

Live Bait & Ammo #171: Job Protection is a Racket

Investors cheer union busting and the collateral damage to living standards in the USA like drunken frats, but the long view is both more sober and more sinister.

In 2009 Buena Vista Township Board of Trustees granted a twenty year 100 percent tax abatement for Nexteer Automotive, and Michigan officials approved a tax credit worth \$70 million over ten years to keep Nexteer from moving jobs to Europe or China from Saginaw.

Extortion, euphemistically coined "protection" (in this case job protection), only works until the extractor, the criminal in a white shirt and tie, finds an easier mark.

A case in point: American Axle and Manufacturing (AAM) originated from the sale of five General Motors plants to former GM executive, Dick Dauch, in 1994. In 2012 AAM will close Detroit Gear & Axle, the fourth of the original five plants to close. All the concessions the UAW made didn't make a damn bit of difference. Despite the announcement of the plant closing AAM requested an extension of tax breaks from the city of Detroit.

The quid pro quo of jobs for tax breaks, or wage and benefit concessions for *job security*, never stopped Dauch from moving work to Mexico, China, and nonunion plants in the US. As David Cole, son of a GM president and director of the Center for Automotive Research, once told the Detroit Free Press, "In business, lying is one of the things you do all the time."

Job protection is a racket and the union wants in on it. Hence, two tier, three tier, and permanent temps. Workers pay and pay, but only Capital is protected. Concessions never save jobs. Never. But they prolong the dues collection and subvert the struggle for economic justice with promises. *Do what we say and you won't get hurt.*

An article in the Wall Street Journal about Chinese investment in US manufacturing ["In the Heart of the Rust Belt, Chinese Funds Provide Grease," 2-11-12] featured a picture of an assembly line at Nexteer in Saginaw, MI. It looked familiar. I worked on a similar assembly line at a GM-Delphi fuel injector plant in Coopersville, MI—before they automated and eliminated half the jobs. Literally half. Post automation, we produced the same amount of fuel injectors with half the workers.

Perhaps that's why all the new production jobs at Nexteer are temporary. If the new electronic power steering systems prove viable and GM retains contracts, the Chinese may invest in more automated production technology. In which case, the temps would not be a liability. Or perhaps, the demand for a tier of permanent temps simply indicates the lack of long term commitment toward American workers despite all the payola—tax abatements, waivers, and wage cuts.

When GM-Delphi opened a new fuel injector plant in China, they installed technology from the Coopersville plant which was obsolete in the US market. Then, we developed new products and perfected new technology for production. Once the new production machinery was fine tuned by US workers, it was shipped to China. The Coopersville plant shut down. The shell of a sophisticated manufacturing facility built in 1981 is now used to store cheese.

China provides a wide array of auto parts to US manufacturers. Complexity is not so much an issue as size and just in time delivery. A fuel injector is about the size of a thumb. Obviously, not a labor intensive item, but high value and convenient to ship. Nexteer's new "software-driven" power steering systems are lighter and therefore less costly to ship than the old fashion hydraulic steering pumps.

If the entire steering apparatus proves too bulky and therefore too expensive to ship from China, Saginaw Nexteer could be strip mined for technology and high value components, then reduced to a sub-assembly shop for Midwest distribution. Nexteer has twenty manufacturing plants around the world, but Chinese investors, unlike Americans, take the long view. They think it makes sense to concentrate high value components and engineering expertise in Beijing.

In the WSJ article the authors assert that Chinese investors promised to honor the existing labor agreement and retain jobs in Saginaw. The UAW contract in force at the time of sale (2010) wasn't set to expire until the following year. Nonetheless, GM and the UAW revoked the successor clause which would have compelled a buyer to honor the existing labor agreement, broke the national pattern contract with four other GM parts plants, and renegotiated for the expressed purpose of making the plant more attractive to prospective buyers.

A year after the sale, the UAW amended the contract and agreed to set up a new tier of temporary production workers who aren't provided health insurance and who make fifty cents less than the bottom rate.

The Wall Street Journal doesn't always check their facts. Sometimes, they just trust the guy in the white shirt and tie. In this case, Nexteer CEO, Robert Remenar.

In *Autoworkers Under the Gun* (Haymarket Press) I wrote: *Asian and European automakers are setting up shop in the USA where labor grows cheaper by the day and our reputation for weak unions precedes the procurement with sycophantic fanfare. A case in point: after UAW members at a GM plant in Saginaw—formerly Steering Gear, now Nexteer—voted down a concession contract, union and management teamed up to coerce compliance.*

Once the concessions were in place, the factory was sold to Tempo, an auto parts supplier, and Pacific Century Motors, an affiliate of the Beijing Municipal Government. At first the Chinese were hesitant about Michigan's reputation for strong unions. UAW-VP Jimmy Settles intervened. "Settles convinced them that the union was flexible and could do what was necessary to deliver the productivity Tempo needed, at a wages-and-benefits cost that would enable them to compete." ["Ficano's Trips to China get Jobs as Souvenirs," *Detroit Free Press*, 7-11-10]

According to the Wall Street Journal, "Mr. Zhao says Nexteer is considering a new factory in Beijing. He says the ownership group has assured U.S. employees it doesn't plan to take the jobs and intellectual property to China and leave a shell in Saginaw." Wall Street authors don't mention that the UAW-Nexteer contract requires workers to train supervisors and engineers to do their jobs or that Nexteer opened a new technical center in Beijing in 2011.

Personally, I don't trust the guy in the white shirt and tie whether it's Zhao, or Remenar, or Dauch, but Troy Newberry, president of UAW Local 699 told the WSJ, "This place went through two different bankruptcies. With the Chinese owning us, we won't see a third." This is true. The Chinese investment consortium won't need bankruptcy courts to dump and run. In fact, they won't have to fake allegiance to anyone other than their investors in Beijing.

But the thrust of the Wall Street Journal article was investment by the Chinese in a low wage labor market in the USA and how promising it is for the working community in Saginaw — "The Heart of the Rust Belt" — to get a little job *protection*.

The Wall Street Journal should have provided a snapshot of the parking lot which would give foreign investors a glimpse into the future of the US auto market. If a temp worker making \$12.00 per hour owns a car, it is used, and he or she is bound and determined to drive it into the ground.

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