

# UAW deal opens door for Chrysler carve-up

Jerry White  
18 October 2007

More than 48,000 auto workers will begin voting as early as Friday on the agreement reached between the United Auto Workers union and Chrysler LLC last week. While UAW officials are once again claiming they have protected jobs, the deal will allow Chrysler's new owners, private equity firm Cerberus Capital Management, to accelerate plans to dismantle the number three US automaker by selling or shutting down dozens of factories and other facilities.

The tentative agreement was reached October 10 after the UAW staged a six-hour walk-out, which the *New York Times* noted has been referred to as a "Hollywood strike" in Detroit business circles because it allowed the UAW to claim it won the best deal possible, while doing no damage to Chrysler.

Under the terms of the deal the auto company has made no commitment to continue operating virtually any of its 26 factories, including giant assembly plants in Sterling Heights, Michigan and Belvidere, Illinois, after the 2011 contract expiration.

At least seven facilities are immediately threatened with closure, including:

- \* Newark, Delaware assembly plant, with 2,000 jobs. The plant's closing, which was previously announced, has been sanctioned by the UAW agreement.

- \* Conner Avenue Assembly plant in Detroit, with 127 workers.

- \* St. Louis South assembly plant, with 2,850 van workers.

- \* Detroit Axle plant, with 1,646 workers.

- \* Indiana Transmissions Plants 1 & 2, with 2,252 workers.

- \* Fontana, California Parts Distribution Center, with 105 workers.

- \* Sterling Heights Vehicle Test Center, with 17 workers

A new round of plant closings and layoffs, in addition to the 11,000 hourly and nearly 5,000 white-collar job cuts previously announced, would be in line with the business model of Cerberus, notorious for buying up firms, wiping out jobs and slashing wages in order to resell the companies at an enormous profit. The *Detroit Free Press* reported Wednesday that Cerberus executives were already discussing plans for the elimination of at least five vehicle models over the next month as part of a massive

restructuring and consolidation of the company's operations.

As it did in the deal with GM, the UAW has accepted a two-tier wage system at Chrysler, which will spur on company efforts to eliminate the jobs of tens of thousands of older, higher-paid workers. A portion of these will be replaced by new hires receiving sharply reduced wages and benefits.

At least 8,000 positions—including maintenance, material handling and forklift operating—will be defined as "Non-core" jobs, allowing the company to pay new hires in these positions between \$14 and \$16.23 an hour, compared to \$28 to \$32.52 for current workers. The union and company will also be able to expand the number of workers defined as "non-core" in the future.

In addition to non-core workers, the Chrysler contract introduces a new category of "Non-Core Facilities," i.e., factories and divisions where the entire workforce will be paid half the wages and far fewer benefits, once veteran workers are driven out.

These facilities will include the Toledo, Ohio Machining Plant, which employs 1,530 workers; the Detroit Axle Plant, until it is closed; and a new axle plant in Marysville, Michigan, which will replace the Detroit operation and is expected to employ 900 workers. In addition, 500 truck drivers and warehouse workers in Chrysler's transportation division will be replaced with low-wage workers, as well as more than 2,700 UAW members employed at the company's 24 Mopar Parts Distribution Centers (PDCs), which distribute and sell replacement parts and accessories to Chrysler dealerships.

With the threat of plant shutdowns hanging over workers' heads, there is little doubt that the UAW and management will institute bidding wars between facilities to see which can get themselves termed "Non-Core" or which will accept some other form of local "Modern Operating Agreement," in order to attract investment and win a temporary reprieve from closure.

A Memorandum of Understanding between the UAW and Chrysler explains that the company had initially contemplated outsourcing certain "non-core" functions and facilities, but "after considerable discussion with the

Union,” it decided instead to retain these jobs under a “competitive wage and benefit structure,” that includes “defined contribution approaches for pension and retiree health care.”

Rather than employer-paid pensions and retiree medical benefits the company will contribute a dollar for every compensated hour into a 401(K) plan that is invested in the stock market. In other words, future auto workers will be forced to depend on the meager earnings from their 401(K) plans—if they gain any value at all—for both living expenses and medical costs after retirement! New hires will also be forced to enroll in a health care benefit program with increased deductibles, co-pays and other out-of-pocket expenses.

The union, in short, was able to retain its dues-paying members at Chrysler by allowing the company to pay them wages and benefits on par with or even below non-union levels. Meanwhile the union agreed to the outsourcing of all “housekeeping functions,” including “but not limited to” all janitorial work, trash handling, grounds keeping, line sweepers, booth cleaning, machine cleaning and chip handlers.

Unlike the GM contract, which included the transfer of 3,000 temporary employees to permanent, full-time jobs, Chrysler will be able to expand the use of low-paid, part-time employees and “long-term temporary” workers who accumulate no seniority. Nearly a quarter of the 4,000 workers at Chrysler’s Belvidere Assembly Plant are temporary workers.

For current workers there will be no wage increases over the course of four years, but lump sum payments instead, which, according the UAW, will still be subject to deductions for union dues.

Chrysler also received the retiree health care concessions granted to GM. These givebacks, which include imposing first time ever out-of-pocket expenses on retired workers and their dependents and diverting cost-of-living increases from current workers, will save the company more than \$300 million a year.

In return for these massive concessions, the UAW is being given control of a multi-billion dollar retiree health care fund or Voluntary Employees Beneficiary Association (VEBA), similar to the one established in the GM deal. Chrysler will reportedly contribute just \$8.8 billion of the \$18 billion in obligations owed to the company’s 78,000 hourly retirees and surviving spouses, which the UAW will use to cover the costs of retiree health care after 2010. As in the GM deal, much of this will no doubt be financed by diversions from pension funds, existing health care funds and current workers cost-of-living increases.

The establishment of the trust funds—which will be worth

an estimated \$70 billion if agreements are reached with all three Detroit-based automakers—will give the UAW control over one of the largest private investment pools in the US, turning it into a profit-making enterprise that will guarantee a massive stream of income to the labor bureaucracy, even as it cuts benefits to its own members.

This is why last May UAW President Ron Gettelfinger—who just weeks before had denounced speculative investment firms such as Cerberus, saying they were only out to “increase their wealth by stripping and flipping companies”—made a 180-degree turn and suddenly announced that the sale of Chrysler to the private equity fund was in the “best interests of our members.”

On Monday UAW local officials approved the new four-year agreement, with a minority of local leaders voicing opposition, particularly from plants targeted for possible closure. There is considerable concern, among union officials, as well as executives of Detroit’s Big Three automakers and in the media, that rank-and-file workers will reject the sell-out agreed to by the UAW.

Chrysler workers should begin now to organize to defeat this betrayal. Rank-and-file committees should be elected to take the struggle out of the hands of the UAW and unite all auto workers to defend jobs and living standards. This should include committees to monitor the ratification vote and prevent efforts of the UAW bureaucracy to intimidate opponents or manipulate the ratification results.

Above all, lessons must be drawn from the open transformation of the UAW into a profit-making business. No serious fight can be conducted against the auto companies, the Wall Street speculators and the two corporate-controlled political parties until workers break free from the control of the UAW. Workers must organize themselves, above all, on a political basis to unite every section of the working class, in the US and internationally, to transform economic life to meet the needs of working people, not corporate profit.



To contact the WSWS and the  
Socialist Equality Party visit:

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