US auto union accepts massive wage cuts and layoffs in tentative pact with Delphi

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On Friday, the United Auto Workers union (UAW) reached a tentative agreement with the auto parts company Delphi that will impose pay cuts of up to 50 percent, mass layoffs and sweeping cuts in health and retirement benefits. The deal, which permanently slashes the wages of Delphi workers to near-poverty levels and replaces pensions with 401(k) plans, sets the stage for an unprecedented rollback in the conditions of all US auto workers.

The agreement, worked out in three-way talks between the UAW, Delphi and General Motors, which spun off its former parts division in 1999, is being hailed by business leaders and the media. *Detroit News* columnist Daniel Howes called it the "Detroit auto equivalent of the fall of the Berlin Wall." A top Delphi official praised it as "a significant milestone in our transformation."

After negotiating for 20 months, the union is moving to rapidly push through a vote, giving workers as little time as possible to consider the agreement's far-reaching implications and mobilize against it. Informational meetings at Delphi union locals have been set for Monday, and the ratification vote is expected to take place later this week.

The UAW and the auto bosses want to obtain ratification of the contract before the start of negotiations next month with Ford, General Motors and Chrysler, all of which are seeking cuts in wages and benefits amounting to $30 per hour. The Big Three auto companies and the UAW are determined to have this unprecedented wage-cutting deal in place in advance of the national auto negotiations in order to put maximum pressure on workers at the US auto companies to accept historic concessions.

While the agreement allows Delphi to impose billions of dollars in concessions and eliminate thousands of jobs, top Delphi executives will pocket millions in bonuses. Last summer the company announced it was extending an executive bonus program worth $60 million Top management is making it clear that if the contract is ratified, Delphi will emerge from Chapter 11 bankruptcy only to be quickly sold off to private equity firms, generating hundreds of millions more for company executives and Wall Street financiers.

Neither the company nor the union has officially released the provisions of the contract, but the main outlines have been leaked to the press. Since going into Chapter 11 bankruptcy in October of 2005, Delphi has been threatening to sell or close 21 of its 29 US factories. Under the terms of the tentative agreement, at least ten plants will be closed outright. Four plants are to be kept open as Delphi facilities, and another five will continue to operate under third-party management until they are sold. The rest are to be sold as soon as possible.

The plants slated to be operated temporarily by third parties include the Saginaw steering and Flint East facilities in Michigan and the Needmore Road plant in Dayton, Ohio.

Since Delphi was formed in 1999, the number of UAW workers at the company has fallen from 45,600 to 17,000 Most of the current jobs will be eliminated under the agreement signed by the UAW.

The contract slashes pay for 4,000 workers presently receiving wages equivalent to those of GM workers from $27 per hour to as low as $14.50. These senior workers are being offered so-called "buy-downs," i.e., lump sum payments of up to $105,000 apiece over the next three years to offset the pay cuts over that period. These workers are also being offered a chance to transfer to GM facilities should openings become available, or take lump sum payments if they voluntarily quit. The likelihood of jobs opening at GM is slim, given the company's on-going downsizing.

The buy-downs are part of the long-established strategy employed by the UAW to obtain ratification of concessions by dividing the workforce. In 2004, the UAW agreed to allow Delphi to bring in new-hires at $14 an hour and with reduced health benefits. The union also allowed the company to hire large numbers of part-time workers.

After Delphi declared bankruptcy, the union signed an agreement with the company on a package of buyouts to encourage senior workers to leave, opening the way for management to increase the number of new-hires at the lower pay rate.

Under the new deal, senior workers who decide to remain with Delphi will be required to pay the higher deductibles and co-pays paid by workers brought in under the two-tier wage structure. The new contract also terminates the existing defined

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benefit pension plan and replaces it with an inferior 401(k) plan.

GM will reportedly spend billions of dollars to help subsidize the buy-downs. It calculates that it will recoup this money and far more in the form of cost savings on parts purchased from Delphi and what it describes as “transformational” concessions from the UAW in the upcoming contract negotiations.

The new agreement contains virtually all of the concessions demanded by Delphi when it declared bankruptcy. If the negotiations extended for nearly two years, it is not because the UAW resisted the cuts demanded by Delphi and General Motors. There is little doubt that the UAW agreed in principle to management’s concessions demands early on.

The more contentious issues in the protracted negotiations were, in all likelihood, the concessions the UAW would give to GM in this year’s national contract and the guarantees the companies would give to secure the jobs and salaries of the UAW bureaucracy. These secret deals will never be revealed to the rank-and-file workers or the general public.

The settlement will reduce pay and benefits for Delphi workers to levels that used to be associated with nonunion companies. However, the workers will still be forced to pay dues to the UAW, in the form of the dues checkoff that is automatically deducted from their wages.

With this contract, the UAW is setting a precedent that will quickly ripple through all of the unionized auto parts companies.

Ratification of the agreement would set the stage for Delphi to close a deal with private equity firms. The involvement of these speculative companies, often termed vulture funds, means even greater attacks on the workforce.

The UAW’s endorsement of this contract once again demonstrates its bankruptcy. It does not represent auto workers, but rather a privileged apparatus that exploits its position as bargaining agent in order to assure its own privileged lifestyle.

The outlook of the UAW bureaucracy was summed up by one anonymous UAW official who told the *Detroit News*, “It’s a good deal and a generous one.”

It may be a good deal for the UAW apparatus, which will continue to collect dues from workers earning half the traditional auto wage, but it is a disaster for Delphi workers and the communities in which they live. The plant closures and pay cuts will lead to a drastic reduction in living standards, home foreclosures and the breakup of families. Cities already devastated by the downsizing of the auto industry, such as Flint and Saginaw in Michigan, Kokomo in Indiana, and others will again suffer the greatest blows.

Delphi workers should vote to reject this contract. Not one penny should come out of workers’ pockets to pay for a crisis they did not create. Instead, Delphi workers should launch strike action, linking up their fight with workers at Ford, General Motors and Chrysler as well as the other auto parts suppliers. This will require a struggle not only against the auto bosses, but against the UAW apparatus itself. Workers should organize rank-and-file committees independent of the UAW to organize this fight.

The struggle at Delphi poses basic political issues. The assault on American auto workers is part of a global offensive by big business against jobs, wages and working conditions. It reflects the drive of an irrational and failed capitalist system, which, in order to satisfy the demands of a tiny corporate elite, must condemn millions to impoverishment.

The role of the bankruptcy court in overseeing this assault on the workforce demonstrates that workers are confronting not only the auto corporations, but also the government. The entire political establishment, including labor’s so-called “friends” in the Democratic Party, agrees that auto workers must accept massive cuts in their living standards to increase the “competitiveness” of the US car makers on the world market.

The working class must develop a new political strategy if it is to defend its jobs and living standards. The alliance of the UAW with the big business politicians of the Democratic Party leaves workers powerless against the drive by big business for ever-greater concessions.

Delphi workers should reject the chauvinist propaganda of the UAW, which blames the crisis on unfair trade or blames workers in China, Japan, Mexico and other countries. The fault rests with the profit system itself.

To halt these attacks, the auto companies must be placed under the democratic ownership and control of the working population, to be run as public utilities for the common good, not private profit. To carry this out, working people must break with the Democratic Party and construct their own independent political movement to fight in unity with workers internationally for socialist policies. This is the program advanced by the Socialist Equality Party and the *World Socialist Web Site*.

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