Crisis of Trade Union Negotiation in Canada: The CAW and Panic Bargaining

Early Opening at the Big Three

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In the face of a deteriorating economic climate and concerns about the 'investment competitiveness' of Canadian plants, the CAW leadership made a startling move this spring. It had an air of panic about it: the leadership quietly asked the Big Three — GM, Ford and Chrysler — to open their collective agreements early, offering a new 'pragmatic' settlement. Ford 'bit' and bargaining was over before anyone, including the Ford workers, had a whiff that anything was going on. The tentative agreement was announced to the press on April 28 — almost five months before the agreement was to expire, three months before bargaining was set to open and, most notably, two months before the CAW Collective Bargaining Conference, where elected delegates gather to discuss and debate the unions' bargaining priorities. That summer conference, set for every third year, addresses the union as a whole, but is generally dominated by the fall's auto negotiations.

On May 4th Ford workers ratified the proposed agreement that is set to run to September 2011. The union initially announced that 78% of workers voted for the agreement, only to correct this later to a much lower 67% being in favour. At the critical Oakville plant, the agreement was rejected by almost 60% of the production workers. In the history of the Canadian autoworkers, there has never before been such a low overall acceptance vote, nor a rejection of a settlement in a major plant after the leadership recommended a tentative agreement.

The CAW literature claims that it has remained true to its convention-established policy of 'no-concessions' in bargaining. The union has insisted that there was really no choice and that comparison with the early 1980s — the high point of CAW resistance and leadership within the North American (and international) labour movement — is not valid. If new investment is to be attracted, the union argues, it can simply not ignore the rise of the Canadian dollar, the turmoil in the industry and the concessions made by the UAW. And had the CAW waited until the normal September deadline, the union asserted, things would have been much worse.

The critical concessions in last year's UAW agreement were twofold: the dramatic agreement to shift the risks of future health care costs from the companies to the union, and the acceptance of a permanent two-tier structure with new hires being paid half the wages and less than half the benefits of current workers. The former is of secondary importance in Canada because of our socialized health care system (though it does reduce one of the cost advantages of Canadian operations). The permanent two-tier system, however, has been resolutely opposed by CAW President Buzz Hargrove, and its rejection has been made central to bargaining.

The rejection of the permanent two-tier structure is indeed of crucial importance. But renaming the losses made in exchange as 'cost savings', 'offsets', or describing them as a 'creative and nimble' response, hardly negates the fact that the concessions in this collective agreement are as large or larger than those the American UAW made in 1982. Those concessions lead to harsh criticism from the Canadian wing of the union and, shortly after, to breaking away from its American parent.

As many CAW members know from experience and the union's educational programs, concessions don't guarantee jobs. Jobs depend on so much else beyond the control of workers — from the economy, trade policy, exchange rates and the chaos in financial markets, to the age of plants, technologies used, and especially the models placed in the showrooms. Currently, jobs also depend on the extent to which the new vehicles are sensitive to the implications of escalating oil prices and environmental concerns. At the end of the 1970s, when the concessions period began to unfold, UAW Big Three membership totalled some 760,000 in the USA. In spite of the concessions, the UAW repeatedly accepted over the following years, that membership is now down to about 165,000 — almost 80% of the jobs gone.

What concessions do guarantee is more of the same: why would any company that found this golden egg, not keep coming back for more? They also tend to confirm the belief that workers are the problem: if workers are making concessions to save jobs, aren't they essentially admitting that the gains they won earlier were the problem? So, aren't more concessions, rather than other policies, the answer? Most dangerously, concessions leave workers cynical about the worth of their union: why get active if unions aren't in fact fighting back? This concern with the potential cynicism of a new generation of workers was one of the reasons that Hargrove rightly opposed the UAW permanent two-tier system with its discrimination against young workers coming into the factories.

