UAW contract with Big Three

US auto union sanctions mass layoffs and plant closings

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In a previous period, the contract negotiations between the United Auto Workers (UAW) and the Big Three car companies were an event of national importance. The bargaining between the UAW and General Motors (GM), Ford and Chrysler was seen as having a potentially major impact on the US economy, and speculation was rife over which of the automakers would be picked as the target for a strike. Workers throughout basic industry, who saw the UAW contract as a new benchmark for improvements in their own labor agreements, also followed the outcome of the negotiations closely.

That was three decades ago. What took place in Detroit over the last number of weeks—culminating in new four-year deals covering 307,000 auto workers—was little more than the working out of an agreement between two sides of the same corporate entity. On the one hand, there are the auto bosses; on the other, a union bureaucracy that long ago repudiated any connection to the militant struggles of the past. At the center of the UAW negotiations was how best to defend the interests of the auto companies and the salaries and perks of the labor bureaucracy.

This conjugal relationship was consummated in a contract that will sacrifice tens of thousands of jobs, decimate dozens of communities to be hit by plant shutdowns and further erode the living standards and working conditions of current and future auto workers.

The deal concluded by the UAW is the largest concessions contract by the union since the severe recession of the 1980s and the near bankruptcy of Chrysler Corporation. Under the terms of the agreement, the Big Three and its two largest suppliers will shut down or sell as many as 20 plants and offices, employing 17,000 workers, and reduce increases in wages, health care benefits and pensions. Analysts say the latest pact will cost the automakers $12,000 less per worker than the last contract.

In the 1999 contract, the Big Three companies and the newly established parts companies spun off by GM and Ford—Delphi and Visteon—agreed to a temporary moratorium on plant closings and sales. Even with these so-called job-protection measures, Detroit's automakers cut roughly 53,000 hourly jobs.

In the deals reached this week, the UAW agreed to the scuttling of the moratorium and did not even make a pretense of fighting to defend jobs. On the contrary, it has agreed to "exemptions" from traditional contract language mandating the filling of some positions left vacant by retiring workers and has sanctioned the permanent elimination of another 50,000 jobs. In this way the UAW is directly contributing to the further dismantling of the manufacturing base in the US, which has seen 2.7 million jobs disappear since June 2000—and the growing mass unemployment crisis in the US.

Under the agreement, DaimlerChrysler will be allowed to close or sell five of the nine parts plants that management has deemed unprofitable. The factories, which collectively employ 8,160 workers, include the McGraw Glass Plant in Detroit and the Indianapolis Foundry. The workers at other threatened plants in Detroit and Toledo will be given four more years to become "competitive"—that is, boost profits through speedup, layoffs and other cost-cutting—or lose their jobs.

Ford has announced its intention to close assembly plants in Edison, New Jersey and Lorain, Ohio, along with parts plants in the Detroit area and Cleveland—employing nearly 3,000 workers. Another assembly in the St. Louis area, employing 2,400 workers, was temporarily saved after Missouri officials granted Ford huge tax concessions.

GM will close a plant in Baltimore. An assembly plant in Linden, New Jersey—which has no model assigned to it after 2005—is also a likely target.

These shutdowns are only the beginning. The global auto industry is facing a crisis of overcapacity and depressed profits. Every auto company is responding by slashing jobs, consolidating operations and carrying out mergers. Auto analysts estimate the Big Three alone need to close between seven and ten plants in North America because of production overcapacity in the US market, a crisis exacerbated by the influx in recent years of European and Asian-based companies that have built plants in the US Southern states.

DaimlerChrysler will be free to follow the lead of GM and Ford and sell off many of its component plants—in this case, to smaller parts companies that pay significantly lower wages. The company is now finalizing its sale of the New Castle Machining and Forge plant in Indiana to Michigan-based Metaldyne Corporation. The UAW previously agreed to pay cuts of up to 40 percent for the workers at New Castle in return for an understanding that Metaldyne would not interfere with efforts by the UAW to organize its 10 other facilities, which are presently nonunion. [*See* "Wage-cutting deal at New Castle Machining and Forge: Pay cut for auto workers means payoff for UAW"]

Management at Delphi and Visteon also won their demand to reduce wages for new hires in line with pay rates at other suppliers. The companies are seeking a permanent two-tier wage system, but the extent of the wage cut will be established in later negotiations with the UAW and will not subject to ratification by union members.

As a quid pro quo for providing the auto companies a green light to shut down plants and lay off thousands of workers, the UAW received a guaranteed flow of dues income to the union bureaucracy. According to the *Detroit Free Press*, "In exchange for the plant closings the UAW will be allowed to fill the new jobs at DaimlerChrysler's Mercedes plant in Vance, Alabama, with current UAW members, then hold an election so the union can represent all the hourly workers there, according to people familiar with the negotiations." The Alabama plant will reportedly double the size of its workforce, presumably adding hundreds of workers whose families will be uprooted from Michigan, Ohio and other states.

Automotive News reported Thursday that a union source said

DaimlerChrysler had agreed to permit so-called “card checks” at all US-based DaimlerChrysler facilities. Under a card check, which is less rigid than a formal election supervised by federal authorities, the union will be recognized if a simple majority of workers sign cards supporting unionization. A similar arrangement allowed the UAW to recently organize DaimlerChrysler’s Freightliner truck division.

