

The auto industry's job insecurity

By David Moberg

THE UNITED AUTO WORKERS (UAW) LEADERSHIP has made it abundantly clear to Ford and General Motors: The union wants greater job security for autoworkers. That's understandable. Nearly 200,000 UAW production jobs have vanished since 1978. If trends continue another 500,000 of the industry's nearly 1.9 million North American jobs will be gone three years from now at the same level of sales. But what—if anything—can the union do about it?

Union leaders decided last month first to seek a solution at Ford, where sales and profits have been up, then apply it to General Motors, which has been losing ground on all fronts. But the record suggests that the union may at best slow job erosion, especially if it must rely on collective bargaining alone.

Except in some periods of economic boom, job security has always been at the top of workers' concerns. Historically, unions have dealt with the issue in a variety of ways. They have helped members upgrade skills so workers could have more jobs open to them. Before unemployment compensation was available, union members shared work during downturns. More recently, unions have tried to guarantee laid-off workers rights to transfer within a corporation.

Most importantly, unions have fought for income security. For instance, the UAW has negotiated supplemental unemployment benefits and guaranteed income for high-seniority workers. Such income protection can indirectly encourage corporations to create jobs so that they can get production out of people whose wages it is paying anyway. Canadian Auto Workers, which split from the UAW in 1985, is emphasizing income protection this year. At the moment, auto employment in Canada is more secure than in the U.S.

But when jobs are declining over the long haul, the task is tough. Few unions fight technological change, which can yield higher pay yet costs jobs. But longshoremen and printers, for example, have negotiated lifetime job protection for existing workers in exchange for accepting radical technological changes. However, in addition to rapid technological change, the UAW today faces problems of outsourcing of union work, transfer of many operations overseas and increased competition. That competition comes not only from imports but also from new, foreign investments in the U.S.—the so-called "transplant" assembly and parts factories. Some unions have tried, with limited success, to negotiate restrictions on outsourcing, subcontracting or plant closings.

Less hours, more jobs: The classic labor response to job loss, now being pursued vigorously again in Europe, has been shorter work time. That can mean earlier retirement and more attractive pensions to shorten the work career, more holidays and vacations, or a shorter work week or day. The average annual work time for U.S. manufacturing workers is 1,912 hours, compared to around 1,700 in northern Europe and 2,166 in Japan. Of major industrial countries, only Japanese autoworkers work longer weeks than Americans. Despite the large number of autoworkers still unemployed, last year the average Big Three autoworker put in 348 hours of

overtime. Industrywide overtime is equivalent to the hours of 80,000 additional full-time workers. Despite a new 50-cents-an-hour overtime penalty imposed in 1984, it is still much cheaper for automakers to pay overtime than to hire new workers. This year union negotiators have talked of getting compensatory time off in addition to premium pay. The UAW started to reduce the work year in 1976 with nine special "paid personal holidays," but those were later given up. That effectively eliminated roughly 20,000 jobs created by the shorter work year.

Yet shorter work time does not deal with displacement by radical shifts in trade or investment. In Europe, managed trade and industrial policies provide some stability, and an extensive social safety net makes job loss less traumatic. But U.S. unions are left to find solutions through bargaining to problems that would best be dealt with politically. And bargaining for control over investment, while rarely tried directly, isn't easy.

