

# Capital and Labour in the Australian Whitegoods Industry

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*The share market battle between Email and Simpson-Pope in the early months of 1979 drew widespread attention to the whitegoods industry. At about the same time a group of workers, union officers and others either involved in or interested in the industry decided to establish a Whitegoods Industry Project. This became one of several industry projects working on counter-strategies for labour under the guidance of the Sydney-based Transnational Co-operative. The article which follows is a product of the work of that group, although all errors, misinterpretations, etc. are the responsibility of the writer.*

In many respects the whitegoods industry<sup>1</sup> mirrors the state of Australian manufacturing industry and the changes it is undergoing. The whitegoods industry is dependent on tariffs, operates with substantial excess capacity and compared with overseas producers, is relatively unproductive. Recently, there has been a significant increase in industry concentration and the major firms are undertaking rationalisation programs involving greater mechanisation and advanced technology. One company at least has begun an export programme. In one important respect, however, the whitegoods industry is atypical. Although some of the companies in the industry are subsidiaries of overseas corporations (Hoover, Philips, Rank-NEC) and others are connected with foreign corporations through importing and licensing agreements (Email, Malleys, Kelvinator), the Australian whitegoods industry is not predominantly foreign-owned. Most of the appliances which make up the annual market of \$800 million, other than imports, are manufactured by Australian-owned companies.

An analysis of the whitegoods industry can, then, help us answer some important questions. What path is being followed by Australian manufacturing companies in order to survive the crisis? Does this conform with the economic strategy of the present Federal Government? What are the implications of these changes for the working class?

## CHARACTERISTICS OF THE INDUSTRY

In the initial phases of the post-war period, the household appliance industry boomed and companies involved in their manufacture proliferated. In the 1960s the growth of the market slowed. During the credit squeeze of 1960-61, more than twenty firms left the industry. Despite this exodus, excess capacity throughout the industry remained substantial. This excess capacity persisted into the 1970s.

Even in the buoyant period around 1973, excess capacity remained substantial.<sup>2</sup> At the same time, imports took an increasing share of the domestic whitegoods market. This was particularly so as a result of the 1973 25% across-the-board tariff cut when imports of refrigerators jumped from 87,000 in 1972-73 to 220,000 in 1973-74.<sup>3</sup> (Imports of whitegoods come from advanced countries, especially the U.K., Japan, Italy and New Zealand.)

TABLE 1. UTILISATION OF CAPACITY BY MANUFACTURERS (%)

Year	Refrigerators and vertical freezers	Washing machines	Room air conditioners
1971-72	67	67	38
1972-73	62	74	26
1973-74	70	83	46
1974-75	60	68	46
1975-76	64	77	29
1976-77	68	65	38

Source: Industries Assistance Commission Report, 'Domestic Refrigerating Appliances, Etc.', 3 February 1978.

It must be noted, however, that Australian manufacturers themselves import a large proportion of total imports. In 1974-75 they accounted for the following proportions of imports: washing machines, 76%; refrigerators, 15%; chest freezers, 44%; clothes dryers, 93%; and room air conditioners, 37%.<sup>4</sup>

The domination of a few manufacturers over the market explains why, despite periods of declining production and sales, profitability in the whitegoods industry has generally remained higher than that of manufacturing as a whole.

#### RECENT CHANGES

Over the last couple of years the whitegoods industry has been disturbed from its rather troubled slumber. There have been some dramatic changes within the industry, both at the company level and on the shop floor. At the centre of the shake-up is the Australian-owned company, Simpson-Pope.

TABLE 2. DOMESTIC MARKET SHARE OF CERTAIN WHITEGOODS (1972-77)

	1972 %	1973 %	1974 %	1975 %	1976 %	1977 %
Household refrigerators	72	67	49	50	58	59
Freezers	18	25	27	38	37	52
Room air conditioners (refrigerated)	77	53	46	45	41	36
Washing machines	89	84	81	75	70	66
Tumble clothes dryers	n.a.	71	38	n.a.	57	59
Overall	73	65	52	56	56	58

Source: William Tilley, Hudson, Evans and Company, 'Growth in Declining Town Industries: Whitegoods Report', April 1979.

