# Electrolux in Australia: Deregulation, Industry Restructuring and the Dynamics of Bargaining

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*This paper provides a critical assessment of state deregulation policy, industrial restructuring and the erosion of union-based bargaining by analysing the role of the Swedish whitegoods transnational corporation, Electrolux, which bought out the last remaining Australian whitegoods manufacturer in November 2000. We contend that analysis of the global strategy of a transnational corporation provides insight into the dynamics of competition and changing power relations in a deregulated environment. Our research shows how deregulation intensifies global competition in a way that accelerates mergers and acquisitions, which create a high degree of concentration, further rationalisations and workplace restructuring. The latter has been facilitated by the 1996 Workplace Relations Act (WRA), which disorganises trade unionism and undermines solidarity cultures. This we illustrate through a short analysis of the restructuring Electrolux has implemented at a refrigeration plant in Orange, New South Wales. The corporation's mode of bargaining a new enterprise agreement is explored. The power imbalances this process reflects will only be redressed when there is 'a new social organisation of labour'.*

## Introduction

In his new book, *Market Driven Politics*, Leys argues that state institutions have been radically restructured to further advance the servicing of business interests (Leys 2001: 3). This is reflected in the way policy making has become sensitive to the regulatory demands of transnational corporations (TNC). Consequently, this market-driven politics 'can lead to a remarkably rapid erosion of democratically-determined collective values and institutions' (Leys 2001: 4). Industrial relations change in Australia and, in particular, the introduction of the 1996 *WRA* illustrates this transformation.

This article explores the nature of this shift through analysing industry restructuring and workplace bargaining. The Swedish whitegoods TNC Electrolux's recent Australian investments capture this sea change, showing how the new legislation is weighted towards securing corporate objectives. This assessment derives from field research in three factories acquired by Electrolux—the Chef cooker plant in Melbourne; the refrigeration factory in Orange, country New South

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Wales; and the cooker facility in Dudley Park, Adelaide. Conclusions drawn from this research contradict the optimistic assertions of the advocates of deregulation. In his 2003 book *World Without Walls*, Mike Moore, ex Director General of the World Trade Organisation (WTO), develops an argument consonant with World Bank assessments (World Bank 1995). Applied to Electrolux in Australia, the position could be summarised thus. Global economic integration flowing from economic and financial deregulation stimulates jobs growth that powers economic and social development. Electrolux's Australian investment is a fine illustration of these outcomes. The fact that one of the world's leading whitegoods corporations is prepared to risk its capital is a signal that the Australian economic and industrial relations reform process is achieving a primary objective—rendering the nation attractive to major investors. The 1996 WRA has been instrumental in securing this goal for as this paper shows, it disorganises trade unionism, undermines any lingering culture of solidarity and facilitates labour market flexibility, which Electrolux regards as essential to the maintenance of globally competitive factories in Australia. The investment is therefore a sign of the maturity of the Australian economy as its industries globalise and integrate into world markets and global production chains (Held 1999: 236–283).

In the analysis that follows, these assertions are scrutinised through a different lens, a different value position, one that considers the relationship between corporate restructuring and the psychological, social and community impacts of change that reconstitutes power relations inside the corporation and spawns a culture of profound insecurity. This contrasts with economic rationalism's exclusive corporate efficiency focus. In this venture, we choose to analyse the global/local strategic interface of *one* TNC and in so doing, advance the debate on the relationship between globalisation and labour regulation. In exploring these issues, there are four parts to our account of the impact of total foreign ownership on the Australian whitegoods industry in which we pose the following questions. First, how have power relations changed; second, what is the logic and nature of competitive restructuring; third, how have the dynamics of bargaining been transformed as a result of these changes; and finally, what are the implications of these shifts for trade union strategy? In this concluding section, we engage the issues raised by Herod (2001) in his path-breaking book, *Labour Geographies*.

## GLOBAL CORPORATE POWER

Leys (2001) work shows how far the balance of power has shifted from governments to corporations, how large and financially powerful these corporations have become, and how strong a bargaining position they have secured. This significant power shift is not due solely to their size and financial leverage. The innovative field of labour geography has showed how space and geography have become a crucial element in further consolidating corporate power. Andrew Herod (1998, 2001) has analysed how the construction of spatial relations is a political act, which impacts on decision-making processes and union capacity. Bauman (1998: 8) contends that it is the global corporation's 'independence from space' that is central to their transformed power position. When Electrolux acquired the last remaining vestiges of a whitegoods industry in Australia in October 2000, the corporation incarnated this form of power into the local industry. Shareholders and geographically distant, disembodied board members could make strategic decisions in Stockholm sending shivers through Brunswick, Orange and Dudley Park, confident in the knowledge that Australia's new corporate-friendly environment and flexible industrial laws would blunt and marginalise any solidarity response.

