

## **Center for Labor Renewal**

### **Statement & Call for the Elimination of Two-Tier Workplaces**

*On Saturday, January 26, 2008, over 80 U.S. and Canadian auto industry worker/activists met in Flint, Michigan, birthplace of militant unionism in the Auto Industry in the late 1930's. The agenda was how to measure and respond to the crippling impact of the 2007 auto industry collective bargaining agreements. The daylong discussions led to the issuance of the following Statement and Call for a:*

#### ***Campaign to Oppose Two-Tier Wages***

The United States has never been an equal opportunity society. During periods of intense collective struggle workers made economic gains, but sustained progress in equity distribution has not been achieved. Capital's effort to exploit labor is never put on hold for long.

Over the past 30 years corporate America, often supported by government, has engaged in an all-out assault on working people. That relentless campaign has increased and extended social inequality to levels many had not thought possible without triggering a concerted rebellion from the ranks of labor. Such an upsurge of resistance has not yet coalesced but there are indications that worker anger and disillusionment is rising.

Corporate aggression, particularly in historically well organized, higher wage industries is increasingly tied to capital's global restructuring agenda which is capitalizing on the low standard of living prevalent in impoverished countries and regions around the world. The rising demand for U.S. worker concessions in such sectors as auto, metalwork, electronics, communications, etc. is part of that restructuring process and, unchallenged, sweeps all workers into a downward spiral of wage and working conditions. Employer claims that competition necessitates wage and benefit reductions in order to save jobs has become the weapon of choice. Workers are told they have to choose between massive reductions for future generations of workers or no job at all.

That this is happening in the most heavily unionized industries reveals the effectiveness of the corporate strategy to both disarm and attract many union leaders and some portion of the base to accept the proposition that pursuing their agenda of "competitiveness" is in our mutual interest. The U.S. labor leadership has not put forward any meaningful alternatives to global corporate restructuring. Embracing the companies' "competitiveness" agenda is a flawed, if not fatal strategy.

The corporations are demanding, and the unions are accepting, permanent two-tier wage schemes whereby new hires work side by side with workers earning substantially higher wages for the same tasks. This new, generalized wage retreat comes after years of unresolved wage inequities that have disproportionately affected women and workers of color in U.S. workplaces. The introduction of both two-tier and 'permanent temporary' workers in auto plants adds more layers of blatant discrimination. We must continue to fight against all forms of discrimination in two-tier wage structures, whether directed at workers of color or women, or now "the new hire" and the defenseless temp workers. Our acceptance makes us an accessory to corporate divide and conquer schemes.

Allowing the employers to expand inequality, rather than resolve it, fosters additional resentment among workers and recklessly severs solidarity between generations. Two-tier wage agreements and the use of permanent temporary workers make the union partners in the business of exploiting workers.

### **Big 3 Auto Contracts Institutionalize Second Class Workers**

In the 2007 Big 3 Auto negotiations the UAW, a once powerful wage and benefits pace-setter, agreed to a radically reduced two-tier wage and benefit package. The Big 3 auto agreement cuts wages for new workers by up to 50% (67% if you include benefits) for doing the same work as current workers. The need to help the companies be more 'competitive' to insure "job security" was the advertised selling point. The 25-year history of concession bargaining in auto has not stopped the massive decline in the ranks of the Big 3 from 750,000 in 1979 when the concession era began to 170,000 today. Yet contract after contract during that period were heralded as "historic job security" agreements.

In 2003 the UAW negotiated a Supplemental TwoTier Wage Agreement for new hires at Delphi Corporation, a former GM Parts division which had been 'spun-off' as an independent parts supplier in 1999. Members of one UAW-Delphi Local, Local 2151 voted to appeal the International Union's decision not to permit the thousands of Delphi union members to vote on the Supplemental Two-Tier Agreement which affected them. In defense of their decision to evade ratification the UAW International Executive Board argued that the "future hire group is a null class". The segregation of future union members into a "null class" is a ruthless act of discrimination against an entire generation, and another example of the failure of competitiveness to secure jobs. Delphi subsequently used bankruptcy as a strategy to further restructure and destroy jobs and incomes. Within four years 27,000 out of 33,000 union members were eliminated at Delphi and the remaining workers were brought down to the lower wage and benefit scale.

### **Wage Costs Are Not The Problem**

Wages and benefits of assembly workers account for less than 10% of the cost of a car and differentials between companies are not significant, especially since GM, Ford, and Chrysler's competitors are primarily building cars inside the U.S. Furthermore, productivity in the auto industry has been rising rapidly: real output per worker has more than doubled since 1987. Even the Harbour-Felax Report—which analysts consider the industry bible on productivity—has acknowledged that: the Big 3 has now largely eliminated the productivity gap with Japanese manufacturers.

In a globally restructured auto industry, it was inevitable that the Big 3 would not sustain their monopoly control of the domestic market. Their arrogance toward foreign producers is only matched by their greed and arrogance toward consumers. This resulted in decades of marketing second rate, unimaginative, and shoddily engineered products at the same time union workers were making concessions allegedly to help them be more competitive. Yet, coming on the heels of the Delphi bankruptcy, the 2007 negotiations were pitched as if the sacrifices of workers was the only thing that could help the domestic auto manufacturers out of the 'competitiveness' hole they'd dug themselves into. Making workers pay for the bosses mistakes is as much a national pastime as baseball.

The new hire wage rates in UAW contracts with the Big Three automakers are now set below the average industrial wage in the US which is already below that of other major developed countries. The competitive spiral will accelerate as foreign transplants are relieved of the pressure to match union wages. The failure to protect wages, benefits, and working conditions means that it will be even more difficult for the UAW to organize new workers. Yet the real answer to the "competitiveness" question lies in organizing the workers employed by the anti-union foreign owned producers and taking wages, benefits, and working conditions out of competition through solidarity-unionism.

