

## **Global agents and the local level: the Gravataí automotive complex<sup>1</sup>**

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### **ABSTRACT**

This article discusses aspects of the global-local relations, focusing on the process of formation and development of the Gravataí automotive complex and its social implications, as related to the labor relations and employment in local companies. In accordance with the recent formation of the global system, it is assumed that the presence of global agents in local contexts creates new social dynamics that depend on specific arrangements between economic and institutional circumstances, levels and types of available social and economic resources, and strategies mobilized by social agents. The global agents would impose new competitive and technological references to the local agents, who would often be unprepared to meet such requirements. On the other hand, there could be alternative ways of providing access to capital, markets, technologies and knowledge, encouraging changes in labor relations and employment at the local level. The asymmetry in the relations of economic power would not prevent the local agents from reacting to the new rules and conditions of the international system, in accordance with the possibilities offered by their resources and the limits of their values. Thus, the global-local relation would have different implications among the social agents.

**Keywords:** automotive industry, labor relations and employment, supply chain, regional development, globalization.

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## Introduction

The issue of *global-local relations* has been strongly debated in Brazilian and international sociology, mostly in the literature on the idea of a world system and in studies that recognize the recent setting up of a global system. This article intends to discuss this issue, relying on evidence gathered in the experience of the Gravataí automotive complex, in the first years of the 21<sup>st</sup> century.

The *perspective of the world system* places the international trade relations in the context of the continuous domination processes that exist between the central and peripheral countries of the capitalist system. The globalization of the capital represents the new face of the imperialism of the dominant countries and economic actors, considering the possibility of autonomous processes of national development. Countries and multinational corporations tend to subject the national and local actors to their interests, thus reinforcing and reproducing their hegemony in the world system (Arrighi, 1997; Wallerstein, 2000).

The *perspective of the global system* recognizes, as opposed to the theories in favor of a presumed continuity in the international trade relations, the recent emergence of a transnational sphere of political and economic power – dependent on the information and communication technology revolution – that is outside the control of the national agents. The recent global system is distinguished by the degree of mobility and interdependence of the social agents, as well as the absence of any center of power. The new international trade, communication and power relations require changes in the strategies of the national agents and institutions, considering their integration into the global system. From this perspective, the relationship between global and local agents would not be unilateral. Cooperation between them, however, would be problematic, since the mobility of the agents in the transnational sphere would allow them to avoid the institutions and regulations at the national or subnational level. Their relationship would likely be marked by new types of conflicts and reactions from the agents, seeking new forms of governance (Beck, 1999; Therborn, 2000).

Regardless of the analyst's perspective, there is some consensus in the current sociological debate that the global processes produce different effects on countries and social groups, due to the imbalance of the international power relations, and the choices, either right or wrong, of the social agents, related to the contexts and values of each country. The response of the sociological debate to the presumed homogeneities and determinations that favor economic factors in the problem of local-global integration was to present the occurrence of different trajectories and the reasons behind them, not only the technical-economic but also the socio-political (Harrison; Huntington, 2002). Heated discussions about the convenience or otherwise of the country's integration into the global system, in vogue in the 1990s, have been replaced by debates on the different forms of integration and its impasses and dilemmas in the 2000s (Ernest; Kim, 2001; Humphrey, 2001; Schmitz, 2000; Storper; Chen; Paolis, 2000), mostly on the interrelationship between the objective distribution of resources; values, beliefs and the choice of the agents; and the processes of social change. The current debate seeks to define the process of globalization more precisely.

Recognizing the recent formation of the global system, this article assumes that the presence of global agents in local contexts creates new social dynamics that depend on specific arrangements between economic and institutional circumstances, levels and types of available social and economic resources, and strategies mobilized by the social agents. The global agents would impose new competitive and technological references to the local agents, who would often be unprepared to meet such requirements. On the other hand, there could be alternative ways of providing access to capital, markets, technologies and knowledge, encouraging changes in the labor relations and employment practices at the local level. The asymmetry in the relations of economic power would not prevent the local agents from reacting to the new rules and conditions of the international system, in accordance with the possibilities offered by their resources and the limits of their values. Thus, the global-local relation would have different implications among the social agents.

This argument is discussed through the analysis of the presence of the General Motors' assembly plant established in the city of Gravataí, Rio Grande do Sul, in the year 2000. It is one of the largest automobile plants in the country, with an estimated production of 240,000 units in 2008; and GM is one of the world's major corporations. The plant is experiencing a process of expansion, with new investments supported by financial and tax incentives, arousing curiosity about the effects on the economic activity, the productive structure, and the labor relations and employment practices at the local level. In this case, it would be interesting to inquire of to this new economic and social experience how would agents with different levels of resources and types of strategies relate in specific political and market circumstances? And what would be the *social changes* for the local level?

