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Research Paper

Fostering and forcing uses of accounting: Labour-management negotiations in the automotive crisis in Canada 2008–2009

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ABSTRACT

This article investigates uses of accounting in labour-management negotiations during the automotive industry restructuring of 2008 and 2009 in Canada. Following a series of negotiations that occurred between a large North American automobile manufacturer, a major Canadian automotive union and the Canadian government, we document how different stakeholder groups framed the emerging crisis and drew upon accounting in order to further their interests. Drawing on research in industrial relations, we outline two key modes of accounting in labour-management negotiations: (1) *fostering*, where accounting is used in an integrative manner to secure mutual gains; and (2) *forcing*, where accounting is drawn upon primarily to secure concessions from other parties. The case study highlights the way that forcing modes of accounting displaced more fostering modes as the crisis intensified, focusing attention on labour cost per hour and ultimately resulting in worker acceptance of pay restraint, more flexible work practices and a change in the wage structure of the labour force. The paper contributes to understanding the role of accounting in labour-management negotiations and how this role can be implicated in shaping the construction and contestation of organizational crises.

1. Introduction

Over the past 30 years, the North American automotive industry has been radically transformed by a series of disruptive events including the introduction of foreign vehicles in the early 1980s, the oil crises of the 1990s, and, perhaps most dramatically, the economic crisis of 2008–2010. With 3.5 million jobs dependent on the sector in Canada and the United States, worsening economic conditions and industry performance cast a long shadow on many cities throughout North America (Canadian Auto Workers Union, 2010; International Organization of Motor Vehicle Manufacturers, 2010; Bureau of Labour Statistics, 2011). In 2009, the Canadian, Ontario, and U.S. governments approved billions of dollars in loans to Chrysler and General Motors (GM) on the condition that the companies receive concessions from their labour unions.[1] The automotive industry “bailout,” as it become popularly known, was a highly publicized event that dominated the front pages of the press in Canada and abroad for much of the first seven months of 2009 (Canadian Press, 2009b; de la Merced, 2009; Isidore, 2009; MSNBC, 2009; Reuters, 2009; Schmidt and Macaluso, 2009). The government conditions attached to the loans triggered two intensive rounds of labour-management negotiations shortly after a collective agreement had been ratified in May 2008. The automotive industry restructuring was unprecedented in terms of the direct involvement of government officials at the negotiations table as well as the scale of the financial assistance provided.

This paper documents a qualitative study that investigates the use of accounting in the labour-management negotiations during the automotive industry crisis. We track three negotiation rounds between a large North American automobile manufacturer (“AutoCo”), a Canadian automotive union (“UnionA”),[2] and the Canadian and Ontario governments during the period of May 2008 to May 2009. Prior research has outlined differences in negotiation strategy in industrial relations generally (Walton and McKersie, 1991) as well as within the different rounds of labour-management negotiations during the automobile restructuring specifically (Stanford, 2010; Siemiatycki, 2012). Our research aim is to explore the ways that actors use accounting in labour-management negotiations, focusing specifically on differences in the way that accounting information was mobilised during the distinct

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[1] GM ultimately received $50.2 billion, Chrysler $10.9 billion, General Motors Acceptance Corporation (GM’s credit affiliate, now known as Ally Financial) $17.2 billion, and Chrysler Financial $1.5 billion. In addition, GM received $10.6 billion and Chrysler $3.8 billion from Canada. The Canadian funding was shared, two-thirds by the federal government and one-third by the province of Ontario. This money was provided to keep the industry viable and maintain Canada’s share of vehicle production going forward.

[2] For anonymity reasons, the names of organizations and identities of respondents have been protected.

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rounds of 2008–2009 automotive sector negotiations. We define accounting information broadly as structured, quantitative information used for decision-making purposes including labour cost per hour, manufacturing forecasts, production plans, and various financial statements (that is, what is conventionally associated with management accounting).

Labour-management negotiations have been characterised as a "black box" to empirical researchers (Jalette and Hebdon, 2012). Due to the secrecy and commercial sensitivity of negotiations, there has been limited work in the area in the accounting literature despite calls for further research (e.g., Brown, 2000; Amernic and Craig, 2005). Work in the area has tended to take the form of general theoretical frameworks (typically from the perspective of management) rather than thick field-based accounts of specific negotiations (see Bougen 1989 for a notable exception). While this work has yielded useful insights into the unique nature of intra-organizational industrial relations, our understanding of labour-management negotiations is still incomplete. In particular—although several studies have acknowledged the importance of broader negotiation objectives (Bougen, 1989; McBarnet et al., 1993; Amernic and Craig, 2005) — the way that accounting is drawn upon has been frequently detached from negotiation strategy and other situational factors.

This paper contributes to the accounting literature in two ways. First, we add to the literature that opens the "black box" of labour-management negotiations to provide a richer account of the uses of accounting in labour-management negotiations. The case study elucidates the ways in which accounting information, such as average hourly wages by job classification, average weekly earnings, incentive pay information, costs of fringe benefits (insurance, pension, medical, etc.), wage differentials (shift, skill), legacy costs, and benchmarking analyses, was employed by the union, management, and government in the negotiations. We introduce a typology of accounting based on Walton et al. (2000) broader work on labour-management negotiations, positing both *fostering* and *forcing* uses of accounting that vary in terms of focus, precision and detail, frequency of interactions, number of channels, and the intent and scope of comparison. We also highlight that accounting information provides the focal terms of reference for debate and reveal that all actors on all sides recognize the partisan nature of accounting disclosures by counter-parties.