For Canadian Auto Workers whose collective agreements with the same Big 3 companies expire in September of 2008, the reduced new worker hire rate and permanent two-tier precedents set in the U.S. will represent a huge challenge. CAW members have traditionally resisted the concession patterns of their neighbors to the South; their continued resistance in their negotiations this Fall would be reinforced by a rising tide of opposition from U.S. auto workers to slashing wages and attacks on worker dignity.

The Japanese companies have already introduced the two-tier half-wage system in Japan. The threat of unionization had, until now, blocked their trying it here. But with the implementation of two-tier in the Big Three plants, they can now do the same in this country. *Net result: no shift in relative competitiveness, but a destructive further lowering of wages for all auto industry workers.*

Furthermore, now that the new hire wage rate is set below the industry average for the Big Three, workers in the auto parts supply industry will be confronted with a stark choice: accept lower wages or their jobs will be outsourced, or more correctly “re-insourced,” to the big auto companies at the radically reduced new lower tier wages. *Once again the net result is zero security for workers and a further collapse in living standards.* As part and parcel of the concessions mentality, the auto union failed to pursue its own longstanding demand for single-payer national healthcare (for all). Instead, they agreed to relieve Big 3 auto makers of billions of dollars in legacy costs for retiree healthcare protection by accepting responsibility for future coverage through an underfunded Voluntary Employee Beneficiary Association, or VEBA.

The UAW is not the only union that has bargained away equality within the workforce. This trend is the deathwatch for the labor movement in our era. Union collaboration in wage discrimination for the sake of competitiveness is the counsel of despair. The future of active and retired workers is inextricably bound with the future of new workers. The segregation of future union members into a “null class” is an invitation for ‘payback’ at some future time. If new hires are treated as a “null class”, one day they will in turn classify senior workers and retirees as a “null class”. There is no seniority date for dignity and should be no retirement from solidarity.

The corporate blitzkrieg on working people is subsidized with tax abatements while health, education, and social programs are slashed to the bone. The parrots of the status quo insist there is no alternative to an economic system that degrades workers, deprives the unfortunate of health care, undermines the security of the elderly, and desecrates the environment. It’s a lie. The degradation of the working class is chronic and contagious. We need strategic collective action with allies here and around the world.

History suggests that UAW members would have followed the lead of a progressive leadership to militantly resist the destruction of wage parity and other hard won gains in the workplace. But nearly 30 years of concession bargaining and yielding to the “logic of the competitiveness agenda” produced an opposite result.

Workers throughout all employment sectors face this same assault on wages, benefits, and working conditions in one form or another. It is time for all workers to reject the false logic of corporate competitiveness and reinvigorate the logic of solidarity.

*Today, we stand at the crossroad knowing full well where both roads lead. One road leads to division, despair, and social isolation, and the other road points to hope, solidarity, and the dignity of collective struggle.*

### **Call for national campaign:**

In conjunction with the Center for Labor Renewal, participants at the Flint, January 26, 2008 meeting issue the following Call:

In the face of the continuing assault on worker wages, benefits, and the quality of work life where rising economic injustice is destroying the stability and hopes of an increasing numbers of workers and their families, here and around the world; and where inequality and income discrimination are celebrated by a protected few at the desperate expense of so many others; we call on all workers of conscience everywhere to join a campaign to bring our collective strength and renewed solidarity to the struggle against the agenda of social devaluation and despair.

Workers in the auto industry have a critical role to play in this campaign given the destructive events in that industry which now, more than ever, seeks to validate the pitting of workers against workers, and communities against communities, and the glorification of the false dog-eat-dog, workplace agenda of the corporations today. In that world its “winner-take-all,” and the winner has been pre-determined. We call on all auto workers to reject all forms of wage discrimination and renew the fight for industrial democracy through worker solidarity, and to:

- Build within our workplaces, a movement against two-tier wages, and a renewal of solidarity unionism by means of varied communications vehicles including the internet; web sites; newsletters and plant gate handbills, etc.
- Promote crosscurrents of opposition against the creation of second class workers in all workplaces.
- Where a two-tier system is in place, concretely demonstrate to the new workers that there is a strong base of resistance against the discrimination they face, and that we all need to remember the lesson that *“an injury to one, is an injury to all.”*
- Within the Big Three, or any auto workplaces, target the rejection of future agreements (2011 in the Big Three) if they do not reverse the two-tier system.
- Promote internal democracy to encourage the inclusion and participation of the second tier workers alongside the entire rank and file to change the concessionary path followed by the current leadership.

Such a campaign will need mechanisms to facilitate links, exchange information, and assist in the coordination of future actions. Coming out of a meeting organized by the Center for Labor Renewal (CLR) of 80 activists in Flint, Michigan, the CLR commits to:

- Collect and develop material for building the necessary base in the workplace and its electronic dissemination. Assist in the development and proliferation of additional vehicles of communication.
- Develop an information clearinghouse to gather and disseminate reports and updates on local struggles and developments.
- Support regional forums to assist activists in developing the arguments and organizational capacities to build the solidarity program at the base
- Facilitate national meetings through which local activists can assess the campaign and collectively strategize on further events and actions.
- Promote the development of the analytical tools required by union activists to successfully integrate this campaign with a workers’ struggle that is increasingly global in dimension.

This fight is winnable. The U.S. working class needs a victory and it needs this victory in particular. The one-sided class war against workers has gone on far too long. The defeat of the two tier system is a crucial step in the struggle to address broader inequalities in our society. It’s time to draw the line.

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<http://www.centerforlaborrenewal.org/>

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