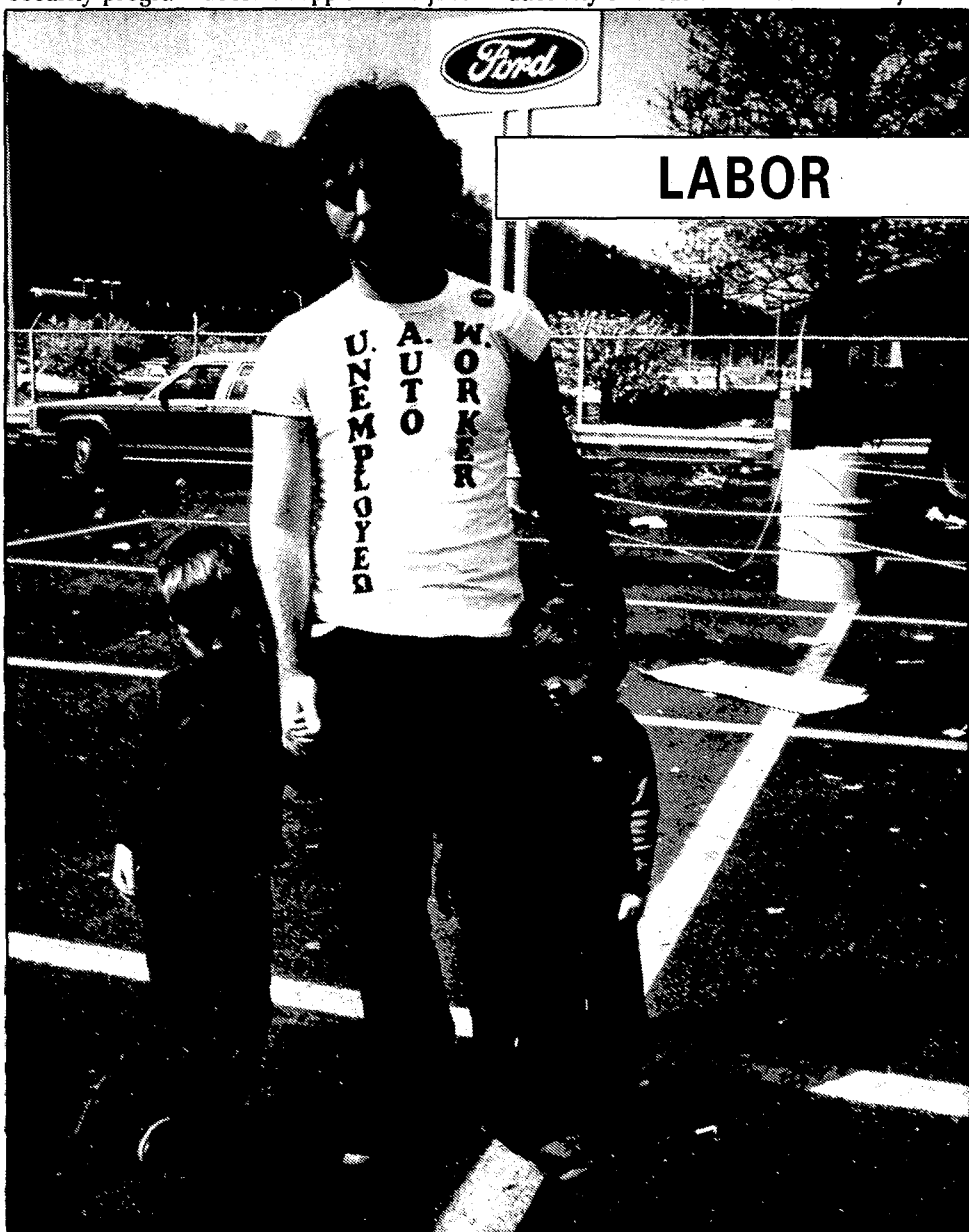
Banking failure: Three years ago both Ford and GM set up "job banks" that provided a "slot" for every job eliminated by outsourcing or new technology. Any unemployed auto worker could fill that slot, collecting full pay and benefits while getting training or filling in other jobs. But the number of job bank slots could be reduced by normal attrition, such as retirement, or by special company payments to "buy out" a worker. Although the program has provided temporary relief to a few workers—about 8,000 at GM and 700 at Ford, it has not proved very effective in guaranteeing job security. If another job security program doesn't supplant the jobs

bank, the union at least wants to tighten the program's operation.

The last contract also established jointly administered investment funds at both companies to create new jobs, but the companies and the union couldn't agree on a single investment project.

Recent gains: The UAW has recently negotiated agreements with agricultural and construction equipment companies that guarantee jobs for up to 100 percent of the workforce, minus attrition, for the life of the contract. But in those deeply depressed industries employment had fallen about as low as it could go without the companies vanishing, and the security agreement came with a high price in local work-rule concessions. In the auto industry itself, the UAW won several victories blocking outsourcing by the old-fashioned way: striking. Although those strikes were ostensibly over other issues, the UAW this year wants to add outsourcing as an issue about which local unions can legally strike.

The agricultural contract precedents figured prominently in union negotiators' minds in the final days before the Ford contract expired on September 14. But despite obvious appeals—guaranteeing a certain number of jobs, a percentage of the existing workforce or a proportion of UAW labor content in all future vehicles—the plan bears a distressing resemblance to a failed 1982 experiment. That Pilot Employment Guarantee was accepted at only one Ford plant, which made numerous agreements to increase productivity and cut costs but still lost jobs.



Another 500,000 of the auto industry's 1.9 million North American jobs may be gone in three years.

The parts problem: If the UAW wins a good contract at Ford, it will have a tougher time forcing the same contract on GM—although union President Owen Bieber has insisted GM will get no special deal. Chrysler and Ford had already greatly pared down their operations in the crunch of the late '70s and early '80s, but GM still makes far more parts in-house as well as final assembly. Typically GM is described as producing 70 percent of the value of its cars in-house, while Ford is 50 percent vertically integrated and Chrysler only 30 percent. But University of Michigan auto expert Dan Luria says the figures are closer to 50 percent at GM, 40 percent at Ford and 35 percent at Chrysler.