In other words, the UAW has agreed to sweetheart agreements in order to pick up dues income in the southern plants. Workers there have repeatedly rejected voting for the union because of its dismal record of defending the jobs and livings standards of northern workers. The UAW now hopes to get recognized, not by convincing the workers in the southern plants but by convincing the company that it can extract greater profits and suppress the workforce better with the union than without it.

Over the past two decades, the Big Three’s market share has been sharply eroded by the “transplants” in the South owned by German, Japanese and Korean automakers. Although wages are comparable, the companies enjoy cost advantages due to the younger workforces at the plants and because the bulk of their employees, located in Asia and Europe, are covered by nationalized health care and pension plans.

Last month, the Big Three’s combined US market share fell to an all-time monthly low of 57.9 percent in August. On top of that, Toyota Motor Corp. outsold Chrysler for the first time in a single month. Particularly worrisome for the Big Three has been the foreign automakers’ inroads into the highly profitable SUV and pickup truck market in the US.

The response of the UAW has been to collaborate with the Big Three in slashing jobs and labor costs, in the name of making their plants “more competitive.” Management and the media hailed this week’s agreement for achieving that goal. Under the bellicose headline, “Pacts help carmakers battle foreign rivals,” the *Detroit Free Press* praised the UAW for signing contracts that “dramatically slow down the rising costs of union wages, pensions and health care—with an obvious eye toward beating back the threat from foreign-owned, nonunion auto plants in the South.”

At the same time, the UAW bureaucracy hopes this contract will help get its foot in the nonunion transplants by demonstrating its reliability in reducing labor costs and boosting profitability.

Stephen Girsky, an analyst from Wall Street investment firm Morgan Stanley, said UAW president Ron Gettelfinger was sending a message to nonunion suppliers and assembly plants owned by foreign automakers that “you don’t have to be afraid of us; we won’t bankrupt these companies.”

“He’s setting the tone, that we didn’t get a strike, we didn’t even threaten a strike, we got everybody done quick.”

For the first time in six years, auto workers will receive a wage freeze for the first two years of the contract. Instead, they will receive a lump-sum payment, giving management huge savings in future wages, overtime payments and retiree benefits, which are calculated from base pay. In the third and fourth years, workers will receive 2 percent and 3 percent wage increases, respectively. The UAW’s long-standing cost-of-living adjustments will also be reformulated to reduce payments.

On top of this, the automakers will double to $10.50 the co-payment for prescription drugs and substantially lower the increases in pension payments to the 522,000 UAW retirees, surviving spouses and dependents covered by the contract. For the first time since the 1960s, current retirees will get no increase in pension benefits.

The deal is also expected to further erode job classifications and shop floor protections, and grant the auto companies substantial leeway in moving workers from job to job and plant to plant. Instructing union officials on how to enforce the new absenteeism policy in the contract, union Vice President Nate Gooden said rank-and-file workers should be told: “You *will* be discharged. You will not return to DaimlerChrysler because we are sick and tired of taking care of you.”

The recent negotiations were a further step in the integration of the union into the structure of corporate management. In the past, the UAW negotiated a settlement with a “target” company, which was generally the company in the strongest position, in order to force the others to accept the same “national” contract. Industry-wide agreements ended in 1979, when the UAW concluded a separate deal with then-bankrupt Chrysler, accepting massive concessions and plant closings in exchange for gaining a seat on the company’s board of directors. This then became the “pattern” for the concession contracts of the 1980s and 1990s.

In this round of negotiations, UAW President Gettelfinger dispensed with even the pretense of threatening to strike. Instead of picking a target company, he sought to negotiate simultaneous contracts with all the automakers by granting them blanket concessions. The contract was negotiated in the shortest space of time since World War II.

Praising Gettelfinger, Ford CEO William Clay Ford said, “This was really quite a brave and unprecedented move.... I think it says a lot about the relationship we’ve built over the years.”

The media has invariably hailed the UAW for its “innovative” steps. The *New York Times*, in an article entitled, “Tough times force UAW to employ new strategy,” writes that the new agreements “represent a sharp break with tradition and underscore how tough times are for the Big Three and their suppliers.”

In fact, this is not a new strategy but the fruition of the nationalist and corporatist policy adopted by the UAW in 1980s. In the face of increased competition by foreign automakers, the UAW openly embraced the perspective that their members had no interests separate and apart from the auto companies. On this basis, the UAW imposed wage cuts, sabotaged strikes and victimized militant workers in the name of defending the profits of the US auto bosses. Workers in different plants, states and countries were pitted against each other in a never-ending struggle to see who would work for the lowest wages and under the worst working conditions.

What has this policy reaped? Since 1978, membership in the UAW has fallen from 1.5 million to around 700,000. During the same period, while top auto executives have seen their pay rise by 109 percent—not counting the millions more they have made in bonuses, stock options and other compensation—autoworkers’ real wages have grown by only 1.3 percent.

The UAW is far from unique. While it was working out the final details of the auto contract, another union signed a deal that summed up the relationship between the so-called labor movement and corporate America. The Goodyear pact signed by the United Steelworkers union grants major concessions to the tire company in exchange for a position on the company’s board of directors for the union bureaucracy.