The international mobility and integration of the sector, and the consequent establishment of new industrial spaces – as in our case study – are sociologically significant because, among other things, it involves a new and complex web of relationships between multiple social agents with different levels of resources, interests, identities and, therefore, different reactions: domestic and foreign capital; large and small companies in various sectors, such as metallurgy, mechanics, rubber, leather, textiles, plastics, fuels, steel, production support services, sales and post-sales, insurance and others; workers with different functions and qualifications; labor unions; national and subnational governments; research centers; business associations; consumers, banks and financial agents, both national and international, public and private; community and environmental movements. This sector is particularly interesting because it is organized in terms of international oligopolies that mobilize complex and dynamic supply chains, due to structural characteristics such as global competition, technological innovations, complexity of the technical division of the production, the need for high levels of capital for investment, and a high production scale to justify the company.

The scientific literature on the reasons for the decentralization of the sector and the crisis that affected the old plants, such as those of the ABC Region in the state of São Paulo, attests to the privileged status of this industry in the understanding of the recent changes in the world of work, and the impasses and alternatives for industrial development in face of the new global-local relations. Certainly, the performance of the ABC Region is an important reference to understand this industry in Brazil. However, studies on new automotive clusters (Garcia, 2006; Nabuco; Neves; Carvalho Neto, 2002; Ramalho, 2006; Ramalho; Santana, 2006) have identified differences between the “old” and the “new” automotive sector: the first is in crisis, but it accumulates economic, social and political resources, due to the presence of the old plants, under restructuring; the second is expanding, but it works with experimental concepts, in the so-called greenfields. The automotive sector can no longer be reduced to that which occurs in the ABC Region.

The purpose of this article is *to discuss aspects of the global-local relations*, focusing on the process of formation and development of the Gravataí automobile complex and its social implications for the labor relations and employment practices in local companies.

Data were obtained from interviews with the managers of the assembly plant and the local suppliers, the local steelworker union leaders, and many other secondary sources (indicated in the text), such as conventions and collective labor agreements, and reports from City Hall. The seven local companies selected for this study present different levels and types of resources: Company A is a foreign capital company, a major manufacturer of CV axle systems (level I in the chain); Company B is a national capital company, a major manufacturer of steering systems and fuel injection pumps (level I); Company C is a national capital company, a small manufacturer of precision machinery parts (level II); Company D is a national capital company, a mid-sized manufacturer of forged and machinery parts (level II); Company E is a national capital company, a mid-sized manufacturer of rubber components (level II); Company F, recently acquired by foreign capital, is a mid-sized manufacturer of carbon brushes and brush holders (level II); and Company G is a national capital company, a small manufacturer of low precision machinery parts (level III in the chain). These companies are all based in the metropolitan region of Porto Alegre.

In the following section, the article examines the process of formation of the global automotive market and the strategies developed at the plant in Gravataí in face of the new context, highlighting its relationship with the local companies. The emphasis is on the interaction processes between large and small companies in the globalization scenarios. Then, the article analyzes the social changes in the region related to the presence of the assembly plant, seeking evidences of the relationship between the institutions and the local production chain. In the next section, the text examines the diversity of changes in the labor relations and employment practices, and tries to relate them to the economic and social resources available and the choices made by the social agents. Finally, the article presents the main conclusions of the analysis, to add questions to the sociological debate and to identify relevant social agendas in the process of integration into the global system.

## **Markets and global players**

Specialized studies on the automotive industry (Boyer; Freyssenet, 2001; Cutcher-Gershenfeld et al., 1998; Freyssenet, 2005; Lung, 2002, 2006; Nelder; Harrys; Evens, 2001) have identified the formation of a global market in this sector in the second half of the 1990s, due to: a) the saturation of the major consumer markets in the central countries, stimulating the exploration of emerging markets; b) the attractiveness of new markets, such as trade agreements and regional blocs, such as the Mercosur (Southern Common Market); c) the entry of new competitors in the global market, through mergers and acquisitions between companies; and d) the competitive advantages in greenfield regions, especially in emerging countries such as Brazil (adequate infrastructure, cheap and educated manpower, financial and tax incentives).

The changes in the competition rules require new strategies from the economic and social agents. Over the past 10 years, the automotive industry has been investing in a new generation of plants, which, supported by global competitive references, are more flexible and productive than the old plants, evidencing the influence of the information and communication technologies and the global processes of this industry. Today, the automotive sector has a shifting character: while troubled processes of restructuring or closure of old plants instigate a crisis in the traditional industrial areas, innovative plants bring new competitive references to the emerging regions. The development of these new automotive clusters, as in Gravataí, creates a new set of relationships between the global and local agents.

