

American Axle workers strike against massive wage cut

Our reporting team
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More than 3,600 workers went on strike against auto parts supplier American Axle & Manufacturing Holdings (AAM) Tuesday in a struggle against the pattern of wage-cutting agreements accepted by the United Auto Workers union throughout the auto industry. The strike, which began just after midnight as a four-year contract expired, shut production at American Axle plants in Detroit and Three Rivers, Michigan, as well as Tonawanda and Cheektowaga, New York.

The auto parts maker, a major supplier for General Motors, is seeking to cut wages and benefits by nearly two-thirds. The company wants to reduce “all-in” hourly labor costs—which include wages and health, retiree and other benefits—from around \$70 an hour to \$27 an hour for production workers and \$35 an hour for skilled trades workers, according to the *Wall Street Journal*. That would take hourly wages down from \$27 an hour to \$14, bringing them on par with wage cuts negotiated by the UAW with Delphi and for new hires at Detroit’s Big Three automakers—GM, Ford and Chrysler LLC.

In addition, the company is seeking sharp increases in co-pays for prescription drugs, the termination of vision coverage, the replacement of the company’s defined benefit pensions with a 401(k) defined contribution plan, and the elimination of health insurance for future retirees.

American Axle is also proposing to close four facilities, including a forging operation in its Detroit plant and two New York-based plants near a now-idled plant in Buffalo, a move that would cut over 700 jobs. The UAW said it has “made comprehensive proposals that would reduce AAM’s labor costs significantly and grant it operational flexibility,” but that the company has threatened to shift production to low-wage plants in Mexico if its demands are not met.

AAM was set up in 1994 after GM spun off five of its axle and driveline plants to a private investor group led by former GM, Chrysler and Volkswagen executive Richard Dauch. Three years later private equity firm Blackstone Group bought a controlling share in the company and then resold it in a series of stock sales, which netted \$600 million for its wealthy investors. These included David Stockman, the former budget director in the Reagan administration who is currently under indictment for fraud and other charges stemming from the bankruptcy and liquidation of another auto parts maker, Collins & Aikman.

The company’s stocks have jumped more than 20 percent since the beginning of the year in anticipation that the company would attain similar wage and benefit concessions as other UAW-represented suppliers. Welcoming the confrontation, Lehman Brothers analyst Brian Johnson said in a note for clients, “We are not really concerned by this strike, quite the opposite. We believe that the large magnitude

of the concessions requested by [American Axle in the] first round of negotiations bodes very well for the savings the company will get in its final agreement.” Johnson said he expected a negotiated settlement to end the strike within several days. KeyBanc analyst Brett Hoselton cited American Axle’s plant closure proposal as the basis to reiterate his “aggressive buy” rating on the stock and share price target of \$35—almost 48 percent above the current price.

In making their demands, AAM officials have pointed to the massive givebacks the UAW has agreed to at Dana and other axle manufacturers, as well as in-house producers at Ford and Chrysler. “All of the changes we have proposed have been accepted by the UAW in agreements with our competitors in the United States,” Chief Executive Richard Dauch said.

There is every indication that the UAW has already accepted the majority of the wage- and benefit-cutting demands and is trying to work out what the union bureaucracy will get in return. In exchange for historic concessions granted to the Big Three, the UAW was handed control of a \$50 billion retiree health-care trust fund—known as a Voluntary Employees’ Beneficiary Association, or VEBA—making it the proprietor of one of the largest private investment funds in the US.

Noting that “the UAW has a proven record of working with companies to improve their competitive position,” union president Ron Gettelfinger said, “Our members cannot be expected to make the extreme sacrifices American Axle is asking for with nothing in return.”

The union called the strike over “Unfair Labor Practices,” not the wage-cutting demand, saying the company did not turn over financial data to the union to enable it “to make an informed decision about whether to accept or reject such sweeping changes,” according to a leaflet distributed to strikers by UAW Local 235 in Detroit.

The UAW has not called out American Axle workers at other facilities covered under a different agreement that did not expire, allowing management to continue to stockpile parts in order to sustain a long strike.

In contrast to the cowardice and treachery of the UAW, rank-and-file workers at American Axle’s Detroit plant expressed their determination to resist the company’s demands.

Christie, a worker with 13 years at American Axle, told the WSW, “They want to cut current workers to \$14 an hour and to cut our benefits.” She noted that in the last contract, which the union agreed to after a strike of less than two days, the UAW accepted a pay freeze and a two-tier wage scale. “American Axle made money last year. It is only fair for us to receive something. The executives got big bonuses.”

“We are making \$23 an hour now,” she added. “I don’t understand how they can ask us to work for \$14, and they want us to have co-pays on our health insurance and vision. In the last contract they said we needed to take cuts because of the economy. It would be different if they were going bankrupt, but they are making a profit.”

