek to manage labour turnover, and the narrow space provided for internal action within an external, but company-constructed, environment of non-unionism and low wages. Finally, we conclude by highlighting the problems we encountered in trying systematically to gather longitudinal data on labour turnover at establishment level and our future plans for researching the nature of such new employment relations within transitional manufacturing companies in Britain.

Multinational companies, employment and labour turnover

In Japanese firms studied by Elger and Smith (1998a, 1998b) in Telford, there were major ups and downs in employment in quite short time periods, and therefore jobs were less secure, but paradoxically, more available (see Figure 1).

What these employment fluctuations illustrate is that firms need 'flexibility' to grow and decline over quite compressed time periods. Therefore they need labour to be simultaneously both available and disposable. High labour turnover, that is the 'voluntary' exiting from work, is problematic but overall provides flexibility for the firm, as it permits low-cost supply and dismissal of labour. It is therefore a 'functional' part of the new employment relations, and not an aberration or a problem that needs correcting. The actions of transnational companies are also linked to the withdrawal of the state and restructuring of welfare regimes in order to attract FDI. In the UK context, this has increased the bargaining power of companies and further decentralized bargaining to firm level (Katz and Darbishire, 2000: 99). In addition, organized labour has been shrinking in influence at state, societal and organization levels. Both moves have increased the power of capital, especially transnational capital, compared to that of the state and organized worker interests. Macro-evidence (Gregg and Wadsworth, 1999) suggests that length of tenure has been declining, as 'loyalty' reduces in value, labour market opportunities increase and firms, through downsizing, delayering and rationalization, enter shorter-term contractual relations with their employees. But, while large companies are enjoying greater bargaining power over labour, interfirm competition has increased on a more global scale, thus reducing the autonomy of the firm. We see this as tied to increasing internationalization of product markets, shorter product life cycles and the reduced power of even large companies to control their employment regimes and concede high wage demands as a way of retaining labour.

It follows from these observations that labour turnover has a new significance. Firms cannot afford, in the more competitive product markets with increased pressure on price through new technologies, such as Internet auctions, to pass on wage costs to consumers. Suppliers, as suggested by Katz and Darbishire (2000), are having their wage rates squeezed by large customers, as the costs of production under JIT systems pass down the supply chain. Suppliers have increased their share of employment and are less likely to be unionized and more likely to have lower and more segmented wage rates than large final assemblers. Lacking the lever of high wages, it falls to these companies to use non-pecuniary benefits to retain labour, but more common has been the growth in segmentation, as new starts are offered lower wages than established workers.

In addition, temporary workers increase and further differentiation is built into the workforce. While the companies in the current paper, and those reported by Elger and Smith, Daskalaki (2001) and others who have looked at Telford (Palmer, 1996; Sharpe, 1998), all desired to build internal labour markets and managers stressed the benefits of a loyal, committed and stable workforce, there were also contract segmentation, hostility to unions and legitimate voice mechanisms, tight (and collusive) links between Japanese companies control of wages and therefore major disincentives for workers to wish to remain with one employer. In keeping with the research of Batt et al. (2002), we did not find that company councils, teamworking or other employer-dependent, and therefore not worker independent, means of dispute resolution or grievance handling affected workers' exit rates. In other words, they were not alternative (to trade unions) voice mechanisms. The use of teamworking was not designed as a participation exercise, but to aid work organization and this, together with the reduction of job grades and job categories, indicates that there are also fewer places for 'loyal' workers to move up into if they stayed.

Figure 1 Print-co employment fluctuations

In the Japanese firms within Telford, non-poaching agreements existed as powerful (but informal) mechanisms to restrict the mobility of operatives when they desired to move from one Japanese company to another. Such employer coercion and interference in the labour market indicate the very serious power of capital in the new employment relationship, but also the disruptive effects of high labour turnover, and the willingness to use constraint rather than consent to inhibit labour mobility.

We would also expect, from the decline of bureaucracy and high wages as primary retention strategies and the growing autonomy of the firm, with multi-employer, sector and national pay bargaining declining, and non-unionism growing (especially in FDI companies), to find non-wage forms of retention increasing. This may take the form of renewed (diluted) paternalism and of greater personal control as the power of the individual manager increases. It can also be in the form of 'human' resource management (or soft/'cultural' management) as employers seeks to build stronger 'social' ties between workers and the firm, without these being based on high wages and stable internal job ladders. Retention strategies can take the form of loyalty bonuses, Christmas parties, social activities, games and rewards for suggestions, quality and other performance inducements. These practices are contest based, at the discretion of managers and structured as 'rewards', not rights and negotiated outcomes from collective action bargained by the workforce.

It is assumed, in both the economic and the psychological literatures, that the availability of (attractive or unknown) alternatives can raise comparative dissatisfaction with an existing employer. One explanation, therefore, for the high rates of labour turnover in Telford is the high rate of job growth, and therefore the wider availability of 'unknown' alternatives, which can attract workers by increasing their dissatisfaction with their existing employer. We would add to this that the fluctuations in employment at firm level are associated with rises in turnover.

Workers in Telford do not have the information on wages and conditions in other companies as: (1) many firms are new; (2) there are few trade unions or collective worker interest groups to disseminate such information; (3) geographical segmentation separates workers in the town into dispersed industrial estates; and (4) new entrants in the labour market perpetuate the phenomenon. Flexible working arrangements (term-time working, shifts to fit in with school hours, part-time, temporary employment, twilight shifts) could have drawn more people (like women) into employment (Wrekin Council, 1997).

The 1600 young people who enter the labour market every year join these new entrants. The lack of information may therefore create the need for more job search and therefore more mobility.

On the other hand, it could be argued that the high turnover feeds itself, as, through high mobility, workers encounter workers from other factories and can thus compare and perhaps overestimate the quality of alternatives, producing a greater propensity to quit. So either the absence of reliable information or the presence of too much turnoverdependent network information can be said to foster higher rates of turnover. We would also say that high rates of turnover inevitably influence turnover, as a 'culture' develops in which high rates of quitting are normalized or socially embedded (Granovetter, 1986; Daskalaki, 2001). In other words, quitting is a more social or collective decisionmaking process than can be examined through isolated variables or individuals' rationality.

Is high labour turnover a problem for employers?

There may be no absolute answer to this question. Economists argue that, where labour is in short supply, where employers have invested heavily in their employees through training and where skills are expensive and scarce, then 'excessive' amounts of labour turnover constitute inefficiency, being a lost investment or requiring an expensive replacement (Campbell, 1993; Weiss, 1980). Therefore employers would have incentives to devise policies to reduce the level of turnover by retaining labour. Industry effects on labour turnover are pronounced. Seasonality and dependence on part-time, young or temporary workers introduce more groups of workers with a higher turnover risk. It has been noted that, in sectors dependent on low skill, paying low wages and non-unionized, such as fast food catering and hotels, high levels of labour turnover are non-problematic, and indeed may be functional, as dissatisfied workers exit rather than organizing within the workplace (Gabriel, 1988). Brown and McIntosh's (1999) work on a fast food company found employers encouraging turnover to ensure they were not carrying staff. Recruitment costs were low (an ad. in the shop window), training and development absent and labour supply large. This therefore meant that labour turnover was, if not 'costless', then certainly cheaper than investing in the regularization of staff.

