US auto union prepares to hand over historic concessions

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12 September 2007

Negotiations are continuing for new labor agreements covering nearly 180,000 United Auto Workers (UAW) members employed at General Motors, Ford and Chrysler. The previous four-year contracts are set to expire at 11:59 p.m. Friday, September 14, but are likely to be extended by both sides if no agreements are reached.

There was a time when contract talks between the UAW and the "Big Three" automakers commanded national attention, including millions of workers who hoped the gains of the UAW would set a precedent for improvements for the whole working class. Struggles in the 1950s and 1960s, for example, established the first employer-paid pensions and medical benefits for industrial workers.

Those days are long gone. Over the last three decades, autoworkers have suffered one rollback after another as the UAW joined management in ripping up the gains of the past and imposing the demands of the Detroit automakers. These concessions have been accompanied by massive layoffs, with the number of Big Three autoworkers declining by a staggering 76 percent since 1979, from 750,000 to 177,000.

The UAW hardly makes a pretense of defending its members' jobs and living standards, functioning instead as an advocate of corporate interests. Since signing the last contract in 2003, the union has helped management push 140,000 workers out of the industry through buyouts and early retirement packages. The companies have sought to replace many workers with lower-paid new hires and temporary employees, who, while being compelled to pay UAW dues, lack the slightest job protection and benefits.

It would be false to believe these negotiations involve a conflict between two antagonistic bodies—one representing corporate management, the other representing the interests of autoworkers. The UAW is an organization of the labor bureaucracy, which negotiates not on behalf of rank-and-file workers but for the stratum of corrupt and privileged officials who control the organization.

The UAW has agreed to a media blackout on the progress of the talks chiefly to keep its own members in the dark while it prepares to grant the auto companies the most sweeping concessions in decades. The union agrees in principle that autoworkers must pay for the falling profits of Detroit's automakers and the loss of market share to their Japanese and European competitors. The only question for the UAW is what the bureaucracy will get in return for its services.

The auto companies are reportedly seeking two major objectives: a sharp reduction in wages and benefits for new hires and the elimination of billions of dollars in medical benefit obligations owed to retired workers and their families. Their reported aim is to reduce the $25-to-$30-an-hour wage advantage Japanese and European automakers enjoy at their non-union plants in the US, which now build more than half the trucks and cars sold in the nation.

The companies plan to offer new employees, as well as thousands of temporary workers already on the jobs, a "second-tier" wage and benefit package, at much lower labor costs. While the union has reportedly expressed reservations on some details—and some analysts say it is more likely to agree to lower pay for a limited number of non-assembly line jobs—the UAW is said to be offering to strip new hires of their "defined benefit" medical plans, which obligated the employers to provide virtually full healthcare coverage.

According to a September 11 article in the *Wall Street Journal*, "While union representatives have resisted the Big Three's proposal to pay new hires a lower wage, the UAW says it is considering a health-care proposal for new hires that would be cheaper for automakers. Under the existing agreement, the automakers guarantee certain benefits, a system that has grown more expensive as health-care prices have climbed. Under the new proposal, manufacturers would instead guarantee newer hires a defined contribution to their health-care plans, those familiar with the talks say."

In other words, workers will be compelled to pay ever-greater out-of-pocket expenses while the employers' costs will be fixed. The UAW already set the precedent for this rollback in 2005, when it reopened the contract with GM and Ford and imposed $15 billion in healthcare costs on retired workers—ending full coverage for former workers for the first time since this benefit was won in 1964. In addition, current workers gave up $3 billion in medical concessions.

The most important transformation in the new contract, however, is the plan to hand the UAW control of the tens of billions of dollars put aside by the Big Three to pay for retiree medical benefits. This would involve establishing a union-controlled trust called a Voluntary Employees' Beneficiary Association (VEBA), a proposal that would make the UAW the largest provider of healthcare in the US. The union would be responsible for providing benefits, and, in the case of shortfalls, for cutting them.

All three Detroit automakers reportedly proposed VEBAs in their initial offers to the UAW. A similar deal was struck between the United Steelworkers union and Goodyear Tire & Rubber last year. Earlier this year, the UAW and auto parts supplier Dana reached agreement on a union-controlled VEBA.

The automakers, whose retiree healthcare liabilities are more than $100 billion, expect the UAW to allow them to pay only a portion of their obligation. A September 4 article in the *Detroit News* noted, "Analysts say a VEBA makes sense only if the automakers are able to transfer these liabilities to the UAW at a discount. People familiar with the situation say union leaders agree with the companies on this principle, but not on an actual figure. One executive told the *Detroit News* his company could afford 60 cents on the dollar, but said 70 cents would be 'pushing it.' "

This would mean that the VEBA would be underfunded from the outset. The union would be responsible for making the cuts necessary to bring the VEBA's obligations in line with its funding. If the UAW does not come to terms on a VEBA, another executive told the *News*, more painful wage and benefit concessions would be imposed unilaterally.

The *News* continued, "UAW leaders understand that transferring tens of billions of dollars in liability from the companies' books to trust funds controlled by them makes sense, sources close to this summer's contract talks say, adding that the union first floated the idea. The talks are now turning on two critical questions: how much the automakers should pay, and how they should pay for it."

The auto companies have reportedly had difficulty raising cash because of the high interest rates they are forced to pay due to their junk-bond ratings, combined with the credit crunch that has followed on the subprime mortgage crisis. The automakers are offering to pay a large portion of their contribution to a healthcare trust with company stock or to spread out payments over many years.

This proposal has apparently caused concern in the UAW bureaucracy, which would prefer a cash payment. This concern is not due to fear that a downturn in the share prices of the companies could result in the wiping out of healthcare benefits for thousands of retired members and their dependents. No doubt the major fear for the UAW bureaucracy is that it could lose out on a deal that has the potential of providing the union with an income stream of millions, if not billions, of dollars.

The UAW no doubt prefers cash because the shares of the Big Three have been plummeting for years. Moreover, if one of the companies declares bankruptcy, the UAW could end up holding billions in worthless stock.

The auto bosses and Wall Street analysts have reportedly sought to assuage the concerns of the UAW by assuring them that the announcement of a VEBA would lead to a sharp rise in the share value of the companies, similar to the 25 percent spike seen in the weeks following the deal between Goodyear and the steelworkers' union. This would allow the UAW to quickly cash in, they are arguing.

"The union would also benefit if the financial condition of the two companies continues to improve, as most analysts expect would happen under a VEBA deal. The UAW would be free to sell those shares and diversify its investments whenever its money managers decided to do so," the *Detroit News* reported.

Once the UAW controls huge portions of GM and Ford stock (Chrysler is now a privately held company), the labor bureaucracy will have a direct economic incentive to continue to drive down the living standards of their members and increase the profits pumped out of workers in the factories.

In the past, one could have called the UAW a petty shareholder in the exploitation of workers, whose officials got privileges and perks from management in return for suppressing the resistance of workers. In the current round of negotiations, the UAW is seeking to establish itself as a business enterprise, which will directly profit from the exploitation of the workers that it supposedly represents.