UAW-GM deal: a new stage in the corporate assault on American workers

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The agreement announced last week between General Motors and the United Auto Workers union (UAW) sets the stage for an intensified corporate attack on jobs, wages, health benefits and pensions that will affect every section of the American working class.

After months of secret negotiations, the UAW agreed to the most sweeping package of cost-cutting concessions since the Chrysler bailout of 1979-80. The union capitulated to the company's demand that active hourly workers and retirees give up billions in wages and health benefits, and agreed to a framework that will phase out all guaranteed health benefits.

General Motors Chairman and CEO Richard Wagoner announced the deal October 17, hailing it as "the single biggest cost reduction we've probably ever been able to announce in a single day in the history of GM." He said it would cut GM's long-term health care costs by $15 billion, or 25 percent, and reduce the company's annual medical expenses by $1 billion.

At the same time, GM said it would accelerate its plans to close assembly and supplier plants and eliminate 25,000 jobs. Wagoner sent a clear signal to Wall Street that the concessions deal was only the beginning, calling it a "very big step forward that we will build on."

Ford and Daimler/Chrysler immediately declared that they would insist on similar concessions from the UAW at their plants.

Wall Street's immediate response was enthusiastic, indicating that the scale of the cuts was greater than the banks and big investors had anticipated. GM stock rose $2.11 a share, or 7.5 percent, on the day of the announcement. This despite the fact that GM reported the same day a worse-than-anticipated third quarter loss of $1.6 billion, marking its third straight quarterly loss and bringing its total losses for the first nine months of 2005 to $3.8 billion.

The *Detroit Free Press* was particularly enthused by the agreement's new health benefit scheme for UAW retirees—the Voluntary Employee Benefit Association—that was supposedly set up to help mitigate the hardship resulting from increased health costs for retired hourly workers. Columnist Tom Walsh, in an article entitled "At Last, Automaker, Union Accept Reality," wrote on October 18:

"What's so bold and precedent-setting about the sketchy outline of the UAW-GM health care deal announced Monday?

"Two words: 'defined contribution.'

"The phrase was used to describe a Voluntary Employee Benefit Association plan that GM will help fund, and the UAW will run, to help ease whatever pain the so-far-unspecified health care concessions may have on hourly retirees.

"A defined-contribution approach is a sharp departure from the defined-benefits model that was the bedrock foundation for pension and health care provisions of the UAW auto industry contracts over many decades."

Walsh went on to explain that under a defined-contribution plan, workers' benefits are subject to be slashed, or their out-of-pocket costs increased, once the cost to the employer reaches a certain level. The burden for fast rising health care costs is thus born by the workers, rather than the company.

Walsh quoted David Cole, chairman of the Center for Automotive Research in Ann Arbor, Michigan, saying: "The trend away from defined-benefit plans has been going on for awhile, but this is the capstone. The day is over for defined-benefit plans where the ultimate cost is uncertain for the employer."

At a stroke, the UAW has abandoned a cornerstone of the gains won by auto workers, and other sections of the working class, as a result of struggles spanning generations.

Even as the media hailed the agreement, it issued demands for even more far-reaching concessions from the workers. The *Free Press* of October 18 carried an article headlined "Experts Aren't Sold on Plan to Turn Automaker Around," which reported: "The measures announced Monday are a good start at reducing costs, but they don't go far enough and don't address major risks ahead for GM, Wall Street analysts said."

Kevin Tynan of Argus Research Company in New York was quoted as saying: “GM needs to cut wages, reduce its workforce and get rid of the jobs bank agreement, where it pays workers even if they’re not needed for plant work.”

Erich Merkle, director of forecasting for IRN Inc., an auto consulting and research firm based in Grand Rapids, Michigan, told the newspaper: “GM needs further concessions from the UAW when the current contract expires in 2007.”

The *Detroit News* headlined its lead editorial of October 18, “GM-UAW Health Care Deal a Good Start; More Needed.” The newspaper singled out for destruction the jobs bank program and the “30-and-out” retirement provision—whereby hourly workers can retire with full benefits after 30 years on the job. The latter is one of the most critical gains for which auto workers tenaciously fought in the postwar period.

In announcing the agreement on October 17, GM’s Wagoner (whose annual salary is $2.2 million) said the cost reductions in health care were only part of a restructuring plan aimed at saving the company $5 billion a year. The October 18 *Wall Street Journal* reported: “A GM spokesman said the company plans to announce closures of some assembly plants in the fourth quarter. The number and location of the plants to be shut down are now being discussed with the UAW, the spokesman said.”

The October 18 *Detroit News*, reporting that“Several plants are shaping up as likely targets for closure, which likely would occur after GM renegotiates its contract with the United Auto Workers in 2007,” listed those factories under prime consideration for elimination. They include assembly plants in Doraville, Georgia; Moraine, Ohio; Oklahoma City, Oklahoma; Janesville, Wisconsin; Arlington, Texas and Pontiac, Michigan.

On Thursday, several hundred local UAW officials from GM plants throughout the US met in Detroit and learned the details of the agreement that had been reached by union president Ron Gettelfinger and Vice President Richard Shoemaker, who heads the union’s GM department. The local officials unanimously voted for the plan, setting the stage for a ratification vote by UAW members at GM. Retired workers, who are hardest hit by the concessions deal, will not be allowed to vote.

The fact that there was not a single dissenting vote, though not surprising to anyone who is familiar with the UAW’s thoroughly corporatist policies, nevertheless underscores the degree to which the organization has become a bureaucratic shell, insulated from and hostile to the aspirations and needs of the workers.

The real relationship between the union and rank-and-file auto workers was highlighted earlier in the week when the UAW went into federal court to block suits by disaffected retirees against both GM and itself. (See “US auto union goes to court against its own members,” October 22, 2005)

Following the meeting with local union officials, the UAW released details of the GM agreement. For the first time since the UAW won health benefits for its members, retired workers will have to pay monthly premiums. Single retirees or widowed spouses will pay $10 a month. Families will pay $21.

There will be an annual deductible: $150 for single retirees and $300 for families. Retirees’ out-of-pocket costs for prescription medicines will also be increased.

The deal caps the maximum cost for monthly premiums, yearly deductibles and co-insurance expenses at $370 per year for individual retirees and $752 for families.

Low-income retirees, who make less than $8,000 a year from their pensions, will be exempted from the new health care charges.

Active UAW workers will not have to pay these premiums or deductibles, although their co-payments for prescription drugs will go up. Instead, they will defer $1-an-hour in pay raises that were due next year. Of this pay cut, 83 cents will come out of an annual wage increase and 17 cents will from annual cost-of-living (COLA) adjustments.

In addition, workers will defer 2 cents an hour in COLA every quarter, beginning in December 2006. These lost wages will evidently go to fund the Voluntary Employee Benefit Association, which will become an enormous slush fund in the control of the UAW bureaucracy.

Also on Thursday, Ford Motor announced a quarterly loss of $284 million, and its chairman and CEO, Bill Ford, said the company’s restructuring plan, currently being discussed with the UAW, would include health care benefit changes and “significant plant closings.” Tacitly alluding to GM and the demand of auto parts maker Delphi, currently under bankruptcy court protection, for wage cuts of up to 60 percent, Ford said, “Our industry is beginning a dramatic restructuring which is sorely needed.”