Edwards and Scullion's (1982) research from a workplace industrial relations perspective suggests that high rates of labour turnover are corrosive of work group solidarity, inhibit unionization and benefit employers through keeping workers in a fragmented and disorganized condition. Assuming that there are more negatives than positives associated with unionization, it may therefore be beneficial for employers to have high rates of labour turnover. However, Freeman (1980), utilizing the work of Hirschman (1970), linked job satisfaction with different turnover measures in a model to explain choices facing dissatisfied workers who could exit or seek a voice to have sources of dissatisfaction addressed. Unions provide both a better way of gaining higher pay (compared to market exits) and also a voice through which grievances can be heard and settled. Thus, the costs and benefits of 'exit and voice' could be examined, and it was argued that unions, through collecting grievances, help retain labour, and therefore are an efficiency – assuming, as the authors do, that there are higher transaction costs associated with recruitment of labour on a continuous basis and also assuming that unions are indeed 'effective' in increasing wages or reducing workers' quitting behaviour (Delery et al., 2000). See Batt et al. (2002) for a review and sector analysis of the relationship between union presence and workers' exit rates.

From this initial research we would suggest that there are pluses and minuses associated with high labour turnover for employers and workers, and different management groups have different interpretations of high labour turnover. On the 'positive' side, we could see the emergence of temporary employment agencies (TEAs) as an institutionalized response to the disruptive impact of high turnover. TEAs help rationalize the supply of labour, thus reducing the transaction costs associated with recruiting workers individually, and avoiding the need to raise wages, usually advocated as the way to reduce hiring and training costs of recruiting new labour. The demand for labour and the high rate of turnover initially rationalized the supply lines, as collective actors entered the exchange relationship between worker and firm, in the form of TEAs. These grew with the growth of jobs in Telford, from one in 1979 to twenty-four in 2000. Temporary employment agencies can supply large numbers of workers quickly and therefore reduced the need on the part of the firm to 'hoard' labour or tackle labour turnover. Large employers, such as the Japanese, use this segmentation strategically to manage the peaks and troughs in demand. Previous research on TEAs also suggests that up to 10 per cent of Telford employees are temporary (Elger and Smith, 1998b). TEAs represent contradictory benefits for employers, supplying labour in bulk, but workers with low commitment and high mobility. Hence, we can see, in both case studies discussed below, an ambivalent attitude towards using the services of TEAs.

According to Edwards and Scullion (1982: 261), the unpredictable nature of labour turnover reinforces the instability of work groups, and stability, they suggest, is necessary for workers developing a common sense of purpose, cohesiveness and collective identity, all of which operate to facilitate collective organization. If we consider the generally hostile environment to trade unionism within Telford, it is possible to argue that the 'disorganizing' effects of turnover help reinforce management prerogatives by inhibiting the growth of counter-voices on the shopfloor. And it is perceived as better (cheaper or less threatening to management control) for the firm to allow dissatisfied workers to quit than to address the sources of their dissatisfaction.

One interpretation of high turnover is therefore that it removes individuals with grievances – the dissatisfied – and therefore leaves a pool of 'more satisfied' workers who consent or acquiesce to management. However, not all who are dissatisfied are necessarily able to exit, as workers with 'constrained mobility', such as older men and married women (Elger and Smith, 1999) may be targeted by employers and less able to move within the labour market (Blackburn and Mann, 1979: 23). Following quantitative work by economists Brown and McIntosh (2000) dissatisfaction was not found to generate more quitting automatically if workers have more constraints on their mobility. And, conversely, earlier work by sociologists, such as Beynon and Blackburn (1972: 148), found that high levels of satisfaction did not translate into lower rates of quitting. In their mass production food factory women part-time workers had the highest levels of job satisfaction but also the highest quit rates. Elger and Smith (1998a) found, in their study of Japanese firms in Telford, that British HR managers advocated the selection of groups that they perceived, positively, to have more commitment or, negatively, more constrained mobility (married women and older men) as a way of reducing turnover.

Linking satisfaction to internal factory regimes is, however, premised on the assumption that quitting is due to dissatisfaction with existing conditions and wages, when it may be more influenced by the availability of alternatives in a job-rich labour market. However, against the view that alternative employment drives turnover, it was the case that, when Japanese firms established in Telford in the mid-1980s, and unemployment was 25 per cent, companies nevertheless experienced very high, over 100 per cent, annual labour turnover (Elger and Smith, 1998b). Companies are not restricted in labour supply to Telford, but can recruit from the wider travel-to-work area, which contains areas of higher unemployment such as Wolverhampton. Bussing workers from unemployment blackspots in the region increases labour supply and reduces the negative effects for management of high labour turnover. But, equally, out-commuting from Telford can also increase workers' job opportunities.

Possible evidence of adjustment to high labour turnover by task simplification is found in Elger and Smith's (1998a, 1998b) fieldwork in Japanese companies in the town. There, it is evident that work processes are being simplified to minimize training requirements, and facilitate the substitutability of labour, thus reducing dependency on experienced workers. Systematic rationalization, deskilling and 'foolproofing' of jobs enhance the inter-changeability of workers, who do not need specific skills. The fact that Elger and Smith's research was on Japanese companies that proclaim a need for more experienced and organizationally committed workers to operate JIT, TQM and continuous improvement management regimes indicates that quality production and profitability may be possible despite high labour turnover. But further research is needed to discover if the implementation of foolproofing techniques is a response to the labour market, or part of the established repertoire of Japanese management (Tsutsui, 1998). In other words, a core of stable workers and large pool of more mobile workers can function to create 'good enough' quality output. But the proportions of stable and non-stable workers are not clear, and one of the aims of this research is to try and quantify this.

Mobility may be concentrated among a group of workers who churn from one company to another, while there also exists a pool of stable workers. Turnover may be focused, and identifiable, and therefore not as disruptive as more random or unpredictable turnover. Team leader positions in the case studies below and those of Elger and Smith went to long (perhaps as little as a few years) service workers. But, promotion through tenure did not necessarily provide management with the quality of supervisors they needed. In Parts-Co, the survey of workers' opinions highlighted the authoritarian nature of team leaders as a factor in exit decision-making. Therefore 'service' can be problematic for senior management.

Anecdotally, managers interviewed by Smith and Elger (1998) talked of a 'wildebeest' effect – implying that the newness of Telford, and the fact that it attracted what some judged to be 'problem families', with restricted attachment to work, produced a more irregular pattern of employment, and greater willingness to quit. This may tie in with some research, which also locates mobility among certain categories of employees. According to Hulin et al. (1985): 246–8), during periods when jobs are widely available, those who quit their jobs are the drifters, 'hobo' employees, workers temporarily in fulltime permanent work, marginal workers and second wage earners. But, as we later show, such stereotyping does not explain the variability in turnover rates between firms located within the same labour market. Comparative analysis at TNCs and high turnover in Mexico suggest mobility is a function less of the characteristics of the worker and more of the nature of the wages, jobs and employment relations on offer in enclave manufacturing sites producing for regional and global export markets (Smith et al., 2001; Kenney et al., 1998; Delbridge, 1998).