Second, we propose that the use of accounting during an industrial relations crisis can be usefully understood in terms of "frame contests" between the various actors that seek to exploit this crisis-induced opportunity space. Crises are increasingly inevitable features of corporate life. Characterisations of crisis in labour-management negotiations have become an important feature of industrial relations in sectors including the automotive sector, postal sector, and the public sector in leading Western nations in recent decades (see Walton et al., 2000). A growing stream of research in accounting has begun to underline the impact of crisis on management accounting (Hopwood, 2009), accounting choice (Huizinga and Laeven, 2012; Bova, 2013), corporate governance (Mitton, 2002), and auditing practice (Andon and Free, 2012, 2014). This body of work reveals that socially constructed crises provide incentives for managers to adopt particular management accounting practices (see Van der Stede, 2014; Becker et al., 2016). Focusing on a set of historic government-led, three-sided labour negotiations, we illustrate that the sense of threat and uncertainty produced by crisis can draw attention to specific modes of accounting, dislocate pre-existing discourses, and be mobilised to secure important structural changes.

The rest of the paper is organized as follows. The next section reviews the literature on labour-management negotiations in accounting, including the framework used for analysis. This is followed by a description of the method of the study. The empirics of the paper comprise an introduction to the North American automotive industry and a case study of three successive rounds of labour-management negotiations that occurred in the automotive industry in Canada in 2008 and 2009. The final two sections provide an analysis of the field study, and elaborate on the major implications of the study.

2. Uses of accounting in labour–management negotiations

Accounting intersects with labour-management negotiations in a number of ways. Accounting information is frequently the subject of negotiations and accountants regularly become directly involved in negotiations (e.g., reviews by Salterio, 2012 on auditor-client negotiations and Elias, 1990 on experimental research in labour-management negotiations). Additionally, accounting information can be used to support or bolster a negotiator's position. While a large body of research has demonstrated that accounting information can affect negotiators' attitudes, perceptions, and tactics, as well as negotiation outcomes (Amernic, 1985; Elias, 1990; Mautz, 1990), others contend that it has little functional impact and is more of a symbolic, rhetorical device (e.g., Craft, 1981; Brown and Trumble, 1995; Craig and Amernic, 1997; Brown, 2000).

Early work in the area portrayed accounting as merely a calculative and neutral information source (Bougen, 1989), equating financial figures with "neutral depictions of firm health" rather than "the result of larger organizational strategies and power relations" (Delaney, 1994). This work primarily adopted a management perspective (Cooper and Essex, 1977; Trumble and Tudor, 1996; Craig and Amernic, 1997). Relatively limited work in accounting has taken a union viewpoint, with unions often cast as financially unsophisticated or lacking the perceived appropriate sensibility and education to properly engage in accounting discourse (Craft, 1981; Purdy, 1991; Brown and Trumble, 1995; Gotlob and Dilts, 1996). There is also limited work that shows the involvement of a third party in labour-management negotiations (Kramer, 1991; Polzer et al., 1995), an important factor in these negotiations.

The literature has begun to move beyond technical aspects of accounting to investigate the possibility of accounting playing a variety of roles in negotiations (e.g., Amernic, 1985; Owen and Lloyd, 1985; Yamaji, 1986; Bougen et al., 1990; Clarke et al., 1990; Amernic and Craig, 1992). This literature has focused generally on the unserviceability of conventionally prepared and published financial statements for assessing an entity's capacity to pay (Jain, 1981; Toms, 1998); the effect of industrial relations settings on accounting policy choice and disclosures by entities (Maunder and Foley, 1984; Waterhouse et al., 1993; Bova, 2013); and technical, strategic, and tactical uses of accounting in labour-management negotiations (Walton and McKersie, 1991; Waterhouse et al., 1993; Amernic and Craig, 1995, 2005). Amernic and Craig (1995, p. 133–36) analyse the linkages between labour-management negotiations and present four images of accounting as: (1) a historical record, (2) an economic reality, (3) an information system, and (4) a language, ideology, or limited construction of reality. They argue that the largely rhetorical nature of accounting gives it strong potential to be an important part of the discourse that helps create a shared "reality." Amernic and Craig (2005) develop this line further to contemplate four broader inter-related roles for accounting in industrial relations: (1) social construction; (2) organizational control; (3) tactics formulation; and (4) corporate strategic objectives development (the latter two drawing a connection between accounting and negotiation strategy).

McBarnet et al. (1993) go further to propose the concept of "adversary accounting" where techniques and financial information are used strategically as weapons in adversarial disputes in a battle for the construction of financial status and corporate credibility. They draw a metaphor with the legal system to argue that accounting may be used like evidence in a trial "in a way similar to the lawyer advocate in the adversary legal system, where evidence is … used in a partisan way in the interests of the client, accounting figures are constructed, deconstructed and used by conflicting interests in the struggle for economic ascendancy" (p. 82). More broadly, labour process theorists have highlighted the way that accountants have historically sought ever