United Auto Workers (UAW) Sellout at GM and Chrysler

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The September and October United Auto Workers (UAW) GM and Chrysler agreements are just the latest examples of union leadership surrender and betrayal. It's an ominous sign of labor's plight and clear indication of what's ahead – more for business, less for workers, and no relief in sight with union bosses out for themselves and more allied with business and imperial interests than their own rank and file.

American civilization and labor historian Paul Buhle sees organized labor today in a state of collapse, and labor author Robert Fitch says "American workers are like owners of a family car whose wheels fell off long ago. Each family member (must rely) on their own two feet; they scarcely remember what it was like being able to ride together." Who can dispute it with union membership down from its post-war 1950s high of 34.7% to the lowest private sector level in over 100 years at 7.4% today. In addition, inflation-adjusted wages are stagnant or falling, benefits are being slashed, and Fitch says conditions in the garment and meatpacking industries are as bad today as the ones muckrakers like Upton Sinclair exposed a century ago in his book "The Jungle."

He blames it on union corruption at the top in different forms – leaders on the take, siding with business, getting big salaries and fancy perks and more concerned with their own welfare than the interests of their members. Nothing on the horizon points to change with corrupted UAW leaders Exhibit A.

Back in June, the UAW reached an agreement with Delphi Corporation that signaled what would follow with the auto companies. Following months of negotiating, it allowed the company to impose pay cuts up to 50%, lay off thousands, and slash health and retirement benefits. It was a win for company and a crushing defeat for Delphi workers.

Then in July, UAW and the United Steelworkers reached an agreement with auto supplier Dana Corporation that allows the unions to take over managing worker long-term disability and retiree healthcare coverage. The deal is projected to save Dana over $100 million a year, eliminate $30 – $40 billion in long-term company liabilities, and it gives UAW leadership another chance for what it wanted for years – a VEBA (voluntary employee beneficiary association) agreement putting the union in the healthcare business for the big profit potential it represents. More on that below.

In the past, VEBAs proved costly to UAW workers. The union set one up with Detroit Diesel in 1993 that cost company retirees dearly when funds in it ran out in 2004. It happened again to Caterpillar retirees in 2005 who'll see their out-of-pocket costs triple by 2010, and the sky's the limit after that. As for Dana Corporation, it got more in the deal as well – the right to hire new workers at half the wages of current ones so older employees can be phased out and replaced with low-cost new ones.

The same UAW – company pattern is now in play at GM, Chrysler and Ford. GM workers struck September 24 and returned to work two days later after union negotiators agreed to huge concessions the company demanded and got without breaking a sweat. Workers accepted the proposal by a nearly two to one margin, but in doing it signed away their futures with a deal they'll live to regret. They traded shaky job security today for big contractual givebacks later. The pact affects 73,000 hourly workers at GM's 82 US facilities, and key to it is a VEBA agreement for the UAW henceforth to manage GM's 400,000 retirees' health benefits while letting the company off the hook for what it's been providing since 1964. The GM VEBA amounts to a multi-billion dollar trust fund that will transform the union into a major health care provider, and allow it to reap huge profits by cutting its own members' benefits.

For its part, GM is only obligated to contribute $35 billion of the $55 billion it owes retirees. But the deal is even sweeter than that. Health care costs are soaring, and the company's have risen by nearly half since 2003. It's clear what's ahead. The VEBA employee experience at Detroit Diesel and Caterpillar is coming to GM. When funds in it run out, the UAW will cut benefits and hike premiums and co-pays so union profits aren't affected. The agreement also lets GM divert pension fund money to the VEBA trust and allows for worker cost of living increases to go instead toward retiree health benefit expenses making the deal even worse.

Other terms agreed to in the contract include a two-tiered wage and benefit package. Under it, new skilled assembly-line workers will get $26 to $32 in hourly wages but less in benefits than current ones for a total compensation package of around $45 an hour compared to about $73 an hour for existing skilled workers. In addition, a new non-core worker group, comprising up to one-third of GM's workforce, will get around $27 an hour in wages and benefits. Both core and non-core employees will henceforth receive less in active-worker-health-care benefits with GM saving billions from the arrangement.

The company told Wall Street investors October 15 its 2007 labor costs will drop from $12.6 billion last year to $10.1 billion in 2007 (45% below 2003 wages and benefits paid) with "significant" further declines from 2008 to 2011. Further, GM estimates it will reduce its long-term healthcare obligation to workers by $47 billion and expects over the next four years to retire up to 75% of its current high-paid work force (earning $78.21 in wages and benefits) and replace many of them with low-paid non-core, non-assembly line new hires (costing $25.65 in combined wages and benefits).