The automotive sector is undoubtedly a symbol of the Brazilian industrial development. The expansion of this industry took place in the period from the 1950s to the early 1990s, under relative protection and control of the government, in the context of the import-substitution model: a wide range of subsidies, government control over investment decisions, and market protection and reserve. But by the mid-1990s, the sector was integrated into the global market, through processes of opening and liberalization of the internal market, mergers and acquisitions of domestic companies by foreign capital, the entry of new competitors, the dissemination of information and communication technologies, and investments in the new industrial regions of the country. This changed not only the geography of the industry – which was once concentrated in the state of São Paulo, and now has plants in different states and regions – but also the relations between the social agents involved – as described in this article. It was in this context of rapid economic and social changes that General Motors (GM) set up its assembly plant in Gravataí. The plant is part of an investment cycle driven by the 1995 automotive regime, which, according to Arbix and Zilbovícius (2002), established both the rapid opening and liberalization of the national market and the financial and tax incentives use to attract foreign capital into the country.

It is worth noting the differences in the behavior of the global agents, according to the political, economic and sectoral contexts of each country. In central countries, the automakers have chosen to produce high-value models with technological content, due to their tradition in automotive production, accumulation of expertise, strong institutions, and high purchasing power of consumers (Cutcher; Gershenfeld et al., 1998; Lung, 2002; Rubinstein; Kochan, 2001). In emerging countries, the choices

tend to be different. In Mexico, the automakers would opt for large-scale simple production, with a view to export to the United States and Canada, due to factors such as government incentives and cheap labor (Carrillo, 2001). In China, the automakers tend to produce low-cost models to meet the domestic demand, in face of its dimensions and the recent and controlled market opening (Zhang, 2005). The Brazilian market is open to experimentation, in terms of developing low-cost products and innovation efforts in the production process – such as 1.0 liter engines, flex-fuel engines, and the production in industrial complex. This is a consequence of governmental incentives for new plants and the long history of this industry in the country, which combines the suppliers, manpower and expertise that is necessary for innovative projects. On the other hand, economic instability and institutional weaknesses hinder the creation of high-value models with technological content (Lung, 2006; Salerno et al., 2004).

It seems that Brazil's integration into the global automotive market is working better than that of Mexico, where the opening of the sector began in the 1980s, and is less regulated than that of China. In Brazil, the government encouraged a tax war. Moreover, this occurs in a context of economic stagnation. These "peculiarities" tend to reduce the chances for expansion of the local companies, gains in jobs and wages, and cooperative relations in the production chain. Either way, the analysts (Abreu; Beynon; Ramalho, 2006) insist on the argument that the new assembly plants established in the country are references to a new type of production system in the worldwide industry, surpassing the simple application or adaptation of industrial models.

In the case of Gravataí, the automaker is developing an innovative and expanding plant, imposing new competitive and productive references to the local agents, which, in this case, are workers, suppliers, unions, business associations and governments. To the initial investment of US\$ 600 million for the production of "Celta" (US\$ 350 million from GM and US\$ 250 million from 17 systemists, with a complement from the state government and the city hall, as part of the "tax war"), US\$ 250 million were added in the years 2005-2006, for the assembly, in 2007, of the compact sedan "Primus", expanding the plant's capacity from 120,000 to 240,000 units per year. According to its managers, the plant had about 3,500 employees in 2005, and around 5,350 in 2007. It is considered a model by the direction of General Motors: a pioneer in internet sales in the country; 40% more automated than the plant in São Caetano do Sul; a productivity of about 100 vehicles/employee/year – double that of other units recently installed in Brazil; and it makes use of the concept of industrial complex. In addition, the cars in Gravataí were designed in Brazil. This innovative character of the plant is reflected, among other things, in a trend towards the use of skilled labor, relatively young and well-trained; even though there are still some sections with critical working conditions. According to union leaders, in the painting station, the workers perform repetitive tasks throughout the workday, with no contact between them<sup>2</sup>.

