

New generation of United Auto Workers push to end second-tier union status

Talks with then troubled automakers in 2007 divided workers into two groups with different wages, but now thousands of more recent hires are preparing to make their case for equal pay: 'The auto industry has bounced back'

Steven Greenhouse

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Thirty-one-year-old Jennifer Sanders is proud to be a fifth-generation member of the United Auto Workers, but like many millennials, she is frustrated that hers is the first generation to take some major steps backward on pay and benefits compared with those who went before.

After three and a half years working at the General Motors assembly plant in Orion Township, a Detroit suburb, Sanders makes \$17.53 an hour as part of a lower, second tier of auto workers. In contrast, workers in the top tier - those hired before 2007 - generally earn \$28 an hour, two-thirds more than Sanders and enough for a solid middle-class life.

Thousands of second-tier workers at GM, Ford and Chrysler are stewing about their lower pay, with many pressing to have the bottom tier eliminated in this year's negotiations with the Detroit automakers. The UAW agreed to create the lower tier in the 2007 contract talks when the automakers were struggling and pushing hard to cut costs (GM and Chrysler, now owned by Fiat, filed for bankruptcy in 2009).

The Detroit negotiations are focusing on one of the biggest worries for many young Americans - whether their generation is falling behind their parents' generation and whether they can somehow catch up. Sanders' father recently retired from GM after making a comfortable living in that top tier.

"I understand why the two-tier system was set up," said Sanders, the divorced mother of a seven-year-old girl. "It was necessary back then, but I very much feel that it's not a necessity anymore. The auto industry has bounced back. They're making good money."

Dennis Williams, the UAW's president, has said repeatedly that one of the union's main negotiating goals is to "bridge the gap" between the bottom and top tiers. The UAW's contract covers 140,000 hourly auto workers and expires on 14 September.

"Two-tier is the biggest issue in these talks," said Arthur Schwartz, a former labor relations executive at GM and president of Labor and Economics Associates, a consulting firm. "But getting rid of it won't be easy."

Auto industry officials voice fears that if the second-tier workers jump to \$28 an hour,

production costs would balloon, hurt industry competitiveness and lead to job cuts and reduced profits. Union leaders recognize that a big pay hike could frustrate their hopes of persuading the automakers to bring back more overseas production to the US.

Industry analysts see a difficult round of bargaining, not least because this is the first time the UAW will have the right to strike restored since it relinquished that right in the 2009 bankruptcy restructuring. Moreover, workers in both tiers are spoiling for a raise, and they're convinced that the Detroit Three automakers can afford it because they're much more profitable than a few years ago.

Williams said: "As we share in the bad times, we must equally share in the good times." In 2007 and again in 2011, the UAW, sensitive to the automakers' difficulties, agreed to wage freezes for the top tier for the length of those contracts.

"The legacy workers haven't had a raise in 10 years," Sanders said. "We want them to get a raise."

While some bottom-tier workers resent the top tier, Sanders said there was far more solidarity than tension between the two tiers. "We want each other to have it better," she said.

Beyond wages, the other big issue in the negotiations will be health coverage. With the automakers concerned about soaring health care outlays, the UAW has proposed setting up a huge health care cooperative that would cover 800,000 people - the Detroit Three's hourly and salaried workers and their family members - in the hope of creating a more efficient system that would drive down costs, save the companies tens of millions of dollars and free up money for raises.

Executives from the three auto makers have said little about the negotiations. In a statement, Ford said: "We look forward to discussing many different options with our U.A.W. partners that will allow us to have fair and competitive labor agreements and to provide jobs and investment here in the US."

Under the soon-to-expire contract, the bottom tier starts at \$15.78 and tops out at \$19.28 after employees work four years. When the two-tier structure was first agreed to, it was a way to cut costs without hurting those already working.

"In 2007, nobody who was going to be subject to the second tier voted on that contract," said Kristin Dzikczek, director of the labor and industry group at the Center for Automotive Research in Ann Arbor, Michigan. "In 2011 there still weren't many of them in the second tier. This time around, they're close to 45% of the workforce at Chrysler, 20% at GM and 28% at Ford. The upshot of that is the people who are subject to the entry-level provisions are a pretty big part of the population who vote on ratifying the agreement."

Williams seems to have heard the message from the second tier. "Their future seems somewhat bleak," he said. "They feel like second-class citizens."

Sanders acknowledges that she doesn't feel nearly as prosperous as her father, Roy Richard, did when he was a 31-year-old GM worker. At that point, he was able to buy a house and start saving for his two daughters' college educations. His wife quit her GM

assembly plant job to take care of the girls.

“We always lived a very model life,” Sanders said. “We always went to take nice vacations.”

Making \$17.53 an hour, Sanders would earn \$36,500 as a full-time, year-round worker - not including her annual bonus (\$9,000 this year) - but she will earn considerably less than that because twice this year she has been on temporary layoff for several weeks. Low gasoline prices have cut into sales of the fuel-efficient Chevy Sonic and Buick Verano produced at her plant.

In Sanders’ first year at GM - she had been a \$75-a-day substitute teacher - she was earning too little to afford her own place, so she and her daughter moved in with her parents.

Her father, an expert die maker, went to work at GM in 1977, and retired last year, after 37 years. “The biggest changes I’ve seen is just the struggle to make ends meet,” her father said. “When I first hired into GM, they were the largest employer in our country, and it was a good place to work with good pay and benefits. You could raise a family on it.”

“But with my daughter,” he continued, “she’s pretty much living paycheck to paycheck. She really isn’t getting ahead. Her health care is less than I have. She has virtually no retirement plan.”

It’s been 17 years since the UAW last went on strike against one of the automakers - a 54-day walkout at two GM plants in Flint, Michigan. That was the longest auto strike in three decades and crippled GM, causing it to idle almost 180,000 workers and temporarily shut 26 of its 29 North American plants.

“The probability of a strike is not zero,” Dziczek said. “It could happen. It’s more likely it can happen than in any year in the 2000s because the companies have been very profitable the last five years and the members have high expectations.”

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