

Two-tier wage in UAW-GM contract means drastic pay cuts for US workers

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Within four years, up to one third of unionized General Motors workers will be working at half the current pay scale, with sharply reduced medical benefits and without a company-paid pension plan if the tentative contract agreed to by the United Auto Workers union (UAW) is ratified.

Such will be the impact of the two-tier wage structure contained in the contract, according to auto industry analysts cited in press reports this week. This historic reversion toward the type of low-wage, sweatshop conditions that prevailed in the 1930s, prior to the mass industrial struggles that gave birth to the UAW, will rapidly extend to all US manufacturing and lead to the devastation of living standards and working conditions for all American workers.

The UAW leadership is backing this catastrophic attack on its own members as the quid pro quo for GM's agreement to hand over to the union \$30 billion out of \$50 billion in healthcare liabilities owed by the company to more than 300,000 retired UAW GM workers and their family members. If the UAW is successful in pushing through similar deals at Ford and Chrysler, it will become a business enterprise controlling a healthcare trust fund, a so-called Voluntary Employee Beneficiary Association (VEBA), worth \$70 billion, making the union one of the largest healthcare insurers in the US.

The auto companies will be freed of any obligation to fund the healthcare of union retirees, and the UAW bureaucracy, headed by President Ron Gettelfinger, will seek to secure its own financial future and vastly increase its income by directly imposing cuts on the benefits of UAW retirees, while overseeing the destruction of the wages, jobs and benefits of active and future workers.

This is the essence of the tentative contract currently being voted on by UAW members at GM locals across the country. The contract is the culmination of decades of betrayals carried out by the UAW and the transformation of the union into a right-wing bureaucratic apparatus utterly hostile to the interests of autoworkers and entirely unaccountable to them.

The UAW is an organization not for the defense, even in the most limited sense, of workers' needs, but rather an instrument of, by and for a privileged upper-middle-class social layer that shares in the exploitation of the workers who are trapped within the union and compelled to pay dues into its coffers.

Gary Chaison, professor of industrial relations at Clark University, summed up the meaning of the GM contract as follows: "It's going to mark the beginning of the end for the

concept of good, high-paying manufacturing jobs...with job security."

The October 4 *Detroit Free Press* noted that the lower-tier wage and benefit structure would likely be extended to all GM workers. "In many cases in which organizations have implemented a two-tier wage," the *Free Press* wrote, "it is eliminated in the next contract when a workforce replete with lesser-paid workers votes to even the playing field, resulting in one lower wage-and-benefit scale for all, Chaison said."

UAW President Ron Gettelfinger announced the agreement on September 26, calling off after only two days the first national contract strike against GM since 1970. The terms of the deal make it clear that the UAW leadership only called the strike to provide a cover for its treachery and to defuse growing signs of rank-and-file opposition in a manner that would result in no financial harm to the company.

The UAW says it expects the ratification process to be completed by next Wednesday, when it will announce the result. It will then begin negotiations for a similar deal with Ford and Chrysler, either successively or simultaneously.

Under the tentative contract, GM will establish a new category of "non-core" jobs, the full scope of which has reportedly not yet been defined. However, press reports include among these jobs certain machining operations, subassembly, inspection, some stamping functions, material handling, warehousing and truck driving. Newly hired workers at these positions will receive a base wage ranging from \$14.00 to \$16.23 an hour, compared to the current base wage of \$28.00.

These workers will not receive a company-paid "defined benefit" pension. Instead, they will get a 401(k) plan, setting the stage for the abolition of pensions for all UAW autoworkers. This will put the financial future of retirees at the mercy of the stock market and permanently end any real economic security.

The non-core new hires will also get drastically reduced medical coverage, with sharp increases in deductibles, premiums and other co-pays. They will be limited to five doctor's visits a year.

According to *Bloomberg.com*, hourly pay and benefits for non-core jobs will be \$28, compared with \$51 for current UAW workers. GM estimates its hourly labor costs for current UAW employees at \$73. Analysts say the two-tier agreement could save GM \$1.2 billion a year.

Bloomberg.com reports that GM and the UAW agreed to categorize "in excess of 16,766" jobs as non-core, out of a current

union work force of 73,500. However, the contract also identifies more than 3,000 jobs now performed by outside contractors that could be brought back to GM under the lower pay scale. Other deals worked out at the national and local level could further increase the number of low-wage jobs.