The problem for the firm is always with identifying the more and less stable workers, which is made more problematical in a high-turnover labour market context. But what characterized employment relations in the large mass assemblers in Telford are fluctuations in employment following uncertainty in product demand – hence the sudden need for firms to recruit in bulk, when the scrutinizing of workers' work records tends to be abandoned to the need to get workers on the assembly lines as quickly as possible (Elger and Smith, 1998a, 1998b; Daskalaki, 2001). As one British personnel manager said to Elger and Smith in one such recruitment 'frenzy', if workers were 'warm to the touch they were in'.

The diseconomies of high labour turnover are the costs to companies of advertising, recruiting and training new workers and the negative effects on productivity of using inexperienced new workers. They can be disruptive of teamwork in so far as it has any real content. In addition, new recruits have to be inducted or trained into the job by existing workers, which places an additional strain on them, and detracts from their performance. It may even fuel turnover. The human resource manager at one of our case study companies said new recruits could be brought up to production speed very quickly, but that it took one month to bring new workers up to the quality standard of more established employees. There is therefore a quality cost to turnover, but this may yet be dependent on who leaves, and, if more experienced or skilled, then it is more costly for the firm.

Management action in dealing with high labour turnover at firm level

Some of the assumptions within theories of labour turnover see no role for management action at firm level, as turnover is a 'natural' or ecological mechanism for 'matching' the right worker to the right employer – the appropriate worker to his or her appropriate ecological niche. Others see some role for contingent action by the firm depending on the probability of being able to predict a good match between workers and jobs. Chang and Wang (1995) argue that, where the probability of a poor match between a worker and a job is low, perhaps because of skilled labour supply, then a low rate of labour turnover has few or no efficiency implications for the employer. Where the probability of a poor match is high then the efficiency consequences are higher, and the employer would want high turnover to remove unproductive workers. As such there are no 'universal' 'good' employment conditions, but, rather, different environmental niches for different types of individuals. The balance or equilibrium between employer and employee will occur 'naturally' through sampling, matching and market adjustments, rather than being subject to central or management control. It may be that (1) management action may be superfluous, because the market takes care of things anyway, or (2) management action may be ineffective, because market processes undercut its effects.

Another set of theories, which focus on the demographics of labour turnover, would also see little role for management in controlling labour turnover in so far as certain categories of individuals – young people, married women, women with children – have more 'turnover risk' (Shaw, 1987). Where employers are deliberately targeting these groups, they are 'inevitably' introducing to their companies the additional hazard of higher labour turnover. 'Life course' theories of sociologists and occupational psychologists have found that all phases of the life course and development of individuals should be considered when examining turnover behaviour, and that individuals may have many new beginnings in life. Therefore, massive quitting of workers may be explained not by factors internal to the firm, but by the mere fact that the workforce of a particular firm, sector or occupation is either 'too young', or composed of mostly 'young males' or 'married females' or of 'young mothers' or 'mothers with children'. These studies have found clear differences in the turnover rates between older and younger workers, men and women. Thus the life-cycle hypothesis presumes that workers go through different experiences in their work setting depending upon the stage of their personal development, with each stage containing development tasks that must be mastered if the individual is to move on to the next stage. Although family status, occupation, class, sex, personality and cultural traits influence one's stage of development, this theory holds that age is the most familiar predictor of life-cycle activation. Accordingly, youth, as Hellman (1997: 679) maintains, are not likely to have fully established their worth to the organization and for that reason they may be more mobile. But, according to Batt et al. (2002), women do not 'naturally' carry more turnover risk, as, where job status is factored into the equation, women workers actually have lower quit rates. It is therefore particular jobs and women's segregation and concentration in them that explains higher turnover and not the fact women perform them per se.

Yet even with this second set of 'naturalistic' or deterministic theories, management will have some influence – chiefly over the way they choose to compose their workforce. The literature on labour turnover assumes that workers quit because they are 'dissatisfied' with their current employer. A high level of labour turnover indicates high levels of dissatisfaction. Management at firm level is faced with choices in dealing with this dissatisfaction (for a review, see Mobley, 1982). They can ignore it, providing production output and quality are not affected and there are sufficient numbers of workers available to replace those that leave. Within the coping option, change does happen – work processes are simplified, training, induction and the whole process of introducing new workers to the firm is reduced or standardized to the minimum necessary for 'good enough' production to take place (Elger and Smith, 1999). Where possible, the 'pattern' of turnover is discovered and planned for, so that 'manpower planning' is aligned to 'natural wastage' through high turnover. Therefore, the gathering of data on turnover is necessary. We can therefore say that 'doing nothing' can actually involve quite a lot of management action.

If we look at more explicit or proactive policies, these fall into several camps. One involves adjusting selection procedures to recruit workers with stable employment histories, past behaviour being seen as a predictor of future behaviour. Within selection policies, management can seek out those categories of labour with lower turnover risk – such as married men. It has to be said that age may also be affected by cultural or socioinstitutional influences, as, say, Japanese young workers in core companies have lower quit rates and are therefore not seen as carrying a higher turnover risk for the firm. Age, in this case, is probably compensated by the high wages (although starting wages have usually been rather low except in periods of acute labour shortage), employment security, wide internal career opportunities, high status and steep entry barriers associated with employment in large core Japanese firms, all of which suppress the influence of age on exit risks. This signifies the need to see factors affecting labour turnover in combination not isolation.

However, management can only increase their degree of freedom in selecting the workers of their choice if they possess appropriate inducements to attract sufficient workers. This inevitably means higher rates of remuneration, good benefit packages, good working conditions, perhaps security of employment and strong potential for career development through internal job ladders (Arthur, 1994; Appelbaum et al., 2000;

Batt et al., 2002). Efficiency wage theory notes that individual firms can deviate from supply and demand pressure in order to attract workers and increase efficiency. This is achieved by increasing wages above 'market levels'. There is always a wide disparity within any local labour market, with high-end and low-end performers (Weiss, 1980). What Akerlof (1982, 1984) calls the 'gift exchange' occurs when employers pay above market rates and conditions to attract and retain workers. This can motivate workers. Campbell (1993) has demonstrated the effectiveness of offering good, non-pecuniary benefits as a means of reducing labour turnover and the costs associated with it. In this context, then, economists have recognized space for some form of effective management action. The 'high-commitment' 'high-performance' literature in the US also sees an association between coherent human resource packages and lower quit rates (Arthur, 1994; Appelbaum et al., 2000; Batt et al., 2002). However, finding strong associations between high wages and good non-wage employment conditions as a means of reducing labour turnover does not mean that all firms can employ these strategies.

What in the US is called the 'high road' to economic growth is limited to a number of employers with sufficient control over their product market to guarantee these favourable conditions of employment. In the UK, Gospel (1992) and others have seen these 'good' employment conditions as tied not to management volition but to the firm's control over their product market – with large, oligopolistic employers in concentrated and stable product markets providing the necessary conditions to create, or concede to union demands, better conditions and wages, which are associated with low rates of labour turnover. It is not surprising that high-paying employers 'cream' the labour market, and have workers queuing to get in, rather than get out. But, as competition within all product markets intensifies and internationalizes, such a platform of stability may be disappearing, and therefore management at firm level have more limited means at their disposal to 'control' labour turnover should they wish to do this. The question in the Telford case is why firms that experience high labour turnover did not resort to the sort of human resource packages that have been associated with lowering exits.

