

Concessions at Chrysler: Auto Workers Taken for a Ride

by Jane Slaughter

Chrysler's concessions-or-die deal is the end of auto as the pace-setting, high-wage industry that it was for 60 years. No longer will it set standards all blue-collar workers could aspire to—nor outmatch many white-collar jobs. From now on, working for the auto companies will be just another bust-your-hump factory job.

The government said Chrysler workers should take deep cuts to fend off bankruptcy. But the company decided on bankruptcy anyway—so the downsized new contract now becomes the

ceiling. In court, wages and benefits will be ratcheted down from there, and GM and Ford workers will likely be asked to match them.

The retirees' health care fund, the Voluntary Employee Beneficiary Association (VEBA) run by the United Auto Workers (UAW), will be drastically underfunded, with devalued Chrysler stock. Benefits were cut immediately, but the bigger question is how long the fund will last at all.

Under the new contract that's now up for grabs, wages for new hires would be cut in half, from \$29 to \$14, with no raises or bonuses for six years. New hires would also have reduced health care benefits and only 401(k) plans for retirement. That gives the company strong incentives to oust current workers.

Detroit and Local 1700 member Tony Browning predicted that the new system would set bottom-tier workers against top-tier ones, by giving the low-paid workers incentives to bring well-paid ones down.

"Look around the country—whenever they get two-tier, in the next contract they go for one-tier," Browning said. "Sometimes they don't even wait till the



Jim West/jimwestphoto.com

Michigan auto workers joined rallies organized by the Steelworkers May 11 and 12 to save manufacturing jobs in the U.S.

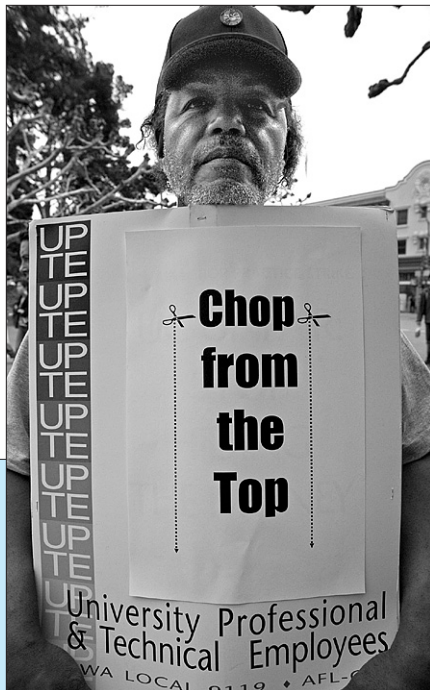
contract is up. Contracts don't seem to carry the weight they used to carry."

WHAT'S LEFT OF IT

The growth of the second-tier workforce might be slowed somewhat by the fact that eight factories in Michigan, Missouri, Ohio, Delaware, and Wisconsin will close, and workers laid off there will have transfer rights to remaining plants.

Chrysler bargainers did not mention the plant closings to the union negotiating committee, nor are they referenced in the contract workers approved. In fact, a contract letter said that the company was studying how to keep open

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Eric Gillet

While stalling contract negotiations with the University Professional and Technical Employees, University of California regents gave a new chancellor a 27 percent raise.

voted for an illegal one-day walkout May 15 to protest thousands of threatened layoffs, but after a court issued an injunction they chose to picket instead. University workers in Berkeley held their own one-day strike a week earlier.

Meanwhile, California unions have divided over six budget proposals on a special May 19 vote, pouring millions of dollars into ads and door-to-door mobilizations. Governor Arnold Schwarzenegger pushed the votes as a solu-

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Public Sector Unions Fight Budget Woes in California

by Mischa Gaus and Tanya Smith,
President, UPTe Local 1

The strains on public budgets in California are emboldening officials to come after union workers, producing rumblings of dissent throughout the state. Teachers in Los Angeles

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Why Not Use Empty Auto Plants for Green Energy Manufacturing?

by Mischa Gaus

As GM and Chrysler's retrenching deepens, the two companies have announced that together they will shutter 24 plants. Rank-and-file job losses will likely total in the tens of thousands.

Bill Parker, who heads the local union at a Detroit-area Chrysler plant, wonders why the administration's restructuring plan will empty auto factories and disperse thousands of skilled workers in the Midwest who've spent a lifetime shaping metal into useful things.

Why not retain workers who already know how to manufacture complex machines, Parker says, and make use of exhausted auto factories, rather than letting them crumble?

The government, already doling out \$500 million this year to train workers for "green jobs," could save wads of cash.