The joint strategy of GM and the UAW is to push out as rapidly as possible the older workers and replace them with younger employees who will receive second-tier wages and benefits. Some 64 percent of GM workers will be eligible to retire within five years, according to the UAW.

This is to be accomplished by means of early retirement and buy-out packages. But other, more openly coercive methods will also be employed. Gettelfinger has declared that no current workers will take pay cuts as a result of their jobs being classified as non-core. However, older workers who previously could transfer to less taxing, non-assembly-line jobs will, according to some accounts, be redefined under the new pay structure as non-core workers and have their wages and benefits slashed if they make such a move. Many such workers will have no choice but to retire.

Other reactionary aspects of the contract will further serve to push older workers out of the plants. The four-year contract provides no wage increases, but only three lump-sum bonuses. In addition, workers will lose thousands of dollars due to the diversion of a major part of their cost-of-living (COLA) allowances to help GM pay for current employee health costs and bolster the UAW-controlled VEBA fund. According to one analysis, each worker will lose more than \$6,200 in COLA payments over the course of the contract. The result will be a sharp decline in the real income, taking inflation into account, of UAW workers.

In attempting to push through the contract, the UAW is presenting its historic rollback of previously won wage and benefit gains as a necessary trade-off for achieving job security. This is a fraud.

GM gave a conditional pledge to maintain future work at only 55 of its 82 UAW plants in the US. This means that 27 facilities are targeted for possible closure.

Moreover, the agreement explicitly allows GM to sell or close three plants—in Indianapolis, Livonia (Michigan) and Massena (New York)—in addition to the nine plants GM targeted two years ago as part of a plan to cut 30,000 hourly jobs in the US and Canada by the end of 2008. Several other plants have no new product line scheduled and could be closed during the life of the contract. These plants, which employ more than 6,000 UAW workers, include the Orion assembly plant in Michigan, Wilmington assembly in Delaware, the Parma powertrain plant near Cleveland and the Flint, Michigan, metal center.

The contract further contains a caveat that gives GM the right to ignore whatever pledges it makes to keep plants open. Under the heading, “Plant Closing and Sale Moratorium,” the contract states, “it is understood that conditions may arise that are beyond the control of the corporation...and could make compliance with this commitment impossible.”

It also calls for the elimination of so-called housekeeping functions, affecting janitors, groundskeepers and other workers involved in cleaning and maintenance. These jobs are often held

by older workers near retirement age.

Finally, all pledges of investment in US plants are conditional on the establishment of “competitive agreements” with UAW locals that will further gut working conditions and impose more brutal speedup.

That the GM contract, far from stemming the assault on jobs and conditions, will inaugurate a new bidding war among the Big Three auto makers to slash labor costs is revealed by press reports on the bargaining positions of Ford and Chrysler.

According to Thursday’s *Detroit News*, Ford plans to demand an even lower level of funding for a VEBA trust for its retirees than GM, and is balking at a token pension increase of \$700 a year that GM offered to partially offset increased out-of-pocket health costs for GM retirees.

Chrysler will demand that the UAW give it healthcare concessions similar to those it gave GM and Ford in 2005. The UAW reportedly refused to extend the concessions to Chrysler out of fear that Chrysler workers were likely to vote them down.

Both Ford and Chrysler are also likely to resist even the token plant investment pledges made by GM. Ford, for its part, plans to include in its agreement the designation of 6 plants, up to now unnamed, of the 16 plants it previously slated for closure.

According to the *Detroit News*, “Officials at some UAW locals representing Ford workers said national union leaders have hinted that the Dearborn automaker needs a more generous deal than GM.”

Whatever the results of the ratification process, there is deep-going and broad opposition among GM workers to the contract and widespread disgust with the UAW bureaucracy.

Socialist Equality Party supporters on Thursday distributed the statement “Vote ‘no’ on UAW sellout at GM! Elect rank-and-file committees for contract fight!” to workers at the Detroit/Hamtramck assembly plant who attended an informational meeting at UAW Local 22. Eighteen hundred workers are employed at the plant, which builds Cadillacs and Buicks. The assembly plant, opened in 1985, replaced two factories in the southwest side of Detroit that once employed nearly 20,000 workers.

Several workers expressed disgust with the deal. One complained that the VEBA deal would relieve GM of any responsibility to pay retiree medical benefits. “This is a bailout for the company,” he said.

Another worker with 32 years said, “They are turning the clock back. We won COLA in the 1970 strike and they’re taking that away. Two-tier wages are also taking us back. The union has been working together with GM for years”



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