The Telford 'laboratory'

In looking at one labour market, which is geographically distinct, but not isolated, we are able to explore what levers management use to attract and retain labour. Telford is the fastest growing segment of the West Midlands economic region. As some of us have previously noted, it has been very successful at attracting inward investment, especially from overseas (Elger and Smith, 1998b; Smith and Elger, 1998). Telford is a new town, divided into three large industrial estates that offer greenfield manufacturing investment opportunities. The town is weakly unionized, and most TNCs are non-union. It has low unemployment, and is surrounded by reserves of labour in the wider district of the Black Country and the rural hinterland of Shropshire, which have higher rates of unemployment. The labour force is predominantly young. It is also unskilled, with operatives and routine assembly work dominating work in factories. Much of the capital is new manufacturing industry, and over 40 per cent of the workforce are in manufacturing (double the national average). TNCs have concentrations in electrical assembly, office machinery, computers, plastics and auto-parts assembly. Wage rates and location costs are low compared with the West Midland and Britain. There are currently 149 foreign-invested firms and these TNCs (60 per cent or 15,000 people) control most manufacturing employment. There is a high concentration of Far Eastern TNCs (15 per cent, but 25 per cent by employment) and US firms (26 per cent) and European firms (40 per cent) (Elger and Smith, 1998a, 1998b; Smith and Elger, 1998). Telford represents, a low wage, non-union, TNC dominated enclave, close to a major centre of manufacturing industry, the West Midlands, but distinctive from this in terms of employment and industrial relations traditions.

Telford has many idiosyncrasies that limit its representativeness as a site for new manufacturing investment – it is a new town, located in the English Midlands, with a high concentration of Japanese-owned firms. We have argued elsewhere that it nevertheless remains a useful 'laboratory' within which to examine contemporary employment and work organization trends (Smith and Elger, 2000). This is because of the dominance of TNCs in manufacturing. The low-wage, low-skill, export-oriented character of these assembly platforms captures many of the typical features of FDI in Britain, which, with the possible exception of Japanese car assembly plants, offers, as

Delbridge has noted, a 'low-cost location for siting low-complexity, labour-intensive operations' (1998: 211). A KPMG survey of location costs in Europe in 1999 found Telford to be the most cost-competitive location in Europe to establish and operate manufacturing business (Wrekin, 2000).

Figure 2 Telford population growth – the labour supply

By studying management action over labour turnover at firm level we can explore how much room exists for diversity and differences. This is possible because we are holding constant labour market, period and the socio-economic institutions within the fieldwork site, and therefore we are able to isolate management volition. The full research programme was designed to rigorously examine the issue of labour turnover and employers' retention strategies. However, as noted below, we encountered access difficulties in gaining data for this project. We focus here on two Japanese company case studies. Japanese firms represent an important test case because of their ostensible concern to stabilize their workforce.

Figure 3 Analysis of Overseas Investment from TDA 1999–2000

Japanese firms and turnover

In the conventional account of the dominance and success of Japanese firms, high turnover rates are considered threatening to Japanese employers' quality regimes, to continuous improvement, on-the-job training, company identification and organization-centredness. Seniority pay systems, promotion from within, annual bonuses and employment security are all built upon long tenure. These practices tie employees into longer-term rewards, and ensure that the firm does not surrender its considerable investment in workers through high turnover (Berggren and Nomura, 1997; Cheng and Kalleberg, 1997; Dore, 1973; Lincoln and Kalleberg, 1990). Insofar as Japanese firms wish to transfer home practices into overseas subsidiaries (and this remains an ongoing debate), it follows that the success of transplants faces similar dependencies. High turnover is seen as both a sign of weak ideological identification between worker and company and a poor use of the individual worker, who should be treated as a re-usable resource, as fixed not variable capital in the Japanese firm.

Japanese large firms in Japan continue to have very low rates of labour turnover, with security of employment for male workers to retirement remaining a central feature of the Japanese employment system. This despite threats to this system from within and as Lincoln and Nakata note, 'Japanese firms have stretched to the limit the meaning of permanent employment in a frantic search for costs savings without formal layoffs' (1997: 37).[1] The export of Japanese capital and the 'transplant' debate have predominantly reinforced the belief that Japanese employers operate their overseas transplants with a view to maintaining employment stability, if not actual 'life-time employment guarantees'. Thus labour turnover is generally low in such transplants, and cases where it is high are judged aberrant (Abo, 1994; Kim, 1995: 107; Morris et al., 1993: 77–8; Oliver and Wilkinson, 1993; Oliver et al., 1998: 251; White and Trevor, 1983: 25).[2] It is central to production-centred, universalist readings of Japanese firms, such a Womack et al. (1989) but also, more critical universalist accounts, such as Kenney and Florida (1993) that overseas transplants in developed economies have the same commitment to minimizing labour turnover. Indeed, it is often seen as a 'functional' prerequisite for Japanese overseas firms to have supports for stable internal labour markets equivalent to those found in Japan in order for them to operate profitably overseas (Oliver and Wilkinson, 1993). To this end, the location of Japanese overseas 'transplants' in rural settings, on greenfield sites, in areas of high unemployment, and away from national union centres is viewed as a way of delivering an abundant supply of workers from which to build a 'stable' workforce. In addition, increased selection choices allow the firm to select labour, which is 'untainted' by work practices, which may favour high mobility rather than company-mindedness. In other words, both the operation of the labour market and a more strategic approach to human resource management within the Japanese subsidiaries have been the suggested reasons for creating more secure employment and lower turnover rates. Various commentators have highlighted both exceptionally rigorous methods of selection (Garrahan and Stewart, 1992; Morris et al., 1993: 77; Oliver and Wilkinson, 1993) and the ability to choose labour more carefully by locating plants in high unemployment areas where labour supply is plentiful as typical of Japanese firms. In the twelve UK Japanese autocomponent plants studied by Oliver et al. (1998: 251), there were fifty applicants per position and low labour turnover (averaging 3.4 per cent annually), both indicative of location choices by the firms and local labour market conditions. In other words, personnel policies were aimed at careful recruitment to reduce turnover and increase worker integration into the company.[3] Japanese firms in Wales have low rates of turnover, with a range of 1–30 per cent and an average of 8.2 per cent in the Morris research, against a national average of 14 per cent (Morris et al., 1993: 77). In these cases it could be argued that the potential 'voice' effect of trade unions is more important than high wages for keeping turnover low.

