US auto contract talks open: UAW ready to collaborate as Big Three auto makers prepare massive job cuts

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Negotiations between the United Auto Workers and the Big Three auto companies began June 14 for new labor agreements covering 405,000 UAW members at General Motors, Ford and DaimlerChrysler plants in the US. The current contracts expire September 14.

The term “negotiations” is a misnomer, given the fact that the UAW has for many years openly collaborated with corporate management. With the official launch of the triennial contract ritual UAW officials went out of their way to make clear there would be no mobilization of the ranks against the auto companies.

UAW President Stephen Yokich set the tone for the talks in a union statement handed out to reporters, “The real story is that we've become partners in some of the most profitable companies in the world—DaimlerChrysler, Ford and General Motors. That's why the term ‘target' or ‘strike target' no longer fits the negotiating process.”

During a press conference at Ford headquarters June 14 Yokich went further, suggesting that instead of the traditional three-year agreement, he would be willing to sign a “four, six or even ten-year agreement” with the auto companies “if they could afford it.”

The purpose of a long-term contract would be to lock rank-and-file auto workers into an agreement that would make any resistance to the companies' downsizing and cost-cutting plans a violation of the contract and subject workers to discipline or termination.

Last August GM took a hard line during a 54-day strike by 9,200 auto workers in Flint, Michigan and the union buckled under. GM only agreed to a settlement after the UAW pledged there would be no further work stoppages at GM facilities until a new national contract was signed. The union acceded to all of management's major demands, including the elimination of 1,300 of the 9,200 strikers' jobs. Within weeks of the settlement, GM announced that it was spinning off its Delphi parts division, affecting 48,000 workers.

Largely on the basis of the UAW's collaboration with management, the automakers earned nearly $70 billion in combined after-tax profits between 1994 and 1998, the highest five-year total on record. This year the companies are well on their way to surpass 1997's single-year record of $16.4 billion in profits.

The return to profitability follows a massive restructuring of the US auto industry, begun in the late 1970s, that has seen the destruction of hundreds of thousands of jobs, including a quarter of a million at GM alone. With the assistance of the UAW, the Big Three have reduced labor costs and boosted productivity dramatically, giving US companies a competitive edge over their European and Japanese rivals, and making Ford the most profitable auto company in the world.

Over the last two decades auto workers' wages have stagnated. Taking into account inflation the average auto worker today earns only 1.3 percent more in hourly wages than his counterpart did in 1978. Another measure of the sharp decline in the position of the workers vis-à-vis management is that the portion of the total cost of a vehicle from labor fell from 26.6 percent in 1980 to 15.5 percent in 1994, and it continues to fall. Total compensation for German and Japanese autoworkers now far exceeds that of American workers.

In the last 20 years, accounting for inflation, salaries for top auto executives have gone up 109 percent, not including bonuses, stock options and other income. On average high-level Big Three executives collected a bonus of more than $2.1 million and more than $4.2 million in long-term cash incentive payouts in 1997, the last year for which figures were available. Ford's former CEO Alex Trotman collected the most—$9.9 million—in 1997, including a base salary of $2 million, an annual bonus of $7 million and other compensation of more than $940,000. In addition, Trotman owned stock worth $22.2 million.

Although the auto companies have produced substantial returns for stockholders—more than 20 cents for every dollar invested—Wall Street is continuing to press for further cost-cutting and downsizing. As the negotiations open, GM—which analysts say must eliminate another 38,000 to 50,000 jobs over the next few years to stay competitive—is shuttering its massive Buick City plant in Flint, Michigan, at the cost of 2,800 jobs, and has indicated that plants in Baltimore, Maryland and St. Therese, Quebec may soon follow.

One of the underlying pressures for auto companies to reduce their work forces is the crisis of overcapacity facing the global auto industry. Internationally there presently exist 80 assembly plants in excess of the number needed to satisfy world market demand. This has spurred the consolidation of the industry, as seen with the merger of Daimler-Benz and Chrysler, Ford's takeover of Volvo's car division and more than 600 mergers or partnerships concluded recently among auto component makers worldwide.

