

What impact has the movement from 'fordism' to 'post-fordism'

[Economics](#)



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The movement from Fordism to Post-fordism represents changes in our methods and arrangements of production as well as an observed movement in the direction of globalisation. This movement has had a significant affect on social power, the role of the state and thus transformed the world of work. In many respects.

Fordism

Fordism is a term which comes from the name Henry Ford - manufacturer of Ford General Motors. Ford introduced a collection of new techniques and practices in his car factories which allowed him to achieve a new phenomenon successful from 1945 to the late 60s: 'efficient' mass production of affordable standardised products, supported by mass consumption.

Henry ford introduced production by way of an assembly line which would run continuously to produce standardised products. This is achieved by breaking down production into a number of smaller stages and processes through which the product moves.

Having stages of production also involved a division of labour which is where jobs are broken down into short, repetitious, simple tasks reducing labour costs per unit. Large scale production implied benefits from economies of scale allowing a lower price per unit The overall effect was that standardised products could be produced quicker than ever before. As fordism relied on large scale production it also relied on the assumption that demand would be sufficient to support it. These mass production techniques were quickly adopted by other firms in the US and Northern Europe and became the social <https://assignbuster.com/what-impact-has-the-movement-from-fordism-to-post-fordism/>

and productive basis in America in the post-world war II era, often called the golden age.

In terms of the work experience, people benefited from jobs. However, Fordism went hand in hand with the division of labour as it involved breaking the manufacturing process down into stages. Hence, Fordism involved a considerable amount of de-skilling. The nature of the work was very repetitious and un-involving. Workers would have little insight into the whole workings of the company as they would only be involved in one small stage in the whole process. De-skilling left little scope for the average worker to move up through the organisation by keenly learning more on the job skills as could have been done before. However de-skilling also meant that labour skills were more versatile as little training was needed. (This latter point can be seen as an advantage both for the worker and the capitalist.)

Amongst workers at the time, there was also a large sense of job security. Unemployment was low, for example between 1 and 2% in most of western Europe and the concept of a job for life was realistically valued.

There was a belief that there was a direct link between wage and conditions and productivity. Many capitalists had a positive attitude towards improving working conditions as a way to motivate workers and thus increase productivity. This meant that workers unions were strong and influential enough to improve workers conditions and rights relative to unions today. Employer organisations were legitimate with statutory regulations in the form of detailed labour codes and unions were involved in party

management. Many American employers provided other non-monetary benefits to its workers such as schools, and pension plans.

Social security improved over the fordist period. Any government intervention was geared towards supporting fordism with emphasis on the ideas of full employment and welfare provisions.

Fordism in its original form remained confined to the US, Northern Europe. Japanese firms began adopting fordist techniques for use in their own country and to export. The Japanese market had less demand and therefore they adopted a more flexible approach to production than the west. A number of different products were produced in smaller firms. They used techniques such as interchangeable dies in mitsubishi factories for example which allowed quick and cheap conversion of production to a different model.

Global Drive

The fact that Fordism relied on mass production was the driving factor in its gradual gravitation of capitalist production towards globalisation. Domestic competition was increasing. There was also constant pressure in the US and N. Europe from trade unions for higher pay and better conditions which were making labour costs increase. Capitalists are not believed to be geographically constrained so it was inevitable that capitalists and fordism would be driven to exploit the potential in foreign markets, and mutate and adapt along the way in order to increase returns. Firms expanded operations either to other developed countries in doing so evading import duties or they

moved to developing countries. The age of the multinational company had begun.

Movement of factories and expansion into developing countries e. g. South Korea, whilst maintaining head operations in the home country became the notable trend amongst N. American and European firms from the 70s onwards (although overseas low-wage assembly began in the 50s on a smaller scale). These countries were un-tapped by capitalists and therefore had a more favourable business environment. It was much cheaper for firms to locate in developing countries the main reason being that labour costs (among others) were cut considerably. Set up and land costs were also lower and workers in these countries had fewer rights because of less regulation and weaker trade union activity.

By the 1980s, the technological gap between American MNCs and the rest of the world had more or less closed. In the international, economy, the last few decades have been characterised by dynamic competition from a diverse range of countries such as European and Japanese MNCs as well as from newly industrialised countries (NICs) such as Brazil, India and south Korea and other rising economies for example, China. Fluctuating exchange rates, currency instabilities and a rise of trade barriers meant that MNCs have increasingly established foreign subsidiaries in other countries and entered into joint ventures. Firms have become more transnational in that they will not necessarily keep controlling operations such as R & D, finance and management in their home country but locate in areas where costs are minimised and are relatively free to move between countries thus retaining

flexibility. Therefore, although they may generically come from a particular country, they belong anywhere in the global sphere. There is also now competition in the form of low-cost, labour intensive industries from the poorer countries for example, China.