From this vantage point, the high levels of labour turnover characteristic of Japanese firms in Telford appear aberrant. Telford has the highest rate of labour turnover among British Japanese plants, with a range of 30–145 per cent in the four Elger and Smith case studies. This is despite the Japanese firms being selective in recruitment, offering secure employment and pursuing many of the human resource policies identified by Oliver and Wilkinson. However, one critical factor was a non-union strategy followed by the Japanese firms, which in a dynamic labour market meant turnover became the main channel for expressing workers' dissatisfaction. Telford is a new town, not a depressed region like those favoured by other Japanese inward investors. New towns have recently become important employment generators, often formed by clusters of non-unionized, low-paying, standardized mass production companies. These factories are usually mass assemblers and suppliers, with unskilled operators as the dominant group, and with a preference, at least initially, for recruiting young (male and female) workers. In addition, the patterns of 'clustered' production typical in such new towns as Telford, Newton Aycliffe or Glenrothes encourage liaison between firms in the development of their employment policies (Elger and Smith, 1998b).

Case studies

Our two case studies are large assemblers, one in auto-parts and the other in electrical power tools. Neither is unionized, as with all Japanese firms in Telford. They were established at similar times, 1990 and 1991. Both have experienced persistently high levels of labour turnover, even during the economic recession of the early 1990s and the more recent squeeze on manufacturing companies due to the high value of sterling. Both have experienced considerable employment growth, but Power-Tools has experienced major peaks and troughs while Parts-Co has a more consistent growth trajectory.
What is clear from management's strategic thinking and action on addressing the problems associated with persistently high labour turnover is that neither company has contemplated conceding to unionization to increase representation and voice as a way of dealing with workers' grievances internally, rather than exporting or externalizing these through voluntary labour turnover. And, second, neither has chosen to increase wages to 'cream' the labour market and follow conventional ways of attracting and retaining labour through pecuniary power. Wages remain tied to norms determined by large Japanese firms in Telford, who peg wages annually to shared standards. Therefore both companies conform to our bigger assumptions on the nature of employment relations within new manufacturing investment. Namely, those firms will tolerate high labour turnover rather than raise wages or grant union recognition.

While the companies share many features, it is also evident that there are differences in management policies towards how best to reduce high levels of labour turnover.
In Power-Tools, management policies were more stable and continuous. This is in contrast to Parts-Co where we have a management succession and new 'vision' and 'initiative' for tackling labour turnover. Our analysis of this case focuses on the responses of management in this 'transplant' during a period of high labour turnover (1998–9).
The initiative becomes the focus of the new mission, but the focus of management action is on the suggestion rather than the application (translation) and the potential outcomes of the policies proposed. It seems therefore that the attempt to reduce labour turnover has a political value for the new manager, and therefore the issue of labour turnover has metaphorical or symbolic significance in this case.

Parts-Co

This multinational corporation established its manufacturing site in Telford in 1990. During the last few years it has achieved rapid growth and become one of the area's main employers (around 1200 employees in 2000). Ninety per cent of the workforce is permanent, and 33 per cent of the workforce female. The present managing director of the company is the second Japanese expatriate to take over the post during the last ten years of company operations in the UK. In addition, the 'transplant' employs a significant number of Japanese managers who initially attempted to transfer, among other practices, traditional Japanese screening and selection processes during the first few years of the transplant's establishment in Telford (Elger and Smith, 1998a). Yet, these rigorous selection practices proved to be a time-consuming policy for Parts-Co. They were soon abandoned as the firm had to deal with tight labour market conditions, quick expansion of the transplant and continuous growth of other companies in the same area and surprisingly (especially by Japanese standards) high rates of voluntary employment terminations (Elger and Smith, 1998a).

Although Parts-Co rates of turnover were not among the highest in the area, since 1994 the company had had to deal with numbers that reached and sometimes exceeded the 40 per cent mark (half of which occurs during the first three months after entry). At the beginning of 1998, the 'exits' reached 44 per cent. Since then the rates have gradually declined. Particularly at the time of our interviews, the turnover was down to 27 per cent, though still failing to reach the target set by the company's headquarters for 1999 (22 per cent). Yet, it remains unclear whether the reduction observed during 1999 was due to company initiatives or external factors (Parts-Co, interviews with Personnel Manager, November 1999). During 1998, a considerable number of shopfloor workers started leaving the plant to seek employment in other local establishments. This was identified by some of the general office staff as a disruptive event:

'The problem of turnover [is that it] does not allow us to induct and train the new employees, as we would ideally do. They need people on the floor – even for a few shifts – to fill the vacancies caused by unexpected terminations.' (Parts-Co, interview, November 1998)

In addition, a Human Resource Manager of Parts-Co suggested:

'It seems that they are not committed. It is not only the "Telford effect".[4] The situation can be improved if the company focuses on training and communication. People should feel that you are close to their individual needs.'
(Parts-Co, interview, November 1998).

The plant, as most of the Japanese companies in the area, has remained non-unionized regardless of the fact that a few 'well-informed' unions have recently approached workers outside the plant distributing targeted leaflets (Parts-Co, interview with Personnel Manager, November 1999). Therefore, the option of negotiation of working conditions and pay was not available. Overtime working was routine, due to the low basic pay, and this created an 'overtime culture': workers would leave the company as soon as overtime opportunities declined, guided by dissatisfaction due to falsely raised expectations or resulting financial difficulties (Parts-Co, interview with Personnel Manager, November 1999).

Parts-Co's management decided to introduce Realistic Job Previews (RJPs) for new staff members (Wanous, 1980). Gaugler and Thornton III (1990) suggested that RJPs, which meet new recruits' individual needs (previews matched with employee needs), can lower subjects' acceptance rates for job offers and thus act as a self-selection mechanism. Despite the fact that findings in this line of research still remain inconclusive, some researchers treat this approach as an important 'self-selection device' that can lower turnover rates and result in high levels of job satisfaction and low levels of absenteeism (Sperling, 1975, cited in Colarelli, 1984; Wanous, 1980, 1992).

The Personnel Manager at Parts-Co suggested that overtime opportunities should not be over-emphasized as they create false expectations that may contribute to voluntary employment terminations (Parts-Co, interviews, November 1999). Thus, providing realistic information to new recruits regarding both working conditions and wages was expected to improve the company's high levels of turnover. Thus, they have decided to 'reduce overtime reliance and [instead] improve basic rates to comply with Working Time Directives' (Parts-Co, Associate Opinion Survey Update – July 1999, document, November 1999). Yet, whether RJPs should be thought to increase job survival within specific labour markets where employees have several job alternatives (like Telford), as arbitrarily suggested by Wanous (1992), requires investigation.

Company initiatives (1998–9): a new personnel manager with a 'vision'

During initial interview sessions at Parts-Co (1998), the General Affairs Officer (later the new Personnel Manager) referred to the tensions and instances of 'poor management practice' and explained the ways in which he would like to contribute to a radical change in the style of management and the choice of human resource policies of the 'transplant'. He characterized the management as 'macho' and suggested that high levels of labour turnover (then reaching almost 43 per cent) were the result of the lack of selection criteria ('you must be really bad not to be offered a job') as well as lack of benefits and training opportunities. He stated characteristically:

> 'The management does not do enough to keep people in the company and develop the necessary loyalty and commitment. I want to change things at Parts-Co; to modernize the company that even though grew it remained static. Yet there is a dominant group within personnel which defends conservatism and is unwilling to change' (Parts-Co, General Affairs Officer, November 1998)

Almost six months after this interview, he became the new Personnel Manager and he initiated this change. With the help of a 'fishbone chart' produced by the management team (November 1999), an opinion survey was finalized and its results were complemented with material collected from exit interviews.
In detail, Parts-Co conducted an 'Associate Opinion Survey', the results of which were published internally in 1999: 1246 questionnaires were sent out and more than half of them were returned (688, i.e. 55 per cent). The company was 'advised and assisted' by a consultancy firm. A 'voluntary' project team represented Parts-Co in this initiative. The survey addressed issues of recruitment, selection and induction, benefits/salary, training, appraisal and assessment, communication, working conditions management style and company culture.