Electrolux were certain that they could impose change—efficiency reforms on their terms—because they are a substantive global player that had consolidated their position as the second most powerful TNC in whitegoods manufacturing. Electrolux is listed amongst the top five largest corporations, which control 30% of the market and turned over a combined $US45bn in domestic appliance revenues in 2002. The top two alone controlled 15% of global volume sales. This global industry structure, this accelerated concentration of production, is in no small measure a product of neo-liberal globalisation, which has intensified the competitive war between private corporations on a global scale, where 'one capitalist always strikes down many others' (Marx, Vol. 1: 929). This ceaseless competitive war between private companies is the 'driving fire' of the rationalisation of production (Marx, Vol. 3: 254), which is another cardinal characteristic of neo-liberal market-driven change. Economic and financial deregulation integral to neo-liberal globalisation has fanned these flames and accelerated the expropriation of the many by the few, leading to this extreme concentration of corporate power. This power concentration enables the biggest to become ever more proactive in the takeover wars, which then generates further rationalisations. So, for example, in 1982, there were 350 corporations producing whitegoods in Europe. A mere decade later, this was slashed by two thirds to 100 companies. By the mid- to late 1990s, a mere 15 companies controlled 80% of the European market (Segal-Horn 1998: 105).

Over the past two decades, Electrolux has been at the global forefront of these takeover wars, expanding beyond Europe into Latin America and the Asia Pacific. Every strategic move to swallow up its competitors was accompanied by a restructure involving plant closures, downsizing, outsourcing and casualisation. In 1997, the Electrolux board decided they needed a tough management style to gain competitive advantage and assuage the thirst of the institutional investors. Between 1997 and 1999, 25 factories and 50 warehouses were closed resulting in the axing of 12 000 jobs (13% of Electrolux's 1996 workforce) in the space of 3 years.

These measures appeared to satisfy the markets with operating profits and stock market values climbing sharply between 1997 and 1999 (Tatge 2000). This is when Electrolux focused its predatory gaze on the Australian whitegoods industry. What was the nature of the sector when this global giant made its move?

## Deregulation and Industry Restructuring in Australia

There are three phases in the trajectory of Australian whitegoods: growth under the wing of the protective state; rationalisation and concentration after the waves of deregulation from the mid-1970s; and foreign takeover as a new century begins.

In phase one, the manufacture of stoves, refrigerators and washing machines began in the 1920s, stimulated in no small measure by a protectionist state committed to manufacturing (Clark 1983: 29). If the expansion of production is a measure of value, this was a golden era, as some 40 factories came into existence, thriving on industry assistance and infrastructure development that reduced risk and encouraged local investment (Clark 1983: 35). The market leaders were Kelvinator Australia and Simpson/Pope Industries that were established in Adelaide. Email, which was set up in New South Wales in 1934, became Australia's top producer, expanding its workforce from 400 in 1946 to 2150 by 1974. The refrigeration plant in Orange was created in 1946. This growth phase

**Table 1** *Chronology of the important developments in the restructuring of the Australian whitegoods industry*

| Year | Event |
|---|---|
| 1973/1974 | 25% general reduction in tariffs initiates a wave of import competition and industry restructuring |
| 1979 | A series of acquisitions further concentrates domestic manufacturing industry<br>• Email acquires Kelvinator<br>• Simpson acquires Malleys<br>• Merger of Rank and the Australian appliance division of GE Corporation |
| 1982 | Closure of Email cooker factory in Bankstown (formerly operating as Metters). Email manufacturing operations to be focused on Orange (NSW) and South Australia (Kelvinator) |
| 1985 | Rank Industries Ltd ceases manufacturing whitegoods appliances and closes Sydney plant |
| 1986 | Email acquires major Adelaide-based whitegoods manufacturer Simpson Ltd |
| 1987 | Hoover Ltd acquires the Philips refrigerator factory in Clayton, Victoria and two refrigerator 'brands' (Philips and Ignis) |
| 1989 | Fisher & Paykel announces the construction of a new 50 000 capacity refrigerator manufacturing plant in Brisbane |
| 1990 | US whitegoods multinational *Whirlpool Ltd* announces its intention to return (via imported products alone) to Australian market |
| 1995 | *Hoover Ltd* (two major plants in Clayton, Victoria—refrigerators; Meadowbank, NSW—washing machines) sold to *Southcorp* for $A105m |
| 1999 | *Email* purchases the *Southcorp* whitegoods appliance division |
| 1999–2000 | • Closure of former *Hoover* (washers and dryers) factory in Meadowbank, NSW<br>• Closure of former *Hoover* (refrigerators) factory in Clayton, Victoria<br>• *Dishlex* dishwasher plant (Victoria) closed and production increased in the existing *Email* plant in South Australia<br>• Closure of *Chef* cooker factory in Melbourne, production of cookers concentrated in South Australia |
| 2000 | *Electrolux* acquires *Email* for $A485m |

