

# Wage-cutting in the US auto parts industry: The background to the American Axle strike

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The strike by American Axle & Manufacturing workers in Michigan and New York is now over 10 weeks long. This bitter struggle is the culmination of a protracted process in which the US automakers and their top suppliers have sought to claw back and finally destroy the gains won by generations of auto workers.

The present crisis facing auto workers has its roots in the earliest days of the United Auto Workers (UAW) union. Parts workers had a significant part in the mass struggles of the 1930s that established the UAW as a mass industrial union, including in the Toledo Auto-Lite strike and the first sit-down strike in the auto industry, which occurred at the Bendix brake plant in South Bend, Indiana.

Although socialist-minded militants had played the most decisive role in the early organizing struggles, the leaders of the UAW, including then-President Walter Reuther, were opposed to any radical restructuring of American capitalism. By the late 1940s, Reuther and others purged their left-wing opponents from the union.

After World War II, the UAW signed a series of contracts, beginning with General Motors—in a deal known as the “Treaty of Detroit”—which dropped any challenge to the decision-making monopoly of the industrialists. In exchange the UAW was granted annual wage improvements and a system of employer-paid health care and retirement benefits.

At the same time, Reuther explicitly rejected any political struggle by the working class to force the government to establish a universal system of social reforms, like in Europe. Instead, he claimed, economic security and decent living standards could be achieved through negotiations with individual corporations. On this basis, he rejected calls within the union for the building of a labor party and aligned the UAW with the Democratic Party.

In essence, Reuther and the other UAW leaders bet the future of the working class on the continued world dominance of American capitalism. The post-war period was the heyday of US industrial might—when Detroit was producing four out of five of the world’s cars and Japan and Germany were still recovering from wartime destruction—and the full implications of the union’s fateful decision were not yet apparent.

By the late 1950s virtually all the independent parts plants were unionized. According to Cornell University professor Harry Katz, “The percentage of the supplier plants with a majority of workers covered by a collective bargaining agreement rose from 50-55 percent in 1940 to 95 percent in 1957 and unionization then produced a substantial rise in earnings of organized workers. Mean earnings in the supplier firms relative to earnings in assembly firms rose from 87.5 percent to 95.3 percent from 1940 to 1957.”

Almost as soon as workers had extracted these gains, however, they came under attack, and the parts plants were the first targets. By the 1950s, parts makers began moving their operations from unionized cities like Detroit and Toledo to nonunion rural areas of the US Midwestern

states, and by the 1970s to the southern US states. Unionizing efforts in this region had failed decades earlier, primarily because the UAW and other unions did not want a political confrontation with the Democratic Party—then the dominant party in the racially-segregated South.

The post war boom began to unravel in the late 1960s, and American capitalism started its protracted decline. By the mid-1970s the previously unchallenged economic supremacy of the US was threatened by the revived economies in Japan and Europe, which were taking over large portions of the world market and challenging US carmakers at home.

The economic and political establishment responded by launching an offensive against the American working class, which included a deliberate policy of deindustrialization, union-busting, mass unemployment, wage cuts and other concessions. The Democratic administration of President Carter appointed former Chase Manhattan Bank executive Paul Volcker to head the Federal Reserve in August 1979. He proceeded to drive up interest rates to double-digit levels, provoking the worst economic recession since the 1930s.

## **UAW embraces labor-management partnership**

With the shift in the position of the American capitalism, the implications of the bureaucracy’s move to tie the working class to the success of American corporations became clearer. To increase their competitive position relative to their rivals, the auto companies moved to cut labor costs.

In response, the union made a strategic decision, a decision that was mirrored throughout the country and, indeed, internationally. It shifted to a much more open policy of collaboration with the auto companies in order to bolster the competitive position of the US auto industry against its foreign rivals. In exchange, the companies helped maintain the social position of the bureaucracy, even as the position of its membership steadily deteriorated.

Closely linked to this policy was the union’s increasing promotion of national chauvinism. Having set out from the standpoint of the interests of American corporations, the union did not have, and could not have, any strategy for uniting workers across national boundaries on the basis of a common struggle against increasingly global industry. Instead, the union promoted the fiction that the interests of American workers could be advanced by “buying American” and by blaming their class brothers and sisters in other countries.

The Chrysler bailout of 1979-80 was a major turning point, with the corporation, the Carter administration and the UAW using the threat of plant closings and mass layoffs to break the resistance of auto workers to wage and benefit concessions. Then-UAW President Douglas Fraser joined the board of directors of Chrysler Corporation during the bailout, and the union collaborated to destroy 80,000 jobs and impose massive wage and benefit concessions on its own members. This was followed by similar givebacks at GM and Ford.