As mentioned above, the Gravataí assembly plant has the form of an industrial complex (a novelty at the time of its implementation). At the first level of the production chain there are, in site, suppliers of vehicle systems – the first tier suppliers (the so-called "systemists"), that provide parallel production – and contractors for ancillary services and production support; and, off site, the auto parts suppliers. At the second and third level there are suppliers of auto parts, inputs, raw materials and manpower for the companies of the first level. To be part of the chain, the local companies need to adapt to the global references brought by the automaker; most of them used to work in the markets for heavy vehicles and spare parts – some were suppliers to the plants of São Paulo – with a satisfactory standard of quality, but not with the same limits of scale, costs and delivery times that are necessary to meet the new market. According to the GM managers, there were 69 local suppliers integrated into the complex in 2000, rising to 492 in 2005. Despite this growth, local companies accounted for only 28% of all suppliers of the plant. The data points to a gradual replacement of suppliers from other states and countries by local companies, as well as to the existence of space for the inclusion of local suppliers in

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<sup>2</sup> A detailed analysis of this process and the working conditions in the plant can be found in Garcia (2006).

the chain, if they are able to achieve the global standards required by the automaker. This is discussed later in the text.

The “*systemists*” tend to develop a relationship based on the division of costs and risks with the automaker, in exchange for exclusivity and value-added supply: capital investment in plant construction, combined engineering in the development of the systems, sharing infrastructure and logistics, and a high degree of coordination and integration into the production process. There is evidence of the transfer of responsibilities from the automaker to its “*systemists*”, which requires trust in interfirm relations. The “*systemists*” are selected through international bidding, since most of these companies are suppliers for different plants and automakers, in the country and abroad. This reinforces the interdependence between the companies. The complex operates with a relatively small number of direct suppliers of components, thus reducing the chances for the local companies to be a part of the first levels of the production chain. On the other hand, the transfer of systems or of value-added sets tends to spread through the chain, for the benefit of the local companies. Another interesting aspect is the growing importance of production support services, which involve a large number of activities and companies, such as logistics, infrastructure and communications.

*The local companies* must deal with strong pressures in terms of lower prices, higher production scales, tight delivery schedules and constant improvement of product quality. This requires investments from the companies into technology, flexibility and the capacity of integration into the production process of the assembly plant. This capacity must be achieved with capital, technology and knowledge of their own, since there are no programs to develop the local suppliers, from the part of the automaker or the “*systemists*”, which means huge sacrifices for companies with fewer resources and their workers, who pay a high price to be a part of the chain. In these circumstances, the automaker is a reference in terms of patterns of production and work to the restructuring of the local companies, encouraged to invest in scales and the possibility of learning, being part of a chain headed by a plant of this size.

What has been exposed thus far points to the occurrence of asymmetrical relations between the global and local companies in the new automotive complex, due to the new conditions of competition in the sector, as well as to situational factors at the national and local level (market uncertainties and technological backwardness of the local suppliers). The degree of global mobility of the agents allows them to overpower the local agents in the pursuit of competitive advantages and low production costs, failing to develop the local suppliers, unlike what occurred in the past. The new context increases the importance of institutional action in support of the local companies.

Nevertheless, it is possible to say that to the local companies such relations are a door to the global system, since they create chances for technology transfer, organizational learning and knowledge acquisition. Besides, the global agents can, as in this case, increase the local production scales, encouraging investments and promoting new capabilities at the local level. These externalities, to some extent, create rootedness, even if their motivation is to take advantage of the local low costs. In the case of Gravataí, it should be noted that this is a big plant, whose products are well accepted in the market, and whose innovative concepts and technologies contribute to economic and social outcomes. Under other conditions, these results tend to be different.

## **Local context**

The presence of global agents in local contexts has significant social and political implications, due to the introduction of new economic and social resources and the reaction of the local agents to the new environment and new rules. The results obtained in Gravataí are similar to those from studies on the Sul Fluminense automotive complex (Ramalho; Santana, 2006), and it is possible to observe not only the reaction of the local unions – which includes strikes and work stoppages to obtain wage gains – but also the “accumulation of political relations” in these regions, favoring the creation of new guidelines – such as attracting investments and training – and the efforts of union participation in the local public

spaces. This contradicts the current argument (Mello-e-Silva, 2006) that the paradigm of flexible production implies the political exclusion of the workers and their unions from the debate on the world of work, which is dominated by unilateral managerial power.

As mentioned above, it is possible to observe a new dynamism in the productive activity of the city of Gravataí, and the metal-mechanic sector in the neighboring municipalities (Cachoeirinha, Canoas, São Leopoldo and Novo Hamburgo), after the implementation of the assembly plant. The consequences of the presence of the Gravataí automotive complex are evident from 1998 onwards, when the complex was being built, and become more prominent since the year 2000, when the assembly plant began operations. The data are impressive: in Gravataí, the total number of permits granted by the municipality for the installation of new companies grew 26.4% in the period from 1997 to 2003 (from 23,803 to 30,079 permits). The expansion of formal employment was 43.2% in the same period (from 23,462 to 33,600 jobs). The acceleration of the industrial and economic activity is also reflected in the 123% expansion of the Gross Domestic Product between 1997 and 2002 (from R\$ 1.3 billion to R\$ 2.9 billion) and 209% of the tax revenues between 1997 and 2004 (R\$ 22 million to R\$ 69 million) (Data obtained from the City of Gravataí and the Foundation of Economics and Statistics of Rio Grande do Sul – FEE/RS). In addition, the city began to receive new investments from companies directly and indirectly related to the automotive complex, such as the expansion of Pirelli and Johnson Controls, the new Arteb plant, supermarkets, real estate, hotels and restaurants, new educational private institutions, and the expansion and modernization of the local hospital.

