Live Bait & Ammo #116: Legacy Cost, a Smokescreen for Fraud

The media keeps reporting that GM workers make on average $70 per hour in total compensation, and that Toyota workers only make $45.

The $25 difference is attributed to legacy costs.

Legacy benefits were earned in the past. Tacking compensation earned in the past onto active workers in the present is deceptive bookkeeping.

Since legacy benefits were earned in the past, why are they now charged to workers in the present?

Since GM included the cost of deferred compensation in the price of cars sold in the past, why are they charging customers for that cost again?

Since the compensation was deferred, was any of that money put into a trust fund?

If so, didn't GM get tax breaks for money deposited in the trust fund?

What happened to the trust fund?

Should the victims of fraud be blamed for destroying the American auto industry?

Management, not labor, is responsible for legacy cost. Management, not labor, is over compensated in comparison to foreign competitors.

"In the fiscal year that ended in March 2007, Toyota's top 32 executives — a group that included CEO Katsuaki Watanabe — together pulled in $7.8 million in bonuses on top of salaries of $12.1 million. For the comparable period, one single GM exec, CEO Rick Wagoner, raked in $10.2 million." [www.toomuchonline.org/tmweekly.html]

In 2008 Wagoner got a $5.3 million dollar raise.

Economist David Gordon in his book "Fat and Mean" said, "In the 1980s, by common measures, the proportion of managerial and administrative employment was more than three times as high in the United States as in Germany and Japan." Gordon points out that in the US we have a higher percentage of supervisors than Germany, Japan, and Sweden combined.

According to Gordon, 20% of the purchase price of every product made in the USA goes to supervisors and monitors, not including secretaries and assistants and bean counters. In other words, when you buy a $20,000 vehicle, $4,000 goes to pay for the burden of supervisors, managers, and executives whose sweatless efforts add no value to the product. Less than 10% of the purchase price can be attributed to assembly line workers.

Perhaps the biggest question is: Why doesn't Ron Gettelfinger, the President of the UAW, raise these issues?

Why doesn't he defend the reputation of his members?

Why doesn’t he publicly acknowledge that the legacy cost mantra is a smokescreen for fraud?

Stay Solid, Gregg Shotwell