

Plea deal reveals Fiat Chrysler used “sham employment” scheme to pay off UAW negotiators

Jerry White
28 May 2018

Michael Brown, Fiat Chrysler’s Director for Employee Relations from 2009 to 2016, pleaded guilty in a Detroit courtroom Friday to concealing illegal company payoffs to the United Auto Workers (UAW) union. Brown is the seventh person to be indicted and the sixth to plead guilty in the corruption scandal, which has reached the top echelons of the UAW.

According to the plea agreement signed in March, Brown was personally involved in the negotiation and administration of labor agreements signed by the UAW in 2009, 2011 and 2015, and had authority to sign letters and agreements on behalf of Fiat Chrysler Automobiles (FCA), with the UAW. In his capacity as co-director of the UAW-Chrysler National Training Center (NTC) in Detroit, Brown was directly involved in funneling more than \$1.5 million in company money through the training center to top UAW officials involved in contract negotiations.

Brown pleaded guilty to providing “misleading and incomplete testimony” to a federal grand jury on December 16, 2015. The offense of “Misprision of a Felony,” i.e., both failing to report and concealing a crime, carries a maximum penalty of three years in prison and a \$250,000 fine, but Brown is expected to serve no more than 12 to 18 months.

The plea agreement states that Brown “knew that the purpose of the conspiracy to provide prohibited payments to UAW officials was to grease the skids in order to obtain benefits, advantages and concessions in the negotiation, implementation and administration of the collective bargaining agreements between FCA and the UAW.”

Brown’s plea deal sheds new light on the mechanisms of the corruption scandal. From 2009 through 2015, FCA executives authorized UAW Vice President General Holiefield and other UAW officials to “offer sham employment status at the NTC to a number of their friends, family and allies” who were then hired under a “special assignment” status to the NTC. Hundreds of thousands of dollars in payments were made to the UAW “in the guise of

reimbursements for 100% of the salaries and benefits the UAW paid to members of the UAW International Staff, knowing that those individuals did little or no work on behalf of the NTC.”

These were “political gifts,” the agreement states, to Holiefield, other UAW officials and the UAW. Brown and other FCA executives also authorized additional illegal payments in the form of a “7% administrative fee that was added to the monthly demand by the UAW for reimbursement of salaries and benefits. The UAW did not, in fact, incur legitimate costs or provide legitimate services to the NTC to justify the addition of a 7% administrative fee.” Instead, these “inflated” fees were “another gift” to the UAW, the deal states.

Between 2009 and 2015, the UAW signed agreements imposing historic concessions on tens of thousands of Chrysler workers, including abolishing the eight-hour-day and replacing it with a 10-hour “Alternative Work Schedule,” halving the wages for a new class of “second-tier” workers and expanding the number of temporary part-time workers (TPTs) who pay union dues but have no rights.

Brown’s co-director at the NTC was Keith Mickens, who was on the UAW national negotiating committee in 2011. Mickens pleaded guilty last month for his part in the conspiracy, which included delivering tens of thousands of dollars in “offline” NTC checks to Holiefield and his wife Monica Morgan, and using NTC credit cards to buy luggage, electronics, designer clothes and golf equipment for himself and other UAW officials.

In his plea agreement, Brown acknowledged that he knew FCA executives had authorized illegal payments to Holiefield, UAW Assistant Director Virdell King and unnamed “UAW-2, UAW-3, and UAW official UAW-4, each of whom served on the UAW’s National Negotiating Committee.”

These payments included over \$30,000 in expenditures for cigars, “ultra-premium liquor” and specially labeled wine at

an August 2014 party at the UAW-FCA World Class Manufacturing Academy to welcome Norwood Jewell as Holiefield's successor as top negotiator with FCA. Payments were also used for "private accommodations, golf resort fees and lavish meals in Palm Springs, California for UAW-3 and UAW-4 in January and February of 2015."