Employee buyouts, early retirement offers and other downsizing efforts are coming that will let the company eliminate expensive workers and replace them with cheaper new ones. The contract runs four years and includes three lump-sum bonuses but no wage increases so annual cost of living adjustments won in 1948 are ended that over time will cost workers much more.

It's a dark new age for GM workers as well as for those at Chrysler and Ford. The days of Walter Reuther-type leadership are long gone. He led the UAW from 1946 until his death in 1970, grew the union to more than 1.5 million members, and over that time delivered for the rank and file like few other labor leaders ever did. He was a union reformer, shrewd bargainer, master strategist, champion of industrial democracy and worker rights and once said “If fighting for a more equal and equitable distribution of the wealth of this country is socialistic, I stand guilty of being a socialist.” In fact, he was pro-capitalist, opposed forming a labor party and allied the UAW to the Democrat party and its imperialist agenda.

Nonetheless, he won sizable wage increases and a historic tying of them to living costs and productivity gains. He also got his membership paid vacations, employer-funded pensions, medical insurance with defined benefits, improved safety and health measures, and supplemental unemployment benefits that guaranteed members up to 95% of their pay if they were laid off. That’s now lost today with UAW and other union bosses conspiring with business for their own self-interest at the expense of their members.

The UAW Chrysler betrayal was as cynical and self-serving as the GM deal. It was packaged around a staged six hour partial walkout of 37,000 of the company’s 49,000 work force that was more theater than strike action and another defeat for UAW members unless they reject the agreement as some locals are doing in voting so far. Some local union leaders oppose it as well as the terms agreed to are even more draconian than at GM:

— a new VEBA trust (only for current employees) with Chrysler contributing only $8.8 billion of its $18 billion long-term health care obligation to its 78,000 retirees; new hires will get no retirement health care benefits and will have to enroll in a new health care program that will increase deductibles, co-pays and other out-of-pocket expenses; current retirees for the first time will have to pay out-of-pocket expenses; savings to the company will exceed $300 million a year;

— a two-tiered wage and benefit arrangement with new skilled hires getting as little as $14 an hour or half or less the current pay rate and well below the $19.62 average non-union wage in the manufacturing sector; the agreement lets the company expand the number of low-paid non-core workers as well as be able to designate “Non-Core Facilities” in which the entire workforce will get lower pay and benefits once current employees are phased out;

— new health care concessions similar to what GM and Ford got in 2005 that require retirees to pay part of their rising health care premiums; current worker pension funds will be shifted to the VEBA;

— the elimination of employer-paid pensions for new workers, replacing them with 401(k) plans in which the company will contribute one dollar to be invested in the stock market for every hour worked;

— freedom for Chrysler’s private equity firm owner, Cerberus Capital, to downsize and close as many of its plants as it wishes with early retirement offers and employee buyouts ahead so expensive current workers can be eliminated;

— workers’ wages will be frozen, and the Cost of Living Adjustment (COLA) benefit won in the two month 1970 GM strike is now lost;

— more flexibility for the company to outsource jobs to non-UAW workers at lower pay and benefits; these will include so-called “housekeeping functions” like janitorial and trash handling, grounds keeping, machine and booth cleaning and others;

— freedom for the company to expand the number of low-paid, low-benefit part-time workers as well as long-term temporary ones who can’t gain seniority;

— the company freed of any commitment to build vehicles at US assembly plants or guarantee the number of jobs at them plus other thus far unreported worker concessions.

The GM, Chrysler and upcoming Ford negotiations herald a new day for UAW workers in the wake of another crushing defeat affecting all working Americans. Gone are one million UAW jobs since 1978 (from 1.5 million to 520,000) along with hard-won gains that took decades to achieve. No longer do men like Walter Reuther represent workers. Today's UAW leadership betrayed its members trust for its own self-interest, and there's no relief in sight for change. Overall, organized labor is on its knees and Wall Street loves it. GM stock alone rose over 5% the day its deal was announced.

Looking ahead, there are no easy answers, just tough choices, and job one for working people is to join in solidarity for their own self-interest and survival. Past successes can be regained, but wishing won't make it so. A new political movement is needed based on social equity and justice with a new breed of leaders to head it. The odds for success are long, but the alternative is intolerable. That should be incentive enough to go for it.

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