

Details of General Motors contract underscore UAW betrayal

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Additional details have emerged on the tentative agreement signed between the United Auto Workers and General Motors that shed additional light on the scope of the betrayal carried out by the auto workers union. The UAW reached the deal Wednesday morning and ordered an end to the strike by 73,000 GM workers—just two days after it began.

The front page headlines of several newspapers celebrated the historic rollback of auto workers' conditions contained in the GM-UAW agreement. "GM Labor Deal Ushers In New Era for Auto Industry," wrote the *Wall Street Journal*; "GM-Union Deal Could End Business As Usual In Detroit," declared the *New York Times*; "A New US Auto Industry Emerges," proclaimed the *Detroit Free Press*.

The *Journal* described the transformative significance of the contract as follows: "For much of the past half century, Detroit's Big Three auto makers had collaborated with the UAW to create an industrial aristocracy of blue-collar workers whose pay and benefits set the standard for the American middle class. If the proposed contract announced yesterday is ratified by union members—and is subsequently replicated at Ford Motor Co. and Chrysler LLC—that era in American industrial history may be over."

The lynchpin of the agreement is a proposal to free GM of its obligation to pay health care benefits to its nearly 400,000 retirees and their dependents by setting up a multi-billion-dollar union-controlled trust fund—known as a Voluntary Employees' Beneficiary Association, or VEBA—that will pay out benefits. In addition, the agreement establishes a two-tier wage system—the first ever in a national UAW contract—that will drastically reduce wages and benefits for the next generation of auto workers.

From the start the VEBA trust will be under-funded,

with GM contributing only \$35 billion out of the nearly \$55 billion it owes to retirees. With health care costs steadily rising—corporate medical costs have soared 46 percent since 2003—it is likely that the fund will be depleted and the UAW, now in charge of retiree medical benefits, will be in charge of cutting benefits.

In addition, cost-of-living increases—won by UAW workers at GM in 1948—will be diverted to help offset the cost of retiree health benefits. Given that the four-year contract includes three lump-sum bonuses but no wage increases, the effective end of cost-of-living adjustments will result in a substantial decline in pay for all GM workers.

The UAW has also agreed to allow GM to divert pension fund money to the VEBA trust, endangering the future solvency of the pension fund.

Retirees, who were already forced for the first time to pay out-of-pocket medical expenses in 2005, will again be compelled to contribute more to the cost of their health care in the form of higher premiums and co-pays, according to the *Detroit Free Press*.

For its part, the UAW will become one of the largest private insurers in the US and will control an investment fund worth up to \$70 billion, once similar deals are reached with Ford and Chrysler. While UAW President Ron Gettelfinger claimed the trust would be solvent for 80 years, similar VEBAs set up by the UAW at Caterpillar and Detroit Diesel ran out of cash, leading to sharp increases in medical costs for retirees and their families.

"It is absolutely impossible that the VEBA will last that long. This is going to turn out to be a nasty boil that will continue to fester," Nelson Lichtenstein, history professor at the University of California at Santa Barbara told *MarketWatch*. "Gettelfinger is making a mistake by dressing up defeat as a victory,"

he added.

Under employer-paid medical coverage, won by UAW for retired workers in the 1960s, retirees had received “defined” benefits from GM that increased as health care costs rose. Under the union-controlled VEBA, there is no such guarantee for the workers. The UAW could forego guaranteed benefits and instead follow the example of many businesses by granting workers a flat subsidy or placing a cap on the cash value of benefits available to the workers.

The *Wall Street Journal* noted, “By disbursing fixed amounts, and limiting increases, administrators of health-care trusts can avoid running out of money,” adding that it was likely the UAW would receive such advice from the financial advisors and consultants who will be bidding for its business.

The two-tier wage scheme agreed to by the UAW will reduce labor costs (wages and benefits) for new-hires in so-called “non-assembly jobs” to an average of \$27 per hour, compared with the current average of \$73 per hour. The union and company will offer buyouts and early-retirements to move current workers out of their jobs, so they can be replaced with far cheaper labor.

While the UAW said it called the strike to win job security—and now claims the number of US jobs will remain the same until the contract expires in 2011—the *Detroit Free Press*, wrote, “GM stopped short of guaranteeing that specific new products will be assigned to union-staffed plants.” Any commitment to maintain manning levels, the newspaper continued, “comes with the caveat that the union must agree to flexible work rules in local plant-level negotiations.”

The jobs bank, which pays laid off workers while they are jobless, will be changed so that the geographical area within which workers will have to move to an open position or lose their incomes will be expanded.

If accepted, this agreement will devastate current, future and retired workers and their families.

The contract should be overwhelmingly rejected by rank-and-file workers at the ratification meetings being scheduled by the UAW bureaucracy. Rank-and-file committees should be organized to take the conduct of negotiations out of the hands of the UAW bureaucracy and launch a struggle to unite GM, Ford, Chrysler and other workers against the auto companies.

Above all, lessons from this betrayal must be drawn,

beginning with the need for workers to break free of the UAW and organize their struggles on an entirely new basis. This means a political struggle to unite every section of the working class against the two parties of big business and the profit system they defend.



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