He points out that achieving the carbon emission reductions President Obama wants will require billions of dollars invested in green energy, including building those wind turbines that swooped through so many of his campaign ads. A Department of Energy report says producing one-fifth of the nation's electricity from wind could support 3 million jobs in the United States—and would require a \$500 billion investment.

NEW USE FOR OLD PLANT

If Obama wanted a blueprint for how to do it, he could do worse than copying the Gamesa model. The Spanish wind-turbine manufacturer moved into the shell of the old U.S. Steel Fairless Works outside of Philadelphia three years ago, lured by rail links, a port, and a commitment by the state of Pennsylvania to generate 18 percent of its power from clean sources in a decade's time.

It didn't hurt that Gamesa landed state and local subsidies totaling about \$10 million, according to Good Jobs First, a research group that tracks corporate subsidies. The company spent \$34 million converting the site, using



Jim West/jimwestphoto.com

A worker makes electrical generators for small wind turbines at a former auto parts plant in Manistee, Michigan. Former auto workers are among the plant's workforce.

the plant's existing buildings. Production started within months.

The Steelworkers union traded political support for the governor for his help in retooling the "brown belt" of abandoned factories dotting the state. Gamesa's investment netted the union not just jobs in a struggling industrial area but a card-check recognition agreement covering its 600 workers. (That number has shrunk, however, as the firm has sought bigger manufacturing facilities elsewhere in Pennsylvania.)

Wages in the first contract at Gamesa

were quite modest, starting at \$12.73 for production workers and \$20 for skilled. Workers pay a quarter of the cost for family health care coverage.

Jim Bauer, who operated a crane at the Fairless Works for 25 years, now heads a Steelworkers local at Gamesa. The company sent him to Spain for three months to learn how to make the giant hubs that house a turbine's bearing assembly.

Turbines have about 8,000 parts, more of which are being produced in

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Who Owns Chrysler?

If you believe the whiners on Wall Street, UAW workers walked away from the table with more than their fair share: \$4.6 billion for their retirees' health care, paid out over 14 years, and a 55 percent stake in a trimmed-down company.

Banks and hedge fund creditors meanwhile were getting just 30 cents on the dollar and no stock in the deal, whose terms will be finalized in bankruptcy court as *Labor Notes* goes to press.

What the suits neglect to mention is that the government task force went out of its way to make sure there'd be no "worker control" in the new company: the 55 percent ownership contains no shareholder voting rights for the union, and the money is far short of what's needed to pay for retirees' health care.

The union's on-paper majority stake gives UAW retirees exactly one seat on the board of directors and "no other governance rights," according to the government's terms. The board will be controlled by the Italian automaker Fiat (three seats), the Canadian government (one seat), and the U.S. government (four seats), and the Treasury Department will administer the union's shares.

VEBA, SHMEBA

Retirees' future has grown even shakier. In 2007 the UAW agreed to let Chrysler off the hook for more than \$12 billion in retiree health care obligations. Instead, the union agreed to let Chrysler put just \$8.6 billion into a Voluntary Employee Beneficiary Association (VEBA).

Now, the union will have to cash in stock in a company worth almost nothing, and do so quickly to pay for retirees' health care. It has already started slashing their benefits.

The rest of Chrysler's creditors get paid as soon as the ink is dry on the deal, however, even though these banks and hedge funds are owed less than the retirees.

Many of the financiers won't even be hurt by bankruptcy, because they bought Chrysler bonds at a steep discount and have insurance policies for the full value.

Even under the best-case scenario, 25,000 more workers will lose their jobs. □

—Mark Brenner

Union Workers Say Most Stock Ownership Plans Don't Translate to Much Control

by Mischa Gaus

Chrysler's bankruptcy looks to hand union appointees a majority stake in the company, leaving many asking, shouldn't union workers rejoice, since they're running the shop now?

They're not: the Chrysler agreement bars the union from exercising power (see page 8 for more).

Where union workers have taken big ownership of their company's stock, experience suggests it doesn't allow them much leeway in steering the company. Take, for example, Ohio's Weirton Steel. Organized in an independent union, in 1984 its 8,000 workers liquidated their strike fund and took 20 per-

cent wage cuts, trading them for full ownership of company stock. It was at the time the nation's largest employee stock ownership plan, or ESOP.

The plans promised workers a "say" in running the company in exchange for wage and benefit cuts, and were heralded by union leaders as a way to save U.S. manufacturing. Weirton's ESOP put three union reps on the 13-member board.