GM executives—and many industry stock analysts—are convinced that their recent poor profits are a result of excessive vertical integration. GM wants to sell off many of its plants, close some and reduce wages and benefits at the remainder—effectively splitting its parts industry apart from the master auto contract. Many independent parts plants, even those organized by the UAW, pay less than the Big Three contract calls for. But Luria's figures suggest GM overstates the issue. And auto analyst Dennis DesRosiers, who thinks GM should break off many of its parts plants, argues that the main problem is not labor costs but "bad management and lack of focus within operations. It's difficult [to make the parts operations successful] because of the nature of the beast [GM]. They just happen to be large and immobile in an industry that needs flexibility." Yet the UAW maintains that if GM improved management, vertical integration could be a boon, particularly in controlling quality.

The more serious problem may be what Luria identifies as a roughly 20 to 25 percent lower productivity than Ford or Chrysler across the board at GM (even though productivity has been increasing by nearly 7 percent annually in the '80s in the auto industry). But if GM improves its own management and reduces that disadvantage, jobs will be lost—unless it increases domestic investment.

Job security demands, Luria said, could influence the auto companies to invest more domestically. But the union can't risk impeding growth of productivity. Even if there are controls on imports, the growth of the transplant automakers in the U.S. will guarantee increasing competition, since those new plants—often built with huge state subsidies designed to lure the factory—are cheaper to operate. But by fighting for job security, the union can force GM to gain productivity first through better management and use of capital, not flight overseas or wage-cutting.

Delaying tactic: Skeptics like longtime UAW opposition leader Peter Kelly, president of Local 160, argue that negotiations to protect a certain number of jobs are a "delaying tactic" at best. It is necessary to "go for the long term" and fight for reduced working time, "the only historical answer to the question of rising unemployment created by new technology."

The UAW has an unenviable situation: if domestic productivity does not increase, its organized factories are threatened with competition. If it does increase, jobs are eliminated. Only reversing the accelerating flow of manufacturing overseas or out of union shops and reducing worktime while increasing productivity can provide the basis for the job guarantees it would like to enforce. That may take political action as much as negotiating skill or strikers' willpower. □

By Alisa Joyce

WASHINGTON

IN JULY LAST YEAR A TOP-SECRET AIR FORCE plane crashed in California's Sequoia National Forest. The following month the *Washington Post* reported that the same highly classified plane, a stealth fighter, was again operating at a remote Air Force base in Nevada. The Defense Department had no public comment on the crash or the report.

These two incidents were brief and rare peeks behind a thick veil guarding billions of dollars of secret defense spending. Called "black projects" and funded through the "black budget," their numbers have increased under the Reagan administration at an unprecedented rate. The total amount of black money in the \$312 billion defense budget request for this year is about \$25 billion. According to defense analysts and Congress members, black budgeting has been a preferred practice of Defense Secretary Caspar Weinberger's Pentagon, and the secret budget has quintupled since President Reagan came into office.

Close to half of the \$25 billion is earmarked for secret military research-and-development projects. During the past seven years black spending for new military projects has increased at least eight-fold.

Black budget projects cannot be debated publicly on the House or Senate floors. Only a few Congress members have ready access to information about military projects included in the \$25 billion kitty—about the projects' schedules, funding amounts and strategic justifications. As numbers have increased, critics of the Reagan defense buildup have begun to question the need for such secrecy. They also are looking at the strategic rationale behind the secret projects and the potential for waste and abuse.