TABLE 3. PROFITABILITY OF MANUFACTURERS (%)

	1971- 1972	1972- 1973	1973- 1974	1974- 1975	1975- 1976
Average profitability of whitegoods companies	14.3	20.0	14.2	16.8	12.2
Average profitability of all manufacturing industry	11.5	13.0	12.6	12.1	13.1

Source: Industries Assistance Commission Report, p. 9.

The press has been full of reports of the rash of merger activity in the industry. The share battle has culminated in the emergence of two large groups as a result of the mergers of Simpson-Pope with Malleys and Email with Kelvinator. At the same time, Rank and Australian General Electric have moved closer together. It is clear to the various firms that not all can survive, particularly as tariff cuts are implemented over the next five years. Those which survive will be those which specialise and rationalise through the elimination of relatively unprofitable plants and products and the upgrading of other production processes by using new technology. With these considerations in mind, Simpson-Pope launched an aggressive marketing strategy two or three years ago hoping to carve out a larger market share and thereby turning its large capital investments into profits.

The merger wave was touched off by Email when it announced a \$26 million take-over bid for Kelvinator in March 1979. The buying-out of ailing competitors (Malleys and Kelvinator) by Simpson-Pope and Email allowed them to expand production into complementary goods while eliminating some of the competition. The result of the mergers is that Email holds over 50% of equity of Kelvinator, Simpson-Pope has 53% of Malleys and Rank has formed two joint venture companies with Australian General Electric under the dominance of Rank.

There are further links between the companies and with overseas companies. Primarily:

- (1) the Australian companies are linked through
  - (a) ownership — Simpson-Pope owns 14% of Kelvinator (which is 50%-owned by Email)
  - (b) supply agreements — Kelvinator supplies components to Simpson-Pope and Simpson-Pope supplies all of Kelvinator's washers and dryers.
- (2) Australian companies are linked to overseas companies through
  - (a) ownership — the U.S. corporation White Consolidated Industries (which owns Westinghouse) owns 10% of Kelvinator. Malleys was 18.6% owned by the U.S. Whirlpool Corporation until Simpson-Pope bought these shares
  - (b) licensing — Email holds the licence for the Westinghouse brand
  - (c) Supply agreements — Malleys imports twin tub washers and compact automatics from the Japanese Sanyo group. Email and Philips are supplied washing machines by the Japanese National group.

The whitegoods market is now considerably more concentrated, as the following table indicates.<sup>5</sup>

TABLE 4. PERCENTAGE OF DOMESTIC PRODUCTION OF VARIOUS WHITEGOODS

	Email/Kelvinator		Simpson-Pope/Malleys		Hoover
Refrigerators	25	25	0	10-12	
Washing machines	?		50	22	25-30
Dryers	5		50-60	7-8	
Electric ranges	27		20	23	
SALES 1978	\$190m*	\$89m	\$82m	\$82m	
<p>There is some uncertainty about these figures – the general indications seem, however, to be correct.</p> <p>*Only 35%-40% of those sales came from whitegoods.</p>					

Source: William Tilley, Hudson, Evans and Company, 'Growth in Declining Town Industries: Whitegoods Report', April 1979.

### RESTRUCTURING

Of particular concern to the workers in the whitegoods industry is the question of the re-organisation of production among the various plants. Not long ago the Wilkins Service washing machine and dryer plants in Adelaide closed down and the company went into receivership (despite financial support to the tune of \$1.15 million in 1977-78 from the South Australian Government). Malleys has transferred its clothes dryer production facilities from Adelaide to Melbourne. After the mergers, it appears likely that Kelvinator's Keswick (Adelaide) plant (making mainly compressors for appliances) will close down with Kelvinator acquiring compressors from Email. Email may be considering moving all production to its modern plant at Orange. In the other group, Malleys is likely to cease manufacturing dryers in Sydney. It is unlikely that Malleys' Auburn plant will be closed, but re-organisation will be extensive. As Simpson-Pope's Matt Tiddey says: 'We must get the Malleys' people to understand the need for change. People will be doing different jobs.'

