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UAW contracts may have national ripple effect



By Bill Pugliano, Getty Images

UAW members picket Chrysler in Auburn Hills, Mich., in October. Experts disagree on whether the union is better or worse off with the new contracts.

By [Sharon Silke Carty](#), USA TODAY

DETROIT — At the kickoff to the United Auto Workers negotiations with Detroit automakers last summer, union President Ron Gettelfinger insisted the new contracts would not stray radically from past versions.

But labor experts say the four-year contracts with General Motors ([GM](#)), Ford Motor ([F](#)) and Chrysler are indeed transformational. And they could reverberate throughout the manufacturing sector and even into the public sector as companies and government bodies look for ways to alter their cost structures.

The UAW agreed to some radical changes, including taking control of retiree health care and allowing lower wages for new workers.

"What a huge sea change," says Sean McAlinden of the Center for Automotive Research. "A lot of people, the rank and file, don't quite understand what was just agreed to. It's not the picture people have had of Detroit."

On Monday, Ford and the UAW went through the final formalities, gathering at Ford's headquarters to sign the pact. Ford was the last automaker to sign a deal with the UAW

after negotiations that began in July and resulted in short-lived strikes at GM and Chrysler.

The basic structure of the auto contracts is often copied by other groups in the Midwest, including teachers, state workers, police and firefighters. Outside the Midwest, other industries often mimic some auto contract provisions as well, including the airline and steel industries.

"The UAW has blazed a lot of trails in the auto industry that have opened up in many other industries," says Harley Shaiken, a professor of labor studies at the University of California, Berkeley. "For example, in the early 1950s, paid health care, pensions and job security were pioneered by the UAW."

Key provisions that other unions and companies may be eyeing:

- Retiree health care trusts.** The UAW will become the steward of a \$61.9 billion trust set up to fund health care for 600,000 to 700,000 retired autoworkers and their dependents. While some companies have tried passing health care costs off to unions in the past, the UAW's trust will be the largest.

The Voluntary Employees' Beneficiary Association, or VEBA, lets automakers move a huge liability off their books and may be attractive to many older companies, such as airlines, that have large numbers of retirees. It could even spread to government jobs, where large numbers of retired teachers and police officers draw generous health care benefits. "We will certainly see considerably more pressure for VEBAs," Shaiken says.

The fund also will make the UAW a more powerful force in Washington, where the union has been lobbying for nationalized health care for years. "This agreement is going to help push health care reform in the country," says Jane Lauer Barker, a labor attorney at Pitta & Dreier in New York. "The health care needs of workers, including retirees, need to be dealt with in some desirable, rational manner. I'm sure the UAW will be moving the country's political climate behind universal health care."

- Two-tier wages.** The UAW agreed to let automakers hire a new class of workers at \$14 to \$16 an hour, depending on the kind of work. That's compared with assembly-line workers, who make about \$26 an hour.

Two-tier wage structures are controversial. Last summer, grocery workers in Southern California reversed a two-tier wage structure that labor leaders said was divisive and led to high turnover. A new pay scale lets workers climb the wage ladder more slowly.

Companies that have enacted two levels of wages have found that "it creates friction," Shaiken says. "Plus, companies have complained about not being able to find the kind of worker they want at the new, low wages."

In the auto industry's case, many of the lower-waged jobs are ones that the companies could have found either temporary workers to perform or could have outsourced to suppliers.

•**Product guarantees.** In agreeing to make big concessions, the union scored product guarantees in many GM plants and forced Ford to keep open a couple it originally had planned to close.

The union essentially traded future wages for the promise that the automakers won't take jobs out of the country. That could turn out to be a fundamental change in the way unions and companies bargain, Shaiken and McAlinden say.

Still, many of those promises are based on current sales rates and production projections that could be too rosy. The automakers retained the right to alter the agreements if sales or market share fall below projections.

"Essentially at the end of the day, they didn't really promise anything," says Kevin Tynan, an analyst at Argus Research. "More and more, they're feeling like the union doesn't have the power to do anything about it anymore."

"The investment guarantees are not an iron-clad, locked-in guarantee, no matter what," Shaiken says. "But what they do do is very significant. The concern is companies selling cars but producing them in China or Mexico or someplace else. The investment guarantees push future investment, if it takes place, into unionized plants."

Experts not in agreement

Even the experts don't agree on whether the UAW is better or worse off with the new contracts.

Some say that by helping preserve the companies its members work for, the union has a better chance of preserving jobs. "The only real strength of the UAW is sustainably profitable companies. Absent that, the UAW is toast," says David Cole, chairman of the Center for Automotive Research.

But some of the concessions made, especially the two-tier wage system, may prove to be a stumbling block for the union. By creating a new, lower-wage class of workers, the union may now have a tougher time organizing more plants, says Chris Kutalik, editor of *Labor Notes* newspaper. "Why would workers want to join a union? Why deal with another body over you if it doesn't translate into a union advantage?"