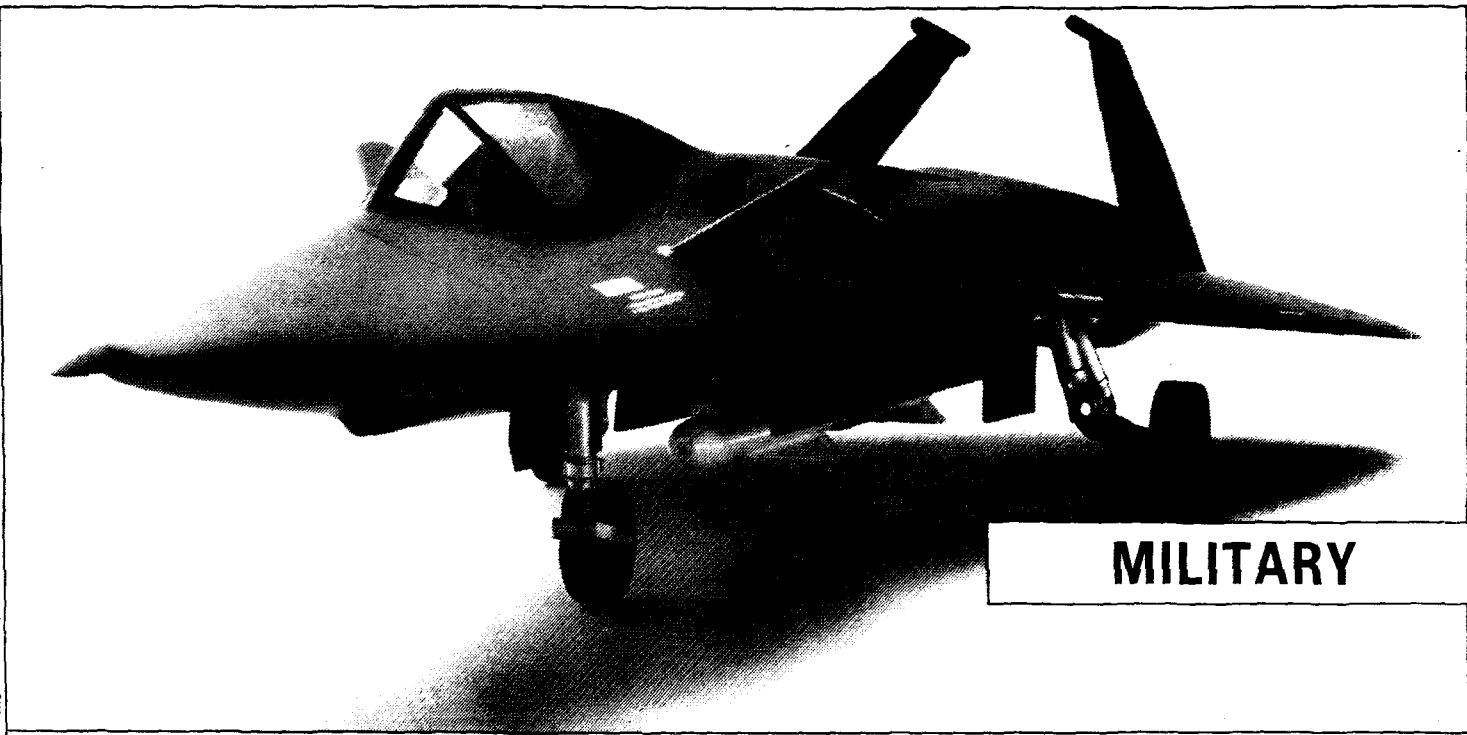
This year, as tolerance for the Reagan administration's penchant for secrecy seems exhausted, some legislators finally are determined to pull back the secret veil. "A consensus is emerging," said Sen. Lowell Weicker (R-CT) in a statement before the Senate Defense subcommittee last May. "Too much of the Pentagon budget is hidden from public view."

There are essentially two ways of "black-ing" programs in the defense budget. One is to identify the program but not the cost. The other is to disclose the cost but code the project name—using titles like "Bernie" or "Project Leo"—or put projects in vaguely titled categories like "special programs" or "selected activities."

These latter categories include funding for most of the government intelligence-gathering organizations including the Central Intelligence Agency, the National Security Agency (NSA) and the National Reconnaissance Office (NRO). Both the NSA and the NRO are agencies so "black" that their existence is not officially acknowledged. According to most analyses, the black budget is divided just about evenly between intelligence and military research and development.

Stealth technology: It is neither a new phenomenon nor a controversial one on Capitol Hill that most intelligence gathering activities are financed through classified budget requests. But in the past decade the black budget has expanded beyond the traditionally and classically black intelligence activities to include new high-technology military research projects like strategic bombers and cruise missiles. This is due, in large part, to the development of stealth technology.

According to the Center for Defense Infor-



A toy manufacturer's model of the F-19 stealth fighter, a "black budget" project.

MILITARY

The Pentagon's secret spending spree

mation, stealth-related research and development accounts for more than 65 percent of the military's portion of the black budget, while other defense analysts say that the combined costs of projects using stealth technology over the long run may go as high as \$100 billion.

Stealth, or "low-level observables," refers to technologies and design concepts aimed at making aircraft and weapons systems virtually invisible to enemy radar. To make something "stealthy," a radar-absorbent material is used to coat the outside surfaces, and the size and shape of the target is altered by flattening the sharp, easily defined edges. The target that can be picked up in a radar screen is thus made as small as possible. The potential uses of the technology excites the military.

