CAW agrees to massive concessions with Ford Canada

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Canadian Auto Workers (CAW) President Buzz Hargrove and his Executive Committee announced Monday that secret negotiations conducted with Ford Canada over the past month have resulted in an agreement on a Master Economics Offer (MEO) that will form the basis for a new contract with the auto giant effective through mid-September 2011. The offer, signed almost five months prior to the expiration of the previous contract with Ford, is unprecedented in the history of the union.

The agreement freezes current Ford workers' wages for the life of the three-year deal, cuts 40 hours of vacation pay per year, tightens caps for long-term medical care, increases employee co-pays on prescription drugs, reduces pension entitlements, and freezes cost-of-living (COLA) adjustments for the remainder of the current contract and the first year of the new deal. It also lays the basis for the development of a two-tier wage system.

The MEO sets the stage for further layoffs with "improved restructuring benefits" clauses and ominously promises a "commitment to explore and establish a pre-funded, off-balance-sheet Retiree Health Benefit Fund." This is a euphemism for shifting responsibility for managing pension benefits from the company to the union. Workers will be asked to permanently sell the gains won in decades of struggle for two one-time "bonus" payments totalling C$5,700.

The deal with Ford in many ways resembles the contracts struck by the United Auto Workers (UAW) union with the Big Three in Detroit last autumn. In that round of negotiations, the UAW completely capitulated to the demands of the automakers. It accepted a draconian two-tier wage system and massive benefit cuts and, in a watershed initiative, agreed that responsibility for managing and cutting "legacy cost" benefit programs should be shifted from the company to the union. In so doing, the UAW will quickly become one of the largest healthcare insurance providers in America, with a vested interest in squeezing its own membership.

Even as Hargrove was meeting secretly with representatives of Ford as well as General Motors and Chrysler-Cerberus executives, the CAW president and his chief economist Jim Stanford were making public pronouncements assuring workers that the CAW was not about negotiating concession contracts. In a statement delivered after meetings with institutional investors on both Wall Street and Bay Street, Hargrove declared, "We're very concerned that investors would place their bets on the assumption that Canadian contracts will follow the UAW deal." But those assurances were clearly meant only for the ears of CAW members. Privately, an entirely different agenda was on the boardroom tables.

As the WSWS warned at the time, "Workers should place absolutely no faith in such claims. Since the CAW broke away from the UAW in 1985, its leaders, first Bob White and now Hargrove, have fashioned careers out of denying that the CAW bureaucracy is in the business of negotiating concession contracts despite a mountain of evidence to the contrary.

"Autoworkers at the giant GM complex in Oshawa, to take just one of the latest examples, are fully aware that in the guise of a 2006 'Shelf Agreement' (a deal made contingent upon new investment promises from the company), Hargrove and Local 222 President Chris Buckley accepted via the backdoor the principle of a two-tier wage system in the plant when they allowed GM to hire nonunion workers for jobs formerly governed by the CAW contract. Indeed, even after the implementation of that agreement, GM has still refused to specify new product plans for the plant in order to maintain bargaining leverage in the upcoming negotiations.

"If the concessions granted by the CAW to date have not been as dramatically onerous as those negotiated south of the border, that has been because the Canadian operations of the Big Three have enjoyed a 'competitive advantage' as a result of the historically weaker Canadian dollar and the existence of a national health scheme in Canada that has reduced the automakers' benefit obligations. However, the recent rise of the Canadian dollar to par with the US greenback, combined with the massive cuts in wages and the offloading of benefit costs agreed to by the UAW in the United States, has eliminated the ‘cost advantage’ that gave the CAW bureaucracy somewhat greater room to maneuver.”

In a rather threadbare effort to disguise the institutionalization of a two-tier wage system, the CAW negotiators have duly consulted a thesaurus and dubbed the concession a “New Hire Grow-In System.” New employees will start at only 70 percent of base wages and benefits and only reach 100 percent after three years. Workers should have no doubt that these provisions will be used in future contract negotiations to press for further reductions in wages both for veteran and newly hired workers.

Prior to settling with Ford, Hargrove had sounded out officials at both General Motors and Chrysler on the possibility of working out new contracts well in advance of the traditional opening of negotiations in the month of July. But Ford’s competitors did not accept Hargrove’s offer of unprecedented concessions and guaranteed “labor peace,” calculating that with the North American economy entering what will in all likelihood be a protracted slump, they will be in an even stronger bargaining position come September. On Monday, GM Canada announced that it will be eliminating a shift at its Oshawa truck assembly plant in early September, which will mean the loss of more than 950 jobs.

The CAW bureaucracy clearly hopes that the sweetheart deal with Ford will form the new “pattern” for GM and Chrysler-Cerberus. Justifying the union’s acceptance of unprecedented concessions and effective reopening of the existing union contract (the COLA freeze is effective immediately), Hargrove declared, “We do recognize the problems of the companies and the industry and we recognize the times are different and we [have] got to do things different.”

However, recent position papers and pronouncements from GM Canada make it clear that the proposed concessions to Ford will not satisfy its North American-based rivals.

In a background paper on changes in the auto and labour markets, the value of the Canadian dollar, and the overall troubled economic environment, which was leaked to the media earlier this month, GM affirms that it needs “transformational” change at its Canadian operations. Based on a comparison between wage-benefit rates in CAW-organized plants and those of workers employed in US plants operated by Japanese automakers Toyota, Honda and Nissan, GM insists that a C$30-per-hour wage differential must be addressed in the upcoming contract negotiations. If not, investments in GM’s Canadian operations “will become harder to justify.” According to the GM paper, more than three quarters of the C$30-per-hour cost gap can be accounted for by labour costs, with the other quarter coming from “restrictive” work rules. The paper goes on to say that increased use of temporary workers, de-skilling of trades’ positions, and reductions in time off the job must all be aggressively sought.

Yesterday’s *Toronto Star* quotes prominent auto industry analyst Dennis DesRosiers as saying that the concessions the CAW has made to Ford will leave GM and Chrysler “very disappointed.”

“Both these companies were looking for the CAW to give back a lot more than this contract.... They were looking for upwards of $30 per hour and this agreement doesn’t even come close to that number.”

Hargrove and the CAW leadership will no doubt point to the dissatisfaction of Ford’s rivals to try to bamboozle Ford workers into swallowing the unprecedented concessions contained in the MEO.

Indeed, the CAW leadership has already set into motion a concerted drive to stampede Ford workers into quickly ratifying the secret pact struck with Ford Canada. Hargrove announced Monday that the MEO had been unanimously endorsed earlier that day by the members of the CAW-Ford master and local bargaining committees.

The CAW president added that union and company negotiators aim to iron out the remaining details of the master agreement as well as local contract covering Ford plants in Oakville, Windsor and St. Thomas, Ontario, by the end of this week. Union ratification votes would then be held the following week.

Workers must seriously consider the way out of this impasse. The fight against wage cutting, the loss of jobs and the destruction of all the gains won by previous generations of workers cannot be conducted through the existing pro-capitalist and nationalist labor organizations, such as the CAW.

Auto workers in Canada must join with their class brothers and sisters in the US, Mexico, Asia and around the world to defend the jobs, wages and working conditions of all through a common struggle against the capitalist system, which subordinates all economic life and social needs to the profit drive of a handful of billionaire investors.