The addition of new resources and the competitive pressures imposed by the automaker mobilize the local institutions in an effort to obtain benefits. The *Local unions* agreed on a collective bargaining agreement for GM and its systemists, and another for the local metal-mechanical companies. This fragmentation of negotiations is reflected in different rates of pay and conditions of employment throughout the supply chain (assembly plant, systemists, local companies), presenting new problems for the unions in the context of flexible production systems, according to Lee and Frenkel (2004). However, certain achievements of the unions tend to benefit the whole chain. The negotiations for wage increases for workers of the GM assembly plant, the systemists and the local companies in Gravataí accumulate 41% in the period from May 2000 to September 2003, higher than the inflation rate at the time (according to the Brazilian consumer price indexes INPC 29.45% and IPCA: 26.17%). For the employees of local companies in Porto Alegre, the adjustment, considering the compound interest, amounted to 34.8% in the period (also above inflation rates). This difference in the results could be attributed to the recent growth of the sector, more consistent in Gravataí than in Porto Alegre. Another factor to consider would be the strategies of the unions, the idea of a close collaboration in Gravataí (*Força Sindical*), and closer to the idea of confrontation in the case of Porto Alegre (*Central Única dos Trabalhadores – Cut*). It is extremely difficult for the unions to act within the plant, due to the disproportion of their forces against that of the global agents. However, they have been able to mobilize strikes and work stoppages around conflicts on time bank, bonuses, profit sharing, transportation and layoffs. At the same time, against all odds, they seek to participate in public spaces and interfere with aspects of the worker's life outside the factory, contributing to put the labor claims on the public agenda.

The *business associations* have also reacted to the presence of the global agents. In 1998, they created the *Instituto Gaúcho de Estudos Automotivos - IGEA* (Institute of Automotive Studies of Rio Grande do Sul), linked to *Federação das Indústrias do Estado do Rio Grande do Sul - FIERGS* (Federation of Industries of the State of Rio Grande do Sul). It is a business association dedicated to promote the development of the automotive sector in the state, with 107 member companies in 2005, 30 participants in working groups, and 15 ongoing projects in support of the companies of this sector. The Institute, however, has contributed little to the small and micro enterprises of the sector, which lack resources and have more difficulties to meet the global standards of supply<sup>3</sup>. In 2004, the *Associação*

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<sup>3</sup> One of the projects is *Gestão Dinâmica da Cadeia Automotiva do Rio Grande do Sul - GDC system* (Dynamic Management of the Automotive Chain of Rio Grande do Sul), under the Program of Scientific and Technological Cooperation for Regional Development / Local Productive Arrangements of *Financiadora de Estudos e Projetos - FINEP* (Research and Projects

*Comercial e Industrial de Gravataí* - Acigra (Commercial and Industrial Association of Gravataí) created a group consisting of the metal-mechanical companies of the region, with a view to discussing and to advance their demands.

With regard to the *State*, government action was decisive in attracting the automaker and the systemists, by granting benefits, in the context of the “tax war”. As for the local companies, the strategies have been reformulated in order to meet the demands of these agents over the lack of resources and the institutional weaknesses. The failure of the general credit instruments (not specifically applied to the metal-mechanic sector) – such as Fundopem/RS<sup>4</sup> (which is the one used by GM), Auto Finame/BNDES (*Banco Nacional de Desenvolvimento*) and Auto BNDES, which do not meet the needs of the local small companies – has been addressed, in part, with the reformulation and creation of programs for the sector. *Caixa RS*, established in 2004, which was a general credit instrument, was modified by the state government, in 2005, to offer a credit line specifically for the sector in the state of Rio Grande do Sul: *Programa de Desenvolvimento das Empresas de Autopeças* - Prodeauto (Development Program for the Auto Parts Companies)<sup>5</sup>. Another innovation was the creation, in November 2004, of *Agência de Desenvolvimento de Gravataí* - ADGR (Gravataí Development Agency), consisting of representatives from the government, the companies, the unions and academics, at the municipal level. Moreover, it is worth noting the creation, in 2004, of *Conselho Municipal de Desenvolvimento* - Comude (Municipal Development Council), which brings together the city government and the representatives of social and business organizations<sup>6</sup>.

