Canadian Auto Workers settles with Ford as US auto talks continue

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The Canadian Auto Workers (CAW) union signed a tentative agreement Tuesday for a new three-year contract covering 13,000 workers at Ford Motor Co. of Canada Ltd. The agreement, which workers will vote on this weekend, includes an annual 3 percent increase in base pay, cost-of-living increases in each year of the contract and a one-time signing bonus of $1,000 Canadian (US$678).

Ford will also increase pension benefits by 25 percent over the next five years in an effort to induce retirements and cut its work force through attrition. Half of all Canadian Ford workers will be eligible to retire between now and October 2004.

Earlier this month the US auto union, the United Auto Workers (UAW), signed a four-year contract with DaimlerChrysler, breaking the tradition of three-year contracts in the North American auto industry. The basis has been thereby laid for a further fracturing of solidarity between auto workers in the US and Canada, with contracts expiring in different years.

The CAW-Ford agreement was reached three hours before the strike deadline Tuesday at midnight. Last Friday CAW President Basil “Buzz” Hargrove called Ford's first offer, which included a 1 percent yearly increase, “an absolute insult” and threatened that a strike was all but inevitable. Ford's proposals came less than 24 hours after DaimlerChrysler in the US agreed to give United Auto Workers members an annual 3 percent raise.

A strike by workers at Ford's Oakville, Windsor, St. Thomas and Brampton plants would have quickly crippled production of key minivan, pick-up and full-size sedan models, and halted the shipment of engines to the US for the auto company's highly profitable full-size sports utility vehicles.

The company, which has recorded $4.3 billion in profits in the first six months of 1999, decided to improve its economic offer in exchange for the CAW's pledge of continued support in boosting output and downsizing. The US auto companies already incur lower labor costs in Canadian plants, which ship 90 percent of their vehicles across the US border, due to the favorable exchange rate between the US and Canadian dollar.

“We have not given up anything that would impair our ability to run this business in a competitive way,” said Don McKenzie, Ford's chief negotiator. After the agreement CAW President Hargrove sought to reassure the company's investors, saying “our wage increase will be more than offset by improvements in productivity.”

In early September Hargrove met with financial analysts, bankers and money managers in Toronto and urged them not to press the auto companies to take a hard line against the union. CAW officials believe Wall Street and Bay Street investors pressured General Motors in Detroit to provoke the 21-day strike by auto workers in Canada in 1996. “In our view that was based on a misperception that our demand was going to hurt GM's business,” CAW economist Jim Standford told the investors. Hargrove stressed that the wage and benefit increases were reasonable because the CAW had been instrumental in increasing productivity and cutting labor costs in the auto industry.

As part of the deal Ford signed a letter of agreement to remain neutral in organizing drives by the union and to ask its suppliers to do the same. Like their counterparts in the United Auto Workers in the US, the CAW bureaucracy wants the auto companies to assist it in recruiting new members as a means of offsetting the loss in dues income from layoffs, plant closures, outsourcing to nonunion plants and attrition. The CAW hopes Ford will pressure nonunion suppliers, such as Magna International, to recognize the union.

But the CAW failed to get Ford to reverse its decision to shift minivan seat production from CAW-organized Lear Corp. to Magna in 2002. More than 500 CAW members at the Lear plant in Oakville, Ontario face the loss of their jobs from the move. But Hargrove said the union made the decision not to strike Ford over the issue.

The union also reportedly accepted the introduction of modular assembly, in which large numbers of parts are assembled in one unit, often by nonunion suppliers, before being shipped to an assembly plant. This will pave the way for a further loss of jobs. The new deal will allow the CAW to review the introduction of all such methods. According to Hargrove, Ford must replace production lost with comparable work for CAW members.

Meanwhile in the US, the UAW is reportedly close to an agreement with GM. Contracts with GM, Ford and Delphi Automotive Systems, the parts manufacturer spun off by GM earlier in the year, are expected to be patterned after the deal reached with DaimlerChrysler last week. DaimlerChrysler workers are voting on the tentative agreement Sunday.

The details that have emerged about the DaimlerChrysler agreement reveal that management decided to provide higher wages and benefits in exchange for the union's pledge to continue to assist in the downsizing of the US auto industry.

The new contract reportedly allows the company to reduce its work force by 25 percent before having to replace each job that is lost. If employment remains at 90 percent of the current level, only one of every three lost positions must be filled.

This is a particularly important issue for the auto makers because more than 100,000 workers are expected to retire over the next several years, and the companies want to replace no more than half the retirees in order to compete against their rivals. As older workers retire the auto companies intend to impose two-tier wages, speed-up and greater levels of forced overtime on younger new-hires.

The DaimlerChrysler deal also includes a supposed moratorium on plant closings and the spinning off of divisions that employ UAW members. This has caused some concern among officials at Ford, GM and Delphi. Ford is planning to spin off its Visteon parts division and GM wants to close an aging van plant in Baltimore and replace older plants in Lansing, Michigan and Lordstown, Ohio with new facilities based on modular assembly which will employ far fewer workers.

But industry analysts anticipate the contracts the UAW signs with these companies will include enough loopholes to allow the companies to sell, close or consolidate plants they no longer need without a confrontation with the union. “On its face, it sounds very restrictive,” said auto analyst Joseph Phillippi of Lehman Brothers. “In reality, you might end up with side letters and memos of understanding that some of these things might not be enforced. The UAW realizes they have to keep these companies competitive.”

Since 1979, combined UAW employment at the Big Three US car companies has dropped more than 50 percent, from 702,000 to 342,500. One commentator, a chief economist at Bank One Corp. in Chicago, summed up the ongoing negotiations, saying, “Anything the automakers give away in financial terms they'll get back in restructuring freedom.”