What then are we to make of this agreement? Is it the best that could have been done in the context of the UAW settlement and a looming recession? Does it bring a victory against the two-tier system or, like the American UAW's agreements of 1982, signal the decline of the CAW's earlier prominence as the leading union in Canada? Most important, is this just about the CAW or does it highlight a larger crisis within Canadian trade unionism and the left — a left which was always dependent on, as well as crucial to, the dynamism of the working class?

1982 and 2008

It's useful to start with a look back to the early 1980s, the defining period in the formation of the CAW. In 1982 the overall unemployment rates in the U.S. (9.7%) and Canada (11%) were significantly higher than today (5.1% in the U.S. and 6% in Canada). The auto companies faced as great or greater financial pressure than today, with Chrysler in fact being in the bankruptcy courts. The competitive threat from the Japanese was intense, as it is now, though then it was via imports while today their operations are inside North America (placing unionization of the Japanese plants on the agenda as part of any effective union response).

In the early 80s, in the context of massive layoffs — 150,000 at GM alone (double the total GM union members today) — the UAW gave in to company pressures for early bargaining. The agreements were seen as concessionary not because of any cut in wages — wages were in fact frozen — but because the traditional increase of 3% for annual productivity gains was given up and cost of living allowances were postponed. In subsequent agreements, lump sum bonuses replaced the full return of the annual increases. As well, the union gave up its recently won 9 paid personal holidays. (The Canadian region of the UAW was able to maintain the principle of regular increases in base rates but also surrendered those paid days off.) Those scheduled days off had reflected a first step in the UAW's earlier ambitions of moving towards a four-day week at full pay, and had contributed to inspiring the subsequent drive by the German Metalworkers for shorter work-time. Analysts estimated the U.S. concessions in 1982 as worth about 10% of labour costs as compared to the traditional UAW template. (Along the way, the UAW leadership cancelled the union's scheduled collective bargaining conference allegedly because of preoccupation with bargaining, but this had as much to do with preventing the kind of exchanges amongst workers that might scuttle the emerging deal.)

Like the 1982 agreement in the U.S., the present tentative Canadian agreement occurs in the context of deep insecurities, and it too provides a lump sum payment (now dubbed a 'productivity and quality bonus') in lieu of wage increases. As well as freezing the base rate, it gives up the next five cost-of-living allowances (COLA), estimated at $.60/hr by the union (but which may be higher as increased food and oil prices work their way through the Canadian economy). The agreement includes no base pension increases for existing retirees, and the first of retirees' three annual cost-of-living allowances is cancelled.

The agreement also gives up 40 hours of paid vacation. Here, too, there is a lump sum that covers lost vacation pay during the life of the agreement. But the loss in paid time off will be very difficult to recover in the future and with it, the job openings created by the need for replacements. At Ford, where a culture of all workers taking their vacation was collectively enforced in order to create more job openings, workers will now be 'permitted' to work through vacations. The CAW drug plan, with its limited cost to the worker ($.35), will move to a co-pay of 10% up to a maximum of $250 per family rising to $290 over the life of the agreement. And, surprisingly, given the Canadian public health care system, the union didn't completely reject the UAW move to accepting responsibility for health care costs, but left a crack open with a commitment to 'explore Canadian opportunities to establish a pre-funded, off-balance-sheet Retiree Health Benefit Fund.'

In what some may see as a 'mini' two-tier system, new hires — who formerly started at 15% below the base wage and moved to the full rate over two years while getting full cost-of-living allowances — will start at 30% below the base wage and move to the full rate over three years, with the cost-of-living postponed until the end of the agreement. New hires will also receive less paid vacation than under the current agreement and will receive lower benefits, most notably their exclusion until the end of their third year from the top-up of UI when they are laid off (and they will be of course be the first to be laid off). But because these new workers will move to approximate equality by agreement's end, it meets Hargrove's commitment against a permanent two-tier system.

Along with other concessions, such as caps on long-term health care, and even with some positive improvements in benefits, the agreement will save — again like the 1982 UAW agreement — the companies about 10% relative to past agreements.