The interviews conducted in the local companies reveal the limits of the local institutions in the promotion of the capacity and expansion of these companies, in order to achieve global standards. Even though the governmental actions are changing, they remain isolated and selective. Moreover, the institutional links with the companies are also limited: quality programs, collective action, education and training of manpower, development of new technologies, partnership with universities, are generally absent from the reality of the local companies. A comparison between what happens in Company A and Company B illustrates the above argument. Company A, which is a foreign capital company, and the largest among the surveyed companies, was the only one to benefit from Fundopem/RS to improve its production process. It has also benefited from tax advantages granted by the government of the city where the new plant was installed. Company A has ties with IGEA/FIERGS and the employers’ association. Company B is a national capital company, investing its own resources, even though it is active in IGEA/FIERGS and the employers’ association. Further evidence of the importance of the role of local institutions and their limits is what occurs in Company E. Credit for investment in new technologies has been obtained abroad from the manufacturer, after unsuccessful attempts in the

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Financing). It is a high-power relational database, with dynamic feed and updated data, which can generate information on the key indicators of the automotive supply chain and its links, prospecting major technological and market trends both on the national and the international context. The GDC, however, is for the exclusive use of the members of IGEA. Another program is that of Management, aimed to assess the quality of production systems and to obtain certification for small and mid-sized companies.

<sup>4</sup> Company Operating Fund of the state of Rio Grande do Sul (*Fundo Operação Empresa do Estado do Rio Grande do Sul*), founded in 1972 and amended in 1997, 1999 and 2003. It is an incentive program for the expansion, modernization and the establishment of industries in the state, with a view to generating employment and improving technology and the environment.

<sup>5</sup> Prodeauto is the result of an alliance between *Caixa RS* and IGEA, with the support of *Serviço Nacional de Aprendizagem Industrial* - SENAI (National Service for Industrial Training), to provide funds, both from its own resources and obtained from BNDES, for the companies that constitute the automotive chain of the state of Rio Grande do Sul (in 2005, the operational availability was R\$ 437 million). The goal of the program is to increase from 28% to 50% the participation of local suppliers on the purchases of the assembly plants installed in Rio Grande do Sul. The target audience consists of companies of all sizes, registered in IGEA and, preferably, identified as actual or potential suppliers by the automakers, financing the expansion of their production capacity and technological innovation, with a view to improving the quality and the productivity of the production process.

<sup>6</sup> Another interesting aspect is the electoral projection of the political leaders. In 2006, five representatives from Gravataí were elected by different parties, overcoming the three MPs elected in the last election. In 1998, no candidate associated with the city was elected.



country. On the other hand, the partnership with a technology center has enabled the company to improve the quality of the production process significantly, achieving the global standards of the automaker and enabling it to export.

Thus, there seems to be a new institutional life at the local level, which reaches a new degree of economic and social resources and, at the same time, is beset by new pressures and demands due to the presence of the global agents, defining a new context of action. As evidenced by the above data, there are major changes in the relations and the role of agents in face of the changing international rules. The competition and the information and communication technologies lead to new industrial concepts, which increase the responsibilities of the suppliers and intertwine the large and small companies in the production chain. The subnational governments, which used to be of secondary importance, now play an important role in the relationship with the automakers: incentives, capacity-building efforts of the local production chain, urban infrastructure, encouraging exports, outlining strategies for regional development. Business associations and research centers are asked to provide restructuring aid for the local companies in face of the requirements of the competitive global automakers. Local unions are pressured by the force and by the complex interplay of relations brought about by the foreign automakers and their suppliers – in the context of the global crisis in the membership fees – and try to find new spaces of action.

## Local agents

The appreciation of *the presence of GM in Gravataí* shows that it has been encouraging *social changes in the local companies* under study. However, different levels of social resources (capital, product and technology, information and market access, qualification of the workforce) and competitive strategies (adding value to the product, increase in competitiveness and productivity, flexible work and employment), in a context of institutional weaknesses and demands from the automaker, are reflected in different stages of the process of flexibilization of the labor relations and employment practices. This finding reinforces the arguments of the international studies on the sector, that the assembly plants, in the context of global market competition, introduce a new competency model that is spread all over the network of suppliers (Durand, 2002), and tend to encourage different employment and working conditions throughout the automotive supply chain (Lee; Frenkel, 2004; Sallaz, 2004; Zhang, 2005).

