US auto union extends contracts as deadline passes

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Negotiations continued over the weekend between the United Auto Workers union and General Motors, which was selected by the union as its lead negotiator for new labor agreements covering 180,000 workers at GM, Ford, and Chrysler. Claiming progress was being made in the talks, the UAW ordered its members to continue working after the previous four-year agreements expired Saturday morning.

The UAW decided to extend its contract covering 73,000 GM workers on an hour-by-hour basis. Contracts have been extended at Ford and Chrysler indefinitely. After a break on Saturday negotiations resumed Sunday morning at the jointly-run UAW-GM Center for Human Resources in Detroit.

The UAW has imposed a news blackout chiefly to keep its own members in the dark as it prepares to accept what has been called a "transformational" contract for the auto industry. This is expected to include sweeping reductions in wages and benefits for new hires, and a new scheme that will allow automakers to dispense with a large portion of their obligations for retiree medical benefits through the setting up a union-run trust fund.

Many years ago auto executives had no desire of being selected as a "strike target" by the UAW because it meant being confronted with the union's most aggressive demands, which would then set a precedent for the entire auto industry.

Over the last quarter of a century however, the UAW has embraced labor-management collaboration and assisted the Big Three automakers in slashing labor costs and eliminating 600,000 UAW jobs—including more than 100,000 since the last contract was signed in 2003. Automakers now vie with each other to be the union's strike target or "leading negotiating partner" in order to tailor a contract most closely matched to their competitive needs.

According to an article in the *Detroit Free Press*, "Labor experts and automotive industry analysts say the announcement [of GM's selection] is great news for GM and could mean the parties are willing to negotiate the retiree health care trust—known as a Voluntary Employee Beneficiary Association, or VEBA. GM has been pushing to move its retiree health care obligation off its books and into a trust run by the UAW.

"'I am sure GM is overjoyed,' said Gerald Meyers, a University of Michigan business professor and former chief executive officer of American Motors."

The automakers want to pay only 50 to 65 cents for every dollar of the nearly $100 billion they owe to a half million retired autoworkers and their dependents. They have reportedly offered cash, stock and real estate to set up the VEBA trust fund.

While this arrangement would benefit the companies and the UAW bureaucracy, which would control a multibillion-dollar trust and the income it would receive from one of the biggest investment funds in the US—previous VEBAs have produced a disaster for workers and retirees.

Two such trust funds set up by the UAW—at Caterpillar and Detroit Diesel—ran out of money, leading to the imposition of high co-pays and premiums on retirees. At Caterpillar, the UAW cut the pay of new hires in half, saying this was required to replenish the exhausted fund.

In 2005, the UAW set up smaller versions of VEBAs with GM and Ford. It was paid for by diverting cost-of-living wage increases from current workers and imposing out-of-pocket medical expenses on retirees and their families for the first time since fully-paid benefits were won in the 1960s. Once in control of the

VEBA the UAW will be responsible to cover all future shortfalls, a prospect that would mean the diversion of future wage increases from current workers and larger sacrifices from retirees and their families.

The union has long favored setting up a VEBA and has agreed in principle to "discount" the amount automakers would have to pay into the fund. An agreement on the deal, however, appears to be delayed over the exact amount of the contributions by the auto companies, what proportion would be cash and stock and a union proposal that the auto companies make future donations to replenish the fund.

The Detroit automakers are determined to drastically reduce hourly labor costs and dispense with "legacy costs" such as retiree benefits, which, they claim, burden them with an unfair disadvantage. Asian and European-owned transplants operating in the US have a total of 1,200 retirees compared to half a million at the Big Three companies.

An editorial Friday in the *Detroit News* headlined "Automakers must win right to run companies" urged the companies to aggressively press their demands. "Transformational contracts don't retain the jobs banks, which pay workers not to work; nor do they allow workers to leave after 30 years and remain wards of the company for life. And they certainly don't allow the union to decide which factories close and which remain open, or what suppliers the automakers can use.

"For General Motors Corp., Ford Motor Co. and Chrysler LLC to return to prosperity, the domestic automakers need the same flexibility in running their businesses as their foreign competitors have," the *News* insisted. While workers and many union locals understood this, the *News* claimed, the UAW still thought it had "veto power" of plant closings and outsourcing to nonunion companies.

Taking a somewhat different tack, *Detroit Free Press* columnist Tom Walsh argued that GM in particular had benefited from the close collaboration of the UAW and that there was no advantage to a confrontation with the union, which might incite the rank and file.

While GM cut retiree healthcare benefits by 25 percent with the support of the UAW, Walsh noted, Ford faced huge opposition from workers and "The UAW, presumably fearing a rank-and-file rejection, didn't offer a similar deal to Chrysler." GM and the UAW "followed up their health care deal with a program of cash buyouts and early retirements in spring 2006, reducing hourly employment by 30,000," Walsh noted approvingly.

GM had assisted the UAW at Delphi by providing the cash for buyouts, while the UAW, in return, negotiated a deal that allowed drastic wage reductions and the shutdown of 10 factories. In the current round of talks, Walsh advised, the UAW was working off the same principles as those in its deals on healthcare, early attrition and at Delphi: "The companies must cut costs, especially legacy costs such as long-term commitments to retiree health care, in order to better compete with Toyota, Honda and other foreign rivals that don't have similar cost burdens."

As for the delay in reaching an agreement, Walsh suggested, this was more theatrics than any serious disagreement between the two parties. "[N]either the UAW nor the companies want anyone to think this is happening without tremendous attention to detail and, yes, some tense wrangling over how much the companies will pay into the fund and how it will be run."