

As contract deadline approaches

# US auto union poised to accept sweeping concessions

**Jerry White**  
**14 September 2007**

*This article is available as a PDF leaflet to download and distribute*

Negotiations between the United Auto Workers union and the Big Three Detroit automakers are continuing as the midnight Friday deadline approaches for the expiration of the current four-year labor agreements. The current contract covers 180,000 UAW members at General Motors, Ford and Chrysler.

Sources close to the negotiations say an agreement by the deadline is unlikely and that talks will continue throughout the weekend to finalize a deal. The UAW has made it clear it has no intention of calling a strike that could hurt the auto companies.

The union has imposed a news blackout on negotiations, chiefly to keep its own members in the dark as it prepares to grant the auto companies the most sweeping concessions in decades.

According to a report in the *Wall Street Journal* Thursday, UAW President Ronald Gettelfinger has agreed in principle to the setting up of a VEBA, or Voluntary Employees' Beneficiary Association, that would transfer responsibility for providing retiree healthcare benefits from the companies to the union. The auto companies are seeking to spin off the \$114 billion in healthcare liabilities owed to more than half a million retirees and dependents.

General Motors shares rose more than 8 percent Thursday as Wall Street investors grew increasingly optimistic the company would achieve the money-saving healthcare deal, which will boost corporate profits and returns for investors. Citigroup cited the prospect in giving GM stock a "buy" recommendation.

GM, the number one US automaker, is looking to cut its retiree obligation by at least 30 percent if it puts retiree health benefits in union hands, the *Journal* reported. The *Detroit Free Press* noted, "People familiar with GM's request have said the company wants to pay no more than 50% or 65%" of the approximately \$64 billion it owes.

GM has reportedly told the union that if it did not accept the VEBA deal, management would unilaterally impose severe cuts in wages and benefits on current and retired employees.

The creation of a trust fund in excess of \$70 billion would put the UAW in charge of one of the largest investment funds in the country, guaranteeing the union bureaucracy an income flow of millions, if not billions. "The UAW would end up with another reason to exist aside from just organizing," former Tower Automotive CEO Kathleen Ligocki recently told the *Detroit Free Press*. "They'd actually be powerful investors."

This arrangement would give the UAW responsibility to make up any shortfall by cutting benefits to UAW retirees and their families. In 2005, the UAW did just that when it reopened contracts with GM and Ford to impose out-of-pocket medical expenses on retirees for the first time. The union then joined GM in a lawsuit to block the former workers from suing the company for cutting benefits that had been guaranteed for life.

Among retirees, there is widespread concern about leaving their fate in the hands of the corrupt union bureaucracy. In addition, many fear that a downturn in the stock market, along with rising medical costs, could cripple the trust fund and lead to drastically reduced benefits.

Union officials reportedly plan to sell the deal as a means of defending retiree benefits against the impact of a possible bankruptcy of one or more of the Detroit automakers. In reality, however, autoworkers have already had a bitter experience with these dubious schemes.

In 1998, the UAW negotiated a VEBA with heavy-equipment maker Caterpillar that ran out of money by 2005. Retirees faced drastic increases in co-pays, premiums and deductibles. Families facing a monthly premium of \$118 in 2005 will see an increase each year to a projected \$332 by 2010.

The UAW also set up a joint company and union

administered fund at Detroit Diesel in 1993 that was exhausted by 2004, also leading to a spike in out-of-pocket costs for 1,126 retirees and their dependents.

The UAW has accepted in principle that the automakers' obligations will be "discounted"—i.e., that the new trust will be under-funded from the beginning. It has reportedly expressed the wish, however, that more of the fund be financed in cash, rather than stocks, and is seeking some promise of future assistance from the auto companies if the money runs out.

The UAW is negotiating to protect the interests of the union bureaucracy, not the workers the organization supposedly represents. In large measure the union is deliberately pitting current workers against the older generation of autoworkers by accepting in principle that high "legacy costs"—that is, retiree healthcare and pension expenses—are the cause of job insecurity.

The UAW is reportedly seeking to win chiefly cosmetic assurances from the companies over future plant investments, bans on outsourcing and retention of the Jobs Bank to supplement the income of laid-off workers, in exchange for approving a contract that will drastically worsen the living standards of retired workers, who have no right to vote on the agreement.

At the same time, however, the auto companies are pressing ahead with demands to sharply reduce the wages and benefits of new hires. The *Detroit News* reported Thursday that GM in particular was pursuing a two-tier wage structure because in the future it would need to hire 15,000 to 20,000 replacements as its older workforce retired.

The paper noted that the UAW has already agreed to such two-tier wage structures at auto suppliers Delphi, American Axle & Manufacturing Holdings, and most recently Dana. In addition, the *News* reported, "The UAW agreed to let Chrysler hire long-term temps—who are paid a lower wage—at its Belvidere, Illinois, assembly plant in exchange for adding a third shift of production."

The auto companies also want to replace defined benefits for new hires with "defined contribution benefits" that would fix the auto companies' healthcare costs and force workers to pay for rising healthcare expenses.

The WSWS spoke to workers at the Chrysler Warren Truck plant outside of Detroit. Universally, workers complained that they had heard nothing from the UAW about the contract negotiations. Many workers expressed distrust over the talk of putting retiree healthcare benefits in the hands of the UAW. Workers also indicated concern about jobs and the deteriorating working conditions inside the plant.

Tammy, a worker with 12 years seniority who recently transferred from the Trenton, New Jersey engine plant, told

the WSWS, "We don't know anything about the negotiations. I don't see what the union is doing for us. Every time management wants to cut jobs, it's done. The union doesn't do anything. You might as well say we don't have a union, especially if you transferred from another plant."

"I am really concerned about my seniority," Tammy said. "When I came from Trenton I started at day one in terms of seniority. There are people with 12 years seniority who would be laid off first if they cut back. They are trying to turn union members against each other. That is why morale is so low here. This is the worst plant overall in Chrysler to work for."

Eva, a Warren Truck worker with 15 years seniority, told the WSWS she was opposed to the VEBA. "I think it's a done deal. Everything in the press is just propaganda. I have a hard time trusting the union to take care of retiree health benefits—so they get a lump sum from the company, but healthcare costs are going up, what happens then? I can see so many things going wrong."

Eva noted, "The unions have become big businesses themselves. To be honest, the history of the union is important, but we don't get much representation. Deals are made, but they act like it is still being negotiated."

"Once Chrysler wanted us to give up our whole two weeks downtime as vacation, and the union wanted us to accept it, but we voted it down 98 percent. But now, the company and the union know that people are overextended and they have leverage against us."

Doug, an assembly worker for 26 years, said, "The union is not a union like it was years ago. They used to stand up for the people. Now if the management says we are going to do it this way, the union agrees. I think the union is slowly dying."



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**