The restructuring of the industry will have major repercussions for regional employment. Undoubtedly, the mergers will give the major groups leverage over State governments. For example, the proportion of Kelvinator production which takes place in Adelaide will be influenced by the inducements offered by the South Australian Government. To preserve employment opportunities in South Australia, it is likely that Email will be offered tempting incentives to retain Kelvinator production facilities in that State.

Of equal importance for whitegoods workers have been and will be 'rationalisation' of production methods *within* the plants. In the last couple of years some firms – particularly Simpson-Pope, Email and Hoover – have embarked on major programmes involving millions of dollars to buy new machinery. Much of it is computer-based.

Over recent years, competition has forced local producers to specialise in fewer lines and models. The same firms still provide a wide range of products but increasingly the emphasis is on a few products produced locally, with this output supplemented by direct imports of complementary products sold under their own brand labels. In consequence, batch production has begun to be replaced by flow line assembly principles, where special purpose machines produce a limited range of

products at high volume. Great emphasis is being placed on cutting costs through common componentry.

Simpson-Pope is currently completing an \$8.9 million programme of capital-investment designed to mechanise its washing machine operation. At its Beverley plant, Simpson-Pope has installed a \$1.3 million gear box line of 120 feet long by 40 feet wide. This special purpose machine will take castings produced in the company's foundry (at Dudley Park) in one end and turn out the finished gear box at the other. Requiring only one operator, the new gear box line has replaced eighteen machines which previously worked three shifts a day. It can churn out a completed gear box every forty seconds.

While Simpson-Pope produces three different models of automatic washing machines (compact, medium and large), many of the parts are common, including the gear box, pumps, base presses and bowls (the latter are common to two models). Two years ago, the 500 workers in the Beverley washing machine division produced 200 machines a day. By the end of this year, the 500 will be making 1,200 per day.

Hoover has spent large sums of money recently on flow lines and new plant, but admits it will have to spend much more if it is to keep up with Simpson-Pope. In expectation of a big market shake-down which will leave only two producers of washing machines (Hoover hopes it will take 50% of the market, leaving Simpson-Pope the rest), Hoover has spent \$1.5 million tooling up for its new medium front loader (if the front loader, traditionally resisted by the Australian buyer, fails to take off Hoover will be in big trouble). They have also spent \$.8 million tooling up for a new rotary clothes dryer to try to capture some of Simpson-Pope's market. The main purpose is to integrate the production process using common componentry. Hoover is being offered very advanced technology, including robots. (Simpson-Pope uses several Unimate robots in its press shop at Dudley Park.)<sup>6</sup>

#### THE POSITIONS OF THE IAC AND THE GOVERNMENT

The Industries Assistance Commission Report on the whitegoods industry (February 1978) is a good example of the approach of the IAC to the restructuring of Australian manufacturing industry. The main concern is with rooting out 'inefficient' producers by reducing tariffs and quotas. The Fraser Government accepted the IAC argument and, with modification, implemented its recommendations. The Government's reaction to the Report indicated that the case of the whitegoods industry was a key one in the change in the Fraser Government's economic thinking — away from protection and towards greater integration of Australia into international capitalism. The role of Simpson-Pope in this was central.<sup>7</sup>

The main manufacturers, with the exception of Simpson-Pope, had supported the maintenance of high protection levels. They argued that the industry is efficient but is caught in the vice of a small domestic market on the one hand and high labour costs on the other. The industry conceded the need to rationalise — fewer producers, fewer models, common componentry, etc. — but claims that the restraints operating on it imply that it could not compete internationally.

The IAC wholly rejected the argument that Australian producers are disadvantaged by high labour costs. In view of the fact that most imports come from the U.K., Italy, New Zealand and Japan, this is not surprising. The Commission noted:

...if one of the local refrigerators were to be produced with labour paid at the alleged Italian rates, the total factory cost to manufacture would be reduced by about 3 percent (p. 19).