also had its problematic features. Production was fragmented and excess capacity endemic, leading to a wave of acquisitions and mergers in the early 1960s reflected in a 32% cut in the number of enterprises.

The 25% tariff cut implemented by the Whitlam government in 1974 ushered in the second phase. Cheaper imports from foreign corporations, producing primarily for the large US and European markets, pressured local producers into a more widespread rationalisation. This took the form of continuous acquisitions followed by inevitable closures, as the more successful local producers sought to expand their Australian market share and compete with imports.

Table 1 confirms that economic deregulation triggers waves of takeovers, mergers and closures, resulting in a more highly concentrated industry. Deregulation creates global competitive pressure through TNC imports that undermine the local industry's vitality and production diversity as ever fewer corporations dominate the market. In producing this dynamic, deregulation establishes ideal conditions for foreign takeover bids, as the TNCs prefer to acquire the strong survivors of the local competitive wars and the large market share they have secured. This was the stimulus for the third foreign ownership phase when Electrolux made their move after Email emerged as the sole survivor. The dynamic of industry change carried with it a significant social price, as every restructure results in retrenchments.

There were three dimensions to this import driven continuous restructuring, which aimed at reducing labour costs and increasing productivity. The first was rationalisation and closure. Email was the player that drove this process as hard and as far as possible. The Kelvinator fridge plant was closed and production concentrated in Orange, and the production of cookers in Orange was moved to the Adelaide cooker factory. The second facet of the strategy was labour process change that embraced increased automation, continuous improvement, just-in-time techniques and flexibility in moving between product types (Edwards 1996; *The Australian Financial Review*, 9 August 1989). Lean production and teamwork were in vogue. Here, the state played a critical role in creating a legal bargaining framework that would facilitate these changes. This embodied the third feature of the new managerialism—'old' industrial relations should give way to the 'new' (Business Council of Australia 1989). State regulation should dissolve before the dictates of flexible work relations. Ironically, it was the Labor government led by the ex-trade union leader Hawke that became an enthusiastic advocate of this agenda, ushering in an historic shift to enterprise bargaining in the late 1980s. Email seized this new opportunity.

## LABOUR MARKET DEREGULATION

The Labor government's wholehearted embrace of market-driven politics led inevitably to labour market deregulation. In 1993, Prime Minister Keating captured the logic of this agenda in a speech to the Institute of Company Directors:

> Completing industrial relations reform is another link in the chain of reform which began a decade ago. It is important now that we accelerate the reform so that all the other elements of flexibility in the economy can work in harmony.

The essence of the government's agenda was the transformation of the state's role from one of defending civil society's social interests against the narrow shareholder focus of corporations to one of unabashed commitment to business interests, both local and international. Increased flexibility in industrial relations evolved as a response to this historic shift, and Email embraced the change. In so doing, the company enhanced its attractiveness to the ambitious and globally expanding TNCs.

Industrial relations change through the late 1980s and 1990s becomes comprehensible when located within this restructuring process determined by the wave of takeovers and mergers listed above; always justified by competition ideology central to the neo-liberal project. Economic and financial deregulation stimulated these changes and employers demanded labour market flexibility to further enhance efficiency. The evolution of the structural efficiency principle and enterprise bargaining provided the opportunity to maximise flexibility and link wage change to the acceptance of lean production, increasing work intensity and casualisation. Legislative change in the 1990s also sought to marginalise the union role in bargaining. Keating's amendments to the 1988 *Industrial Relations Act* gave formal recognition to direct bargaining, allowing companies to reach agreement with workers without union involvement. Keating's reforms were further advanced through the Liberal/National government's 1996 WRA, which introduced individual bargaining and a variety of measures that consolidated managerial prerogative, giving corporations virtually unlimited scope in driving restructuring. The workplace relations strategies of iron ore companies in the Pilbara region of Western Australia are an example of this power shift in enterprise bargaining.