Labour Costs and Competitiveness

The basic economics of this package, based on data presented by CAW economist Jim

Stanford to the bargaining committee, are as follows. The starting point for the leadership was, apparently, to negotiate the kind of agreement that will, through its control over labour costs, attract investment from the Big Three. The relevant comparisons are the hourly labour costs apart from 'legacy costs.' (Legacy costs refer to future commitments made to retirees; these must be paid wherever the investment occurs, so they do not affect any particular investment decision.) On this basis, and with the Canadian dollar at parity, Canadian costs are $67/hr for all wages and benefits while U.S. costs are $60. This differential of 10% is itself not of great concern because it is more or less offset by the higher productivity and quality in Canada as shown in independent industry reports. So, current competitiveness is roughly at par with the UAW. The concern, based on this logic, is not so much the present, as in keeping the gap from growing in the future.

Another way of thinking about this is to consider the impact of the UAW two-tier system on costs. At Ford, it is currently capped so it can 'only' affect a maximum of 20% of the workforce. Once implemented, this will reduce future U.S. costs by approximately $6/hr (roughly 10%) spread across the workforce. In order to reach an early agreement without the U.S. two-tier, the Canadian negotiators looked to find 'savings' of an equivalent amount.

The value of the Canadian dollar has been very much at the centre of concerns with Canadian costs, and this does matter. According to the CAW analysis, if the Canadian dollar were to fall to $.90 U.S., this would more than make up for all the concessions the union is now making. Such a fall in the Canadian dollar is a distinct possibility in the near future, when the fall in the American dollar bottoms out. Why then accept a permanent sacrifice in wages, benefits and work time — as well as a transformation in the orientation of the union and its bargaining structures — based on a possibly temporary value of our dollar?

The problems with this agreement go beyond the economics, but let's consider the economic arguments even on their own terms of Canadian labour costs harming Big Three investment in Canada. According to the Big Three financial statements, direct labour costs at the Big Three are some 8-12% of their overall costs; the former is for assembly while the latter includes in-house major components. Even a 10% differential amounts to less than 1% of the price of a car and is not in itself decisive. (The mark-up the car dealerships get is generally more per vehicle than the Big Three workers get in wages and benefits.) Moreover, as noted above, the union's analysis shows that Canadian labour costs per unit are, at the Big Three, roughly in line with U.S. costs. The CAW further acknowledges that the Canadian share of North American production has been doing remarkably well — our share of Canada-U.S. assembly has not only been maintained, but even increased since the early 1990s — and points to generally higher auto profits in Canada. Why then the panic to open the agreements early and make concessions?

It's true that things may get worse in the fall. But this was always the case, yet the CAW consistently rejected the early-opening option. In part, that was simply about letting the democratic process unfold: providing the members with an analysis and arguments that are distinct from the companies, letting the committees form their demands, and allowing for the pre-bargaining discussions and debates at the bargaining conference. But it was also due to the fact that speculating about what might happen in the economy can backfire. For example, the Canadian dollar may be lower in September, to the advantage of Canadian operations. As well, if bargaining looked tougher for the union later on, wouldn't the corporations be expected to exact more in exchange for the early opening? But the main reason for waiting until the agreement expires has been to avoid the message — to the companies and to its members — of a union desperate for any deal.

This is not to deny that there would be risks in September, including the possibility of a strike. But such risks can ultimately not be avoided if workers want to defend their rights and conditions, and standing up to the company in this way allows workers to affirm their independence, participate in influencing events, and test what is possible — the only way to know if you could have done better. (Waiting until normal bargaining begins does, of course, still leave the union with tactical options: it can strike only key facilities and leave the rest operating or it can choose to delay a strike for a given period.)

