

US auto union calls off parts strike, accepts multi-tier contract

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On Friday morning, February 27, after a one-day walkout at American Axle & Manufacturing (AAM) in Detroit and five other cities, the leadership of the United Auto Workers union (UAW) summarily shut down its picket lines and told its members a tentative agreement had been reached.

The agreement will establish a multi-tiered wage system over a four-year period—at one plant, there is an unprecedented three-tier system—that will further destroy the jobs and living standards of auto workers. In a new and sinister twist, however, the actual wage levels will be decided *after* ratification, subject to the secret negotiations of the company and the UAW bureaucracy.

An issue that sparked the walkout was the refusal of AAM to guarantee no plant closings during the life of the contract. According to statements issued by the UAW, the company threatened to eliminate 1,500 jobs at the Detroit Forge plant and the Buffalo Gear and Axle plant in New York state, essentially closing them.

While the new contract maintains the no-plant-closing clause, many workers know from experience that auto makers have easily gotten around such provisions to close production facilities.

In a joint statement, UAW President Ron Gettlefinger and AAM Chairman Richard Dauch praised the agreement covering 6,500 workers at 6 of AAM's 14 locations in the US. Dauch reportedly boasted that the company has thrived in old union strongholds such as Detroit and Buffalo with the use of UAW labor.

“Both AAM and the UAW are pleased to have reached this tentative agreement,” stated Dauch. “Although challenging, the negotiations were conducted in an extremely professional manner by both sides and we are prepared to move on.”

Gettlefinger was even more effusive, stating, “The UAW members are proud of the role they played in helping to make AAM the world-class company it is today. This new agreement recognizes those efforts and I am confident that our UAW members at AAM will view this tentative agreement favorably.”

American Axle was spun off from General Motors in 1994; it manufactures axles, gears and drivelines for the auto industry. Nearly 90 percent of its parts are sold to GM, which caused the Big Three automaker to cut back production in several plants when it was unable to get parts due to the one-day strike.

American Axle is one of the most profitable auto parts makers, reporting sales of \$3.7 billion in 2003 and a profit of \$197.1 million the same year. In 2002, the company made profits of \$176.1 million. Dauch personally was paid \$27.6 million in 2002, and last year he was reported to own 8.1 million shares of the company's stock, now worth more than \$300 million.

The WSWS spoke to UAW Local 235 President Wendy Thompson about the contract. The local represents workers at the American Gear & Axle plant in Detroit, located next to a new international headquarters recently built by AAM.

According to Thompson, the contract was promoted by the international leadership of the UAW to please the Big Three. “This agreement was established in the national contract agreement by the UAW with its parts suppliers,” stated Thompson. “This contract is similar to the contract signed at Delphi. I knew when they negotiated the agreement with Delphi that we were in trouble.”

Thompson said the UAW planned to force the same contract on all of the workers under its parts supplier division to prove to the automakers that the union was there to help them.

During the negotiations leading up to the contract expiration, Thompson said the international told the negotiating team to accept the two-tier wage agreement. “They were the main ones to push it in the negotiations,” Thompson stated. The bargaining team consisted of two members from each of the five plants involved in the negotiations, involving a total of 10 people. “I opposed it, but I was outvoted,” she said.

When asked what the two-tier wages would be, Thompson stated she did not know because it was in the hands of the international.

“When we vote, it means we give up the right to vote on what the wage will be,” she stated. “The international union will decide what the wage is and they will impose it,” supposedly within 90 days of signing the contract. When asked whether this was unprecedented, she replied, “It is quite shocking, actually.”

Thompson added, however, that the precedent was established in the national contract negotiations last fall and in a contract signed with Delphi Corp. and Visteon Corp., auto parts makers spun off from General Motors and Ford Motor Co., respectively. The UAW is still negotiating the tiered contract with the two suppliers, and so far they have not reached an agreement. The average pay at the two larger auto parts companies is presently \$26 an hour, compared to \$17 an hour for other auto parts makers, union and nonunion.

Thompson said the membership will vote and decide on accepting the contract, but she fears the other plants will accept it, especially since the company is offering a \$5,000 signing bonus in addition to a \$1,000 bonus at Christmas.

The contract covers production sites in three states: Detroit, Three Rivers and Oxford, Michigan; Buffalo, Tonawanda and Cheektowaga, New York; and Malvern, Minerva and Salem, Ohio.

The contract signed by the UAW at the Three Rivers plant, located in southwest Michigan near the Indiana border, has become the prime example of AAM’s plans for the multi-tiered wage system. In this small town of 7,500 people, 1,000 work for AAM.

According to Thompson, a clause in the national UAW contract provides that a local can negotiate a separate contract as long as it is a *lower wage* than the pattern agreement.

It is at the Three Rivers plant that the UAW has agreed to an unprecedented three-tier wage package. The contract, signed by the UAW several months ago, agrees to cut the wages of workers in the top tier (those making \$26.00 an hour or more) by 64 cents; pay the second tier a starting wage of \$13.50 to \$17.00 per hour; and pay the lowest tier only \$13.50 an hour. The lowest-tier workers will also pay a larger share of their health costs and give up cost-of-living increases for at least two years.

“The new agreement makes doing business here in Three Rivers on par with Mexico,” Three Rivers city manager Joe Bippus told the *Detroit Free Press*. Applauding the union and company, Bippus added, “They don’t have to move the jobs to Mexico. The UAW members showed a lot of foresight. They understood the global economic outlook and did what it took to keep the jobs in state.”

The union is prepared to offer multi-tiered contracts and lower wages to the corporations as long as workers remain

in the union and pay dues. During the past year, the UAW agreed to permanently lower the wages of workers at a Chrysler parts plant in New Castle, Indiana, and a Delphi plant in Flint, Michigan, agreed to a two-tier wage contract.

At a speech before a business audience last year in Dearborn, Michigan, Gettlefinger made it clear that the union’s labor-management policies have brought riches to the auto industry, citing AAM in particular as an example of the work the UAW can do. “Not only has American Axle’s UAW-represented workforce increased since 1994,” stated Gettlefinger. “Its stock price has more than doubled.”

The WSWS spoke to workers outside UAW Local 235’s union hall. They were surprised to find that the strike had been called off and that an agreement had been struck supporting a two-tier wage.

Alan, a skilled tradesman for 10 years, said, “Dauch hasn’t lost a dime in this place for 10 years. He’s worth \$300 million. They want a two-tier wage system paying \$13.50 an hour. That takes us back to the 1960s. How can you raise kids, pay a house note and pay other expenses on \$520 a week?”

Another worker with eight years at the American Axle plant in Detroit said, “All we ever hear is that the union has to be more flexible, that we have to be more competitive or the company will shut the plant and move it overseas. Somebody has to stop this.”

James, with 10 years seniority, said, “This is BS. They are sending us back to work without any details of the agreement the union made.

“In Three Rivers, Michigan, the UAW accepted a three-tier wage scheme. The town has a population of 7,000, and 1,000 work at the plant. The company threatened to decimate the city if the workers didn’t accept the pay cuts.

“In the plant here they have one guy doing the job that four guys used to do—and they expect that one worker to produce more gears and parts all by himself. They’ve also cut out overtime.

“This is also just the start. The companies are moving not only manufacturing jobs but salaried jobs to India, where they are paying a fraction of the wages.”



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