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USA

Bailing Out Banks, Smashing Unions

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WHEN GENERAL MOTORS and Chrysler received pre-Christmas bridge loans of \$17.4 billion, President Bush specified that the unionized work force had to become “competitive” with non-unionized workers in wages, benefits and work rules. This blatant attempt to destroy an already weakened United Auto Workers (UAW) illustrates how, in the midst of an economic crisis, U.S. capital is bailed out as working people are fleeced.

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General Motors GMT800 car assembly line

Compare the first round of bailouts of financial institutions to the puny loans parceled out to the once powerful General Motors and Chrysler. For the banks on the bailout list there were no prerequisites placed on either the non-unionized workers or on a senior management that, according to Associated Press, received nearly \$1.6 billion in salaries, bonuses and stock options in 2008. A recent survey revealed that most of the 116 banks accepting government funds are sitting on their money or using taxpayers' money to buy up banks.

Mountains of Concessions

UAW President Ronald Gettelfinger pointed out that the UAW has already made concessions over the last contracts, including a two-tier wage and benefit structure for newly hired workers. This concession severely undermines the union because it separates the newly hired worker from those previously hired, thus undermining solidarity between workers.

A history of the UAW since the government loan to Chrysler 30 years ago “by the way, repaid with interest ahead of schedule” reveals one concessionary contract after another. The discussion about reducing the work week without a loss of pay is nowhere to be heard, and the paid personal days that were to be the transition into a shorter work week is something only old-timers can recall.

When I first hired into Ford in 1979, during my three-month probationary period I was paid a percentage of the permanent worker's wage. After passing probation, I earned that higher wage and, like all who lasted more than six months, received a check for the difference.

Ever since then “until the two-tier wage scale was introduced into the 2007 contract” there has been a stretching out of the period before a new hire reached the full-scale wage. The worker started at 70% and advanced 5% every six months until the wage rate reached 100%. The difference remained in the company's pocket.

The only serious attempt to reverse the concessions of a generation ago occurred in the late 1980s when Jerry Tucker, Assistant Director of Region 5, began using innovative work-to-rule tactics. Securing contracts that began to advance working conditions, he decided to run for Regional Director, breaking with the UAW leadership's Administrative Caucus to do so. It took several years for the caucus to defeat him and the militants who worked with him, but by concentrating their forces, they undermined and defeated him. The promise of the New Directions movement was cut short.

From the signing of the 1950 GM contract, an unprecedented five-year agreement dubbed the “Treaty of Detroit” by Fortune, the UAW leadership has been committed to labor peace “a partnership with the auto companies rather

than an adversarial relationship. This has shaped the way union leadership is trained: While the UAW proudly holds to the tradition of its founding in the sitdowns of the '30s, today's leadership sees its role as negotiating and administrating.

Although the union is anemic from its concessions, the leadership still believes the fate of its members is tied to helping management. It rules local leadership with a tight fist, allowing plant closings even when it has the contract language to prevent it, only negotiating terms of surrender. While once the auto parts sector was 90% unionized, the UAW failed to follow and organize those plants as they moved to the low-wage, "right to work" South. Today those figures are reversed, with only 10% unionization.

In the 1990s the UAW leadership went along with the Big Three selling off its parts sector, assuring the workers that they would never allow a lowering of conditions, wages or benefits. Within 15 years two-tier wages and plant closings ravaged the work force at Delphi, Visteon and American Axle. UAW officials stood by, wringing their hands while explaining it was necessary to cut the losses and move on. The best clauses in the contracts are the ones that offer early retirement or a buyout.

The UAW Administrative Caucus' self-perpetuating belief that winning contracts occur through bargaining has led to defeat. Meanwhile they crush independent initiatives because such action is "unreasonable." However, they are willing to organize demonstrations in support of management's attempt to keep CAFE (gas mileage) standards low.

No wonder the UAW's attempts to organize Southern workers employed by Toyota or Nissan have stalled out. They have fed the crocodiles in order to keep the union boat afloat so long that they truly have no independent vision or strategy. They believe they have organized an "orderly retreat" because that is what's necessary under the circumstances. Then they discover a demand for even more concessions — this time by the government, and by the public, which has been fed outright lies about autoworkers' wages, benefits and working conditions.