The greatest danger with looking to win through deals at the top rather than fighting back and building the base is that workers can end up with the worst of both worlds: concessions AND job loss, concessions AND two-tiers. Suppose the Big Three use their foot in the door in the U.S. to extend the UAW two-tier system to far more members in 2011 (or before). GM is already expecting 1/3 of its workforce to be under the two-tier system by the end of the agreement; Toyota, no longer worried that its preference for two-tiers might lead to unionization, has announced that all new hires will get 50% of the wage rate. This would, once again, place great pressures on Canadian workers to make parallel concessions in Canada.

But suppose, in contrast, that the CAW mobilized its members for a fight in September against the two-tier system and that this sparked or reinforced resistance to two-tiers in the USA. The possibility of such a rebellion in the U.S. — against their union leadership as much as against the companies — is not as far-fetched as it may appear. Many UAW members opposed the two-tier system (it was voted against in all of Chrysler's large plants) and, it's becoming harder to find workers who admit to supporting it. With Toyota following the UAW down this path, it's clear that the two-tier concessions have not even affected relative wages, so even in competitive terms, there is no justification for two-tiers. Most important, as new workers come into the factories, they could — rather than being grateful for a Big Three job — challenge, with the support of their co-workers, their second-class status. In this context, a high-profile struggle against the two-tier system in Canada could have an impact in the U.S., defeating the two-tier system on both sides of the border ('no more tears' as one Flint worker put it) and undermining the case for Canadian concessions. The point is not to engage in crystal-ball gazing, but to note that Canadian workers are not just observers of something occurring on another planet. What workers do in Canada can potentially affect what happens in the U.S. and therefore also expand their options.

How Did the Union Get to this Point?

The issue is not whether, given the constraints it imposed on itself, the CAW bargained 'well' or not. The CAW bargainers, from Buzz Hargrove down, have excellent bargaining skills. Once the alternatives are defined in terms of finding a way to reject the permanent two-tier system but pay for it in ways less damaging to union solidarity, a credible case might be made that the CAW bargainers did as well as was possible. The issue is why the union framed its options so narrowly and put itself into this box.

When Buzz Hargrove militantly declared his opposition to the two-tier system, there was clearly never any intention to actively mobilize the membership against it. Unlike past campaigns, there were no community meetings of stewards, no presentation of the economic arguments that made a fightback possible, no widespread distribution of pamphlets, no use of the union's structures to arm secondary leadership so they could go home and organize, no building toward the Collective Bargaining Conference to develop workers' understanding and confidence in why they must and can resist two-tiers, and therefore only a mixed message to the companies about how far the union would go to resist two-tiers. In that context, the determination to get a deal and get it now, shifted the CAW watchwords of 'fighting back makes a difference' to 'fighting back is impossible', leaving the union leadership and technicians to bargain within the straightjacket of parameters set by the company.

In the absence of any kind of campaign, and with the members all too aware of the union's recent trajectory, the commitment to reject the two-tier system was widely viewed as being about how much would be given up to keep it out of Canada. That many workers may now be relieved — it could have been worse — doesn't speak to the larger question of how the union got to this point of a leadership with no intent to fight and a membership passively waiting to see how bad things might get.

The problem, it seems, is that once the union accepts the argument that competitiveness is a goal workers must conform to — rather than as a constraint that must be stretched through broader policies and challenges to corporate power — the union ends up with no agenda independent of the corporations. Mobilizing the workers to fight the corporations is then largely irrelevant (in fact, it might even be seen as a potential problem). What is achievable comes to be viewed in terms of personal relationships to corporate and government officials, and other things follow. For example, when the union's main strategy in responding to job loss is argue for corporate subsidies, it is essentially arguing to make the corporations stronger, rather than challenging, through building wider coalitions and alternatives, the corporate freedom to undermine our freedom and to disrupt the lives of workers and their communities. The unintended message is that workers must, one way or the other buy their jobs. Subsidies paid for by the worker as taxpayer and concessions paid by specific groups of workers are ultimately not alternatives, but part of the same logic; once you buy into one as the only alternative, you're vulnerable to buying into the other.