"UAW-3" is widely suspected to be Jewell, who headed up negotiations with FCA in the summer of 2015. After the UAW reached a tentative agreement in September 2015, the *Detroit News* reported last month, "the union's labor negotiator Nancy Adams Johnson and other UAW officials toasted the deal at London Chop House, the legendary Detroit restaurant. Fiat Chrysler picked up the \$6,912 tab."

FCA workers, however, did not cooperate. Rank-and-file workers utilized social media to circulate oppositional information, including from the *World Socialist Web Site*, to defeat the sellout by a 2-to-1 margin. It was the first rejection of a UAW-backed national agreement in more than three decades. The UAW then mounted a campaign of intimidation against workers, hiring the New York City public relations firm BerlinRosen to level charges of "fake news" against the WSWS and threaten workers with layoffs, in order to push through a slightly refurbished agreement.

As subsequent facts show, it was the UAW—whose executives were on the payroll of the Fiat Chrysler—that was selling the fake news.

In their coverage of Brown's plea agreement, the *Detroit News*, *Detroit Free Press* and Crain's *Automotive News* concealed information concerning the administrative fees paid to the UAW as a whole. This is in line with media efforts to promote the UAW's claim that there were only a few "bad apples" involved who have since retired or, in Holiefield's case, died. Since the indictments, UAW President Dennis Williams has been in damage control mode, asserting that the leadership was unaware of any illegal activities until the FBI informed them and that the payoffs did nothing to compromise the supposed integrity of the "collective bargaining process."

As UAW secretary-treasurer from 2010 until he was promoted to UAW president in June 2014, Williams was in charge of the books at the UAW's Solidarity House headquarters in Detroit. It is simply unbelievable that Williams and his successor as treasurer, Gary Casteel, never saw the invoices being sent to the NTC for payment or the hundreds of thousands of dollars in illegal revenue coming in to pad the bloated salaries of top UAW executives and the union's bank accounts.

With the UAW Constitutional Convention scheduled for next month, a new narrative is emerging--that under the pressure of federal investigators, the UAW is reforming itself and can be trusted to negotiate a new contract for

140,000 GM, Ford and FCA workers in 2019. Williams is on his way out, Casteel and Jewell have abruptly retired, and UAW Vice President Cindy Estrada—whose own charities were investigated for receiving funds from the UAW-GM Human Resource Center—has been shunted to the side.

But the corruption runs far deeper than Holiefield and his closest associates. The \$1.5 million in bribes they pocketed is a pittance compared to the billions the auto bosses have transferred to the UAW since the joint labor-management schemes were set up in 1980s. For decades, the "collective bargaining process" has been nothing more than a negotiation over how the companies and the union will divvy up the added surplus value pumped out of workers through the slashing of jobs, speed up and wage-cutting. The corporations have been willing to part with a portion in order to shore up the financial position of their UAW "partners" on whom they depend to suppress opposition.

The UAW cannot be reformed. Instead workers must build new organizations of struggle, factory committees, democratically controlled and answerable to the rank and file, which take up the responsibilities long abandoned by the UAW—addressing workers' grievances, opposing speedup, dangerous conditions, layoffs and victimizations. Only through the building of factory committees can workers assert their will against the shop floor dictatorship of the company and its union, and fight for workers' control over production.

The current contracts must be declared null and void and a fight taken up to abolish the multi-tier wage and benefit system, and guarantee the right to a good paying and secure, full-time job to all workers, including TPTs. A special fight must be taken up to oppose mass layoffs at GM's Lordstown and Lake Orion, Michigan, plants.

The fight by autoworkers to free themselves from the corporatist UAW is inseparable from breaking from the reactionary nationalist and pro-capitalist outlook of the unions and their political subordination of the working class to the Democratic Party. The only answer to the relentless attacks on jobs and living standards is the fight for the international unity of workers and the transformation of the global auto industry and the banks into publicly-controlled and collectively-owned enterprises.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact