



Toyota finds itself at a union crossroad

Think about this

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Pete Gritton remembers his job interview at Toyota two decades ago.

Interviewing for a human-resources job, Gritton went through the entire interview without one word ever being mentioned.

Union.

Today, Gritton is vice president of human resources at Toyota's North American manufacturing and research offices in Erlanger, and he hears the word "union" a lot more often.

About 60 miles south in Georgetown, Ky., at Toyota's biggest North American assembly plant, the United Auto Workers has been trying to organize workers into a union for years. It's still trying, holding public forums where workers have complained about injuries and other mistreatment. In press releases, the UAW says Toyota "fails at health and safety, relies heavily on low-paid temporary workers and has a plan to reduce wages and benefits."

In Erlanger, the company is responding with a "get-the-facts-straight campaign," Gritton says.

He says Toyota doesn't have anything against unions, and notes that Toyota employees consistently have declined to support a vote that would organize the 7,000 workers in the plant.

"When unions resist flexibility, when unions insist on rigid job descriptions and those types of things, it can significantly disrupt the system," Gritton says. "We have always said to employees, 'You decide.' We are more worried about managing in a certain way."

Toyota employees obviously have the right to organize, and if enough of them become concerned enough about their jobs or working conditions, they probably will.

In the meantime, it's clear that the stakes are pretty substantial for Toyota. It's about to become the world's biggest automaker and is already a global icon that will be studied

in business schools for years. As the U.S. auto industry chokes on pension liabilities and hemorrhages workers, plants and financial losses, Toyota is flourishing.

It's all built on the famed "Toyota Way," a strategy that includes building cars and trucks near where you intend to sell them. Our region is one of the world's prime beneficiaries of that strategy.

Only the naïve would suggest that keeping unions out hasn't helped feed at least some of Toyota's success. Although its joint venture with General Motors in California is staffed by union workers, more than a dozen other Toyota plants, including Georgetown, are non-union.

There are analogies all over the economy, including Wal-Mart Stores Inc. The world's largest corporation has trampled its competition by going to great lengths to keep its employees out of unions.

If you need unvarnished commentary on how that has helped Wal-Mart's competitive position, just roam the halls sometime at the downtown headquarters of competitor Kroger Co., which negotiates union contracts all over the country.

Toyota has done it by paying employees well, an average of \$25 an hour in base pay and up to \$75,000 a year total. Those salaries have increased about 3 percent a year the last several years, Gritton says, noting that more than half of the workers at Georgetown have been there more than 10 years and nearly two-thirds posted perfect-attendance records last year. Annual turnover is 2 percent.

But like any smart and successful company, Toyota continues to try to spend less and make more. Gritton says total labor costs are approaching 10 percent of fixed costs and rising faster than any other line item, pushing the company to start to link wages to different geographic areas and wage increases to productivity improvements at its plants.

"We're going to pay competitive wages. We always have," he says. "And we're not planning on reducing people's wages. But it's becoming harder and harder for us to compete as our competitors are lowering their costs. Our costs are growing too fast. The fact it's a negative trend is very unsettling to us."

Comments like this only feed unhappy Toyota employees and the UAW.

But they come as unions face their own fundamental challenges. The percentage of American workers belonging to a labor union has fallen to about 10 percent from 35 percent in 1950.

Think about AK Steel in Middletown, where the company locked out employees and kept operating for a year.