UAW discussing lower pay rate at Lear in Detroit

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Officials of the United Auto Workers have confirmed that the union is in the preliminary stage of talks with automobile seat maker Lear Corporation over lower pay rates for new-hires the company plans to bring into the city of Detroit. The company says it wants to expand operations in the city based on extorting municipal tax breaks and concessions.

The latest move by Lear continues the relentless assault on US manufacturing wages, aided and abetted by the trade unions. It follows the 2015 contract settlement between the UAW and the Detroit-based carmakers that saw the continuation of the two-tier wage system and pay increases below the rate of inflation.

Lear wants to create 500 to 1,000 union-represented manufacturing jobs in the city of Detroit at a lower pay scale than workers at other UAW organized facilities. According to a report in *Crain's Detroit Business*, Lear CEO Matt Simoncini is looking at a pay rate "in the mid-teens with some benefits," with final details subject to negotiation with the UAW.

Lear makes seating and other components for car manufacturers worldwide. The company, based in Southfield, Michigan, employs 136,000 globally and is listed as number 174 on the Fortune 500.

Currently, Lear pays about $35 an hour, including the cost of benefits, to workers at its US seating plants and about $25 an hour to workers at its component plants.

Simoncini indicated the decision would move jobs currently performed by Mexican workers to Detroit in order to take advantage of lower freight costs, which, combined with the relative lowering of US labor costs and tax breaks would make production in Detroit cheaper overall. According to one report, labor costs in Mexico average about $8 an hour, including benefits.

"Right now (the UAW and Lear) are in agreement on the goal, but we need to get an acceptable wage solution," Simoncini told *Crain's*. "The UAW wants to put their name on a fair deal, so it's a balancing act, and I wish I could pay everyone at the highest end of the market. I believe in organized labor, but with the caveat that we need to stay competitive."

According to a report in the March 17 *Wall Street Journal*, UAW President Dennis Williams, other top union negotiators, and Detroit Mayor Mike Duggan have already met with Simoncini. Neither Williams nor Duggan have commented on the content of the discussions.

The *Journal* notes that in January, the average hourly wage for production and other non-supervisory workers at US auto parts makers was $19.96. That figure is down 7 percent from 10 years ago. That compares to an average hourly wage of $26.28 for workers employed at car manufacturers, down more than 10 percent from 2006.

In comments to the *Journal*, Simoncini said that in addition to tax incentives, the company could locate production in an area where several parts suppliers are located so that they could distribute parts to Midwest assembly plants. Lear said it is looking at either the site of the former American Axle plant in Detroit, or a now-closed 100,000 square foot facility it owns in the city.

In recent years, US manufacturers have increased employment in Mexico to take advantage of lower labor costs. Lear's workforce in Mexico is now 46,600, a 70 percent increase since 2010. The company employs 10,200 workers in the US and Canada, a figure that has grown by nearly 50 percent since 2010, but still more than a third less than its year 2000 employment number.

Lear indicated it expected no problems finding an adequate number of qualified job applicants willing to work at near starvation pay levels. Detroit now has an official unemployment rate of 10.9 percent, which is a significant understatement of the real level. It is the poorest big city in the US, with nearly 40 percent earning less than the grossly inadequate official poverty rate of $24,000 a year for a family of four.

According to Simoncini, the new wage rate under discussion with the UAW would be a low-tier wage based on an apprentice-like structure with a wage progression. Workers would have rights to higher paying jobs if those opened up within the corporation.

Fred Hubacker, a managing director at Conway Mackenzie, a law firm that made millions advising the city of Detroit on its recent bankruptcy, spoke to *Crain's*. He said, "I think the UAW will accept this, and they should, because its good for their membership numbers, which is a high priority, and it's good for the city of Detroit."

Hubacker noted that Lear already operates a joint venture in Detroit employing 700 at a lower pay rate than at its wholly-owned plants.

The talks with Lear explode the lie that the UAW opposes the two-tier wage, widely hated by workers. During the 2015 negotiations, the UAW claimed that it wanted to eliminate the tiers, only to sign an agreement that lifted all caps on the use of lower-paid tier-two workers in the auto plants. Once implemented by Lear in Detroit, it will be used to whipsaw workers at other parts facilities, further accelerating the downward spiral of wages and benefits.

In 2014, the UAW agreed to create a new subclass of low paid workers at a Lear seating plant in Hammond, Indiana. The workers are being paid wages even lower than under the previous two-tier setup.

The corporate press is hailing the new Lear-UAW initiative on the grounds that it is "bringing jobs back from Mexico." In fact, the deal further exposes how the "America First" nationalism promoted by the UAW facilitates the driving down of living standards by promoting fratricidal competition between workers in the US and their brothers and sisters in Mexico.

The pending deal is in line with the "insourcing" policies of the Obama administration based on lowering US manufacturing wages in order to better compete with low-wage producers such as Mexico and China. For its part, the UAW has promoted Obama administration policy, doing its best to suppress the wage levels of American workers in the name of making US business competitive on the world market. In exchange, the UAW hopes to increase its dues collections by expanding union representation of an increasingly poverty-level workforce.