Auto workers offered 'Final Assembly Option'

by Richard Freeman

By a two-and-a-half-to-one majority, 7,500 workers at General Motors' Packard Electrical Division in Warren, Ohio have voted down a proposal by General Motors management, which would have instituted the largest wage-cuts at an American auto factory in U.S. history. The Aug. 23 Warren vote becomes historic in another sense: a "yes" would have imposed the next phase of transfering onto GM's profit account funds ripped out of manufacturing wages. The last time such a policy was applied on a grand scale was in the 1930s, in the economy of Nazi Germany, overseen by Hjalmar Schacht.

The reference to Schacht is more than academic. The Morgan- and Mellon Bank-run GM has deliberately adopted Schacht's policy for grinding up the labor force and plant and equipment in order to continue to meet payments on outstanding debts, the same policy that destroyed Germany's economy and millions of human beings in concentration camps. Indeed, GM called the wage-cut plan offered to its Warren, Ohio workers, the "Final Assembly Option" (FAO). GM will undoubtedly try again to have this plan adopted.

GM made its offer in the hope that since the United States is still in a great depression, the workers would conclude that a slave-labor job is better than none at all. Autoworkers can barely afford more unemployment. One local Midwestern auto union official reported that 2,333 of his workers were laid off in March 1981, and their unemployment and SUB benefits ran out in May 1982. They had no other benefits and were not rehired until June of this year. "Many of them went to work in fast food joints or picking tobacco, but many had their homes, cars, and boats repossessed, because they couldn't afford to keep up payment," the official reported.

Under the FAO plan, workers at the Warren complex of plants were offered a contract in which 500 workers would cut their wages from $19 to $6 per hour—$4.50 base pay and $1.50 in benefits—in exchange for company guarantees not to eliminate 2,700 of the plant's 8,900 jobs. Workers paid $6 per hour would either work at a separately housed plant, or on special assembly lines, segregated from the $19-per-hour workers. The Warren complex of plants produce wiring for most GM cars and trucks. In an assessment of the plan, Charles Burkett, Jr., a plant worker, stated, "They came to a component division [the Packard Electrical Division—R.F.] for the first crack. If they get it here, they'll try to get it at assembly plants."

By a 5,301-to-2,064 vote, the workers rejected the FAO plan. Under GM blackmail, the leadership of the plant's union local, International Union of Electrical Workers #717, had recommended adoption of the plan. William Malone, vice-president of #717, explained: "I and the leadership of this local recommended the plan to our workers because General Motors has told us that if we didn't agree to the wage reduction, they would ship the work we do at the plant of producing electric wires and hoods to other plants in Mexico or to non-union shops in the United States. We would lose 2,700 jobs" within a few years. General Motors, Malone reported, already has a list of 21 non-union shops to which it ships work. GM workers across the nation are told that if they can't compete with the work produced by these shops, where the pay is at the $6-per-hour level, then their division or plant may be closed.

Along with the threats, in typical psychological warfare fashion GM also threw in a sweetener, Malone reported. If, on top of voting for the FAO plan, 500 of the Warren workers would opt for early retirement (with a pittance of a bonus), GM would add 1,000 workers to the list of approximately 6,800 workers at the Warren plant whom GM has promised will never be laid off. Such a promise is presumably good as long as GM doesn't close all or part of the plant.

Cannibalization

The Warren case is the latest and most severe example of GM's attempt to keep itself afloat by cannibalizing wages and living standards, a practice for which Fed chairman Paul Volcker has provided the spur.

When General Motors announced that its first-semester profits for 1983 totalled $1.693 billion, its chairman Roger Smith was quick to point out that GM had finally turned the corner, and profitable days were here again for the entire industry.

What Smith omitted to mention is that GM's "turnaround" had little to do with rising car sales. Sales for all American auto-makers for the first seven months of 1983, at 6.6 million units, are only two-thirds of their 9.3 million units in 1979.

If GM's, Ford's, and Chrysler's sales are up from last year's 5.1 million units level, that is hardly cause for rejoicing: last year, fewer cars were produced than, for example, in 1929. Considering that GM made $963 million last year, and $333 million in 1981, following a $763 million loss in 1980, the question arises: how does GM make money in the midst of a depression, and without selling many cars?

In March 1981, the pliant Socialist International-run United Autoworkers (UAW) leadership induced the union's GM auto workforce to forgo $3 billion in wages over 30 months. On top of this, GM was able to get several billion dollars more in local concessions on wages, work rules, and speed-up concessions. For example, the workers at the Packard Electrical Division gave GM pay and benefit concessions of more than $600 million over the last two years. While the precise figures for concessions at the scores of other GM plants are not known, the total amount is thought to exceed $4 billion.