"We are on the threshold of breakthroughs that will rival any in the history of technological leaps," wrote Under Secretary of Defense Donald Hicks in the *Armed Forces Journal International* last year. "Those breakthroughs are low observables—the so-called 'stealth' technology. In my judgment low observables are the military technology of the coming decade."

But critics contend that stealth has become an excuse for an abuse of secrecy. "You wave the wand of stealth over something and it becomes black," says Stan Norris, an expert on Soviet air defense and an analyst at the National Resources Defense Council.

John Pike at the Federation of American Scientists agrees: "A precedent has been established that if a weapon system is labelled stealth then no questions need be answered."

As many stealth projects are now moving from the experimental and development stages into full-scale production, the budget numbers are soaring. William Sweetman, author of *Stealth Aircraft*, says that as the technology developed and was applied to more things, it became attractive to keep it secret, "especially when you have a good healthy lead."

But critics and defenders alike have an additional explanation for the increased secret budget: Secretary of Defense Weinberger. According to Pike, the secretary has "a general mania for secrecy and a great deal of admiration for the Soviet style of running

things."

"Weinberger doesn't like releasing anything, because he knows that he is having to pay to get all the parallel information on what the Soviets are doing," says Sweetman. "All Soviet military projects are black," he added. A persistent and vocal Cold Warrior, Weinberger's control over defense budget classification is as good an explanation as any for the mushrooming of secrecy.

Winning a nuclear war: One of the more provocative criticisms of the black budget is that it masks a concept of strategic planning that the Pentagon doesn't want to debate publicly. It is a strategy sometimes called "long-war" planning in which the traditional concept of deterrence—having enough weapons to launch a devastating and complete first strike against the Soviet Union—is augmented by a strategy to fight and win a protracted nuclear war. One traditional black budget item is C3I, or "Command, Control, Communications and Intelligence," a computerized communications network designed to ensure control of the country's nuclear weapons after a nuclear attack.

The Pentagon has learned to avoid a public debate on the merits of such strategic thinking. When Reagan suggested six years ago that a limited nuclear war was thinkable, he inspired the nuclear freeze movement of the early '80s and made his administration highly unpopular in Western Europe. Yet despite the administration's more careful recent remarks, long-war planning remains a fundamental part of the nation's strategic thinking.

"There is a tremendous prudishness about discussing what nuclear bombers do," says stealth expert Sweetman, "because most people assume that after the first nuclear exchange it is all over."

William Arkin, a defense analyst at the Institute for Policy Studies, says that the stealth bomber is deliberately designed to function as a first-strike weapon and beyond an opening round of a nuclear war. "The Pentagon is less interested in looking at what will deter World War III than at what will win World War IV," he says.

But defenders of stealth and the new generation of weapons argue that without a capability to fight back after an initial nuclear strike, there is no deterrent posture at

all. "We have to introduce the idea of nuclear war fighting," says Sweetman, "because many nuclear weapons systems in addition to the stealth project are part of a plan for a nuclear war that continues beyond the first nuclear exchange. The public is just not well informed on this."

Waste: Congressional concerns with defense budget secrecy have not focused on the esoteric arguments of strategy but on the more familiar battleground of budgets and abuse. "We are talking about hidden caches of funds that suck in billions of taxpayers' dollars," says Rep. Barbara Boxer (D-CA), author of an amendment to this year's defense authorization bill aimed at the black budget. "And there is no accountability and no real oversight."

The argument that secrecy cloaks mismanagement has gained some powerful supporters in this year's legislative session. In addition to Boxer, Weicker and House Armed Services Committee chief Les Aspin (D-WI) also have authored amendments designed to expose at least part of the black budget to the public.

Aspin is concerned about potential waste in the stealth-bomber program. After an investigation last spring into the development and production problems of the new B-1B bomber, Aspin, along with Rep. Sam Stratton (D-NY), proposed an amendment requiring competition in the production of the stealth bomber. He said he wanted to "apply the lessons we have learned from the B-1B experience. While I can't discuss the specifics of the [stealth bomber], it is a matter of concern."

Even the Air Force has some doubts. Gen. Larry Welch, Air Force chief of staff, admitted at a meeting with reporters this spring that stealth-bomber development costs had been higher than projected and that money from production had been shifted back to make up the development shortfall. In addition, Northrop Corporation, the bomber contractor, has announced two major write-offs in the millions of dollars over the past year. Both can be traced, according to analysts, to cost overruns in the development of stealth programs.

While secrecy makes it impossible to quantify the amount of waste, fraud and

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