Yet, the majority of the forty-seven questions included in the survey were requesting a 'yes' or 'no' answer offering no opportunity for employees to state their concerns and develop their views. Furthermore, the construction of the questionnaire, i.e. choice of questions, wording and style, suggested that the management had identified the main areas of concern related to high rates of employee turnover before conducting the survey. As a result, the questions, instead of revealing employees' thoughts and attitudes, confirmed management's anecdotal observations and helped formalize them. In order to supplement the survey's results, management began conducting 'exit' interviews. These indicated that the employees who left the company were dissatisfied with the way they were treated by team leaders and supervisors as well as with the low salaries offered by the company (Parts-Co, interviews, November 1999).

The 'cause and effect analysis' (or 'fishbone chart') that was the by-product of the survey also highlighted problems with the system of benefits and suggested various other HR policies that could also be addressed, modified or set under revision. Management's response to these problems is summarized in the Table 1 (Parts-Co, interviews and documents, November 1999).

In addition, management decided to address issues of communication via introducing a Policy Committee and an Employee Consultative Committee (Works Council). Despite the fact that the initiative was initially a response to EU legislation, the company thought that, if successful, it could involve employees in company life, encourage commitment and reduce turnover. Yet, it involved only 1 per cent of the employees (thirteen representatives elected, eight of whom were shopfloor employees) who are not expected to negotiate salary conditions. Yet, the degree of management's concern and mobilization (the 'fishbone chart', the survey and 'exit' interviews) suggests that management was becoming increasingly concerned with the consistently high rate of turnover and the disruption that this caused to the operations of the site.

At the time of research a customer representative was working with Parts-Co to reduce the number of leavers. This was a large, unionized auto final assembly customer, with links with Parts-Co, and a factory not far from Telford with a low turnover rate – 5 per cent in 1998. The team, at the time of interview, intended to produce 'a turnover matrix as a result of their [Parts-Co and customer] co-operation', which would permit them to study turnover behaviours and identify potential causes of ‘exit’ (Parts-Co, interview with Personnel Manager, November 1999). This was a clear indication that Parts-Co had become the recipient of client pressure that may have emanated from concerns regarding quality of products delivered, JIT client–supplier agreements and social concerns, such as company image and reputation. The interviews conducted so far indicate that Parts-Co accepted the client’s involvement with regard to the regulation of its turnover rates and willingly welcomed their involvement and potential contributions.

Furthermore, Parts-Co retained close links with the parent company. Therefore it is not surprising that, as stated above, the subsidiary’s Japanese headquarters took up a more active role regarding voluntary employment terminations in the plant and prescribed the ‘acceptable turnover rates’ for the ‘transplant’. The project that this paper introduces will investigate further the extent to which management action is framed (or constrained) by parent–subsidiary relationships.

Table 1 HR areas and management’s proposed changes

Power-Tools

Unlike at Parts-Co there had been no pressure from Power-Tools head office or assistance from leading customers to help formulate policy on the management of labour turnover. As we have seen, this had been a key steer to management action at the former plant. And there had been no crisis in personnel or management succession, which had been critical to the elaborate and systematic approach to retention strategy evident at Parts-Co. In this context, the managers at Power-Tools had more autonomy in dealing with the issue of labour turnover. Therefore, in the Power-Tools case, we observe a less comprehensive and more focused attempt to reduce labour turnover by increasing selection hurdles. Rates of labour turnover for 1998 had been 66 per cent. This had reduced to 23 per cent in 1999 (interview with two HR managers, January 2000 – henceforth, interview). According to the HR manager, the problems were not simply the rate of turnover, but the ‘ways that people quit’ (interview). It was common for leavers simply not to appear for work or to respond to letters. The company had experienced considerable fluctuations in employment. It peaked in 1997 at 78 per cent, and was down to 45 per cent in early 2000. During the high period, average labour turnover was 46 per cent. In this period of growth, the company hired through TEAs, but individuals were offered permanent positions if they were judged as ‘good’ workers and had been with Power-Tools for six weeks. This was half the normal period of transition from temporary to permanent operating in other Telford factories. However, this method of recruitment lasted only six months as it was thought to create not reduce labour turnover – ‘it was an experiment and a failure’ (interview). It was out of this experience that the company began to experiment with selection: ‘we’ve made it harder to get a job at Power-Tools’; ‘you need ‘A’ levels to work here [laughter]’ (interview). And yet, the perception of the firm, distinct from that of other Japanese companies, remained that it was easy to enter, certainly compared to Parts-Co where selection testing had been present for longer and ‘diluted’ only under pressure of growth (Elger and Smith, 1998a).

Focusing on selection was possible partly because the production pressures on the company had eased – with numbers of power tools shipped dipping from 1.4 million units in 1997 to 1 million in 2000. In a period when employment growth is not extreme, it is easy to become more selective in recruitment. The 45 per cent figure was expected to hold through 2001, and, while the HR manager insisted that even if orders grew, they would retain the new and stricter selection system, this may be wishful thinking. Although the HR managers gave the impression of being in greater control of employment destiny by being able to project the numbers of staff over the next two years, this was somewhat contradicted by other statements. For example, the company had introduced three-month manpower plans, and this meant they could anticipate, through past practice (which was high labour turnover), the levels of demand and adjust recruitment accordingly. But at the time of interview labour turnover had been lower than expected for January – five quits as opposed to the anticipated fifteen – which meant the company was actually carrying surplus labour. If this pattern were projected forward it is easy to see major labour – demand alignment problems. As for other TNCs in Telford, orders and product lines are gained through open competition with other plants on a global basis. Production was neither predictable nor under the control of management at the Telford plant. This is, perhaps, less a shift of strategy and more a shift of opportunities. The Telford factory of Power-Tools competes with sister plants in Japan, China, Brazil and Mexico. But there is some product differentiation and specialization between plants, with Telford operating in the 'middle range', not the very labour intensive, simpler products that are produced in China. There was also some product variation. But it was not the case that the Telford plant was the sole regional producer for Europe. Ten per cent of their output was for the domestic UK market, but 90 per cent was exported, 50 per cent to Europe and 40 per cent to the rest of the world. The Telford plant, as with many other Japanese companies, was a production unit, shipping their entire product to Power-Tools sales and marketing divisions around the world.