The IAC argued that the problem lies in the inefficient use of resources, including labour, in the Australian industry. This inefficiency could only be overcome by a wide-ranging restructuring to make use of economies of scale in production of both whitegoods and major components. Not only were there too many

producers of final products, but many manufacturers pursuing vertical integration, produce their own components (e.g. compressors) in competition with component manufacturers. The result is excess capacity and inefficiency.

Simpson-Pope, alone among the manufacturers, submitted that tariffs should be reduced, claiming that this would not only prevent new entrants into an already overcrowded market, but force the industry to rationalise. Unlike the other companies, Simpson-Pope did not appeal for a proportion of the Australian market to be guaranteed to domestic producers. Figures of 75% and 80% had been mentioned by other companies.<sup>8</sup> Simpson-Pope, a very dynamic enterprise and a shining example held up to business by trade journals as the way of the future, had the advantage of having already begun a major re-organisation and rationalisation of its whole productive activities. Simpson-Pope was fairly sure that the restructuring of the industry would be at the expense of their competitors. Indeed, they felt themselves to be in a position strong enough to begin an export campaign (of irrigation products, and of wringer-type washing machines to Arab countries — where water is scarce).

The aim of the recommendations in the IAC Report was to bring about large-scale restructuring in the industry — reduction of number of producers, specialisation in both final products and components, longer production runs, greater mechanisation. The Commission expressed the wish that the industry should become competitive at a duty rate of 30% within four years. In other words, the current system of tariffs and quotas would be progressively replaced over four years by a nominal rate of 30%. Tariffs would need to remain at long-term 30% because of the higher unit costs which result from the smallness of the domestic market.

The Commission recommended that the number of washing machine producers be reduced from six to four, producers of refrigerators from seven to three, clothes dryers from five to two. Under 'Effects of the Recommendations', the Commission noted:

The Commission expects that, in the long term, acceptance of its recommendation would lead to an industry structure in which there was to be considerably fewer producers than at present. The restructured industry would use its resources more efficiently and thus provide national benefits in terms of real wealth. Prices of the goods under reference to consumers should be lower in relative terms than at present.

During the restructuring period there would be displacement of employees as rationalisation of the industry took place...Administrative and supervisory staff and factory workers of restricted mobility, for example, migrant women, may be more adversely affected than others.

...one of the initial factors would be the extent of mechanisation adopted by those companies remaining in the industry (p. 44).

Announcing its decision in July 1978, the Government agreed with the Commission on the nature of the problems and the need for rationalisation in the industry. This was in conformity with the emerging economic strategy of the Fraser Government (heavily influenced by the Treasury).<sup>9</sup> The emphasis is on the development of 'international competitiveness' for Australian manufacturing industry. This would be forced onto industries by exposing them to greater competition from imports. Some firms would disappear, those which survived would be compelled to rationalise their operations and introduce the latest production technology. Australia, so the argument goes, would be left with a manufacturing sector specialising in those goods which we can produce with comparative advantage, i.e. goods requiring highly skilled labour and advanced technology.<sup>10</sup>

The Government, however, decided to reduce tariffs to the long-term rate of 30% over a period of six years rather than the four recommended by the IAC. Earnest in its desire for restructuring of the industry, and in particular for the reduction of the numbers of producers, the Government's wishes have been in large measure fulfilled by this year's wave of mergers. But, to emphasise the contradictory role of the State, the Trade Practices Commission has been taking a close look at the developing monopolisation of sections of the whitegoods industry. Perhaps the Government would argue that the decline in local competition is compensated for by an increase in competition from imports.

#### WORKERS IN THE INDUSTRY

What are the implications of the rationalisation of the industry for workers?

