Cold realities

by the St. Louis Post-Dispatch

The United Auto Workers' deals with General Motors and Chrysler represent a recognition of cold reality. The big automakers are losing money on their North American operations. Unless that changes, the jobs of all union members eventually could be in jeopardy, along with the health insurance and other benefits earned by retirees under previous contracts.

Considering those unpleasant truths, the UAW has negotiated a fairly favorable tentative contract for its members, but workers at the company's two giant assembly plants in Fenton have voted overwhelmingly to reject it. If Chrysler employees elsewhere follow suit - and if renewed bargaining then failed to produce a deal that workers would approve - it could set the stage for a confrontation and even, ultimately, a strike in which working men and women and a struggling American company all would lose.

The tentative agreement now being voted on by Chrysler workers nationwide includes a compensation package that would keep present UAW members even with inflation. That itself is remarkable considering Chrysler's recent financial losses.

But the deal also would grant Chrysler the authority to create a new class of workers - those filling so-called non-core positions - and pay them considerably less than existing employees. The new hires would earn $14.61 per hour, as opposed to $29 for assembly line workers, but exactly what constitutes a non-core job isn't well defined.

Many members see this as a first step toward ending autoworkers' hard-won position among the best-paid industrial workers in America. "We have to look to the future for the generation that comes after us," said union official Glenn Kage in Fenton, Mo.

But Chrysler will have a more difficult time righting itself economically if it is paying wages well above those paid by its foreign competitors. A new Honda plant in Indiana reportedly plans to pay new production workers $15 to $18 per hour.

Union members are entitled to a clear definition of "non-core," but they also might have to think of the new tier as a necessary evil until Chrysler becomes profitable again. At that point, the separate pay scales could be put on the table for renegotiation.

With its employers bleeding red ink, the UAW has pushed hard for job security provisions for its members. It did better at GM, which is farther along in its turnaround efforts, than it has at Chrysler, and the wording of contract assurances for the north and south plants at Fenton seems thin.

UAW members also are nervous about retirees' health insurance, although that aspect of the deal probably is positive for both workers and the company. Chrysler agreed to put $8.8 billion into an independently run fund to pay for retiree health coverage. For union members, the deal is a calculated bet. Costs that rise faster than expected would require reductions of benefits. But if Chrysler retained the responsibility for that obligation and later went bankrupt - which almost happened in 1979 - retirees could lose their health care completely. That's what happened in the 1980s and '90s when the American steel industry suffered its own melt down.

In the long run, the union's best hope for job security lies in helping the automakers become profitable again. Cerberus Capital Management, a private-equity firm, bought Chrysler this year from Germany's Daimler for $7.4 billion, betting that new leadership can turn Chrysler around. That bet is anything but certain.

A trip back to the bargaining table adds to that risk; a protracted labor battle is in no one's interest.

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