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WORKING FOR THE JAPANESE

The economic and social
consequences of Japanese
investment in Wales

Jonathan Morris,
Max Munday and
Barry Wilkinson

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For Sophie, Nathan and Lily

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Although the bulk of the empirical material presented in this volume derives from our 1992 study of Japanese manufacturing investment in Wales, the questions we asked, and therefore the resulting analyses, are in part a result of our collaborative work with other members of the Cardiff Business School over the last few years. In this regard we would particularly like to thank Nick Oliver, Steve Hill and Graham Sewell, although obviously any errors or omissions are our own responsibility.

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Introduction

The attraction of foreign manufacturing industry to disadvantaged areas has long been an important element of both national and EC regional policy. Throughout much of the recent past the bulk of incoming manufacturing investment entering the EC originated from North America. During the late 1970s and 1980s, however, Japan has become an increasingly important source of new manufacturing investment in the EC.

In the context of a regional development strategy it is hoped that foreign inward investment from Japan will provide employment, opportunities for local enterprise, incomes, and perhaps new technology and ideas. The role of Japanese multinational enterprise, in particular, in meeting the needs of regions has been the topic of prolonged debate. However, evidence that charts the full impact of Japanese manufacturing investment upon small host areas has been either limited or largely anecdotal. The purpose of this book is to provide an accurate appraisal of the economic, social and cultural impact of a high concentration of Japanese manufacturing investment in one EC area, Wales.

Japanese manufacturing industry has been present in Wales for just over two decades, but real growth in the level of investment and associated employment only occurred during the latter half of the 1980s. At 1991, 29 Japanese manufacturing units in Wales employed nearly 12,000 people or around 18 per cent of the employment created by overseas manufacturing. This proportion is continuing to grow, and evidence presented in this volume suggests that, even without any further announcement of new investments,

by 1995 employment created by Japanese firms in Wales will increase to around 17,000 people. Thus Wales provides fertile ground for a study considering the full regional impact of Japanese investment.

The empirical findings presented here are in large part the result of an extensive study carried out by the authors in conjunction with the Welsh Development Agency during the spring of 1992. During the survey period the authors were able to complete over 80 interviews with staff in 23 Japanese manufacturing enterprises, the remaining firms being covered with questionnaires. The research was comprehensive and examined the present state of the enterprises, their operations, work organization and industrial relations, as well as their local trading and community linkages. As well as conducting interviews, we were able to observe factory operations at first hand, and we were provided with a whole range of documentation – more or less extensive in different companies – from supplier lists to collective agreements. Hence our data are both qualitatively and quantitatively rich. Where we have used data from this study in tabular form we have simply indicated ‘Authors’ Survey 1992’. In these cases *N* indicates the number of companies from which we gathered that specific information.

The plan of the book is as follows. Chapter 1 essentially provides a background and examines the factors that have influenced Japanese manufacturing investment within the EC. Chapter 2 provides a descriptive appraisal of the level and nature of Japanese manufacturing in Wales as at 1992. These introductory chapters are followed by five chapters which assess the economic, social and cultural impact of the Japanese plants. Chapter 3 examines both the direct and indirect economic impact of Japanese plants upon the Welsh economy. The Japanese presence is set within the economic needs of the local economy before its contribution in terms of job creation are assessed. The chapter goes on to consider the underlying quality of Japanese investment by considering the quality of employment creation, local purchasing linkages, the nature of plant operations, and the level of subsidiary autonomy.

Chapters 4 and 5 consider the social impact of Japanese firms at the organizational level. Chapter 4 examines work organization within Japanese subsidiaries and the experiences of local workforces working within the Japanese plants. Chapter 5 considers the

personnel management practices of the subsidiaries which underpin the radically new work practices established by the Japanese.

In Chapter 6 we look at how trade unions in Wales have responded to the highly controversial industrial relations systems brought by the Japanese to Wales, and at the nature and role of trade unionism in the transplants.

Chapter 7 considers the 'corporate citizen' role of Japanese enterprise by examining linkages in the local Welsh communities. This includes an examination of the experiences of Japanese personnel in Wales. The second section of Chapter 7 considers the growing social and cultural linkages that are developing between Wales and Japan, and the extent to which the presence of Japanese enterprise has stimulated these linkages.

It is hoped to show within this volume that any consideration of the local impact of Japanese manufacturing investment must take into account a multitude of factors. Whilst some economic factors are readily quantifiable, there are other areas of social and cultural impact which are immeasurable but equally important within a process of regional development. A great deal of time, effort and finance has been used in bringing Japanese investment to Wales. Only an appreciation of the full scope of the local impact will show whether this effort has been justified, and whether future policy needs amendment to improve the contribution of Japanese investment to the local economy.