“What the automakers looked for was flexibility, and they maintained a lot of flexibility”

Detroit Three automakers see gains in 2019 UAW contracts, industry think tank gloats

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During a teleconference Wednesday hosted by the industry think tank Center for Automotive Research, industry analysts and former labor negotiators for Ford and General Motors boasted about the Detroit automakers’ gains made in the 2019 contracts with the United Auto Workers union.

The presentations made clear that the United Auto Workers’ betrayal of the 40-day national strike by General Motors workers paved the way for massive concessions. After isolating workers on the pickets, starving them on starvation strike pay and subjecting them to an information blackout, the UAW forced through a contract which was virtually identical to the company’s initial proposal. This set the pattern for equally rotten deals at Ford and Fiat Chrysler.

Summarizing the Detroit Three’s achievements, Kristin Dziczek, vice president for research at the Center for Automotive Research, said the companies retained “contingent” pay through lump sums and bonuses instead of wage increases, maintained the use of temporary workers who can be hired and fired at will and maintained substandard benefits for second-tier workers. The companies also retained the “authority to make footprint decisions,” i.e., to dictate which plants will be closed.

In spite of these major concessions, financial markets have responded tepidly to the new contracts because all-in hourly labor costs are still projected to rise. In particular, the relative absence of attacks on healthcare, seen as a major cost-driver, provoked unease among investors.

Dziczek sought to reassure them that workers would continue to be exploited at historical levels. “I know some folks are thinking that [hourly labor costs] are getting awfully close to those big numbers we saw in 2007… But in real terms, inflation adjusted terms, in 2007 dollars *we are well below where we were in 2007* in terms of hourly labor costs. There is not a ballooning liability coming; not runaway inflation in average labor costs. In fact, *these changes and increases in real terms are quite modest coming out of the 2015 and 2019 contracts* [emphasis added].”

Pointing to a critical imperative for the auto giants—the right to make unilateral decisions over how and where their production will take place—Dziczek noted that the contracts maintain the companies’ “authority to make footprint decisions. And that’s something notable. There were no reversals about plant investments. The decisions about where the companies are going to make their products remains on the company side, and that didn’t change.”

“What the automakers looked for was flexibility,” she concluded, “and they maintained a lot of flexibility.”

Given the fact that the UAW had been forced to call a strike under conditions where the union’s reputation has been destroyed by a massive corruption scandal implicating much of its top leadership, some of the panelists expressed surprise that the union did not hold out for at least token concessions from the companies.

However, there was no doubt that the UAW’s purpose in calling the strike was to head off a rebellion while it worked behind the scenes to enforce a pro-company contract. “The leadership was very nervous about the rank-and-file,” Martin Mulloy, former vice president of labor affairs for Ford Motor Co., said, “and they wanted to make sure that the rank and file was solidified behind them, and secondly, I think they wanted to divert some of the focus from the investigation.”

Dziczek interjected that the UAW’s debacle in 2015, when workers at FCA voted down the first union-backed proposal by a two-to-one margin and ratification was narrowly and dubiously secured at Ford, also likely played into the calculations of union officials this year in calling a strike.

This frank discussion among the assembled corporate executives and analysts makes absolutely clear that they see the UAW not as an adversary but as a critical mechanism for enforcing management's dictates. Because of this, the panelists viewed the potential disintegration of the UAW with dread. After praising the UAW for decades of helping cut labor costs, the former GM negotiator Schwartz said, "This whole [corruption] investigation is disappointing; no one in the company feels glee. The UAW has to figure a way out and gain the trust of the membership. The leadership has lost it, they are trying to do something about it. They don't want government trusteeship; I'm not sure anyone wants that. We hope the UAW leadership can reestablish trust."

The speakers boasted about cost controls on wages, as yet little reported in the press and not highlighted in the UAW's self-serving contract summaries. The most significant of these is that the contract retains an eight-year wage progression for workers hired after the 2019 contracts took effect. This means that these workers will be, at best, halfway towards the top wage rate when the contract expires in 2023. "We have another contract in 2023," Dziczek noted, "and that all may change," meaning the progression period may be lengthened again in four years.

Moreover, temporary workers hired at Ford and GM after the contracts took effect will not see any annual pay increases while they are employed as temps, with now a fixed wage rate of just $16.67.

The contracts also facilitate the companies' ability to force out older, better-paid "legacy" workers, through "retirement incentives aimed at culling some of the more expensive workers out of the workforce, as well as those at underutilized plants, particularly the ones that are closing," Dziczek said.

Dziczek reviewed the various conditions imposed in the "pathway" to full-time employment for temporary workers at General Motors and Ford, which requires worker to serve three consecutive years before being hired in. No such pathway exists at Fiat Chrysler, who have promised only to hire temporary workers as full-time positions become available.

To avoid having to hire temps as regular employees, the companies will dump temps for extended periods of time, forcing them to start again from the bottom. Earlier this month GM quietly laid off another 240 at its Fort Wayne, Indiana, assembly plant, even as it trumpeted its conversion of 1,300 temps nationwide to full-time status in a press release.

"They like contingent work," Dziczek said, "that is temporary work, the ability to flex the workforce and have people who they can lay off without any costs."

Asked if he was concerned with the wage increases contained in the contract, Mulloy said, "If you go back to 2007, Ford's total compensation was $74 an hour and the costs for our competition at the time was at $47. And the gap with Toyota and Honda was getting bigger because we had legacy employees and their post-employment benefits were going on and on.

"That was changed in the bargaining by GM in 2007, which did a terrific job with the VEBA deal [Voluntary Employees Beneficiary Association, in which the companies ended their retiree health care obligations by handing over a lump sum fund to UAW]."

Expressing satisfaction with the contract outcome for the companies, he added, "Quite frankly, with all the things done in the restructuring, I believe the bargaining done in the last two sessions was excellent."

Arthur Schwartz, former general director of labor relations for General Motors Corporation, added, "When the companies are doing well it makes no sense to expect that labor costs are not going to go up in negotiations. But I would point out that most of the economics of this are not structural; they are lump sum cash, bonuses, profit sharing. There are the two 3 percent increases that are structural, and nothing was changed on health care. [On] pensions, there was nothing and that's another structural cost. So most of this is cash, and when the companies are doing so well they can afford the cash. The most interesting thing is, the next time they bargain in a downturn, what is going to happen?"

In the concluding portion of the webinar, the panelists reviewed the forthcoming contract negotiations between the Detroit Three and Canada's Unifor union, speculating on whether further plant closures or layoffs were in store, as the automakers increasingly shrink their footprint in the country.

The litany of concessions imposed on autoworkers presented by the Center for Automotive Research refutes the claims of UAW officials that the 2019 deals "achieved major wins." It further demonstrates that, in order for autoworkers to successfully resist the cost-cutting drive of the auto companies, they must first break free from the straitjacket of the UAW and the unions as a whole. To carry their struggles forward, workers must organize themselves independently by forming rank-and-file factory committees to establish a fighting unity with workers throughout the world, who confront not only the same transnational corporations but the same betrayals by the trade unions.