Email took advantage of this new environment, and in 1992 they were the first company to conclude an enterprise agreement, linking wage demands to workplace restructuring. A key focus in this paper is the unfolding relationship between enterprise bargaining and corporate restructuring. Our analysis of the whitegoods industry in Australia shows that there were three phases in this process. In the first (1990–1997), unions were on the offensive, striving to use enterprise bargaining to leverage wages. In the second (1997–1999), unions were on the defensive in a highly insecure work environment created by lean production restructuring. In the final phase, after Electrolux bought out Email, the unions have been considerably weakened through the TNCs implementation of the provisions of the 1996 WRA. After a brief overview of the first two phases, we will concentrate on how enterprise bargaining has unfolded under the TNC ownership.

## EMAIL AND ENTERPRISE BARGAINING DYNAMICS

### *From a wages offensive to an anxiety-ridden workforce*

The metal unions attempted to use enterprise bargaining to negotiate significant over award wages and then to generalise these across the industry. After a 2-week strike at the Orange plant in 1991, Email acceded to union demands for an immediate $US12 a week increase followed by a further 4.5% on the basis of negotiated productivity improvements. Email achieved notable gains. Aside from an agreement on the introduction of teams, the company negotiated 'flexibility' provisions that varied weekly hours and leave entitlements to be taken during seasonal downturns in production (*Australian Financial Review*, 8 December 1992). Despite these corporate advances, metals employers expressed reservations. The Metal Trades Industry Association (MTIA) complained bitterly that the Email enterprise bargaining agreement had shown union bargaining power and the absence of 'checks or safeguards' in productivity bargaining (*Sydney Morning Herald*, 12 June 1991).

When Email began negotiating a second agreement in 1993, the process took a new turn when unions demanded the delinking of agreements from specific productivity improvements. During these negotiations, there was a brief strike at the Regents Park Email site over linked productivity gains and, in particular, management's desire to replace overtime penalty rates with alternative forms of compensation, such as time in lieu. Ultimately, Email agreed to a 6% wage increase, with unions securing increases without excessive productivity trade-offs.

In 1997, again as part of a wider multi-enterprise claim by the Metal Trades Federation of Unions (MTFU), there was a push for Email to concede a 15% wage increase and substantial improvements in maternity, sick leave, training and long service leave entitlements (*Australian Financial Review*, 12 November 1996). Management successfully resisted the claim, and the final agreements in Orange and Dudley Park specified annual wage increases of 4.5% and some limited measures for training leave.

In 1999, in an apparent response to the difficult and resource-intensive nature of site-specific agreements, and exacerbated by the industrial disputes that surrounded the 1997 bargaining round, Email moved towards a national agreement with the MTFU. Negotiations cantered on developing a common 'framework' with several detailed aspects of productivity gains negotiated at site level. The shift towards a national agreement with unions was interpreted as a rejection of the strong preference for individual and decentralised bargaining promoted by the WRA. The framework agreement allowed for annual wage increases of 4%.

Thus, for just less than a decade, it appeared as if the shift to enterprise bargaining advantaged the unions *and* management. The unions secured a steady flow of wage increases, whilst the companies attained freedom to restructure and develop more flexibility in work conditions and in employment contracts. However, by the late 1990s the balance of bargaining power and the culture of negotiation and compromise began to erode. Lean production restructuring meant cutting back on workers with continuing contracts and replacing them with casuals. Understandably, unions became preoccupied with job security and the regulation of 'non standard' labour. However, the advantage of enterprise bargaining for companies consolidated when the restructuring strengthened managerial prerogative, placing organised labour in a relatively weak bargaining position in the face of determined organisational change. The difficulties generated by this changing agenda were compounded in the late 1990s, when the industry stood on the brink of a radical restructure that would alter the power balance even further.

In 1998, Email had successfully bought out its major Australian competitor, Southcorp Appliances. Not long after, rumours abounded that Email Appliances was about to be sold. In November 2000, the final, logical stage in industry restructuring occurred when Electrolux bought out Email. After this announcement Electrolux's management indicated that a rationalisation program, foreshadowed by the management of Email, would continue. The highly profitable Chef cooker plant in Brunswick, Melbourne, was to close and the production moved to Dudley Park. This closure impacted the entire Australian whitegoods workforce—if a profitable plant such as Chef could be closed, who was safe in the hands of these new owners? Fear was pervasive.

