

Chrysler, UAW Talks Officially Begin

AUBURN HILLS, Mich. — To help American carmakers stay in business, autoworkers grudgingly gave up pay raises and some benefits four years ago.

Now that General Motors, Ford and Chrysler are making money again, workers want compensation for their sacrifice. Just how much they get is the central question hanging over contract talks that start this week between Detroit and one of the largest and most powerful U.S. industrial unions.

The negotiations, the first since Chrysler and GM took government aid and emerged from bankruptcy, will set wages and benefits for 111,000 members of the United Auto Workers, including those at Ford, which avoided bankruptcy by taking out massive private loans. The UAW's four-year contracts with the Detroit Three expire on Sept. 14.

The Canadian Auto Workers union, which split from the U.S. union more than two decades ago, says it will watch the U.S. talks carefully to determine the mood of the automakers as they slowly rebound from the recession.

The union is scheduled to have contract talks with the Canadian subsidiaries of GM, Ford and Chrysler next year.

In the American talks, there's more at stake than pay. After the industry's brush with financial ruin in 2008 and 2009, both sides know how quickly Detroit's sales and profitability could vanish. Sales are on pace to reach nearly 13 million cars and trucks this year, better than the 10 million in 2009, but still below the 17 million peak in 2005. Americans are worried about buying cars when wages and the job market are weak. The workers and Detroit companies can't leave themselves vulnerable to rivals.

"Management's not the enemy at this point," says Jim Graham, a longtime local union president in Lordstown, Ohio, where workers make the Chevrolet Cruze car. "The enemy is the competition."

Even so, the talks won't be easy. Chrysler, which is run by Italian automaker Fiat, wants to hold the line on wages and benefits, while GM and Ford want to cut labour costs even more. There's friction inside the union, too. Many workers are eager to get a share of company profits and restore pay raises and some benefits given up during the financial crisis.

"You want to get something back," says Hans Smith, a worker at GM's pickup plant in Flint, Mich., who knows they won't get back all the concessions.

That could create problems for the UAW's new leader, Bob King, who preaches co-

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operation over confrontation.

King wants to "make sure our members get their fair share of the upside" but also keep the companies competitive.

Wall Street is watching, too. Stock prices at Ford and GM and a potential Chrysler public offering could be hurt if companies end up with higher costs.

The talks started Monday at Chrysler's Auburn Hills, Mich., headquarters with a series of friendly handshakes. Both sides wore matching maroon jackets to signal unity.

Here are the key issues in the talks:

— Reward for Risk:

Workers want a bigger cut of the profits now that Detroit's automakers are making money again. They got profit-sharing checks in January, but they'll want bigger ones this year to offset the risk that they could nothing if the economy slows more and auto sales tank. They also resent the size of executive pay packages, particularly at Ford, where workers fume that Ford CEO Alan Mulally got \$26.5 million for 2010.

Some assembly-line workers are already mad about giving up guaranteed raises. They could resist profit-sharing.

"Most workers say 'No, that's not good enough,'" says Gary Walkowicz, a Ford worker who ran unsuccessfully against King last year. "It's like pie in the sky as opposed to real increases in wages to help us keep up with increasing prices."

The UAW's ultimate weapon, a strike, is banned at GM and Chrysler under terms of the government bailout. The union could still strike at Ford.

— Matching Rivals' Costs:

Even with big reductions in labour costs since 2007, GM and Ford still pay more in wages and benefits than Toyota, Honda and Hyundai, which don't have unionized workers. Ford's cost is the highest in Detroit at around \$58 per hour, while Toyota's is \$55, according to the Center for Automotive Research. GM and Ford will try to cut costs further in talks this summer, while Chrysler, which has the lowest costs in Detroit, doesn't want an increase.

Still, factory wages and benefits cost the Detroit Three around \$20 less an hour per worker than they did four years ago. In the last contract talks, companies got the union to form trust funds to manage the cost of their retirees' health care. That took a huge cost off Detroit's books once the companies gave money to the trusts. The union also agreed to lower wages for newly-hired workers, about half the \$29 per hour that longtime union workers make.

King says Detroit's costs will fall as more new workers are hired.

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He says that the union won't make any more financial concessions, but will look at other ways to cut costs, including health care changes, as long as members aren't hurt.

Al Iacobelli, Chrysler's chief negotiator, says the company won't go back to the old formula of pay raises.

— Keeping U.S. Jobs:

The UAW is eager to boost its ranks with more new hires. Its membership has fallen to 376,612, about a quarter of the 1.5 million it had at its peak in 1979. The companies, though, are reluctant to hire with auto sales and the economy still sputtering. King concedes that reopening plants would have to be justified by increased sales.

In past years the spirit of co-operation at the start of talks quickly has turned to nastiness as both sides staked out their positions. But UAW Vice-President General Holiefield says this year will be different.

"We've come through Hell and look where we're at today," he says. "I don't see anything as an obstacle."

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