That same reorientation from taking on power, to accommodating to it, was reflected in the union moving from strategic voting — once voiced as a criticism of the NDP's lack of resistance to corporate pressures — to supporting the business-backed Liberal Party. It was also dramatically reflected in the Magna deal, where the union unconvincingly tried to argue that you can build union strength as you give up the right to strike forever and accept an in-plant structure without a shop steward system and an 'employee advocate' appointed through a convoluted selection process to pose as a plant chair.

In this light, when the union repeatedly opened up Big Three local agreements to accept concessions — sometimes forcing workers to vote again if they didn't get it 'right' the first time — what we were seeing with these 'shelf agreements' was a precursor to the present opening of the Big Three agreements. In some cases, these shelf agreements even introduced its own version of the two-tier system: work such as internal janitorial services or external part components would be outsourced and paid very much lower rates and those laid off as part of this process would be 'invited' to apply for the 'new' jobs. In the recent Oakville agreement, local concessions included such an outsourcing of janitors/cleaners.

The union now faces a new dilemma. The GM workers have insisted that they are not ready to accept any more concessions without a guaranteed product; the open and vague promises of concessions are not enough. The CAW leadership, in light of not wanting to see a repeat of the Oakville rejection, must back up this demand. Yet, if GM has no such offer in mind, and no agreement is reached, where does that leave pattern bargaining? What will the Oakville workers think, having rejected the agreement but now living with it? What will

St. Thomas workers think, since they voted for the concessions but got no guarantee in exchange?

Conclusion

There is something profoundly wrong with what passes for normalcy in our society. The President of General Motors, partly in reward for his role in preaching restraint and destabilizing workers' lives and communities, gets a 40% salary increase to $14 million annually (and may declare that the Canadian concessions were not enough). His counterpart at Ford, hired from outside the industry to cut even further, is paid $21 million, meaning he makes more in a little over a day than Ford's full-wage production workers make in a year of exhausting work. On Wall Street, the top 50 hedge fund managers together earned some $29 billion (yes 'billion') on the way to contributing to the current chaos in financial markets; according to data from the U.S. Bureau of Labor Statistics, the pay of those 50 individuals equals the total compensation of some 390,000 U.S. motor vehicle workers — over half the industry's total hourly workforce.

Meanwhile, as the U.S. dollar falls and the average compensation (wages and benefits) of U.S. autoworkers moves below that of Europe and virtually reaches the level of Japan — that is, as U.S. compensation becomes more competitive than it has ever been — the UAW negotiates the deepest concessions in its Big Three history. And this all happens without a day's lost production. The UAW's justification is competition from the non-union Japanese plants in the U.S., even though it is perfectly clear that the latter will match any concessions the UAW makes, and also that the main problem is competitive vehicle models, not labour costs. [According to Business Week, Toyota insiders are now expressing concerns that as its workforce in the U.S. has aged, the Georgetown plant is expected, by 2009 to 'have the highest labor costs of any factory in the US' (April 28, 2008).]

In Canada, the union situation may seem much better, but comparisons to the weakest labour movement in the developed world are hardly comforting. The fact is that Canadian unions increasingly seem as disoriented as their American counterparts and Canadian unionism generally seems no less frozen in the headlights of neoliberalism. There are of course sporadic and impressive struggles — and the Oakville vote is in this regard impressive. But these occasional bursts of militancy do not add up to a reversal of direction.

This does not mean that unions can no longer be looked to in defending the working class, but it does mean that it can't be taken for granted. Activists and members need to start having discussions about where their unions are going, why the base so often has such little effective input, how to forge links with others asking the same questions across workplaces and unions, what building a rank-and-file capacity and 'changing' their unions actually means, and how to engage in resistance now. The socialist left, today largely marginal to working class life, once played a prominent role in creating spaces for such discussions and providing relevant analysis and resources. Unless that creative link between labour activists and socialists can be revived, the union movement will only stagger on from smaller defeats to larger ones.

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