The *companies in a more advanced stage of the process of restructuring and flexibilization* of the labor relations and employment practices are the ones with higher levels of resources, among the cases under study. Company A is a large foreign capital company that produces high-tech suspension systems for different automakers. With some institutional support, it is investing in plant expansion and restructuring processes, while experiencing a significant growth in revenue and productivity (the company earned R\$ 192 million in 1999 and R\$ 400 million in 2003). In this case, employment rises (from 1,100 to 1,500 direct jobs between 1999 and 2003), and there are some gains for the workers (profit sharing, social benefits, training, more chances of participation, employment security). The percentage of women employed is 20%, above the industry average, which is 12%. The workers, however, face growing pressures in terms of performance targets and work commitment.

Company B is a large national capital company that produces steering systems and fuel injection pumps for export and for other automakers in the country. With less institutional support than company A, it is expanding (earnings increased from R\$ 88 million in 1999 to R\$ 163 million in 2003) due to a strategy of investing in new technologies and adding value to the product, with its own resources. The main consequences for the workers would be the selectivity of the training, the use of temporary work and time bank, the increasing pressure for productivity, and the decline in employment (from 800 jobs in 1999 to 614 in 2003)<sup>7</sup>. However, there have been major gains in terms of wage increases and profit

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<sup>7</sup> According to a local newspaper, company B created 1,000 jobs in 2007.

sharing. Company B, with less access to the local institutions, presents a more restrictive process of flexibilization of the labor relations and employment practices than that of company A.

Other companies are *in the middle of the process of restructuring and flexibilization* of the labor relations and employment practices, in a previous stage, if compared to companies A and B. Company D is experiencing a restructuring of the production process, with an emphasis on adding value to the product, along with a slow movement of flexibilization of the labor relations and employment practices. There has been a significant increase in sales: R\$ 23 million in 1999, R\$ 74 million in 2003. It is a mid-sized company that produces sets of forged and machinery parts (less specialized than companies A and B) for the national market of heavy vehicles, and it is now starting to export, after its integration into the chain led by GM in Gravataí. The chain pressures on the company demanded the restructuring of the production process, financed by BNDES. This required more and better trained manpower, with more chances for promotion and the involvement of employees in the work process, as well as higher wages. On the other hand, the employment relationships have become segmented, due to the layoffs and the use of temporary work: from 400 direct employees in 1999 to 370 in 2003.

Company E is a small company that produces rubber components. It has relatively large institutional ties, in comparison with the other cases under study. The provision for the new automotive complex in Gravataí, in level II, involved the expansion of the company (in 1999, it earned R\$ 4 million and employed 80 workers; in 2003, it earned R\$ 10 million and employed 107 workers), significant investments in technological innovation, quality improvement and diversification of the product line. It is now exporting and providing supply for other automakers. It has changed its production process to consider the employee participation, in terms of control and improvement of production. In this case, it requires a more qualified and well-trained workforce, committed to the results. The workers have a chance to intervene in the production process, employment security, the promotion of safety at work, and to be recognized for their technical training and education. One finding in this case was the institution of a profit-sharing plan for the workers. This plan applies to operators of new technologies, the so-called “injection machines”, to the detriment of the operators of traditional technologies, the so-called “press machines”. Another important aspect about the new technology is that it creates employment opportunities for women, who were employed for some time, before the management deemed inappropriate for women to stay in the “male areas” of the factory.

Company F, a mid-sized foreign capital company, produces carbon brushes and brush holders for the domestic market. Even though it has few institutional ties, the company has achieved an increase in external competitiveness due to a process of lowering costs and prices, and improving quality, with an increase in sales (from R\$ 15 million to R\$ 21 million, between 1999 and 2003) and employment (from 210 to 300 workers, from 1999 to 2003). The changes regarding the work content are relatively limited: the use of teamwork, for example, is not widespread in the plant. The labor relations and employment practices present slow changes: employment growth, rise in education and opportunities for female employment, the introduction of the program of results sharing (*Programa de Participação nos Resultados - PPR*), employment security. The wage gains result from adjustments provided by collective labor agreements and the program of results sharing.

As noted, companies D, E and F have fewer resources than companies A and B, which, in a context of institutional timidity and lack of supplier development programs provided by the automaker, tends to reduce the depth and to slow down the processes of adjustment of these companies to the global references.

There are also *companies that are at the beginning* of the process of restructuring and flexibilization of the labor relations and employment practices, or that maintain rigid forms of work organization. Company C has fewer resources than the above mentioned companies. It is a small national capital company that produces subsystem machinery for the local market. It has few institutional ties, hindering its capacity-building efforts. The company is expanding, and it is also restructuring the production process – through the introduction of a new staffing and compensation plan, quality certificates, participatory forms of work, and the implementation of goals – which is reflected on

job creation (from 20 to 50 jobs, between 1999 and 2003) and chances of promotion and participation of the workforce in the production process; but those who do not fit should be discarded as obsolete. Education becomes crucial in this dynamic selectivity. Labor relations and employment practices are becoming more flexible and unstable in the company.