Based on this pattern, GM's reported profits are fake: they represent $7 billion in national and local wage, benefit, and other concessions that GM has milked from the autoworkers. Compared with the amount of money taken from the workforce, GM's profits are small. That indicates that GM is using the bulk of the money stolen from its workforce to pay burgeoning overhead costs, foremost of which are growing interest charges on debt, because of the Volcker high interest rate policy.

In fact, while GM chairman Roger Smith and Morgan Guaranty Bank rant that high wages are destroying the U.S. auto industry, the truth is that the interest charges on the production and sales financing of a car are greater than the production-worker wage-bill cost of making the car. Fifteen years ago, the blue-collar wage-bill content of a car's cost was nearly 10 times the interest charge.

A nationwide pattern

A soon-to-be-released *EIR* survey of the employment picture at all U.S. auto plants has uncovered abundant examples of GM's strategy.

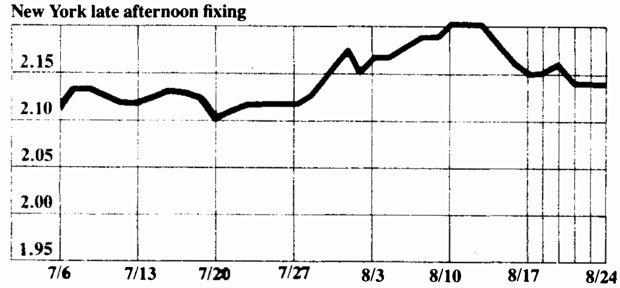
Jim Westness, bargaining chairman of UAW local 95 in Janesville, Wisconsin, reported Aug. 23 that GM is using a policy of attrition to reduce the workforce while increasing the line speed of production. Westness stated that whereas his local had 7,200 men in 1978, it has only 5,833, a loss of 1,369 workers who retired or died and were not replaced. Between last year and this year, the line speed at the plant was increased from 60.9 to 64 cars per hour, a speedup of 5 percent.

Westness reported that GM is playing his plant off against others to obtain even further speed-up and wage concessions. GM has stated that it will cease production of the standard Chevrolet pick-up truck, which the Janesville plant produces, and replace it in 1985 with a smaller model, which can be produced at any of three plants: Janesville; Leeds, Missouri; or Lordstown, Ohio. But only two of the plants will get the production. The three are being told that the plants with the best performance will get the production. Westness says that if his plant doesn't get the small pick-up truck contract, he will lose more than 2,000 men.

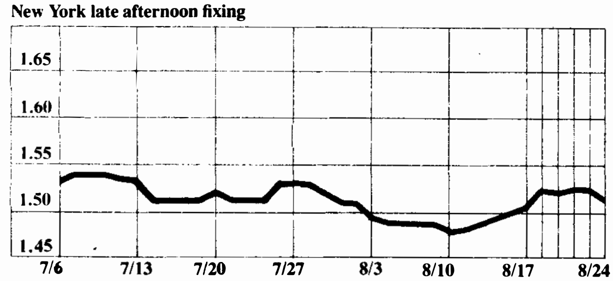
At the same time, GM is reducing its long-term contracts with suppliers and opening up its materials supplies to "competitive bidding." The competitive bids are used as threats to the workforce; at Packard Electrical Division in Warren, Ohio, Bill Malone reports that competitive bids have been farmed out to 21 non-union shops. "GM has given us a timetable. Either we get the work done cheaper, or the jobs will be removed."

Currency Rates

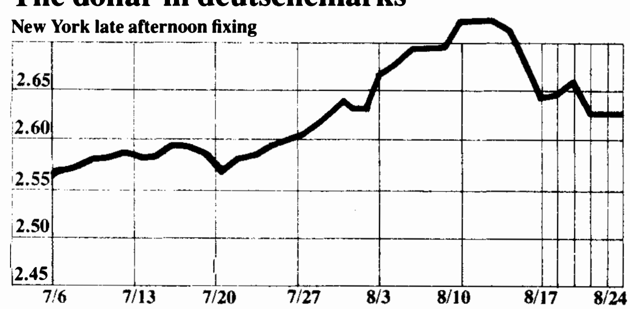
The dollar in Swiss francs
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



The dollar in deutschemarks
New York late afternoon fixing



The dollar in yen
New York late afternoon fixing