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CONCESSION BARGAINING

THOMAS MINER*

During the past two years, few events in the field of industrial relations have generated as much media coverage—and scholarly discussion—as the subject of concession bargaining. Although the causes for the upsurge in concession bargaining in the 1980’s seem apparent, such is not the case with respect to the present and future effects of concession bargaining on the process of wage and benefit determination.

DEFINITION OF TERMS

The term concession, as used by the media as well as by labor analysts, has been defined to mean a variety of things. For example, concession has been defined as reductions, cutbacks or givebacks in wages and benefits. In other cases, it has been defined as wage and benefit reductions plus the lessening of restrictive work rules resulting from the early opening of existing contracts. Finally, the acceptance of a wage increase that is smaller than originally demanded has been termed a concession.

The term concession, as used in this article, will connote reductions in employee wages and benefits. Included in this definition are wage and benefit increases that historically would have been provided in a new agreement but were not. For example, the first auto industry—United Auto Workers (UAW) agreement provided for an improvement factor wage increase in 1948. Historically, the improvement factor wage increase had been included in all subsequent agreements.

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3. See, Labor Concessions: More Fable than Fact?, INDUS. WK., Feb. 8, 1982 at 19 [hereinafter cited as Fable].

4. Early opening refers to the entering into negotiations on a new labor agreement prior to the date provided for in the existing labor agreement.

5. Recent Concessions, supra note 2, at 168.

6. Fable, supra note 3, at 20.
Therefore, the UAW agreement in 1982 with Ford Motor Co. and General Motors Co. (GM) to forego an improvement factor wage increase would constitute a concession as previously defined. Conversely, if the UAW had agreed to give up an anticipated, expected or real wage increase in exchange for a job security plan whose cost during the term of the agreement is the same as the wage increase that was foregone, then such an agreement would not constitute a concession.

**Management Concessions**

Although much attention has been focused upon wage and benefit concessions made by the unions, frequently such concessions were tradeoffs in order for the union to make substantial inroads into areas heretofore considered sacrosanct by management. Twenty years ago who would have thought that a management would ever agree to place members of its employees’ union on its board of directors, not to close plants or restrict its ability to outsource, or open the books to the union? Other inroads made by unions during concession bargaining have included the establishment by management of employee stock ownership and profit sharing plans, job and income security plans and programs designed to give the union a greater voice at all levels of the company.

**Reasons For Upsurge In Concession Agreements**

Economists have cited a number of conditions that have led to labor’s recent willingness to enter into concession agreements—the prolonged recession, foreign competition, massive layoffs and the decline in productivity. To a large extent, these conditions reflect the past sins of labor, management and the government. Most large companies in the basic manufacturing industries were posting record profits during the prolonged period of economic prosperity that stretched from the early sixties to early seventies. During that time, these same companies were chiefly concerned with short term profits at the expense of long term financial stability. Higher costs could generally be passed on in the form of higher prices. There was little incentive then to replace outdated plants and equipment because of these higher earnings and the fact that higher costs could generally be passed on to the consumer.

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7. Outsource is when a company ceases production of a part or component and purchases the same part or component from another company. Outsourcing generally occurs when a company determines it is less costly to purchase rather than produce a part or component.

8. *Recent Concessions*, supra note 3, at 188.
Furthermore, foreign competition was not yet a factor. And we all know we bought labor peace to keep the party going. In brief, America had grown fat and lazy.

The good life came to a halt in 1979 when the Federal Reserve let the prime rate float in a few months from 13% to 20% which precipitated a serious recession. Ballooning national debt and volatile interest rates, which have fluctuated 73 times between 1979 and 1982, have helped to prolong the recession by creating uncertainty among both lenders and borrowers. The depth of the recession can be illustrated by the following grim statistics: Between 1979 and 1982 industrial production declined 9%; plants which were operating at 86% of capacity are now operating at only 67%, the lowest rate since the Federal Reserve Board began keeping track in 1948; over 25,000 businesses went bankrupt in 1982, which is the most since 1932; and December's unemployment rate stood at 10.8%, the highest since 1940. If we aren't in a depression, then we are certainly in the most serious recession since the 1930's.

Besides skyrocketing interest rates and government borrowing, foreign competition is also taking its toll on our basic manufacturing industries such as steel, machine tools and autos, to name but a few. Between 1960 and 1982, steel imports have increased from 3 million tons per year to 17 million tons per year. During that same period, domestic steel production has dropped from 99 million tons to 75 million tons. In 1960, the U.S. machine tool industry was ranked number two in the world. Today, the U.S. ranks 5th behind Germany, Japan, Italy and Switzerland. The auto industry is also suffering from foreign imports. In 1960 only 8% of all cars sold in the U.S. were imports. Although it is hard to believe, in that year Japanese car manufacturers sold only 942 new cars in the U.S. Today, imports account for 28% of the domestic car market. The Japanese account for more than 80% of the total imports sold here, having sold over 1.7 million cars in the U.S. last year.

The painful fact is U.S. industry is no longer a serious competitor in an increasing number of world markets, or even at home. The rapid expansion by foreign manufacturers in the U.S. as well as in other markets, has seriously eroded our industrial base. Unfortunately, this erosion shows every sign of continuing. For example, the Japanese have

contracted with Boeing to build some of Boeing's new commercial jetliners, the 767, in Japan (with a healthy chunk of local content).

