

As inflation surges, unions impose cuts in real wages

Shannon Jones
11 February 2022

The surge in prices continued in January, with US inflation rising to its highest level in four decades. Annual inflation is now at 7.5 percent, devastating the budgets of working households who are facing steep increases in food, gasoline, fuel for home heating and other basic necessities.

A similar trend is taking place globally. In the Eurozone, inflation reached 5.1 percent, the highest level since records began in 1997.

The level of inflation means that wages for most workers are falling sharply in real terms. Annual wage growth in the US was just 4.5 percent in 2021 according to the US Census Bureau. Real wages for unionized workers rose on average just 3.3 percent, significantly below the rate for nonunionized workers, as unions signed a series of multi-year agreements locking in wage rises far below the current rate of inflation.

The rise in particular commodities is staggering. The energy price index rose 27 percent on an annualized basis, while food prices rose 7 percent. Meat, poultry and egg prices rose 12.2 percent, piped natural gas rose 23.9 percent and electricity 10.7 percent. Gasoline was up 40 percent. The US Midwest, in the midst of a typical bitter winter, saw even steeper price increases, with natural gas up 31.1 percent. Supply chain disruptions led to a 12.2 increase in new car prices and a huge 40.5 percent increase in the price of used cars.

The surge in prices takes place as all remaining pandemic supports have been withdrawn, including eviction moratoriums and the \$300 monthly child tax credit, a lifeline for struggling working-class families. The withdrawal of the benefit threatens to return millions of children to poverty.

Surging inflation is a by-product of the policies adopted by the ruling class in the US and Europe in

response to the pandemic, which has included pumping trillions of dollars into the financial markets to prop up share values. Further adding to inflationary pressures are disruptions in supply chains due to the refusal of capitalist governments to implement effective public health measures to end the pandemic.

As a result of the run-up on the stock market, the 10 richest people in the world, including Elon Musk, Jeff Bezos, and Bill Gates, doubled their combined wealth during the pandemic to \$1.5 trillion. They have made \$1.3 billion a day as teachers and children are sent into COVID-infected schools and workers are sent into equally dangerous factories to make profits for the rich.

Corporate profits are also surging. Both Ford and GM scored massive profits, with Ford reporting \$17.9 billion in net income for 2021 and GM a record \$10 billion. These increases took place as COVID-19 sickened thousands and killed scores of workers in auto plants.

With crude oil at \$90 a barrel and oil and gas prices at a seven-year high, ExxonMobil, Shell, BP and Marathon made combined profits of \$73 billion in 2021 and are spending tens of billions on stock buybacks to further enrich their top shareholders. At the same time, the oil companies are demanding that 30,000 oil refinery workers accept a “final” wage proposal of 2-3 percent a year over the next three years.

The massive handout of wealth to the rich requires the ever more brutal exploitation of workers to pay it back. In this, the unions are playing a central role.

The unions have imposed a series of multi-year contracts with pay increases far below the rate of inflation, ensuring that workers pay the cost of rising prices through cuts to real wages. This has involved the unions intervening to prevent strikes, or where that has not been possible, to keep workers isolated to wear

down their resistance.

In the case of Volvo Trucks workers in Virginia, the United Auto Workers agreed to a sellout six-year contract, locking in pay raises of below 2 percent annually for the top paid workers. At the current rate of inflation of 7.5 percent, this means a cut in real wages of nearly 30 percent over the life of the contract.

Nabisco workers were stuck with a four-year deal including pay raises of between just 2 to 2.5 percent. This means that in just four years, at the current rate of inflation, workers will see almost a fifth of their paycheck eaten up by rising costs.

Dana auto parts workers got a four-and-a half-year deal with front ended wage increases that will quickly be eroded by price rises.

The unions are engaged in a conspiracy with the Biden administration and employers to impose extended contracts guaranteeing huge cuts in real wages as inflation surges. In exchange for this skullduggery, the unions are being strengthened by the Biden administration in an attempt to hold back the rising tide of working class opposition to the agenda of the ruling class for war overseas and austerity at home.

Increasingly, sellout contracts are being voted down by margins of 90 percent as at Volvo, Dana and John Deere. At Deere, management felt compelled to reinstate a cost-of-living agreement, evoking an angry and frightened response from business publications such as the *Wall Street Journal*, which warned of a “wage price spiral.” There has been recent discussion of action to curtail wage demands, such as sharp rises in interest rates to drive up unemployment.

The fact that average pay increases for unionized workers in the US have been held below the nationwide average pay rises is of enormous significance and confirms the assessment made by the *World Socialist Web Site* and International Committee of the Fourth International (ICFI) of the transformed role of the unions.

Writing in 1937, the Russian revolutionary and founder of the Fourth International, Leon Trotsky, observed that should the leaders of the unions “defend the income of the bourgeoisie from attacks on the part of workers; should they conduct a struggle against strikes, against the raising of wages, against help to the unemployed, then we would have an organization of scabs, and not a trade union.”

This is precisely the role that the “unions” now play. These agents of corporate management and labor policemen have abandoned even the limited function of defense organizations of workers and now act directly at the behest of management and the state.

Last year, the ICFI founded the International Workers Alliance of Rank-and-File Committees (IWA-RFC) to provide a program and organizational structure to workers straining to break free from the union-management straitjacket.

The fight to defend workers’ living standards against inflation is part of a broader fight against the global capitalist system. It is bound up with a fight against the criminal and incompetent responses by capitalist governments all over the world to the pandemic, which at every step have subordinated the protection of human life to corporate profit.

The IWA-RFC is based on a program of uncompromising class struggle, not class collaboration. While open to broad sections of workers, it is guided by a socialist perspective aimed at the ending of exploitation and the reorganization on a higher, humane basis of production for human need, not corporate profit.

Rank-and-file committees in factories, schools and workplaces, run by the workers themselves democratically, can serve as the focal point for a broad fight against the assault on living standards and workers’ very lives and health during the pandemic.



To contact the WSWS and the Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)