The Chef closure signalled to workers and to the metal unions that power relations had changed. How were they to bargain effectively when the real decision makers were geographically distant? How were they to lead workers who were fearful and insecure? Electrolux could strike out within this industrial climate and pursue further rationalisation, workplace change and the global alignment of its newly acquired Australian production facilities. On the one hand, the deregulatory institutional framework established under the WRA provided the means. On the other, this shift in power relations was because of the immense global capacities of the new owners and the ability to apply the dynamic of 'internal' competition to gain increased leverage over local and national bargaining relationships. To more fully comprehend these new forces at work, Electrolux's global bargaining strategy and industrial relations policy needs to be considered. These illustrate precisely how the national determinants of bargaining accommodate to an already established *modus operandi*, determined by the profit logic of global corporations that override local histories, local economies, cultures and traditions. This captures the forces that have eroded 'democratically determined collective values and institutions' (Leys 2001: 4).

## ELECTROLUX'S GLOBAL BARGAINING STRATEGY

> We have to drive down costs... and rationalise assets that don't generate sufficient returns... we have to continue restructuring in the future, as an ongoing process in our daily operations. (Electrolux Annual Report 2000)

As with any global company, Electrolux's commitment is to a continuous restructuring that will maximise profit and satisfy shareholders. Their industrial relations strategy needs to be viewed within this logic. In the 3 years preceding the buyout of Email, the newly appointed CEO, Michael Treschow, signalled that managerial strategy would be characterised by aggressive cost cutting and increased profit margins in response to the MNCs falling rate of profit in 1996 and 1997. A target of 6.0–7.0% was set in terms of an operating margin and approximately 15% in terms of the rate of return on equity (Electrolux Annual Report 1997: 7). The company lifted its operating margin from 4.0% in 1997 to 5.2% in 1998, and thereafter reported an operating margin of 6.2% in 1999 and 6.5% in 2000. These results were achieved by a zealous strategy of closures and downsizing that led stock market values to climb sharply between 1997 and 1999 (Tatge 2000: 56–57).

After Treschow's commitment to 'continuous restructuring', a new CEO, Hans Straberg, announced another round of closures and retrenchments in early 2002. During that year, the company closed cooker factories in Sweden, Italy and

Germany, relocated production to the Electrolux cooker plant in Romania and, similarly, shifted some production capacity from a Spanish refrigeration plant to an established plant in Hungary. The wave of rationalisations continued through 2003. An air-conditioning plant in New Jersey in the United States was closed, resulting in the loss of over 1300 jobs. In Europe, the company announced its plans to close three facilities—a refrigeration plant and a cooking hob factory in Germany and a cooker plant in Norway (Electrolux Annual Report 2002: 17–18).

There is a significant geographic pattern to this restructuring. Essentially, the MNC moved out of high-waged, unionised Europe into cheaper, more deregulated (de-unionised) labour zones. Thus, it is not surprising that 'Eurozone' nations have been most severely hit by the closures. These waves of divestment, retrenchments and plant closures have meant that Electrolux employment levels in Northern European nations have declined markedly. Between 1998 and 2002, average employment fell by 30.6% in Denmark (−865 employees), 32.5% in Sweden (−3163), 38% in Germany (−3480) and 42.4% in the UK (−1666). Undoubtedly, Sweden and Germany have experienced the most dramatic absolute decline from the mid-1990s. The average number of Electrolux employees in Southern European nations also declined significantly, yet much less severely, with total employment falling in France by 16.8% (−439), Spain by 12.8% (−437) and Italy by 14% (−1857). In the United States, the average number of employees declined by 20.7% (−4906) over this period.

The extent of the restructuring and closures in Germany and Sweden has been remarkable. In a strategic approach consistent with the new managerialism, the restructuring is accompanied by an espoused commitment to formal consultation, employee representation, and collective bargaining rights consistent with Swedish industrial relations law and conventions. Several members of the Electrolux board are employee representatives and the company has sought to promote its credentials as the good corporate citizen that is environmentally and socially 'responsible'. In regard to the latter, Electrolux has produced a 'workplace code of Conduct' that grants formal recognition to minimal universal labour standards, including certain proscribed rights to collective bargaining. Specifically, the code states that employees are granted freedom of association and the right to collective bargaining. The establishment of an Electrolux European Works Council in 1995 was viewed as consolidating this approach. Significantly, the Works Council agreement limits discussion on restructuring to the 'provision of information' on issues that are of a 'transnational nature', thereby excluding any serious union engagement on these issues. Restructuring decisions are ultimately viewed as the sole prerogative of management.

