

US auto union hails \$5 billion GM stock buy-back

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The announcement by General Motors Monday that it will carry out a \$5 billion stock buy-back and issue another \$5 billion in dividend payments has evoked an enthusiastic response from the company's wealthy investors. This includes the United Auto Workers union, which holds over \$5 billion in GM stock through its retiree health benefit trust fund, making it the company's largest single stockholder.

The move by GM is part of a deal with former Obama auto task force member Harry Wilson, who represented a group of hedge funds seeking a share of GM's cash hoard of some \$25 billion. Wilson had initially sought an \$8 billion stock buy-back, but the huge payout offered by GM satisfied Wilson, who said he would drop his bid for a seat on the company's board of directors.

Following the settlement, Cindy Estrada, UAW vice president in charge of relations with GM, issued a statement praising the deal. "The strategic process outlined today leaves room for our members to prosper, strong product investment for customers, and a healthy, well-positioned company," she declared.

These remarks, spoken in the language of a corporate executive, sum up the anti-worker character of the UAW. Stock buy-backs are a form of financial parasitism, aimed at siphoning off profits extracted from the labor of workers and funneling them into the pockets of investors by driving up stock prices.

The UAW itself stands to profit handsomely from this operation. When Wilson first initiated talk of a buy-back, GM shares shot up by some 4 percent, translating into a \$200 million gain in the UAW's equity stake.

The growing phenomenon of stock buy-backs is an indication of the moribund character of US and global capitalism. Instead of using profits to expand production, invest in research and development,

increase employment or raise wages, companies are with increasing frequency spending billions to pad the bank accounts of executives and wealthy investors by artificially driving up the price of their stock.

The funding of payouts to investors through stock buy-backs has reached manic proportions. According to a report in the *Harvard Business Review*, the 449 companies in the S&P 500 index paid out 54 percent of their earnings, a total of \$2.4 trillion, to buy back their own stock between 2003 and 2012. Dividend payments accounted for another 37 percent, leaving almost nothing for productive investment.

The fact that the UAW lends its support to this process is indicative of what it has become. It functions not as a workers' organization, but as a business entity whose financial model is based on obtaining a share of the profits sweated out of the workers in return for suppressing the class struggle and helping the corporations impose layoffs, cuts in wages and benefits, and speedup.

A small army of hundreds of full-time union officials each taking in more than \$100,000 per year presides over an organization whose membership continues to dwindle. In an attempt to offset its declining dues revenue stream, the UAW relies increasingly on its direct holdings of company stock, giving it an even greater incentive to help push up profits at the expense of the workers.

The announcement of the stock buyback is particularly provocative given that the UAW is set to start talks later this year with GM and the other Detroit-based automakers on a new labor agreement. Senior autoworkers have had their wages frozen since 2007, while new-hires are working at a much lower starting wage, little more than half of standard base pay and barely above poverty level.

Among autoworkers there exists a strong sentiment to eliminate the two-tier wage system and secure a real wage increase and restored cost-of-living. Sentiment is also strong to eliminate the Alternative Work Schedule, which requires ten-hour shifts without the payment of overtime, and restore overtime pay after eight hours.

By its actions, the UAW is signaling in advance of the talks that it will place no significant demands on the auto companies, which are flush with profits based on the massive concessions wrung from autoworkers. Instead, the UAW will act as a “responsible” business partner by negotiating an agreement that allows the automaker to continue enriching stockholders.

The UAW’s deep hostility to the working class is epitomized by its friendly relations with corporate restructuring specialist Harry Wilson, who, in the 2009 bankruptcy and restructuring of GM, pushed for deep cuts in workers’ pay. Wilson epitomizes the further domination of Wall Street over the auto industry that was a central goal of the Obama administration’s restructuring scheme.

Wilson was also deeply involved in talks over the Voluntary Employee Beneficiary Association, or VEBA, which was set up in 2007 to handle payment of retiree health benefits. He pushed for the VEBA, controlled by the UAW, to be funded by GM stock. The deal, a payoff to the UAW, gave the union a direct incentive to hold wages and benefits down in order to keep profits high.

Other unions also value Wilson’s services. The Teamsters recently appointed Wilson to be their representative on the board of directors of trucking company YRC Worldwide. In 2011, Wilson helped the Teamsters round up investors for the near-bankrupt company in exchange for labor concessions. Wilson reportedly pocketed millions from the deal.



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