

UAW contract with DaimlerChrysler paves way for further downsizing in US auto industry

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The United Auto Workers union reached an agreement with DaimlerChrysler AG Thursday for a new four-year contract covering 71,000 UAW members at the company's US plants. The pact reportedly provides a \$1,350 signing bonus and raises of 3 percent for each year of the contract, as well as improvements in retirement and other benefits.

In exchange for the what some analysts say is the “richest” wage and benefit package for auto workers in nearly 20 years, the UAW agreed to further downsizing through attrition, work rule changes and other measures to increase productivity and offset the rise in labor costs. The extent of productivity gains made by DaimlerChrysler will largely be determined in coming weeks when the company completes negotiations over work rules on a plant-by-plant basis.

The settlement is expected to set the pattern for contracts covering another 317,000 UAW members at General Motors Corp., Ford Motor Co. and Delphi Automotive Systems, the parts manufacturer spun off in May by GM.

The agreement is the first to provide a wage increase in each year of the contract—instead of a lump sum payment—since 1982. The auto companies are flush with cash from \$70 billion in profits over the last five years and on schedule to break all-time US sales records. Although some observers complained that the agreement was “inflationary” and would encourage other workers to seek higher wages, the auto companies apparently decided this was the cost necessary for “labor peace,” i.e., the continued cooperation of the UAW in its downsizing and cost-cutting efforts.

The pact is also the first four-year agreement since the 1950s, replacing the current three-year contract.

Commenting on the agreement the *Detroit Free Press* wrote, “For the company, it can strive four more years to reduce the labor force through attrition—replacing one of every two retirees, a provision included in the 1996 contract and apparently repeated in the new one. This provision, which will likely be included in contracts with the other two automakers, allows the Detroit auto industry to push for more output from factories to compete with leaner international rivals.”

Analysts say that GM management, which is expected to settle next with the UAW, is particularly interested in the contract language about further downsizing. Wall Street investors are demanding that the company eliminate another 25,000 to 50,000 jobs over the next few years. “The Street is right now presuming that GM will continue to ride the attrition wave,” said Stephen Girsky, an analyst at Morgan Stanley Dean Witter.

The contract “lifetime job guarantee” for workers with more than 10 years seniority will have little or no effect, with more than 50 percent of the Big Three auto companies' workers scheduled to retire over the next decade. Instead it is another enticement for workers nearing retirement to vote for a contract that guarantees two-tier wages, forced overtime and speedup for the younger, new hires coming into the industry.

“For the nation's auto workers, it is a windfall,” said Diane C. Swonk, chief economist at Bank One Corporation in Chicago. “This is like the big buyouts that we've seen in the Fortune 500 for the past 20 years for white-collar workers.” The contract will allow the companies to build more cars with fewer workers, she said. “The UAW got lucky that the auto makers are doing well enough to offer an olive branch of wage

increases, but I'd be surprised if they stop the downsizing.”

The DaimlerChrysler agreement includes another provision that reportedly prohibits the sale or divestment of any company operations with union members. This has no practical effect on the company because it sold off most of its unprofitable parts and non-auto operations in the 1970s and 1980s. Nor will this adversely effect GM, which has already spun off its Delphi parts operations.

The language is aimed at putting pressure on Ford, which is planning to follow GM and sell its Visteon parts division, a move that will affect 23,500 out of Ford's 101,000 US workers. The UAW bureaucracy, which did nothing to resist the Delphi spin-off and was ready to accept the same at Ford, has come under considerable pressure from Visteon workers who are fearful that they will be forced to accept substandard wages once the company goes its own way.

Analysts say once the fine print of the contract is read it will become clear that the spin-off provision will not fundamentally impinge of Ford management's prerogative to sell off its assets. Instead it is expected that the UAW will use the provision to win concessions from Ford, such as allowing Visteon workers to remain, for the time being, under the Ford contract; give them opportunities to take vacant jobs in Ford plants; and sweeten their retirement packages. Any such agreement, undoubtedly, will be predicated upon the new company's right to lower wages for new hires.

During the negotiations the UAW leadership pressed DaimlerChrysler management to assist the union in its efforts to recruit new members at the company's nonunion Mercedes Benz factory in Vance, Alabama and its Freightliner truck facilities in the Carolinas and Ontario, Canada. The UAW, which has been unable to generate much support from workers at the plants, wanted management to recognize the union if 51 percent of the workers signed cards expressing interest in the union. DaimlerChrysler rejected the proposal and the new contract states that management will remain “neutral” during a union campaign.

This last issue is of great concern to the UAW leadership because union membership has fallen from 1.5 million in 1978 to 770,000 today. In an effort to stop the continuous fall in dues income the UAW is seeking the active support of the auto bosses to pressure

nonunion assembly and supplier companies to recognize the UAW.

In related developments, the Canadian Auto Workers union said Friday that Ford Motor Company's contract offer of a 1 percent annual wage increase was unacceptable. CAW leader “Buzz” Hargrove said there was a one in one-thousandth chance that there would not be a strike when the contract expires Tuesday.



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