

RENIR

REsearch Network on Industrial Resilience

RENIR Working Papers

Work Organization and Industrial Relations in the History of Fiat

Stefano Musso

Department of Historical Studies, University of Turin

April 2019, n. 03

Work organization and industrial relations in the history of Fiat

Stefano Musso

Fiat represented a special case of a big private company in a country whose historical industrial structure was – and still is - characterized by the overwhelming presence of small and medium-size firms. Notwithstanding this sort of Fiat exceptionalism, as a national champion Fiat had a large influence on the history of industrial relations and social conflict in Italy, as well as on manager cultures and practices, i.e. the successive introduction of Taylorism, Fordism, Lean production, and World Class Manufacturing. The contribution will explore such issues from an historical point of view, paying attention to the influence of historical experiences on innovation implementation and labour relations.

Taylor's writings were translated into Italian and published in 1915, but Taylor methods were already known by Fiat managers because of the strike at Renault in 1913. In 1916 the building of the Fiat Lingotto started. The model for the new plant was Ford Highland Park. By that time, there was no Time and motion study at Fiat. Bosses were still in charge of piecework rates, and they decided by experience, without any timing. Fiat introduced just a new figure, the Department accountant, whose job was keeping record of all piecework rates, so that the boss could evaluate new rates on a more solid basis. Industrial mobilization for war production in 1915-18 triggered off a huge increase in dimension of plants and equipment. The rapid and enormous increase in employment at Fiat (from 4,000 to almost 40,000 people) hindered any rationalization process. Skilled workers were in charge of organizing and supervising the newly hired workers, many of whom were female workers and young people. Thus, contrary to Taylor's suggestions, during WW1 the role played by skilled workers in production grew. Skilled workers were the core of union membership and their increased role influenced the post-war attempt to create factory councils aiming at worker's management of production and factory life. In the aftermath of the war, Fiat was a central point of development of the factory councils' movement led by Antonio Gramsci. Even if the leaders of the movement appreciated Taylorism as a mean to increase production and provide solid economic basis to the success of the expected revolution, the strike wave of the so called "biennio rosso" stopped any attempt to introduce Taylor methods. In six months, from October 1919 to March 1920, there were 800 disputes at Fiat. The introduction of time and motion study on a regular basis took place only after the seizure of power by Fascism, and the creation

of a corporative authoritarian industrial relations system banning free trade unions and strikes.

In 1927, Fiat created the “Società Italiana Bedaux” (Italian Bedaux Company), with the founder of Fiat, Giovanni Agnelli, as President. The Italian Bedaux Company acted as a consulting body of engineers who were expert in the rationalization of production processes. About 200 Italian companies adopted the Bedaux system. Thus, Fiat played a major role in the introduction of Taylorism in Italy.

The Officine di Villar Perosa, a ball-bearing factory owned by Giovanni Agnelli and located in the village or origin of the Agnelli family, was the first plant to introduce and experiment with the Bedaux system. It was a technologically advanced plant, utilizing special automatic machinery and operating on a high-scale production basis. It exported to America about 70 per cent of its production.

Fascist unions criticized sharply the Bedaux system. In 1934, the Central Corporative Committee decided to abolish it, ordering the return to simple piecework. The abolition of Bedaux was merely formal, because it maintained the technical system of time and motion measurement and it simply implied the elimination of the 25 per cent of the piecework additional earning the system paid to bosses instead of workers. In fact, Taylorism was still fully operating. The Fiat agreement for the transition from Bedaux to piecework, signed in February 1935, was pivotal for the other company agreements in the so-called abolition of Bedaux.

In the 1930s, the assembly line at Fiat Lingotto was in its early stages. The pace of production flow was slow, compared to America standards. Smaller production volumes of several different models of car required more frequent set-up of machinery. There were two tact-moving assembly lines, destined to bigger and smaller cars. The shortest cycle time for smallest models was 3.5 minutes, quite large compared to high scale production standards. Nonetheless, it was the most advanced in Italy. Lancia was the only other Italian car producer to introduce the assembly line. It was a tact-line with a 30 minutes cycle time at the end of the 1930s, a very slow pace because of the quality requirements of Lancia’s high-class products.

In the 1920s, Fiat exported two third of its cars. In the second half of the 1930, the export quota dropped to one third, due to the consequences of great depression, restriction of international trade, fascist autarchic policy.

In the post-WW2 period, Fiat started the mass production of small-size cars leading the rush to the Italian economic miracle. Fiat fully implemented Ford methods by mid 1950s, after the defeat of the communist and socialist trade unions that had gained a

large following among workers in the aftermath of the war, when they were able to deprive of authority the company hierarchy. In the context of the cold war, Fiat succeeded in re-building a centralized military-style organization imposing a severe discipline to workers. Fiat did not even accept to really cooperate with moderate unions like Cisl. Newly hired migrant workers were far away from the traditional socialist/communist worker culture. They needed to gain the as much money as possible in shortest time. They accepted overtime and productivity bonuses, disregarding the strategy of the leftist union Cgil.