Increased rigour in selection took the form of more tests for new recruits, covering numeracy, literacy, comprehension and manual dexterity. Potential recruits were also, as with Parts-Co, given 'realistic job previews', being introduced to the line to expose them to the pressure of production before hiring – designed to increase 'self-selection'. Employment histories were also used as indicators of future performance. That is, HR managers were looking to recruit workers who had had a stable employment record: 'If they've had two or three jobs in the last ten years, this was a sign of stability' (interview). Of necessity, the company, alongside other Japanese firms in Telford, was looking to recruit older workers who had an employment history to use as a predictor of future performance. As Elger and Smith (1998a) have noted, there was, due to pressure from British HR managers, an attempt by Japanese firms to develop a more mixed workforce and move away from the original template of youthful, green labour which had proved to carry the highest turnover risk.

Personnel management also took more consistent control over selection and induction of new staff, and was also operating open days to showcase the company. In an effort to 'stabilize' the workforce, induction managers or trainers were also made more permanent. Thus it was the same manager following newcomers all the way through, from their first contact with the company, prior entry, to their first day at work. It was assumed this would allow more rapport to be established, as well as controlling the information that passed to newcomers regarding company culture and policies. Alongside selection, the company was promoting soft HR policies, especially the 'friendliness' of the factory. 'We're one of the larger companies in Telford and one of the nicest'; 'Power-Tools is not a good payer, but it has a reputation as being the most friendly Japanese company in Telford' (interview).

As well as monitoring labour turnover and attempting to bring it down by selection, the company also used a 'stability index', which measured the number of employees with more than twelve months' continuous employment in the company. The rate when we interviewed was 83 per cent, suggesting that the higher rate of labour turnover may be accounted for by a bigger number of short-stay workers, as 17 per cent left within twelve months, but the actual rate of turnover was 23 per cent. In 1998 the stability rate was 80 per cent, when labour turnover was 66 per cent. If 20 per cent left within twelve months, this means there was a much larger number of workers quitting after much shorter period – indicating, as in Parts-Co, a high induction crisis, and a considerable amount of 'churning' of labour. The HR manager was aiming to bring the stability rate up to 90 per cent, but how this was to be achieved, apart from more careful selection of staff, was not very apparent.

When we discussed the impact of high labour turnover on production, the HR manager said it did represent a waste of investment in trained or experienced staff. He also said that to be successful in the competition for new orders, they had to have stability 'in the work group, especially in cellular manufacturing which was [more] skilled' (interview). But there was also a degree of fatalism about the continued high quit rates, which, as by many of the managers interviewed by Elger and Smith (1998a), were attributed to factors outside management control, especially the nature of the labour market in Telford. Telford was a 'strange place' according to the General Manager at Power-Tools. As the HR manager claimed, it had grown through having 'problem families' 'dumped' by local authorities from Birmingham, Wolverhampton and Liverpool. This 'under class' was more mobile, and it was the 'offspring ' of the problem families who were left behind with the growth and prosperity of the town.

Conclusion

Strategy on reducing labour turnover at firm level was constrained by the fixing of wages between Japanese companies and by shared non-poaching and non-union rules. For the personnel manager within the Japanese firm this meant that the main levers for reducing voluntary quits – union voice and higher wages – were not within their list of policy choices. This meant attention was necessarily directed to other strategic options, namely: manipulation of selection; offering non-pecuniary benefits; providing non-union voice mechanisms (company councils, employee attitude surveys, teamworking); task simplification to reduce dependency on 'skilled' labour or simply accommodating to turnover rather than substantially reducing it. Constraint operates on all management decision-making, but, in our case of Japanese firms, we can spell out in detail the room for manoeuvre for local managers by the choices taken at inter-firm level to avoid unions. Japanese companies in Telford, and specifically the ones studied in the paper, have consciously ignored the economics and industrial relations prescriptions on reducing turnover – high pay and voice – and have chiefly focused on an HRM discourse to problematize labour turnover. Therefore the 'solutions' to what they rhetorically describe as a turnover 'problem' emanate from the HRM discourse of 'successfully reducing labour turnover'. This automatically excludes the possibility of increasing wages or recognizing trade unions as potential means for decreasing 'exits'. Externally, Japanese companies have been more 'strategic', using inter-firm coalitions and non-poaching agreements to inhibit labour mobility and standardize remuneration packages between the Japanese players in the town. Nevertheless, compared to the literature on FDI, especially Japanese FDI, in Britain, our work on Telford does show very high levels of labour turnover to be an endemic and persistent feature of these new manufacturing companies. The question remains: why is this the case?

Theoretically we are suggesting that a new social contract between labour and capital has been developed in such firms, one where labour is weaker as a collective, bargaining agent and capital stronger, both within the firm and in inter-firm relations (at least for Japanese capital). However, the comparative bargaining deficit of labour in having no collective voice in the employment relationship does not mean it has no power of resistance or conflictual capability. Rather, it means this capability is expressed in an individual and disorganized manner through exit, rather than voice. We have suggested that the higher levels of labour turnover are a demonstration of this voice effect. The question is what management does about this.

We have mentioned a number of accommodating strategies, which work around, rather than seek to diminish significantly, the volume of labour turnover. Principal among these is the institutionalization of labour supply through the creation of temporary employment agencies. TEAs are market operators and need the demand within firms to justify their existence, and such demand requires the firm to segment its labour force into permanent and temporary divisions without disrupting the efficiency of the employment relationship and labour process. We see this strategy emerging in the two case studies, with both companies using the temp-to-perm route as a selection device, a rapid recruitment mechanism and a way of adjusting or aligning employment needs to demand. The crucial thing is that temporary workers are introduced into the labour process as 'normal' workers, not allocated special tasks or pushed into special areas of production. Despite problems, both companies, like others in Telford, have incorporated TEAs into their production planning and labour processes. So segmentation of employment status is one major way of addressing high turnover.

The second strategy, and one which this current paper does not address fully, is the systematic and continuous routinization and standardization of job design to minimize the disruptive effects of high labour turnover. Job routinization minimizes the impact of interchangeability of workers, as newcomers can be quickly introduced onto production lines and brought up to line efficiencies without impacting unfavourably on production targets. Both case studies mentioned that the constant introduction of newcomers to production lines did damage productivity, but both also suggested that this disruption could be measured and was manageable. In other words, it did not lead to strategies to reduce massively this negative impact of labour turnover, such as happened when Ford doubled pay in 1914, tied the $5 dollar day to six-month tenure and brought labour turnover down from 370 per cent to 40 per cent (Meyer, 1981: 83).

The third strategy appears to be a focus on selection – the desire by the companies to improve pre-screening and 'fit' between workers and companies in order to prevent newcomers exiting. This was the dominant strategy applied by our two case-study managers, and it indicates that management at firm level believes they can control the labour market by systematically controlling entrants to their firms. This is classic Taylorism, but with a modern twist. The managers are not looking for a superhuman 'Schmidt' (aka Henry Knoll), but someone who will not exit the firm too quickly – the regular, not the first-class worker. This relates to two issues: first, the demographic profile of the worker, and contradictions between wanting youth to withstand production demands and to be green enough to suffer non-unionized, management dominated working environments, but, at the same time, to have workers who are not fickle, undisciplined and irresponsible, which young workers tend to be and older workers are not supposed to be. This tension is more clearly evident in Elger and Smith's (1998a, 1998b) case studies in Telford. The youth versus age dilemma is, however, also present in our current case studies. The second issue is the apparent location of turnover risk in fickle, itinerant, hobo or 'wildebeest' workers roaming from factory to factory without any interest in commitment to a single employer – the 'churning' problem, which is seen as mainly a 'Telford effect'. While our turnover figures show a so-called 'induction crisis' effect in operation, with many workers leaving within the first three months of employment, we are not able to relate this to specific individuals to see if it is in fact a limited number of actual workers who are producing all the turnover. Something management suspects, but cannot prove.

