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For UAW, Jobs Trump Pay

As Contract Talks Open, More U.S. Production Is High on Union Wish List

By **MATTHEW DOLAN**

FLAT ROCK, Mich.—Detroit auto makers and the United Auto Workers union open talks on a new labor contract this week, and plenty is on the line for workers like Dustin Boyd.

A 16-year veteran of **Ford Motor Co.**, Mr. Boyd works on the assembly line at the auto maker's plant here, which cranks out cars just eight hours a day. The rest of the time it's idle.

In the contract talks, Mr. Boyd would like to come away with higher wages but he thinks it is even more important for the UAW to convince Ford to make more cars in Flat Rock and add a second eight-hour shift of production, which would preserve his job and add hundreds more.

"We know that we need more product in the contract because that will mean more jobs and job protection for the rest of us," Mr. Boyd, a second-generation Ford employee, said last week.



Associated Press

VW's plant in Chattanooga, Tenn., isn't unionized, but the UAW and German labor officials are talking about establishing a works council.

This year's talks are the first since the U.S. government bailout of **General Motors Co.** and Chrysler Group LLC and may prove less adversarial than others in the mostly contentious labor history between the UAW and the auto makers because of recent restructurings, no-strike clauses at two makers and public antipathy toward the bailout.

The auto makers are still looking to reduce labor costs further. They remain at a significant competitive disadvantage to foreign-owned auto plants in the South even after restructurings put their costs on a par with some U.S. plants owned by **Toyota Motor Corp.** and **Honda Motor Co.**

Ford now says its costs for an hour of UAW labor total \$58. GM's cost is about the same and Chrysler's is \$49. That compares to about \$27 an hour at **Volkswagen AG's** new plant in Chattanooga, Tenn., and **Hyundai Motor Co.'s** plant in Montgomery, Ala., according to labor experts.

Chrysler's vice president of employee relations, Al Iacobelli, calls the talks a "unique opportunity" to expand its work force "intelligently by keeping labor costs competitive." Marty Mulloy, Ford's vice president of labor affairs, is optimistic the negotiations won't be contentious. "We have a history of working collaboratively together to find solutions to critical issues."

The UAW has vowed not to give further concessions, but one key factor in this year's talks is that the three Detroit companies are expanding and adding union jobs as U.S. auto sales recover.

Some company executives hope they will be able to trade promises of jobs for further cost reductions, according to people familiar with the auto makers' thinking.

The negotiations for more than 112,000 hourly workers will be closely watched not only in Detroit but across the country because taxpayer dollars financed the industry's rescue. In June, the White House said taxpayers could lose roughly \$14 billion on the bailout but argued that the industry's failure would have cost more.

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[UAW Focuses on VW's Tennessee Plant](#)

In this set of talks, Ford, GM and Chrysler want to be free of fixed wage increases for workers that were part of past UAW contracts. Instead, they are willing to offer profit sharing and performance bonuses that allow workers to share in the

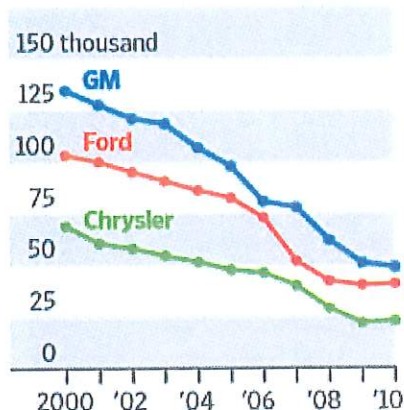
companies' prosperity. Company negotiators are also expected to push cost savings for health-care benefits. Active UAW workers now pay only about 5% of the cost of their health care, compared with 25% to 30% for white-collar workers, auto executives said.

"It's going to be a very tough set of negotiations," said Joe Ashton, the UAW's chief negotiator for GM. "The vast majority of members want jobs and they want job security. They never want to go through what we went through in '09 when we faced bankruptcy and plant closings."

That's where adding jobs may sweeten the pot. At Flat Rock, where UAW Local 3000 represents about 1,700 workers, union members worry that the plant could close without more work. Ford's joint-venture partner here, [Mazda Motor Corp.](#), said this year it plans to move its entire production out of the plant within 18 months.

Dwindling Ranks

UAW workers at the Detroit auto makers



Source: the companies

But if an agreement is reached, Ford may commit to add workers not only at Flat Rock but at other plants around the country because all but two operate at less than full capacity. Ford is the only Detroit auto maker without a no-strike clause and has had the highest annual profit and outstanding debt of the three.

The UAW is hoping GM will reopen its plants in Spring Hill, Tenn., and Janesville, Wis., in the next few years as U.S. industry sales rise from about 12 million vehicles this year to a projected 14 million in a few years. GM has already announced expansion plans at plants in Toledo, Ohio, and in Flint and Lansing in Michigan. But, says Cathy Clegg, GM vice president of labor relations, "We certainly aren't going to make a decision and make a commitment solely as a way of getting an agreement if the market doesn't drive it."

Chrysler has no plans to reopen plants but is willing to consider letting UAW represent certain jobs in its plants that are now filled by non-union labor that could add hundreds of union jobs to its payroll.

Ford is likely to face the toughest contract talks. The Dearborn, Mich., auto maker avoided a government bailout and bankruptcy restructuring in 2009, but now has the highest labor costs and its workers still have the ability to strike. In 2009, Ford workers rejected concessions sought by both the company and agreed to by the UAW's leadership including Mr. King.

The auto maker posted a \$6.6 billion profit last year and hourly workers received a \$5,000 bonus. But Mr. King criticized Chief Executive [Alan Mulally](#) for receiving a pay package valued at more than \$26.5 million last year.

GM and Chrysler have the benefit of no-strike agreements until 2015 that were imposed in their U.S.-financed bankruptcies. If contract talks reach an impasse, either side can request binding arbitration.

—Jeff Bennett
and Sharon Terlep
contributed to this article.