With the launch of Fiat 600 in 1955 and Fiat 500 in 1957, high scale production started. These small models had their own assembly lines. Low-skilled workers operated special-purpose machines and transfer machines for the production of component parts. There were also other lines for several models of medium- and large-size cars, produced in smaller lots. Up to the beginning of the 1960s Fiat had a full-line policy, producing 65 models of cars, of which 19 were basic. In 1965, Fiat produced one million cars, thus fully achieving Fordist standards of economies of scale. In 1970 the Turin plants built a million and a half cars. Adding together the Italian brands acquired by Fiat in the meantime, Autobianchi and Lancia, and the foreign subsidiaries or producers under license, Fiat production exceeded two millions. Trucks productions grew from 11,000 units in the early 1950s to 131,000 in 1970. Fiat tractors increased in the same years from 4,500 to 50,000 units and were protagonist of the mechanization of Italian agriculture. By the end of the 1960s, Fiat controlled about 95 percent of Italian car production and 80 per cent of trucks. Finally, if we take into consideration the contribution of Fiat to the Italian production of large marine engines, railway equipment, and aircraft, we can find ample justification for the image of the Turin house as the driving force of the entire economy of the country. The great post-war expansion helped Fiat to enhance its international presence, which had one of the most significant moments in the construction of the Togliattigrad automobile factory in the Soviet Union, agreed in 1966 and completed in 1970.

According to Eugenio Scalfari, a well-known opinion maker, the Center-left governments of the 1960s failed in promoting economic planning. Thus, it was the alliance of the president of Fiat Vittorio Valletta with Oscar Sinigaglia and Enrico Mattei, i.e. the largest private company and the largest State-owned enterprises, to carry on the planning of the Italian economic miracle. Of course, Sinigaglia and Mattei, as suppliers of steel and petrol, played an ancillary role with respect to car.

The number of unskilled workers at Fiat grew dramatically, as well as Turin's population. Migrants came mainly from the South of the country. They suffered from

the lack of social housing and services. By the end of the 1960s a new wave of worker unrest and united union action started in Italy and lasted until the end of the 1970s.

In the 1950s and 1960s, Fiat managers dreamt of a factory running like clockwork, stressing the synchronization of simple and standardized tasks performed by unskilled and interchangeable workers. They did not even think of delegating responsibilities to the middle management nor of any sort of autonomous worker participation. They looked at Fordist technologies coupled with severe discipline as effective means to overcome traditional difficulties in labour relations.

The rigid discipline imposed in this period triggered off the harshness of industrial and social conflict of the 1970s. Fiat plants in Turin were the center of Italian industrial conflict, especially the biggest one, Mirafiori, with its 50,000 workers.

In 1980, Fiat succeeded in defeating the unions in a very sharp and long conflict that stopped worker mobilization throughout the country. Once again, Fiat played a central role in the Italian history of industrial relations.

In the 1980s, Fiat restructuring and technological innovation aimed at the largest possible reduction in workforce. The engine factory in Termoli and the body factory in Cassino introduced avant-garde automation, ending up in shortcomings depending from highly automated yet traditionally managed production systems. By the end of the 1980s, such difficulties led Fiat to plan replacing the hierarchical organization by the integration of functions between staff and line. The result was a shortened hierarchical chain, seven to five levels, in order to smooth the decision-making process and shifting responsibilities up to bottom. In addition, managers asked for worker cooperation.

Such an organizational and cultural change seemed to open the possibility to overcome the traditional confrontational pattern of labour relations, characterized by alternating periods of victory or defeat by one side or the other.

In a company agreement signed in May 1990, Fiat and the three main unions declared their intention to reduce conflicts and foster dialogue between company and unions. In 1992 and 1993, at national level, two tripartite agreements started a joint centralized control over bargaining and revenues dynamics finalized to cope with Maastricht standards and Italy's adoption of Euro. In Fiat, the participation spirit helped to reduce the social impact of the closure of Lancia plant in Chivasso in 1992 and a dramatic reduction of the number of white collars in 1994.

Nonetheless, the major union, Fiom-Cgil, persisted in a suspicious attitude towards technological and organizational changes. Suspicion came from previous historical

experiences. The major waves of change in the history of Fiat, i.e. WW1, the 1930s, the mid 1950s, and the early 1980s, all occurred when the worker movement was in periods of defeat, and suffered from legal or *de facto* limitation of worker rights. What matters the most, there had never been cooperation and bargaining between Fiat and unions about technological/organizational change and its impact on working conditions.

The influence of historical experiences was important not only for unions, but also for Fiat attitude towards unions as well as for manager culture. In the new company Sata, create by Fiat for the green field Melfi plant inaugurated in the early 1990s, the company agreement fixed lower wages than in Mirafiori. Fiat managers believed that offering jobs in an economic underdeveloped area of the South would warrant worker acquiescence to severe working discipline, as it had occurred in the 1950s when Fiat obtained migrant workers' subjection. At the same time, with the project of the world car, the Palio, Fiat managers believed that it was possible to replay in developing countries the success obtained in Italy in the years of the economic miracle, by offering small cars. The world car project was destined to fail. Managers did not take into account the high levels of social inequality in developing countries, nor the new consumer tendencies.

In the 1990s, Fiat led one more time the renewal of production methods in Italy adopting and diffusing lean production through its supply chain and Employers' associations. The same happened since 2005 with the adoption of WCM, even if by that time Fiat ceased to be a national champion, after its transformation into a global player based in the United Kingdom and Holland.

Workers contribution seems increasingly necessary because of the business needs to cope with shorter product life cycles, increased complexity of products, and the challenges of technological innovation. Recent surveys point out that WCM, combined with ergonomic devices derived from Ergo-Uas metric, entails an increase of the pace of work and a reduction of the cycle times. Even in the presence of ergonomic limitation of fatigue and pain, work pace intensification hinders commitment and contribution of workers in overcoming inefficiencies. In WCM the issue of employee involvement in continuous improvement remains unsolved.