GOP slams labor, derails auto rescue package

Some senators demand more wage and benefit cuts from workers

By DON McINTOSH
Associate Editor

When U.S. auto industry CEOs asked Congress for aid this month, critics of organized labor seized the crisis as a chance to slam unions. Outrageously high union wages and benefits, it was argued, had brought the domestic auto industry to death's door. So, when Senate Republican leaders killed a proposed rescue package Dec. 12, they said it was because backers had refused their proposal for immediate reductions in union worker pay to the level of nonunion workers.

But leaders of the United Auto Workers (UAW) counter that blaming the union for the troubles of the Big Three is unfair and inaccurate. It's true that General Motors, Ford, and Chrysler are running out of gas, spending down reserves at a time when car sales have plummeted. And the Big Three American automakers have lost market share to foreign-headquartered competitors — from 90 percent in Detroit's heyday to 48 percent today. But that has little to do with the union, which has shrunk dramatically in recent years and had already agreed to steep concessions.

The UAW has been unable to organize new foreign-owned plants, or to stop the Big Three from outsourcing. The layoffs Michael Moore documented in his 1989 film "Roger and Me" have continued. U.S.-based auto companies have outsourced production of parts like seats, dashboards, and frames that used to be made in-house, often to lower-wage and non-union employers. Five years ago, there were approximately 300,000 UAW members at GM, Chrysler, and Ford; today, there are fewer than 150,000.

And the entire global auto industry is hurting right now, as car and truck sales have sunk to the lowest level in 25 years. Other governments are looking to aid their automakers, too. The U.S. auto industry's relatively deeper woes have some long-term structural causes.

For starters, Japan, Germany and South Korea have free government-provided health care, and generous public pension systems. The United States lacks those things, so union workers try to make up for them in union contracts. That can be costly for employers, especially older, long-established companies like the Big Three. The Big Three have automated, downsized and outsourced in recent decades, so they have a very senior workforce and more retirees than active workers. And older workers and retirees are much more expensive to insure. The Big Three, combined, are responsible for pensions and health care for more than a million retirees, spouses and dependents. Two out of five of their retirees are under 65 and thus aren't yet eligible for Medicare.

When foreign-headquartered auto companies make cars in the United States, they also need to pay for health care. But they started making cars in the United States only about 25 years ago, so they have very few U.S. retirees. As of a year ago, Toyota's entire U.S. operation reportedly had fewer than 1,000 retirees.

As for the sky-high wages union auto-workers are said to earn, the evidence suggests union and nonunion wages are converging. Just three foreign-owned U.S. plants are unionized — a Toyota plant in California, a Mitsubishi plant in Illinois, and a Mazda plant in Michigan. Foreign automakers mostly built in states where unions don't have as much of a presence — like Toyota in Kentucky, Volkswagen in Tennessee, and Mercedes in Mississippi. And they pay higher-than-average manufacturing wages, likely in part to make unionizing less attractive. Counting bonuses, the Toyota workers can make $30 an hour.

What about the oft-repeated statistic that UAW members make $73 an hour? It's not true, UAW President Ron Gettelfinger told the Senate Banking Committee Dec. 4. "The $73 an hour figure … includes not only the costs of health care, pensions and other compensation for current workers, but also includes the costs of pensions and health care for all of the retired workers, spread out over the active workforce. Obviously, active workers do not receive any of this compensation, so it is simply not accurate to describe it as part of their 'earnings.'"

In fact, the UAW assembler wage is $28.12 an hour — about $57,000 a year for full-time work. And by 2010, the union says, total compensation for the average UAW worker will be less than for the average nonunionized worker at a foreign-owned factory.

That's because in 2007, after a two-day strike at GM, the union that once set the standard for American workers agreed to a two-tier compensation system. Under that system, new hires make $14.50 an hour and are excluded from the retiree health care and defined benefit pension plans. Those provisions were copied in contracts with the other automakers.

Plus, under that contract, the companies get to unload their past commitment to retiree health care onto a Voluntary Employee Benefit Association (VEBA) as of 2010. The companies are to contribute a lump sum to the fund, and then have no further responsibility. Benefits will likely be reduced. Gettelfinger told Congress the union is prepared to make a further concession, delaying automakers' payments to the VEBA.

But the myth that high union wages were the root of the problem persisted. And in the Senate, myth won out over fact.

The House had done its part, passing a compromise bill that had support from the Bush White House. The bill, the Auto Industry Financing and Restructuring Act, allowed $14 billion — from a fund to promote development of fuel-efficient vehicles — to be used for short term loans aimed at keeping the companies in business for several months as they attempt to restructure. Lots of conditions were placed on those loans, including limits on executive compensation, restrictions on owning or leasing corporate jets, prohibitions on dividend payments to stockholders, and a commitment to look at retooling factories to make vehicles for sale to public transit agencies. Each automaker that accepted the loans would have to give the government an equity stake, and submit a restructuring plan for approval by a government "car czar" no later than March 31, 2009.

The restructuring plans would be designed to return the companies to long-term viability and would include sacrifices from all stakeholders, including management, directors, bondholders, shareholders, suppliers, dealers, UAW members and other company employees. If the plans meet the czar's approval, further government financing could be made available. If not, the government could call in the loans and force the company into bankruptcy.

The House passed the bill Dec. 10, 237 to 170, with 205 Democrats and 32 Republicans in favor and 150 Republicans and 20 Democrats voting against it. [Southwest Washington Democrat Brian Baird voted for it, as did

(Turn to Page 17)

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25