Analysts predict in the coming years only six major auto companies will emerge from a global shake out—Ford, GM, Toyota, a combined Renault and Nissan company, and Volkswagen and DaimlerChrysler. Every company is positioning itself for a struggle for survival by slashing costs, eliminating unprofitable plants and maximizing productivity.

In the US the boom in sales, particularly of highly-profitable light trucks, has kept auto plants running around the clock. While some new workers have been hired, by and large the carmakers have opted to save hiring costs by lengthening the workday for the current work force, many of whom are in their 50s and 60s.

The average Ford hourly employee works 49.4 hours per week, meaning overtime accounts for about 20 percent of total work time. At DaimlerChrysler overtime accounts for 24 percent of all time worked. The UAW says the Big Three car companies would have been forced to hire an additional 86,000 workers during the last three years if assembly plants operated on a 40-hour workweek schedule.

The lack of shop floor representation and the UAW's corporatist policies have contributed to an increase in injuries, heart attacks and deaths. Last February an explosion at Ford's Rouge complex power plant in Dearborn, Michigan claimed the lives of six workers. The blast—which workers attribute to safety violations and the impact of Ford's cost-cutting program—was the most deadly, but by no means the only fatal accident in recent years. In the last three years alone, 42 Big Three auto workers have been killed on the job and thousands more injured. In addition, nearly one-quarter of all UAW members at Big Three and other companies suffer injuries or repeated trauma disorders each year.

The auto companies are developing a new strategy called modularization to further outsource car production to lower-wage locations. This involves having sub-assembly work, traditionally done inside Big Three assembly plants, outsourced to a supplier company. The supplier would then deliver the completed sub-assembly—such as instrument panels, doors, interiors and chassis—as a single module to the assembly plant.

GM hopes with modularization to cut the costs of producing a small car by $2,000. It has announced plans to replace a number of its existing assembly plants with modular assembly plants employing only a fraction of the production work force. UAW officials in Lordstown, Ohio are working out details of a deal to bring in module production that will likely cut the factory's work force to 2,000 from 7,000.

Earlier this year GM spun off its Delphi parts division and Ford intends to do the same with its Visteon division, which employs 23,500 UAW members. Both Delphi and Visteon are planning to shift more production to Mexico and other lower-cost countries, while pressuring US workers for wage and benefit concessions. On this basis Delphi has already signed a contract to supply GM, its former owner, with a low-cost module.

While the UAW bureaucracy has little concern for the impact of these processes on rank-and-file workers, it is concerned over the loss of dues income that will come with a further fall in union membership. In 1979 there were 1.5 million active UAW members, today there are 770,000.

The unionization rate in the fastest growing sector of the auto industry—parts production—has declined over the last 20 years from 75 percent to 13 percent. Moreover, while all assembly sector workers were organized up through the early 1980s, today approximately one in five work in nonunion “transplant” assembly operations, owned by Japanese and German automakers, which make up more than 20 percent of US auto output.

The UAW wants the Big Three to persuade its suppliers to remain neutral in union organizing campaigns and agree to a card check, a process in which the union is recognized without an election if 51 percent of the workers sign union cards. It is also pressing DaimlerChrysler to accept a card check at its Alabama plant, a demand the company has thus far refused.

In return for such cooperation, the UAW has pledged its assistance in further cost-cutting and downsizing. If and when the UAW gains access to the parts plants, it is prepared to maintain the sweatshop conditions that enable these companies to provide low-cost components, on the proviso that the workers pay dues to the UAW.

Over the next five years half of the Big Three's current work force will be eligible to retire and a younger work force will have to be hired into the assembly plants and parts-making facilities. Such workers will be less likely to accept low pay, speedup and forced overtime.

The concern of the company and the union leadership is that the new-hires will be more militant and intolerant of the open alliance between the UAW and the employers.

Writing in the industry magazine *Assembly* last month Yokich urged the employers to make use of the UAW to suppress opposition to their cost-cutting plans. “Smart companies,” Yokich said, “realize their most important investment is human resources. By bringing stability to rapidly changing workplaces, unions play an important role in making sure this investment will pay off in the long run.”