Finally, company G – a small company that produces simple machinery parts in a small scale, located on level III of the chain, with the lowest institutional links – is persistent in maintaining rigid organizational practices and the use of conventional technologies. It is expanding (sales of R\$ 20,000 in 1999, and R\$ 50,000 in 2003), but the content of the work does not change significantly. The company presents no changes in the labor relations and employment practices, and maintains the same four jobs.

Thus, it is possible to conclude that the responses of the local agents to the global system are related to their resources and strategies. The higher the levels of resources and the use the local companies make of them to add value to the product and to innovate (production systems), the greater are the chances for workers to extract advantages from the processes of flexibilization of the labor relations and employment practices. The local companies with the lower levels of resources, on the other hand, tend to rely on rigid processes of flexibilization of the labor relations and employment practices.

The case study shows social realities that are hybrid, contradictory, diverse and rapidly changing. In this group of companies, there are positive changes, such as the expansion of activities at different levels of the supply chain and the general raising in the level of employment and wage gains. The efforts, from the part of the companies, to add value and investment in new technologies result in gains in worker skills and opportunities for intervention in the production process. However, the workers throughout the chain tend to live with a more intense pace of work and new responsibilities, due to the dramatic goal regimes, the teamwork, the versatility, and demands for participation and troubleshooting. Moreover, the diversity of practices and conditions of employment and labor create new difficulties for the activities of the trade unions.

## **Conclusions**

Based on the data presented above, it is possible to see the complexity involved in the issue of global-local relations, which present challenges for research, new agendas and social struggles.

The establishment of a global market would impose new competitive references to the local contexts, through relations clearly unequal between the social agents. But the configuration of these new industrial spaces would depend on the choices of the agents in the use of the available resources and the prospection of advantages and possibilities offered by new international rules. The present case is emblematic. The adversities did not paralyze the local agents: companies, associations, unions and governments. Instead, it is possible to observe rapid changes in the local sphere, as well as a search for benefits to be obtained from the new relationships that are established. The social agents reorient themselves, making choices to preserve their interests and values. The higher the level of resources available to the agent, the greater are his possibilities of choice.

This conclusion raises the burning question, briefly mentioned in the above case analysis on the relations between local identities, ideologies and traditions, and the processes of industrial development. It requires more studies not only on the changes in the values and beliefs involved in the process of integration into the global system, but also on how they interfere in the choices of the agents, considering the particularities and diversity of Brazilian society.

Finally, it is worth noting that the debate and the social struggles around citizenship in the world of work tend to assume new contours in face of the global system. Some critical points observed in the sociological analysis of the global-local relations are outlined below:

First, regardless of the level of each company's resources, the pace of work would tend to intensify, affecting all groups of workers. This raises the debate on working hours and the worker's

control over his working time. The social agents need to discuss this aspect on the public agenda, due to its social consequences.

Second, another emerging issue would be the new paths for democracy in the workplace and to the strategies of union activity, with a view to expanding the participation of the worker and his recognition as a legitimate interlocutor by the companies. The presence of the unions in the workplace has been difficult, due to the adoption of organizational instruments adverse to the unions, the strength of the global agents and a context of high unemployment. The unions, however, seem to be investing in disseminating strategies for the strengthening of workplace committees related to emerging issues such as variable pay and flexible hours. Another useful path for trade union strategies seems to be the presence in the new public spaces, in order to discuss different aspects of the local development and to contribute to improve the living conditions in the community and in the sphere of work.

Third, the conditions of global competition tend to increase the selectivity and diversity of employment and work conditions in the production chain. The increase in benefits to the local level would require a change of values from the part of the local companies, such as the perception of their role in collective actions and joint efforts with other agents in negotiating compensations with the global agents. The benefits of establishing global-local relations may be further leveraged with investments in institutional actions, which are essential for the collective growth.

Fourth, the local agents need to create alternatives for regional development, avoiding a possible dependence on the performance of the assembly plant. It is a well known fact that automotive investments have a life cycle, occurring crises, hard times, and, at some point, depletion. The local sphere must take advantage of the new complexity acquired with the productive activity and the labor market in the region to attract investments and to encourage the emerging functions, knowledge and sectors. The presence of a global agent must be exploited to promote economic and social diversity at the local level.

These guidelines might be able to contribute to the achievement of new levels of citizenship at work and collective benefits in the context of the global system.

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