The Big Lie

Do unionized autoworkers make \$70+ an hour? No, wages at the Big Three are already roughly comparable to what workers earn at the transplants. In fact, in at least one Toyota plant the average worker earns more. After all, in order to keep the union out, the companies pay their permanent workers a wage pegged to that of unionized assembly workers. Transplants do hire a large number of temporary workers who earn significantly less, but the Big Three is adopting that strategy as well.

Toyota's business model is one based on a small pool of permanent assembly workers who earn a wage much higher than temps or those who work in the auto parts sector. Parts workers subassemble at nearby plants, or even inside the assembly plant. This is another technique the Big Three is adopting.

At Chrysler's Jeep complex in Toledo, Ohio non-union workers hired by suppliers sequence parts going to the assembly line. They unpack supplies and place them in order on racks so the parts can be quickly assembled by UAW workers in the body, paint and chassis departments. At Chrysler's Sterling Heights, Michigan facility the local leadership refused to allow a separate parts operation inside the plant, so Chrysler had a sequencing center, employing several hundred workers, built right across the street.

Unionized autoworkers won, more than 35 years ago, cost-of-living increases, health care benefits for active and retired workers as well as pensions. This is what made working under grueling conditions desirable. But at that time

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between 25-33% of the U.S. work force was unionized; today the percentage of unionized private sector workers stands at 8%.

Given the attacks by corporate America and the way the UAW is connected at the hip to the Big Three, the average American has come to resent high-wage autoworkers, identifying them with the company and its arrogant practices. Yet these same Americans revere the rich — like the CEO who make a benefit package 440 times his/her own. High wages and benefits used to be a benchmark for other workers to aspire to, but today autoworkers are demonized for making \$70+ an hour.

In fact the average production worker in a Big Three plant makes about \$28 an hour — nowhere near the figure quoted in the media. A new hire makes half that, so the average wage will decrease as more workers retire. Companies claim the benefits for the longer-term worker are about \$15 an hour, but of course the new hire won't receive a pension and company health care benefits are also reduced.

To get to the \$70+ figure, the Big Three add in the benefits owed to its retirees. Since these companies have been around for a century, there are one and a half million retirees and surviving spouses who have contractual rights to some benefits. (Currently 40% of the Big Three retirees aren't old enough to apply for Medicare so their only health coverage is the company benefit.) Newer companies, such as Toyota and Nissan, have few retirees. They don't pay health insurance benefits for retirees either.

In the 2007 contracts, both Ford and GM demanded that the UAW take over its contractual health care benefits. They are in the process of setting up underfunded VEBAs, and now President Bush has stipulated that one half of all future payments be made in stock (which is rapidly becoming worthless), further jeopardizing health coverage.

President Bush also demanded a “reduction of the total amount of compensation, including wages and benefits, paid to their U.S. employees so that, by no later than December 31, 2009, the average of such total amount, per hour and per person, is an amount that is competitive with the average total amount of such compensation...” (“Indicative Summary of Terms for Secured Term Loan Facility,” 5) If management is allowed to continue folding retiree benefits into that figure, assembly wages would drop to minimum wage!

In the 21st century, why are benefits in the United States tied to one's job? Every industrialized country in the world organizes health care as a public right, yet we all know people who hate their jobs but feel forced to stay because of company benefits. It's time to get rid of a dysfunctional and discriminatory health care system that provides inferior care at exorbitant prices.

This is an issue that can unite the entire working class and allies — but it will be difficult to win because the insurance industry is prepared to fight to preserve its profits.

Another important benefit autoworkers have had is a pension. In the 1930s Social Security was designed to be only one leg of a three-legged stool, with pensions and savings the other two. Many autoworkers in the parts industry do not receive pensions, and with the 2007 contract new hires at the Big Three are eligible only for a 401(K).

With fewer U.S. workers eligible for pensions, the obvious solution is to redesign Social Security so that it can provide a viable post-retirement income. We have just come through a eight-year reign in which the Bush administration campaigned to destroy the system already in place. Many young people now believe the myth that Social Security will not exist when they are ready to retire. Hopefully we are at the beginning of a public discussion about the need to adequately fund Social Security and, particularly given the reality that fewer workers are eligible for pensions, raise benefits.