The final issue is related, namely examining the stability of existing workers to see if companies can operate effectively with a stable and mobile group of workers, and, if so, what rough proportions these divide into, and what actually constitutes stability for these new manufacturing firms. For the two case studies presented here, Power-Tools uses twelve months as a 'stability index', while Parts-Co presents long service rewards after two years. Both are not exactly long tenure, which is usually taken as the best safeguard against labour turnover, but we need to explore in a more systematic and quantitative way what constitutes stability and what proportion of the workforce constitute the stable 'core' and floating 'periphery'.

Concluding note: researching inter-firm labour turnover at company level

The decision to explore labour turnover systematically emerged from the work of two of the authors of this paper, Elger and Smith (1998a, 1998b; Smith and Elger, 1998).

Their work, based on four case studies of Japanese firms in Telford, also followed a wider analysis of the town, going back over a number of years and drawing from PhD (Palmer, 1996; Sharpe, 1997, 1998; Daskalaki, 2001) and MSc research (Jones, 1995; Jones, 1996). From the sustained and multi-case fieldwork of Elger and Smith, a story emerged of the high use of exit by workers in a non-union environment; of Japanese firms practising close inter-firm collaboration on wages, non-poaching agreements and a general sharing of information to regulate the 'excessive' mobility of labour, which we saw as reflecting the low wage and absence of voice in the workplace (Elger and Smith, 1998b). Emerging out of this research, Smith and Elger began to focus specifically on the issue of labour turnover and employers' retention strategies, and Smith, through funding from the Reed Charity, established a research group at Royal Holloway to research this issue more rigorously.

The aim of the Royal Holloway group was to gather firm-level, longitudinal (fiveyear) data on voluntary exit rates, using Telford as the case study. Attention was paid to individuals from a cross-section of TNCs in Telford, acting on the then-untheorized assumptions that the high mobility of labour was linked to the mobility of capital (Smith, 2001). The aim of the team was to explore correlations between voluntary exits and the age, gender, tenure, occupation and geographical location of individuals, and to compare these against internal company factors such as wages, and external conditions, such as unemployment rates, in order to examine the high turnover rate in Telford systematically and to query management prejudices about a new workforce in a new town, with nomadic tendencies that some described as creating a 'wildebeest effect' (Smith and Elger, 1998). We, on the other hand, thought high mobility of labour was a rational response to the lack of alternative means of expressing grievances, that is voice, and was reflective of low wages, non-unionism, assembly and routine manufacturing typical in Britain. We also thought employers were not doing sufficient to reduce labour turnover, by establishing classical retention measures, such as better wages and voice mechanisms, but, rather, as this paper has explored, developed accommodation strategies to minimize the disruptive effects of unregulated labour turnover.

Unfortunately, gaining information from companies proved impossible. Only a handful of the TNCs we targeted offered to co-operate with the research, and most of these were firms previously studied by Elger and Smith. Moreover, the five years of data we did obtain from a few TNCs were often incomplete, with data on wages especially hard to obtain, which made correlating wages with exits impossible. With a limited number of firms, we eventually decided to change course and to prepare a short questionnaire for personnel managers on labour turnover and management recruitment and retention strategies. We mailed this to all 149 TNCs in Telford. However, returns again proved disappointing, with only eight returns from the 149 sample – a response rate of 5 per cent. Of these only seven were usable. The information received was purely suggestive, and not representative enough to make any reliable statements about the management of labour turnover in the Telford TNCs.

The questionnaire responses suggested that Japanese companies were not alone in experiencing high levels of labour turnover. Those TNCs reporting low rates were more likely to be smaller firms, with a higher number of skilled workers, paying higher wages, but not necessarily having trade unions. The rates of turnover by the six companies are seen in Table 2.
The suggestion from these returns, inconclusive as they are due to the low response rate, is that the Telford labour market is bifurcated. Smaller, skill-intensive, higher-paying firms are not experiencing labour turnover rates that we assumed from our research on Japanese firms were ‘typical’ of the town. Nevertheless, there is some fluctuation, as in the case of PlasticCo, with a wildly fluctuating turnover rate.

See Table 2.

Japanese firms have a range of high to medium labour turnover, partially reflecting age of establishment. CopyCo (15 per cent), TapeCo (18.5 per cent) and PhoneCo (19 per cent) in 1998. But the lowest Far Eastern firm rate is still significantly higher than that of the lowest non-Japanese firm for 1998, which may reflect the larger size of the Far Eastern firms.

See Table 4

The outlier in Table 2 is ChocCo, with a labour turnover high of 360 per cent, falling to ‘low’ of 142 per cent. The high numbers of temporary workers and the seasonal nature of the product explain this, although the fluctuation in employment levels is not extreme by year. A further possible explanation is the isolated nature of the company, which, unlike the Japanese firms, was not able to employ inter-firm co-operation in reducing turnover – through joint non-poaching agreements, common wage standards and information exchange on human resource management. From the rates it looks as though everyone in Telford has at some time worked for Choc-Co.

Telford is not a single case of standardized employment relations driven by TNCs and a development agency successful in attracting investment to the town. Therefore, we need to correct earlier projections of a single-town strategy (non-union, low wage, low skill, high labour turnover) drawn from a paradigm of Japanese companies. However, more systematic evidence is required to examine the patterning of bifurcation only hinted at through the low response to the personnel questionnaires. Future researchers ought to recognize the problem of obtaining longitudinal information, and perhaps start with more modest targets. Our plans in the future are to continue to prepare systematic data on the labour market and its management in Telford, which, given its profile of high inward investing TNCs and their domination of manufacturing employment, we see as typical of a pattern in Britain, and close to other special development zones around the world.

Notes

1 Berggren and Nomura (1997: 99) discuss the change to the Japanese employment systems and note that in 1990–1 the turnover rates for new hires (mainly young men) in their first year in the Japanese auto industry was between 30 and 40 per cent, a major change on traditional rates.
2 Exceptions to the standard story are Milkman (1991: 87–8), Dedousis (1995) and Kenney and Florida (1993).
3 The idea of corporate integration between worker and firm beyond the economic exchange is nothing new, and standard to employers' paternalism (Montgomery, 1987: 242).
4 This term used by management suggests that high rates of employee turnover are endemic to the new town of Telford and are not directly related to management practices and labour conditions.

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Table 4 Labour turnover in 1998 in selected large Far Eastern* companies in Telford

Power-Tools	PrintCo	Parts-Co	ElectroCo	PhoneCo	TapeCo	CopyCo
66%	52%	43%	29%	19%	18.5%	15%

*All are Japanese owned except ElectroCo, which is Taiwanese.

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