Flexibility Drive

The depression of the 70s highlighted the fact that Fordism could not solely rely on continued expansion into geographically untapped markets to support large scale production. There was increasing competition especially from Japanese firms and on the domestic market. Labour costs continued to keep costs up in any operation in developed economies. They also tackled the inherent problem of fordism which was that it was not flexible in that it could not respond quickly to changes in demand. Fordist production reacted in times of recession by laying people off, having half day work schedules or half a working week and factory closures. This caused huge losses especially as workers were protected by employment rights and trade unions meaning that labour as a factor of production was particularly not flexible to falls in demand and therefore became a larger expense relative to before. This led to an adoption of more flexible production techniques:

For the transnational or large company, the simple practice of subcontracting work out or buying in components became an invaluable way of attaining flexibility by hedging the risk involved in operating at times of low demand. In periods of falling demand, a firm that sub-contracts a high proportion of it's work has lower fixed costs and therefore the real problem becomes one of the sub-contractor who has invested in production facilities.

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Firms have also switched production so that it is to orders or in batches allowing products produced to be changed quickly and reducing stock holdings.

The Japanese increased their competitiveness by later introducing such flexible practices as Just-in-Time allowing zero stock and reducing all associated costs, quality circles, quality assurance and zero-defects. They have also increased investment heavily in new technology electronics, especially microelectronics which has displaced more labour workers and increased the demand for skilled labour.

There has been a general move towards 'lean production.'

All these factors have affected labour markets in the way that they have become increasingly internationalised, a process referred to as the internationalisation of labour. Increasingly, a labour market in one particular country has to compete with labour markets in other countries, globally in order to attract and retain transnational companies or footloose firms. Cheaper labour, land and more favourable regulations in developing countries such as in South Korea mean that many firms have closed their factories in the expensive UK for example. In the 1970s and 1980s differences in labour costs were the largest differences in productivity between NICs and industrialised economies.

This has affected the work experience of citizens in the original fordist regions as jobs have been lost to developed countries especially in the manufacturing sector as prices have been undercut putting local firms out of

business or TNCs have cut jobs or moved. Countries like the UK have had to concentrate on the services industry to generate revenue especially financial.

Firms have adopted a number of different methods to help reduce the impact of cuts in staff and make their labour more flexible. The drive for flexibility has extended to the labour markets. Governments in advanced economies have had to scale back on labour rights and welfare to make conditions more favourable for TNCs and MNCs. Workers must now work, to a certain extent, on the company's terms which brings jobs but retains the actively exercised option to leave. Jobs have had to become more productive; there is increasing pressure to perform.

There are more managerial and middle management jobs in certain areas now and companies tend to build a relatively small core of workers in which they invest training, often generous salaries and bonuses designed to increase returns to shareholders. There has been an increase in motivational and performance related pay such as bonuses. Working hours are long and there is increased pressure all round to perform in order to be as competitive as Japanese firms for example. Those who do have manufacturing jobs often work 11 days every 13. Or they have to work unsociable hours to accommodate 24 hours a day of production.

Some industries and new, flexible styles of production and services have resulted in a degree of re-skilling. There have been reforms in training and shop floor procedures in some companies. People are grouped into teams and set goals. They are taught how to monitor the quality process and solve

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small problems which may arise. It should be noted that the adaption of Japanese production techniques mainly around the early 90s what not entirely successful in increasing productivity and competitiveness.

To ensure firms can remain flexible and responsive to changes in demand there has been a general increased casualness in the nature of employee contracts. The average length of contracts has fallen. Year contracts are much more popular as well as rolling contracts where performance is assessed after stated intervals and continuation of employment depends on this. It takes longer for Part-time workers (who have increased since fordism) to achieve the same rights as full time workers. Agency work has increased where workers have very limited rights, often low wages and erratic work in the manufacturing sector. Casual workers have fewer rights to things like holiday pay and redundancy and shorter contracts make labour cheaper and easier to dispel.

Unions have lost their power relative to the fordist era. This has partly been down to government strategies such as supply-side economics involved with establishing a natural market clearing in the free labour market and a general reduction in government intervention so as to let the market forces handle themselves.

Much of the work carried out for MNCs is in finance, research and development and managerial. This means that the importance of education is increased especially higher education. Jobs are increasingly of the type that need specialised training despite higher education.

This means that labour in developed countries has had to become more competitive with the rest of the world. This has been achieved by increasing working hours and having performance measures and close monitoring. Also, contracts have become much shorter term so firms can retain their flexibility and are able to respond quickly to changes in demand. There has been an increase in part-time work, job sharing and casual work.