Closer scrutiny of Electrolux's restructuring and bargaining dynamics in Europe provides insight into the essence of their strategy; forging internal competition within the TNC. In the bargaining process, they leverage agreements to restructure, (intensify labour, downsize and casualise), by threatening plant closure and the relocation of production. This is a 'whipsawing' strategy—cut conditions and close production facilities in one location as a method of forcing cuts and inducing compliance with managerial prerogative in others. This was the mode of bargaining adopted at their Zanussi operations in Italy. Unions had to accept work intensification and casualisation under the threat that plants would close and production would move to other locations (Bordogna & Perdersini 1999). This mode of bargaining has been referred to as 'regime shopping'.

As indicated in the introduction section, the power of TNCs such as Electrolux is consolidated through a competitive strategy that forces patterns of 'concession bargaining' on national states, local workforces and their unions. With this global view of the mode of Electrolux's bargaining process in mind, how has the TNC bargained in its newly acquired Australian operations?

## Bargaining at Orange

> It is not overstating the case to say that despite our long and illustrious history in Orange, our future here in recent times looked uncertain. (Trevor Carroll, General Manager, Electrolux Australia)

> I mean those people (Koreans at LG), when I say work, they work. They're doing exercise in the morning not to feel good, it's so they can work flat out for 8–10 hours a day for six days a week. How do I create an environment that lets us work at the same rate and tempo that they do? (Leon Andrewartha, Director Manufacturing, Electrolux Australia)

> We are now just a clock number; we're just a tally to get out. That is what Electrolux is about. That is how we feel. (Shop floor worker, Orange)

During the brief 3 years of Electrolux's Australian ownership, their strategic interventions reflect the significant shift in power relations detailed earlier. Despite phases of resistance, this has enabled the TNC to restructure its Australian plants relatively unimpeded by union power. The power imbalance has been further reinforced by the company's usage of key provisions of the WRA, which disorganises trade unionism, undermines any lingering culture of solidarity and facilitates labour market flexibility.

The December 2001, *Chef* closure captures this corporate style and this assertion of power and unilateral decision making. The impact of this event is dealt with elsewhere (Lambert 2004). Here, we make one pertinent point. This issue was an element of the bargaining process between Email and Electrolux at the time of the takeover. At a recent Australian meeting, a senior Swedish unionist and Board member of Electrolux claimed Email, not Electrolux, had made the closure decision. The TNC merely indicated that they would not foreclose the deal in the absence of this rationalisation (Sydney Workshop discussion 2003). *Chef* management and workers were excluded from this process; they discovered their fate in the media. The Board acted in a way that reified restructuring, viewing such change as a facet of the natural order of economic relations in a system driven by shareholder value. For Electrolux, the *Chef* closure hardly rated a mention. Place matters little in global corporate planning for what is the significance of a factory in Brunswick, Melbourne? This is merely one organisation in a list of approximately 90 Electrolux closures across the globe since 1997.

The experience of managers and workers at Orange since the Electrolux takeover reflects an intensification of the contradictions neo-liberal globalisation brings to the fore.

On one side of the equation, Electrolux appears to be committed to Orange, investing capital in advanced technologies and processes, thereby gradually moving the plant in line with cutting edge facilities overseas. In September 2001, there was an $A20m investment in new, quality-enhancing equipment. This included a $A5.7m door foam machine and a $A3.7m door line machine. This was backed by the NSW Department of State and Regional Development, which contributed $A6m to the Orange venture (*Central Western Daily*, 27 September 2001).

In May 2002, Electrolux announced a further $A33.7m investment as part of a new fridge product development. Dubbed the Ophir project, the capital injection would create new, highly efficient fridges to be marketed in Australia and in overseas markets. Management noted that the Ophir range featured in Electrolux Home Product's 'import replacement policy'. Previously, the TNC had brought 70 000 units from LG in Korea and then simply rebranded the products. Ophir is designed to end this practice and management claims the technology renders a possible 50% increase in productivity. Management argues that these interventions signal that Orange is viewed as a regional production base.

Initially, it was thought that these investments signalled that Orange was integral to Electrolux's global strategy. However, continuous restructuring in the plant has raised doubts. A workforce of 1800 was cut to 750 plus casuals through continuous downsizing, outsourcing, and work intensification.

During the course of this restructuring, the MNC was making significant investments in China. This included a $US50m upgrade of its factory in Changsha in the inland Hunan province to a 'global production platform'. The production of fridges will expand from 650 000 per annum to 1.3m by 2006. The new global production platform has implications for Australian workers and communities, for in May 2004, the MNC announced a 50% cut in the Orange workforce. Four hundred workers will lose their jobs. The unions have been informed that they will have no say over redundancies and there is a fear that shop floor leaders will be targeted. As the Chinese production lines in Changsha expand over the next 2 years, it is possible that the factory in Orange will close. In this context, labour process investments count for little. The new machines can be unbolted and shipped to any of the company's overseas ventures in an instant.

