



Tiers of no joy

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Back in 1987, a machinist hired at Delphi Corp. started at \$14 an hour.

Today, new machinists are again starting at \$14 at Delphi plants, including those in Coopersville and Wyoming.

That's equivalent to \$8.53 an hour in 1987 dollars.

Those new workers can expect raises over time, of course, but they will never catch up with more veteran workers.

New employees earn \$29,120 a year before any overtime pay, while the machinist on the higher scale pulls in \$49,920 at the \$24-an-hour rate. It's the difference between a Chevy Cavalier and a Cadillac -- about \$21,000.

That's because of a new version of the two-tier pay scale adopted this spring at Delphi, the world's largest auto supplier.

While two-tier wages are not new, those contracts usually enable newer employees eventually to reach the standard pay scale. From plumbers to postal workers, union employees have worked at two-tier pay rates.

At Delphi, the arrangement is starkly different. The contract is the first United Auto Workers pact to permanently separate the old-timers from the new hires.

Gregg Shotwell, a longtime UAW member at Coopersville, thinks it is a mistake.

"Unions are based on solidarity and they have severed that connection between the generations," Shotwell said. "I can't imagine someone coming in at \$14 an hour, working next to me, is going to be happy."

The machinist said he is ashamed of his generation for caving in to a \$10-an-hour pay cut for new hires.

"All I did was soak up the gravy, all the benefits won for me by previous generations, their struggle to achieve things. COLA, pensions, 30-and-out.

"It made my life easy. Now, I'm turning around and slapping the next generation with poverty, I think," Shotwell said.

But Delphi and the UAW defend the contract as a way to keep U.S. plants open, preserve benefits for existing workers and hire more employees.

"That's good news for UAW-Delphi workers, for young workers who want jobs in the auto industry, and for the communities where Delphi is a major employer," UAW Vice President Richard Shoemaker said when the plan was unveiled.

The pay scale was hammered out in April in a supplement to the October 2003 UAW contract that covers General Motors Corp. and Delphi workers, who formerly were GM employees.

All new hourly workers begin at \$14, not \$24. And their top rate is \$18.50 by 2011, not \$36.

They also get a smaller benefits package:

- A 401(k) retirement savings plan, rather than a defined-benefit pension;
- No "30-and-out" retirement plan;
- Cost-of-living adjustments paid at 70 percent level, rather than full amounts given to other workers;
- Vacation capped at four weeks;
- Co-pays for medical and prescription costs.

"The supplement's tiered wages and benefits bring to UAW Delphi sites the approach used elsewhere in Delphi, as well as other auto supply and manufacturing companies," J.T. Battenberg III, Delphi's chairman and chief executive officer, said at the time.

When times are better, union officials said, they will fight to win back better benefits for low-tier employees.

The GM-Delphi-UAW contract covers more than 117,000 GM workers, 30,000 Delphi workers, and 297,000 retirees and spouses. Among them were 600 workers each in the Coopersville and Wyoming plants.

In the six months after the contract was approved in October, the UAW hammered out a system to pay drastically lower wages for new Delphi employees, but keep wages high at GM. The depth of the cut -- lopping \$10 off the starting wage -- surprised Delphi workers.

The two-tier wages were never voted on by local union members, and the potential for resentment and dissension worries them.

Delphi pushed for tiers

For the local UAW leaders, it was an unhappy but necessary solution.

"We know, with the loss of jobs, if we don't do something to make us more competitive, these plants are leaving. We've seen it," said Robert Betts, president of UAW Local 2131 in Coopersville.

Delphi demanded the lower wages to remain competitive. "It is one of the things that needed to be done in order to compete with suppliers," said Delphi spokeswoman Luce Rubio.

About 150 people have been hired companywide at the \$14 hourly rate, Rubio said. "At first, just a few dozen were converted from temporary status, and other people were hired off the street,"

she said.

Those employees are at Wyoming, Saginaw, Adrian and Dayton, Ohio.