Of course, worker ownership is no safeguard against the twist and turns of the market. Steel prices crashed, and Weirton's managers—who still retained full management rights—continued to give themselves healthy raises, profit

sharing, and other plums. Two-thirds of workers were laid off, the company entered bankruptcy in 2003, and surviving "worker-owners" saw their stock evaporate, and along with it their health care and pensions.

Chris Mackin, who advises unions on employee stock ownership plans, argues that most of the nation's 11,000 ESOP plans have succeeded at preserving jobs that otherwise would have disappeared. He says ESOP companies average 125 workers, and just 5 percent are unionized.

Mackin notes they work best in healthy companies with owners who seek to retire but have no clear successor, and says their track record in distressed unionized firms is not so hot.

Union control of company policy through stock ownership plans is weak. A study from the New York Federal Reserve said less than 3 percent of plans give unions a majority stake.

In many plans, employees' shares don't carry voting power (as at Chrysler). The stock ownership plans affect union behavior, too. According to the Federal Reserve study, stock ownership plans overall make the union "a less demanding negotiator," and produce lower wage demands and fewer strikes.

MORE THAN A 'SAY'

Rather than settle for vague "representation" on the company's board, at least one ESOP focused on bolstering the union's role at the workplace. At Algoma Steel in Sault Ste. Marie, Ontario, Steelworkers used their majority stake to bargain a co-management system in the early 1990s that gave power to shop floor committees. Mark Molinaro, then a Steelworkers steering committee member at Algoma, said morale—and the quality of work—improved as work teams gained control of their schedules, seniority, and pay. Hiring and budget decisions required union sign-off.

The change wasn't permanent. Workers' majority share became minority when the plant needed hundreds of millions of dollars in modernization upgrades and issued new stock. Molinaro and USW Local 2251 President Mike DaPrat said the union couldn't enforce "co-governance," leaving workers vulnerable to managers who took advantage of self-interested union committeemen and a lack of a grievance

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Angelo DiCaro/CAW

Huge Pension Rally in Toronto

by Cathy Austin, President, CAW Local 88

Step right up to the "Nest Egg Toss" game! On April 23 on the front lawn of the Ontario legislature, workers could toss an egg—representing their "nest egg"—at painted pictures of nests. The eggs splatted on the plywood and ran down, just like auto workers' hopes for a decent retirement.

About 13,000 people, mostly retired Canadian Auto Workers members, gathered in front of the legislature to tell Premier Dalton McGuinty that they are concerned about their pensions and demand stronger pension protections from government and corporations.

Buses filled University Avenue as far as the eye could see, full of retirees from Windsor, Oshawa, St. Catharines, and many points in between. They had been stunned when McGuinty announced that the Ontario Pension Benefits Guarantee Fund could not handle one of the Big 3 automakers going bankrupt. The Fund is supposed to guarantee a minimum amount of a retiree's pension in case of bankruptcy.

Hugh Davis, a retiree from CAW Local 88 who has Parkinson's disease, was warned that the walking at the rally might be rough. "I'm determined to go," said Davis. "My health care benefits are everything."

Although the most immediate threat was to the auto workers, they were joined by a large delegation from the Ontario Public Service Employees Union. The crowd on the legislature lawn parted, and the OPSEU members filed into the center of the protest with their flags flying high amid a roar of applause. Private and public sector unions were standing side by side, flags waving in the wind.

CAW President Ken Lewenza decried the unfairness of reducing retired workers to a "cost," speaking of the retiree pensions and health benefits that employers call "legacy costs." Retirees were workers who fought for the rights that we have today, Lewenza said, workers who made the Big 3 billions of dollars, workers with real needs and bills to pay.

Right now the pension crisis is a gigantic concern for auto workers but the sentiment was clear among all the unions. If the largest private sector union in Canada could be threatened with losing pensions, then it could happen to any retiree. The global financial crisis and recession has called into question the viability of many Canadian pension plans.

The rally had another important focus: the unfair and sad fact that less than half of all Canadian workers get any sort of pension from their employers at all.

The message was clear: Don't even think about touching our pensions! □

Chrysler Concessions: End of Good-Paying Auto Jobs

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one Ohio stamping plant.

The next day, after workers voted, it became clear that plant closings were part of the plan all along. The decision to close the Ohio plant and seven others became public only via the Chrysler bankruptcy website.

STANDARD BREAKERS

- The union gave up the right to strike when it bargains the next four-year contract, in September 2011. Unresolved issues will go to binding arbitration, with the stipulation that wages and benefits must be pegged to those of Chrysler's U.S. competitors—including the non-union auto companies.

"That was our only power," said Browning, adding that he doubted whether union members would even be allowed to vote in 2011. "It'll be between the UAW and management," he predicted. "They'll make that untouchable for us."