The company has managed to blunt union resistance through its strategic utilisation of key provisions of the WRA. Interviews with workers show that work restructuring at Orange has created a stressful, insecure culture, for the plant's global market aspirations matter little if one's job is made redundant. This contradiction is acute in Orange, an isolated country town, where the factory is the only large employer. Many workers employed here chose to leave the large cities so as to embrace a country life style, setting up modest small holdings as an interest outside of work. Job loss had a dramatic impact, for it also signalled the collapse of this semi-rural alternative lifestyle and social linkages with the local community. Protests against restructuring drew wider community support.

Work intensification is central to the restructuring process as management benchmarked against LG in Korea. A Korean visitor commented that there were too many older workers in the plant who could never match the speed of the younger Koreans—'We have young people, you have old bulls'. A value laden discourse is embedded within this change process. The notion of 'productivity improvements' appears as a positive, screening out the real nature of the change that 'work intensification' shows. Electrolux's Director of Australian Manufacturing, Leon Andrewartha contended that LG was competitively 'light years in front' and was 'ripping the heart out' of the NSW refrigerator factory.

Andrewartha contended that with the Ophir range they could achieve a line speed of five products per person per day, still 10 units per day less than LG. Andrewartha stated that the principal solution to these escalating competitive pressures was to increase the work tempo. He contended that the fundamental control of manufacturing operations remained industrial engineering; Taylorism had become unfashionable in the late 1970s and early 1980s, and the focus had shifted to teams as a means of increasing productivity. In his view, this 'was the biggest balls up of all time. The only people who didn't do that were the Japanese and Koreans . . . who just poured it on [fixed capital investment]'.

A line worker commented on these changes:

> There has been a big drop in numbers. Once we had 1800 workers on the shop floor. Now we are down to 750 plus casuals. The line speed has doubled. There are now 8.3 cabs per minute. Before the rate was 0.8. They are pushing us harder to do more. Before we used to bust our gut and then take it easy for a time. You can't do that now. They have TV monitors and they watch our every move. The whole track set up is now highly Taylorised. We are all anxious over job security. Morale is very low.

Historically, unions were a barrier to increasing line speed and intensifying work. In part, this union position was undermined by the ideological shift to Post-Fordism and notions that new technologies were generating a new economy and new relations of production rendering new forms of cooperation possible. Accord politics reflected this shift. However, diminishing resistance to work intensification is also a product of declining union power, produced in no small measure by the work restructuring emphasised in this paper. The unions in Orange have been impacted by these processes, which are further compounded by the historical divisions and fragmentation of unionism in Australia. No fewer than six unions claim membership in the Orange factory.

A key facet of the Orange restructuring is reconfiguring the age profile of the workforce in the belief that younger workers will more readily accept and endure work intensification. A manager was forthright: the redundancy process had been targeted to get rid of 'trouble makers'. Shop floor unionists are perceived as a bygone generation, as 'trouble makers' who are unable to properly adapt to the demands and rigours of global competition. What is needed, in the new circumstances, an organisational culture of cooperation and commitment to change, not an adversarial culture that constantly diverts energies into conflicts.

A worker reflected on this cultural transition:

> In the past they couldn't put it over you. They knew you were not going to back down. In the past if they tried to push us we would have all been out on the grass for weeks. We used to organise a barbeque out in the front—sort of in their faces you know. Now there are a lot of yes men around, with brown noses and brown tongues, who won't stand up for anything.

This construction of a new organisational culture has led to a decline in union membership with density now down to 70%. More critically, younger workers are scared to participate, fearing that they 'might be sacked'. Union meetings are now generally poorly attended. This has been exacerbated by Electrolux's multi-faceted anti-union strategy. Shop floor delegates are not given time to speak to the members.

One commented:

> I took three minutes off the line to speak to a young worker about joining the union. The foreman comes along immediately and says—'You should be working! It's difficult to recruit the new workers in conditions like this.

Most significantly, Electrolux have denied union organisers right of entry since May 2003.