In August 1977, the eight major manufacturers employed about 14,000 workers, of whom about 5,200 were engaged directly in the production of whitegoods (42% in Adelaide, 31% in Sydney, 15% in Orange and 12% in Melbourne).<sup>11</sup> Of these workers, 55% were born overseas; females accounted for 30% of the work force (1974 figures). Labour turnover has traditionally been very high in the whitegoods industry and employment volumes fluctuate widely in response to changes in market, and other, conditions. In the larger establishments migrant workers account for 75% to 80% of production workers and they are concentrated in unskilled and semi-unskilled occupations. Approximately 70% of workers in the major firms were (in 1975) factory operatives and 12% were skilled tradesmen (the rest were clerical workers or management).<sup>12</sup>

The rationalisation currently occurring in the industry, hastened by the recent mergers, is having profound implications for the workers in the industry. The major companies have decreased their work forces in recent years through layoffs and natural attrition.<sup>13</sup> Automation, often computer-based, is occurring in many areas — in paint shops and press shops, in machining and welding, in warehousing and clerical work. All of these changes mean loss of jobs.<sup>14</sup> Some of the displaced workers are employed in other parts of the production process, particularly in assembly and componentry, others are just displaced. Hoover has undertaken a programme of cutting administrative staff by computerisation. Management expects to computerise all financial accounts within two years. In ten years time office staff will be reduced to one-third of its present level.

While the automation of production processes, such as has occurred at Email, Simpson-Pope and Malley's, has eliminated some heavy and dangerous work, it has also taken the skill requirements out of many job categories. With the introduction of automated processes, workers often lose control over their part of the production process and find their work increasingly regulated by the machine. For example, Simpson-Pope's new gear box line (referred to earlier) uses first or second class machinists simply to feed blocks in one end and pull a lever. This gear box line brings together many operations into one machine. Other machines simplify only one function. For example, one numerically-controlled machine requires one operator to place a spindle into it and wait for the machine to make the pre-programmed grooves. The operator removes the spindle and the task is repeated. Machines can be designed to fragment the work process or to recombine the separated parts with minimal intervention from labour.

Along with these moves towards rationalisation, there has developed — especially at Simpson-Pope — a new style of management. The idea is to break down the perceived divisions between management and workers (e.g. separate canteens, reserved parking spaces) and to cultivate a company-identified, industrially passive work force. The means of achieving this is essentially to transfer day-to-day 'leadership' from the manager's office to the shopfloor. This should not be confused with workers' democracy for, as Simpson-Pope's managing director, John Uhrig, assures us:

The people in large industrial organisations want to be led and leadership can't be expected to come from the boardroom. It has to come from people who are deeply involved in daily operations.<sup>15</sup>

Uhrig pioneered the new system at Simpson-Pope and it is seen as central to the company strategy, aimed at getting Simpson-Pope to the top. The business magazine *Rydges* entitled its article on the new philosophy 'Novel Way to Improve Profit' and commented:

Questions of social justice or egalitarianism were incidental to the fact that Uhrig saw these barriers (between management and worker) blocking the survival path of his company. He had to convince his workers to 'lift their game' and he could only do that if they could identify their interests with those of the rest of the company.<sup>16</sup>

Simpson-Pope managers unfailingly refer to the workers as 'our people'. Central to the campaign, in *Rydges*' words, to win the 'hearts and minds' of the workers is a system of monthly meetings with production workers where complaints are heard (and often acted upon) and management comes clean. Workers are reported to have taken an interest in the company's affairs.

The other side of the 'Uhrig philosophy' is the organisation of production workers into work teams. Individual bonuses were replaced by a system in which every worker gets a bonus according to the performance of the division in which he/she works. In this way, workers themselves would be relied upon to weed out 'bludgers'. Management gets a bonus too because the whole system involves hiving off workers on the shop floor from their unions by undermining worker organisation independent of the company.

Simpson-Pope management claims that the workers' acceptance of, and participation in, the new scheme has been very much dependent on the company's 'cast iron guarantee' that there would be no retrenchments. Somehow or other, employment in the group as a whole has declined from 4,000 to 3,000 over the last three years.<sup>17</sup> There have been indications that in the air conditioning division, the attempts by management to impose the Uhrig philosophy have foundered and workers have turned back to the union leadership.