Another major aspect of the union’s policy was to collaborate in the brutal assault against auto parts workers. In order to promote the position

of the US companies, the union agreed to destruction of wages and conditions of workers in the unionized parts plants. This began with a series of concessions to Budd Wheel, Dana and others that broke the pattern of parity wages with Big Three assembly workers.

At the same time, the UAW bureaucracy deliberately betrayed a series of strikes in the 1980s where parts workers fought against wage cutting and union-busting. Dozens of struggles throughout the Midwest were isolated and sold out by the bureaucracy, in many cases resulting in the firing of striking workers and the outright destruction of the union.

Among the bitterest of these struggles was the nine-and-a-half month walkout by 450 workers, members of UAW Local 14, at AP Parts in Toledo in 1984-85, which erupted after the company cut wages from \$12 to just above \$6 an hour.

Encouraged by the recent breaking of the PATCO air traffic controllers union by then-President Ronald Reagan, AP Parts brought in scabs and the union-busting security firm Knuckols to break the strike. A rally called by the union local attracted over 4,000 workers, many from auto plants including the nearby Jeep plant. Police responded with tear gas and attacked strikers with clubs and arrested 41 workers. In return, workers damaged 18 police cars and rammed a railroad tie into the windshield of one of Knuckols security vans.

Shortly afterwards, UAW President Owen Bieber cancelled a rally that hundreds of workers from throughout the Midwest were expected to attend. The excuse given was that the company was ready to resume negotiations. However, nothing came of these claims, and the strike dragged on for months more until major concessions were imposed, including a \$2-3 an hour wage cut and lower wages for new hires for the first time.

In addition to outsourcing to non-union parts plants, the auto companies used technological developments and lower transportation costs to shift parts production to Mexico and other low wage countries.

Between 1978 and 1998, GM built more than 50 parts factories in Mexico, which would come to employ more than 70,000 workers, making its parts subsidiary Delphi Automotive the country's largest private employer. With wages as low as \$1-2 an hour, compared to \$22 an hour at GM's plants in Michigan in the late 1990s, GM, along with Ford, built an entire auto parts industry in Mexico.

By 1995 less than 20 percent of independent parts workers were represented by unions, down from 65 percent two decades before. In 1980, an auto parts worker earned 15 percent lower wages than a worker at a Big Three assembly plant. By 2000, the differential had risen to 31 percent.

These cost advantages made it all but certain that Detroit's automakers would move to spin off their in-house parts production and rid themselves of tens of thousands of workers earning pattern wages and benefits. The opportunity arose after the recession of the early 1990s, which led to a major downsizing and restructuring of the industry.

#### **American Axle founded**

In 1993-94 GM sold off five axle and related product plants—including its massive Chevy Gear & Axle plant in Detroit—to a group of private investors, led by former GM and Chrysler executive Richard Dauch. The renamed company, American Axle & Manufacturing, began with plants in Detroit and Three Rivers, Michigan; Buffalo and Tonawanda, New York; and St. Catharines, Ontario, employing 6,100 hourly workers.

The three-way deal between the UAW, Dauch and GM allowed the automaker to get out of paying wages and benefits mandated by the UAW-GM contract. The UAW agreed to renegotiate the contract under terms favorable to GM. The union offered no opposition to the lowering of wages, destruction of work rules and intensified speed-ups. In return, GM and Dauch agreed to recognize the UAW as bargaining agent for American Axle workers.

The UAW bureaucracy had long-standing ties to Dauch. In the early

1980s, the union collaborated with Dauch—then Chrysler CEO Lee Iacocca's right-hand man—in axing jobs, shutting plants and imposing sweeping concessions on the remaining workforce.

In his 1993 autobiography *Passion for Manufacturing*, Dauch paid special tribute to UAW Vice President Marc Stepp for helping him use the threat of plant closings and layoffs to bully Chrysler workers into giving up their hard won gains. In return, Stepp wrote a flattering foreword to the book, praising Dauch's supposed "passionate commitment" to Chrysler workers.

At American Axle, with the assistance of the UAW, Dauch was able to replace thousands of former GM workers with new hires earning \$12.50 an hour, as opposed to \$17.50 per hour. While being forced to pay dues to the UAW, the new hires were not covered by the pension and benefit structures of the UAW-GM contract.

In the space of six months, two workers—Michael Persechini and Dorothy Graves—were killed inside one plant, the first crushed by machinery, the latter plunging 50 feet to her death while trying to close a roof vent. A UAW official discounted any suggestion that the deaths had anything to do with speed-up or unsafe conditions, saying instead, "You have various accidents. That's what happens with a new work force. People get killed."

#### **Delphi spin-off**

While GM had made major inroads with the setting up of American Axle, it did not attain the full benefits of its strategy until the spin-off and later bankruptcy of its parts division Delphi. Once again, the UAW paved the way by isolating and betraying strikes by GM-Delphi workers in Dayton, Ohio in 1996 and Flint, Michigan in 1998.