Perhaps the most telling facet of Electrolux's strategy is their utilisation of provisions of the WRA. They have followed the recommendations of the Australian Industry Group, which proposed the use of *s.* 135 secret ballot provisions to counter union claims in the enterprise bargaining process. Failure to win the first ballot by a narrow margin in June 2003 was followed by a new ballot in July, which the company won by a substantial margin. The law allows for those not directly affected by the provisions of the new agreement to vote. In the case of Orange, this included managerial, office and engineering staff, leading an AWU organiser to view this 'as a first step in a process to do away with unions in the 57 old factory' (Interview, AWU organiser). Denied right of entry, union organisers were marginalised in the bargaining process, as their opportunity to advance an alternative position before the ballot was undermined. Another union organiser observed that this problem is compounded by the way in which Electrolux has skilfully orchestrated enterprise bargaining, ensuring that site agreements in the group have different expiry dates, which undermines any national, cross-plant response to the issues, effectively 'taking the union out of the site' (Interview, NSW, AMWU organiser). Provisions under *s.* 170 LK provide employers with further ammunition in forcing unions to the periphery of bargaining through enabling direct agreements with employers. Although not used, the non-union LG threat was present, with senior management openly expressing their desire for 'company unions' or 'in-house tribunals'. Another significant factor was the fear generated by management emphasising the uncertainty inherent in Electrolux's global production strategy. Despite the new investments, they claimed that the long-term viability of the plant was far from guaranteed.

## CONCLUSION

In conclusion, this analysis of Electrolux's strategy in Australia can be interpreted in contradictory ways. First, the changes could be represented as lending credence to the neo-liberal assertions summarised above. The TNC intervention reflects Paul Keating's contention that deregulation will renew Australian manufacturing by transforming an 'uncompetitive lump of industrial archaeology' into a sleek, competitive, globally integrated manufacturing system with a strong export focus (Lambert 1996). Labour market reform is essential to the achievement of this goal, hence, the significance of the performance-enhancing flexibilities that the WRA facilitates. Second, as we stated at the outset, this corporate restructuring can be viewed through a different lens, a different value position, one that considers the psychological, social and community impacts of the changing relations of power that neo-liberal globalisation reflects. Such a position contrasts with neo-liberalism's exclusive corporate efficiency focus. Our aim in considering the restructuring process of a single TNC is to stimulate debate between these contrasting perspectives.

In our view, the analysis also emphasises the geography of power relations. Electrolux in Australia shows that trade unions appear powerless, marginalised, isolated and relatively ineffectual in the face of these changes. We would contend that if unions maintain their present organisational form and strategic orientation they will in all likelihood become 'historically superceded' (Castells 1997: 360). In this regard, the work of labour geographers is of critical importance in generating new strategic perspectives. In particular, Andrew Herod's 2001 book, *Labour Geographies: Workers and the Landscapes of Capitalism*, raises a fundamental issue: the need to conceptualise how space can become a source of power that sometimes enables and sometimes constrains social actors. Predictably, the story of Electrolux in Australia confirms how space empowers corporations and constrains labour. Closure, downsizing, work intensification, outsourcing, casualisation and the erosion of solidarity are imposed. There are moments of protest, but these are ineffectual. What then of the optimism Herod (2001: 1) espouses when he contends that in the future we are going to see how space (landscapes of capitalism) is going to shape a new social organisation of labour—a new stage in the development of the labour movement? This is a bold prediction. The real question that needs to be addressed is: how will this new social organisation of labour evolve? His view (2001: 1) that 'there is always opposition to power and domination' is perhaps overstated. As this article shows, the geography of capital presents an enormous obstacle to any working class challenge, as companies such as Electrolux impose their will through the spatial construction of distant global decision-making processes; through isolating plants in the bargaining process and exposing them to global 'internal' competition within the corporate production network; and through eroding local unionism and the culture of solidarity by applying new individualising labour laws.

Despite union response being localised and disconnected, there are modest, tentative, counter trends. Moves are being made to construct an Electrolux global network, similar to the one developed within the mining giant Rio Tinto.

However, the obstacles to redressing the consolidation of global corporate power are considerable. Notwithstanding the tentative beginnings of a new labour internationalism, a weak, bureaucratic form still pervades, limiting and constraining the opportunities for a more radical campaign-orientated strategy (Lambert & Webster 2001). Furthermore, labour movements remain shaped by national industrial relations systems, histories and cultures in a way that renders internationalism an appendage.

Asserting new modes of social and political control over corporate restructuring will doubtlessly require a global social movement response that challenges market-driven politics (Leys 2001). If unions develop the political will to engage this process, they will transform their character—a 'new social organisation of labour' will emerge. The alternative is an atomised response, powerless before market rationalism.

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