David Cole, chairman of the Center for Automotive Research in Ann Arbor, said the suppliers, including former Ford Motor Co. parts maker Visteon, were desperate.

"The wage structure at Delphi and Visteon were so out of line with their supplier-competitor base," Cole said. Employees for automakers earn about 40 percent more than most workers at auto suppliers in the United States.

Without the concessions, Delphi would have closed more plants and laid off many people, Cole said.

"You're pressed to do it for survival," he said.

The permanent two-tier pay is a landmark, Cole said, "because people with significantly different pay could be doing the same job. This violates one of the historical tenets of the union -- same work, same pay."

With union membership down by 60 percent, it too is on the verge of being a viable business, Cole said.

But the new pay scale, so low it never reaches current employees' wages, is a formula for disaster, Coopersville local president Betts and other union members said.

"No one likes the two-tier wage system," Betts said. He won't advise his own children to follow his career path.

"Obviously, if he has the potential to do better, why would I encourage someone to go to a \$14-an-hour job?" Betts said of his son.

He is hardly alone in his concern. In fact, the Coopersville plant was one of only two that voted down the UAW contract, along with a local in Rochester, N.Y.

A longtime UAW activist who publishes his own newsletter, Shotwell has filed two appeals of the contract vote with the International UAW, based on:

- The UAW decision to pool the votes of Delphi and GM union members, when GM employees outnumber Delphi four to one.
- Negotiations followed the contract vote, and the two-tier wage plan was accepted without a vote of the membership.

Shotwell's first hearing was earlier this month, but no ruling has been announced.

So far, no one has been hired at the Coopersville plant under the new two-tier scale. The plant is shrinking, from a bustling factory in the 1990s with 1,000 hourly employees to today's 600.

A sister plant on Burlingame Avenue SW in Wyoming also employs 600 hourly workers, including a handful of former Bosch employees. Some of the veteran Bosch workers had the right to return to union jobs at Delphi, which formerly owned the now-closed Bosch plant.

Those Bosch workers who moved back to Delphi after October 2003 were in for a shock.

Classified as temporary workers, they were in a holding pattern until the two-tier wages were set the following spring.

When the supplement was finalized in April, those employees were rehired at the \$14 starting wage, well below their former scale at Bosch.

Depressing effects

The litany of plant closings has rocked West Michigan and affected other labor contracts, said University of Michigan researcher Roland Zullo. The biggest shock came in January, when Electrolux AB said it would close its 2,700-employee Greenville refrigerator plant.

"Perhaps the loss of Electrolux is sending an economic signal in the region to accept concessions," Zullo said.

"It's not only the loss of manufacturing jobs. There's also a depressing effect on the manufacturing jobs that stay, even ones protected by a union contract."

Just how low manufacturing wages will go is a big question, and union members are not the only ones who worry.

"If people's wages don't go up, they really can't consume more," Zullo said. "Intuitively workers understand that. As Henry Ford said, 'Pay them enough to buy a Ford.' You can't just produce goods; you have to have a market for them."

Betts, Local 2151 president, foresees hard times all around. Lower wages mean shrinking tax receipts for city, state and federal services.

"Michigan is the poster child for this social and economic disease caused by multitier wage structures, wage reductions and outsourcing," Betts said. "These agreements benefit a few at the expense of the middle class and our communities."

Machine repairman Mike Cwiklinski was a teenager when he went to work for Delphi. Now 49, Cwiklinski said he won't encourage his son to try the trades. Although he works in the skilled trades and is not part of the two-tier settlement, he is leery of the future.

"My son's thinking about going into a mechanical field. I'm trying to steer him to computers, or to the Army," Cwiklinski, a Grand Haven resident, said.

"I'm trying to steer him away from the trades. The trend is toward paying everyone less."

Juanita Cadman, a Delphi employee from Belmont, said even at the higher pay scale, she can't sustain the lifestyle her parents had as GM workers in the 1970s.

"I think our wages have already decreased with the cost of living," Cadman said. "When you're talking \$14 an hour, that's just getting by."

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