Until that point, it seems to me that pension benefits should be extended across the entire auto industry. By having a much wider pool of workers participating, the cost per individual would be lower and more companies would participate. This would be particularly important for workers in the parts sector where wages and benefits vary widely, and for the growing numbers of workers at transplants. We don't have to begin from scratch, because some industry-wide pensions already exist in the transportation industry as well as in construction trades.

These "commonsense" measures of reorganizing the country's patchwork health care and pension programs should have been implemented in the 1960s if not before. But because companies liked having workers dependent on them it brought management-labor "peace" unlike Germany and other industrialized countries, the U.S. government and capital resisted. But the crisis in the auto industry, combined with the country's economic crisis (more than half a million people being laid off each month), makes these reforms essential today.

Management's Mismanagement

The Big Three made a decision to build SUVs and trucks for the U.S. market because they could make an incredible \$10,000 profit on each vehicle sold. They decided they weren't going to make many medium-sized passenger cars or compacts for the U.S. market. (They are successfully producing them for the rest of the world.)

Skimping on innovative research and development, the Big Three used their profits for a variety of big-ticket items and CEO compensation. Although GM did build an electric car in the 1990s, it's clear that they never intended to mass produce it. "Who Killed the Electric Car?" is a fascinating documentary that ends with management's rounding up and destroying every EV4 ever built, much to the horror of those able to lease the car during its short life.

Over the past 15 years I have heard various workers at company town hall meetings ask management what was their strategy for developing new products. Although the executives claimed to be working on exciting new products, these nonetheless seemed to revolve around improvements for SUVs and trucks, as if those moneymakers were going to be around forever. While a certain section of the work force were lulled along others demanded more from management.

The current crisis in the auto industry is three-fold: an economic crisis deeper than any we have faced for the past three-quarters of a century, a crisis of global warming and a manufacturing crisis, given that the companies' decisions were based on profit, not on what was needed.

It's therefore ironic that so much attention is focused on the supposedly highly paid, and presumably lazy, production worker. Senior management has totally mismanaged the industry, and yet takes home bonuses and stock options in addition to big salaries. Interestingly enough, labor represents a mere 8-10% of the total expense package while management represents 20%.

Workers didn't cause the crisis, yet we are expected to "sacrifice." But workers are really the key to the solution, not the cause of the problem. Instead of thinking narrowly about what product can be sold most profitably, workers always know how jobs can be done more efficiently and safely, and which suppliers provide shoddy products that should be rejected.

At this time of a triple crisis in the auto industry, it's necessary to do more than loan the car companies money. It's time to reconceptualize and restructure the industry. Let the government buy up the Big Three for cheap, as Michael Moore has suggested, and run it by a labor-initiated board that can comprise production and skilled trades workers,

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office workers and engineers with the added help of the environmental movement.

Why try to build 16 million cars, trucks and SUVs when we can build a smaller number of fuel-efficient cars and prioritize a mass transportation system? Plants can be renovated to build light rail, high-speed trains and buses. With the need to develop solar, water and wind energy, some plants – especially those near the Great Lakes – can be retooled to produce wind propellers and turbines as well as solar panels.

Wind, water and solar power technology can produce jobs for 3-5 million people, so by having a manufacturing industry that includes transportation and energy products we would be expanding jobs. By eliminating the drive for profits above all else and by expanding production under the direction of working people, it's easy to see that we would reduce competition between workers. Maybe we could even reduce the 40-hour work week, which should be relegated to a museum as a vestige from the last century!

Just as competition between workers would be minimized in a system not driven by profit, we'd want to abolish unfair trade laws like NAFTA. Instead of a global system in which wages are driven downward, we could develop a system in which workers produce and exchange goods that are "good fits" for their regions.

In this economic crisis the class struggle continues. That's clear with how the Bush administration organized various bailout and loan packages. Can we as workers develop our strategy and vision for useful production? As global justice activists have pointed out, another world is possible. In fact, another world is desperately needed.