#### CONCLUDING COMMENTS

So far as developments in the whitegoods industry reflect trends in Australian manufacturing as a whole, the solution to the current crises is being sought in greater concentration and specialisation coupled with extensive mechanisation using new technology. This path conforms to the Fraser Government's strategy of forcing manufacturing industry to become 'more self-reliant' and 'internationally competitive'. Those companies which resist these changes will be compelled to adapt under pressure from domestic competitors which rationalise and from overseas producers allowed greater imports through tariff reductions.

Undoubtedly, the process of de-industrialisation will continue as ailing segments of the Australian manufacturing are allowed to vanish and as greater quantities of Australian capital go off-shore. It is equally certain that the Australian working class will suffer the consequences through higher unemployment, increased alienation in work and declining living standards. 'New management techniques' are part of a wider ideological offensive designed to submerge class divisions beneath a veneer of co-operative effort. Some sections of the working class may benefit at the expense of others.

The problem faced by unions in the industry is to preserve jobs while allowing continued growth in productivity. Obviously, increasingly high tariffs do not provide the best *long-term* solution, although they may be necessary in some



industries. Similarly, technology which eases the burden of work should be welcomed, on the vital condition that enough work, and work which is no less satisfying, is provided.<sup>18</sup> The problem must be seen in the overall context of the de-industrialisation of Australia under the impact of the changing international division of labour. On all of these issues, the decisions are made by the representatives of capital, foreign and domestic. Democratic planning appears to be the only path to a diverse, extensive and self-reliant Australian economy which can provide satisfying work and living conditions for the mass of Australian people.

#### FOOTNOTES

1. Products include refrigerators, freezers, washing machines, dryers, electric ranges and air conditioners.
2. Note that in manufacturing industry the 'normal' level of capacity utilisation is about 85%.
3. Industries Assistance Commission Report, 'Domestic Refrigerating Appliances, Etc.', 3 February 1978, p. 12.
4. *Ibid.*, p. 11.
5. Freezers are manufactured by Email, Kelvinator and Malleys; room air conditioners by Email, Kelvinator and Simpson-Pope.
6. Some recent visitors to the plant were told that the arm of one of the Unimates had been crushed by the press. The production manager soberly remarked: 'At least we didn't have to pay workers compensation'.
7. Simpson-Pope's general manager, John Uhrig, is known personally to several key Government ministers.
8. The Amalgamated Metal Workers and Shipwrights Union, which covers many of the workers in the industry, made a submission favouring high tariffs and quotas. However, at that stage, the union stated that, if the IAC decided the industry was not viable, then the union would not be in favour of maintaining an uneconomic industry. However, alternative employment would need to be found for its members.
9. This strategy has recently been argued out in the Crawford Report.
10. In practice, advanced technology (mostly imported) is increasingly designed to eliminate skills of all types from work processes. There are strong grounds to doubt that Australia would be left with anywhere near enough industry to provide adequate, let alone satisfying, jobs.
11. All figures from IAC Report, p. 10.
12. Wages vary from state to state. The base rate for fitters and other tradesmen ranges from \$168 at Kelvinator and Simpson-Pope in South Australia to \$209.10 at Email in Orange. Process workers range from \$138.10 at Kelvinator and Simpson-Pope in South Australia to \$164 at Email (as at September 1979). However, these base rates do not take account of bonuses, etc. which might narrow the differences.
13. 'Natural attrition' might mean forcing some workers to resign, e.g. by offering them another job at lower pay in a factory fifteen miles away.
14. These companies are also reducing the numbers on their payrolls by employing outside contractors to carry out some aspects of maintenance and construction (e.g. plumbing) previously done by workers on the job.
15. *Rydges*, January 1978, p. 22.

16. *Ibid.*
17. *Ibid.*, p. 65.
18. Capitalist efficiency is concerned only with getting as much value out of the work force. The concept of socialist efficiency recognises that the labour process has a social product as well as a physical one. Therefore, work itself – type of work, conditions of work, work relations, levels of satisfaction, etc. – becomes extremely important.

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