Another worker said, “When [American Axle CEO Dick] Dauch bought this place he took a risk. We built this place up for him, now they want to cut our wages in half. This place looked horrible 14 years ago. The quality here is incredible compared to what it used to be. We built this place up and he got paid.

“We have families, cars, homes, a certain standard of living we are used to and now he wants to take it away. That is ridiculous. The stockholders and CEOs are greedy. If we don’t fight to retain at least what we have now, it is going to get worse.”

Kevin Stein told the WWS, “Basically they are threatening us. They say if we don’t accept this they will close by 2011. They are not even offering buyouts. They want to lower pay from \$23 an hour to \$14 an hour without a buyout. What are they going to do with the extra money? It will go into the pockets of the CEOs and wasteful spending. Dauch pocketed \$100 million when he made this company public; that seems a little extreme.

“We haven’t had a pay increase in eight years. It is the death of the blue-collar worker, and it is snowballing now. The blue-collar worker is no longer middle class. If you don’t have a college degree you will be making \$14 an hour whether your work at Wal-Mart, GM or American Axle.

“In addition they are taking away our pensions, as though it is no big deal. They expect you to put money into a 401(k), when you have just taken a pay cut?”

Kevin expressed disgust with what he had seen so far in the presidential election campaign. “Money runs the politics. They’ve got the money and the politicians. Working people don’t have any money or political clout. There is no one out there who I would vote for. I would vote for a third party if I thought they had a chance.”

Another worker, Drena, said, “Most of the people who were hired eight years ago were all laid off. About 1,600 to 1,700 took the buyout because they knew that this was coming. Almost all of them were young people. There has been some talk about this for over a year. This company has been preparing for a confrontation for one or two years.”

Bruce said, “It’s hard to say what is going to happen. We just can’t take a pay cut. This company is not even comparable to Delphi, which was in bankruptcy. This company was not in bankruptcy. It has been making a profit every year.”

Chris, another worker, said, “They gave the executives a \$10,000 bonus. We are just asking to stay the same. We already have a two-tier wage system. This company is making money. Also, they do not have to pay full pension for a large number of the workers because they came over to American Axle from General Motors. GM will pay half of the pension.”

“Look,” said another worker, “I have a daughter who works at Kroger who makes \$14.00 an hour and she can’t make it. How am I supposed to live on that wage?”

Theresa added, “Our costs are going up and they want us to take a cut in our pay. Why do you think people are losing their homes? I know a lot of families where both the husband and wife are working and they still can’t pay the mortgage. Cutting wages will only make it worse.”

A young worker with 13 years at the plant said, “We’re fighting for

our families. You work all your life and now they want to take your pension away. The take from us and give themselves big bonuses. Why not cut people from the top?

“If you only get paid \$14 an hour how are you going to pay a \$1,200 house note, and then the insurance, lights, gas and telephone bills? How are you going to keep clothes on your back and food on your table?”

Walter Stewart, a veteran worker, said, “Dauch took over this facility in 1994. He tried to break the GM pattern, lower wages and carry out other takeaways. But we resisted and held the pattern in 1997, when the contract was scheduled to expire in 1999. Since they were unable to get American Axle to break the pattern, GM used the Delphi bankruptcy to do it.

“The deal between Delphi, GM and the UAW changed the face of the auto industry forever. They’ve been waiting for 10 years to cut our wages. We’re the last ones that might throw a wrench into the Delphi-GM-UAW scheme. If we resist it might unravel the whole system of givebacks and global restructuring of the Big Three that the UAW agreed to. That is why GM is watching this strike very closely. We’re the last ones who are in their way.

“The UAW has weakened the labor movement and all workers in the manufacturing sector. The so-called middle class, that is the working class, has never been so threatened as in recent years. The working class is moving towards third world wages and a way of life, not because we can’t produce well enough or because we are derelict, but because of the greed of corporate leaders. Since Bush was in office 3 million manufacturing jobs have been destroyed.

“The UAW is too accommodating. [Former UAW President] Douglas Fraser, who just died, played a key role in compromising the struggle of UAW workers. He wanted workers to give concessions and then he accepted a seat on the board of directors of Chrysler—crossing the line of demarcation and making the UAW look more like a corporate union than a labor organization. Bieber and Yokich followed suit and now Gettelfinger has given away everything. The two-tier wage system is a tactic used by the greedy corporate leaders to bust the union. Gettelfinger works more for the Wall Street investors than for the members. He looks at the company’s profits and numbers like [GM CEO] Rick Wagoner or Ford or Dauch.

“This VEBA deal was worked out with big Wall Street financiers. I think it’s the foot in the door to get rid of health-care benefits for all of us. Then Gettelfinger and Wagoner got together to get a judge to prevent retirees from challenging the health-care giveaway the union agreed to.”



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