- Most skilled trades workers will be placed in just two classifications—a long-held management goal—with no restrictions on contracting out skilled work. What this means is that pipefitters, for example, will also do painting,

carpentry, welding, and die-making.

Jobs will be cut and skills lost, as skilled workers become jacks-of-all-trades. Higher-skilled work—which gives workers more power—will become the exclusive province of contractors.

"We'll be doing just about anybody's work," said Alex Wassell, a welder-repairman with 16 years' seniority at a Warren, Michigan, stamping plant. "In the long run it will have a serious impact on the numbers. That's why they wanted it."

- There's one silver lining under the new regime—the second-tier workforce will be younger and better able to withstand a maxed-out work pace. All plants will operate on the "team concept," which enhances management's flexibility to deploy workers at will, without regard to seniority. Temporary workers may be used more freely.

- Plant managers may switch to a schedule of four 10-hour days, paid at straight time. Break time is reduced by 13 percent. Vacations and holidays are cut back.

VOTING FOR A REPRIEVE

Wassell and others passed out flyers against the contract from the rank-and-

Employee Stock Ownership But Not Control

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system to resolve disputes.

"It's almost impossible to have co-ownership without having the union co-opted at some level," DaPrat said. "It's a fool's game. It's taken over six years to fight back."

Other unions see more promise in alternative ownership forms, and are trying a variety of methods. Primary among them is the Newspaper Guild, an affiliate of the Communications Workers. With major daily newspapers across the country running to bankruptcy courts and threatening to close their doors, the Guild has helped reporters at the failed *San Juan Star* in Puerto Rico set up a co-operative newspaper, and negotiated wage cuts for members in Maine in exchange for a 15 percent stake in the state's largest paper.

To make an ESOP work, "these corporate owners have to eat a lot of their debt," said Guild President Bernie Lunzer. "We could create something on the other side with real worker involvement to help with the business model. We're telling members, take your fate into your hands, because these management people don't know what they're doing."

Randy Furst, a Guild member and

reporter at the bankrupt *Minneapolis Star-Tribune*, said the union should focus on standing firm with other unions against employers—and push for sustainable mechanisms to support newsgathering.

"Most workers cannot afford to put their meager life savings into an operation," Furst said. "We should consider funding them in some nationalized form, something like the BBC in Great Britain."

The failures of ESOPs spawned by the 1980s recession suggest they're not the best model for unions, said Charley Richardson, a retired labor educator at University of Massachusetts at Lowell.

"Is employee stock ownership a strategy for building the labor movement that's going to change the world? Not a chance," he said. "It might save jobs for a while in some cases, but it tends to make members narrowly focused on 'their' company and their company's stock. It separates them from other workers in other companies. And at the end of the day, stock ownership rarely carries the collective power that workers get from building a strong and independent union." □

file Autoworker Caravan opposition group. Despite the overall 80 percent vote in favor, he said, people didn't like the terms. "They were in favor of holding onto their jobs for the next six months," he said.

Negotiations with GM are up next. Welder Don Kemp of GM's Truck and Bus plant in Flint is baffled by the UAW's failure to involve or even inform members. "We're in a blackout from our union," Kemp said. "We hear more from the news." At a meeting called to talk about the plant's local contract, Kemp said, officials announced upfront that no national issues would be discussed.

"The UAW is letting a really good opportunity go by to tell our story," he said. "I think they need to come out and start telling people how much they need the auto industry."

For Bill Parker, local president at a Detroit-area plant that's slated to close, the situation shows the folly of bargaining benefits company by company.

As corporations eliminated such decencies as health care for retirees—or even defined-benefit pensions—Big 3 workers' benefits stood out like a sore thumb, waiting for the hammer to fall.

At the very least, Parker said, the UAW should have responded to the huge changes in the industry over the last 20 years. Multinational companies from Asia and Europe set up shop in the U.S., expanding the non-union sector. The Big 3 spun off parts-making divisions, and the parts sector became more and more non-union.

The union should have fought for a benefits plan that transcended particular employers, he said. Now, retirement for people who spent their lives on the assembly line looks anything but golden. □

Factory Conversion

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the U.S. now, Bauer said, as Gamesa learned that shipping parts from overseas exposed them to deterioration from salt water. Now, other European vendors are following Gamesa into Pennsylvania, replacing old coke and blast furnaces with green-energy manufacturing.

"It's coming back," Bauer said. "The buildings are the same, the cranes are the same—we're just lifting different material now."

And another new company is hiring at the Fairless Works as well, lured by state incentives. It makes components for solar cells. □