Less than a week after the defeat of the 54-day strike in Flint, GM announced plans to get rid of Delphi and trim 53,000 UAW employees from its payroll, beginning in 1999. A year later, Ford followed suit, severing its ties to its Visteon parts division. In line with its policy of boosting the auto companies' profitability, the UAW gave a green light to the spin-off, although it would lead to a devastating lowering of living standards for parts workers.

In the 2003 auto contract negotiations, the UAW agreed for the first time in its history to a two-tier wage contract with the major auto parts manufacturers, Delphi and Visteon, along with rollbacks in health and pension benefits for new hires. The following year, after a one-day strike, the union agreed to a two-tier system at American Axle.

As part of its deal with GM, Ford and Chrysler, the auto makers agreed to encourage their suppliers not to interfere in UAW efforts to organize their plants. With this support from the automakers, the UAW signed a series of sweetheart contracts at Johnson Controls and elsewhere that imposed substandard wages and benefits on workers who were now being forced to pay union dues to the UAW.

The next stage in the assault on auto parts workers was in 2005, when Delphi CEO Steve Miller—who like Dauch was another veteran of the Chrysler bailout—took the company into bankruptcy and demanded that workers accept 60 percent wage cuts, the gutting of health and pension benefits, and the elimination of thousands of jobs.

The move was universally praised on Wall Street. Auto analyst Brian Johnson said the Delphi filing would allow the auto industry to impose the kinds of wage and benefit cuts it should have made decades ago. "For Delphi to go the way of bankruptcy is simply getting the wages and benefits to where the market will allow them, in a painful way," Johnson declared.

Once again, the UAW worked to dissipate rank-and-file resistance and impose the company's demands. After months of court proceedings and negotiations, the union negotiated various buy-outs and buy-downs to help push out higher-paid veteran workers and clear the way for bringing in a cheap labor workforce.

Since the beginning of the decade, the auto parts industry has eliminated

more than 130,000 jobs in the Midwestern US states, with more than half wiped out in Michigan alone. During the same period, auto parts workers in Michigan, Ohio and Indiana saw average weekly wages fall 17.8 percent (from \$927 to \$762). This, along with the further downsizing at GM, Ford and Chrysler, has produced a social disaster, with skyrocketing home foreclosures and among the highest levels of unemployment in the nation.

Analysts predict the current economic slowdown will lead to a shakeout in the auto parts industry, with more than 5,000 auto parts companies—or half of the current total—wiped out by 2010, meaning the loss of tens of thousands of more jobs.

By the time negotiations for the 2007 auto contracts began, the UAW policy of labor-management collaboration meant that union membership had plunged to the lowest level since 1940—falling below 500,000, from 1.5 million in 1979. Given its treacherous record, the UAW had failed to gain any foothold in the Japanese and European-owned transplants or their supplier networks, which employ nearly 130,000 workers, mostly in Alabama, Kentucky, Tennessee and Mississippi.

Even the most onerous concessions by the union could not revive the US auto industry, which continued to lose market share to its Japanese and European rivals. The new labor agreements, Wall Street insisted, had to be “transformational,” and would have to include further downsizing and the dispensing of the companies’ “legacy costs”—the financial obligations owed to hundreds of thousands of older workers and retirees for health care and pension benefits. Losing billions, rumors spread that one or more of Detroit’s Big Three could be forced into bankruptcy.

Faced with these conditions, the UAW carried out the logic of its pro-capitalist outlook one more step and became a business. In exchange for agreeing to help the automakers eliminate tens of thousands of more jobs and permanently reduce the living standards of auto workers, the UAW was handed a retiree health care trust fund worth more than \$50 billion, giving it control of one of the largest private investment funds in the US.

In the American Axle strike, the UAW is once again deliberately isolating the workers, while behind the scenes it is negotiating a contract that will drastically reduce wages and benefits. Local union officials say they expect 2,000 of the 3,650 remaining workers will take the buyout and leave the company.

History demonstrates there is no way for workers to defend their jobs and living standards within the framework of the UAW. The fate of the American Axle strike and future struggles depends on the initiative of rank-and-file workers, who must organize over the heads of the UAW bureaucracy and appeal directly to their brothers and sisters throughout the industry to wage a common struggle to overturn the regressive contracts signed by the union.

At each stage in the progressive degeneration and treachery of the UAW, however, have been transformations in American capitalism. The trajectory of the union’s policy has been determined by its acceptance of this system—and bound up with this its nationalist orientation and its support for the Democratic Party. If the working class movement is to be revived it must be based on a new strategy, which has as its goal putting an end to the profit system and taking the levers of economic and political power into its own hands.



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