

Analyst says US auto contracts will not increase labor costs

By Shannon Jones
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As 2015 comes to an end, *Bloomberg News* took the occasion to reassure investors that the recently negotiated contracts between the United Auto Workers and Detroit automakers will not impact profits.

Despite claims by the UAW that the 2015 agreements were among the “richest” in history, according to the sober business assessment by *Bloomberg* the car companies’ overall costs will remain more or less unchanged. Any gains in wages, it says, will be offset by increased flexibility to hire temporary workers, the hiring of lower paid tier-two workers and outsourcing.

The article notes that in exchange for minimal pay raises the contract permits the increased outsourcing of work to low-wage areas such as Mexico, where wages average about \$5 an hour. Further, it notes, “The companies also gained in the contracts the flexibility to hire more, less expensive temporary employees and have them work any day of the week; traditionally they filled in during vacations and holidays and worked on Mondays, Fridays, and weekends.” It notes that by hiring tier-two workers to replace retiring senior workers the companies will gain about \$12 an hour cost savings.

General Motors will be able to keep its labor costs essentially unchanged. Indeed, its labor costs per vehicle are anticipated to decline slightly to \$2,350 a vehicle in 2019, compared to \$2,374 in 2014. Given inflation, this amounts to a significant savings.

Ford’s labor costs will rise about \$200 per vehicle during the same period, while Fiat Chrysler, which currently enjoys a significant cost advantage over its rivals, will see its costs rise to \$2,500 per vehicle from \$1,771.

All the auto companies are taking advantage of lower wages in Mexico to shift production south of the

border. Ford is expected to increase production to 631,000 units annually, up from 433,000 currently. Fiat Chrysler is planning to assemble a compact Jeep sports utility vehicle there, and GM will invest \$5 billion in Mexico. It is also planning to import the Buick Envision SUV from China.

In the face of this development, all the UAW is capable of are chauvinist rants denouncing Mexican workers for taking “American” jobs while at the same time helping the auto companies slash labor costs inside in the US. The UAW is thoroughly opposed to an international strategy uniting American workers with their brothers in Mexico as well as in Canada and China in a common struggle against the multinational auto companies.

The UAW’s entire strategy, which is based on the corporatist identification of the interests of the unions, management and the capitalist state, is directed toward suppressing the class struggle in the name of providing a docile, highly productive cheap labor workforce. This was demonstrated again in the 2015 contract talks, where the UAW imposed sellout agreements over widespread opposition by resorting to threats, lies and reported vote rigging.

Meanwhile, for all the talk of the auto companies pledging billions of dollars in investment in US plants, most of this money will go to preparing for new models of vehicles they already assemble.

The comment in *Bloomberg* follows the report last month by the *Wall Street Journal* that the UAW-Ford contract would have little impact on the company’s profitability. It noted that Ford’s labor costs would rise about 1.5 percent annually, even factoring in the \$10,000 signing bonus. The rate of increase is lower than the rate of inflation, meaning an overall reduction in costs.

The *Journal* noted that the company would use significantly more temporary workers and schedule more mandatory overtime, as permitted by the contract, in order to reduce its overall costs by limiting its need to hire regular, full-time workers. General Motors and Fiat Chrysler are also expected to take advantage of similar savings, though Fiat Chrysler already uses a higher proportion of lower-paid tier-two workers than the other auto companies.

In a November conference call with Wall Street investors, Ford CEO Mark Fields gloated over the terms of the UAW-Ford agreement. Fields thanked the UAW “for their leadership in delivering an agreement with a shared goal of creating a stronger Ford.” He cited in particular the agreement by the UAW to eliminate the cap on hiring tier-two workers, allowing the company to flood its plants with cheaper labor once older, better paid workers retire.

Fields also cited the UAW’s agreement to freeze supplemental unemployment benefits, which provide laid off workers with additional income in excess of regular unemployment pay. This will have a serious impact during the next slump in auto sales, which, given the precarious state of the world economy, could be imminent.

A veteran worker at Fiat Chrysler in Detroit, reacting to the *Bloomberg* report, told the *WSWS Autoworker Newsletter*, “Its not about the people. It is about getting out the production. The union has been incorporated into the companies. They are using the people to line their own pockets.

“They are forcing the traditional workers out. They are trying to force people to do multiple jobs. They are speeding up the line, and grievances are not being processed. They want cheap labor. That is exactly what is going on.

“Even with these bonuses and profit sharing, we are not doing that well. They can say ‘Look, we had all these fines, and you don’t get anything.’ They have all these part-time workers coming in getting McDonalds wages to do a job that is tearing your body up. I am waiting for them to stick us on Obamacare.”

A GM skilled trades worker from Flint said that contract workers were being used to replace regular employees. “They have outside contractors doing all the skilled trades work. It doesn’t look good for skilled trades workers or permanent workers in general.”

Looking ahead to 2016, the militancy expressed by auto workers during the contract fight at Ford, GM and Fiat Chrysler, as well as at Nexteer and Kohler, points to important class battles to come. The attempts by the UAW to suppress the class struggle will meet increasing resistance. The critical question facing autoworkers is the building of a new leadership and new forms of organization to meet the challenges of the coming fight.

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