To reverse this trend, a tremendous infusion of capital into our industries is required for productivity improvements that will make our industries competitive in the world markets. We must modernize our plants and equipment, introduce improved manufacturing processes and techniques, and at least be willing to experiment with new styles of management. If these measures are undertaken, they should go a long way towards improving our deplorably low rate of productivity growth. During the decade of the 1970's, we had the lowest growth rate in manufacturing productivity among the world's largest industrial powers (the average annual rate was only 2.4% compared to 7.1% in Japan, 5.2% in Germany, 5.0% in France, 4.6% in Italy and 2.7% in Great Britain and Canada). In 1982, the U.S. manufacturing productivity rate actually declined by 1.0% and the most optimistic long-term government forecast calls for only a 2.7% increase per year.

Concession Bargaining—Trend Or Blip?

The Bureau of Labor Statistics (BLS) reported that major settlements reached during 1982 provided for the smallest wage adjustment since the BLS began compiling such data in 1967. The wage increases for all private nonfarm industries was 3.8% in 1982 compared to 9.5% in 1980 and 9.8% in 1981. An even more astounding statistic to a nonstatistician like me is that 35% of the workers covered by settlements reached during 1982 will not receive a wage increase during the entire term of their agreement. This is a dramatic increase compared to the last two years—in 1980 less than 1% of workers covered by settlements and in 1981 only 1% of such workers did not receive a wage increase.

Some maintain that the size of settlements has moderated because management has taken the upper hand or because management is flexing its muscle, implying there has been a shift in power from labor to management. This is far from the case. Major industrial unions can still force companies to their knees at any time. The strike weapon is as

potent as ever. What has happened is that the severe economic downturn has threatened the very survival of many basic manufacturing companies. This, in turn, has caused managements to take a firm position with unions (which is what many managements should have done years ago) and at the same time unions have acted in a much more responsible manner recognizing that it is in their long-term interest as well as in management’s that the company survive.

A notable exception to this harmony or realism has been the steel industry. The domestic steel industry has been buffeted by the recession, increased foreign competition and by world-wide excess capacity. Many of the steel companies need concessions in order to survive and yet attempts to reach concession agreements in July and November of last year were voted down by the United Steel Workers. As of this writing, a third attempt at reaching concession agreements is underway, and it is hoped the union’s instinct to survive will prevail this time.

Walter Reuther spoke of how the “economic pie” would be cut up. Lately, the pie has shrunk and labor has been willing to take a smaller piece. I would like to think that in the future labor will be satisfied with a smaller piece of the pie. However, history has shown that once the economy is on a firm upward course and the pie begins to grow, labor will ask for a larger slice. In fact, even in some of the major concession agreements negotiated in 1982, steps were taken to make certain that if the industry’s condition improved during the term of the agreement, contracts could be reopened with the intent of restoring what had been conceded. For example, the trucking agreement provides for reopening economic issues if the gross national product increases for three consecutive quarters. Similarly, the Ford, GM, and AMC agreements can be reopened if U.S. retail deliveries of new cars and trucks produced or exported by Ford, GM and AMC in any six-month period exceed a prescribed volume. In general, unions view concessions as temporary measures. Once the problems plaguing a company or industry are corrected, it is back to “business as usual” for unions.

Although there has been a sizeable increase in the number of concession agreements negotiated since 1979, such agreements have been concentrated within a relatively few industries which have been hard hit by the recession, increased foreign competition and government deregulation. For example, in 1982, between 85% and 90% of the workers who agreed to forego wage increases in their negotiated agreements were in the auto, auto supply, trucking and meatpacking industries. However, a number of companies in other industries have been able to
negotiate more moderate wage and benefit increases for their unionized employees. Once the economy moves into a full blown recovery and industries such as auto and steel complete the necessary adjustments required so that they can effectively compete in the world market, there will likely be a tendency to return to the traditional pattern of bargain- ing and away from concession bargaining.

CONCESSION BARGAINING IN THE AUTO INDUSTRY

Turning to the condition of the auto industry, Chrysler’s Chairman of the Board recently summed it up well when he said, “The current crisis we face is an industry-wide sales slump inside a national depression inside a world recession.”

The downturn in the auto industry began in early 1979 and management didn’t need a crystal ball to know that by the middle of 1979 the industry was in serious trouble. The Iranian revolution in March and the almost overnight doubling in the price of gas caused a sudden shift in consumer demand to smaller, more fuel efficient cars. This factor, coupled with the dramatic rise in interest rates and a widespread feeling the country was about to enter into a serious recession, caused domestic car sales to fall from 9.2 million units in 1978 to 8.2 million units in 1979.

CHRYSLER CONCESSIONS, 1979-1981

Economies of scale play an important role in the profitability of auto manufacturers. Therefore, the current downturn in sales especially hits hard the smaller manufacturers. This was particularly true regarding Chrysler—the smallest of the Big Three. In 1979, Chrysler’s breakeven point was about 2.3 million units. Through the first six months of 1979, Chrysler sales were running at an annual rate of only 1.7 million units which resulted in a $261 million loss.

It was against this backdrop that Chrysler entered into negotiations with the UAW in July of 1979. Chrysler immediately asked for a two-year freeze on wages and benefits which was promptly rejected by the UAW. However, the union openly recognized the seriousness of Chrysler’s financial condition and agreed to make some form of concessions. The outcome was that, on October 25, 1979, the UAW broke from their pattern agreements with GM and Ford and reached a settlement with Chrysler which would save Chrysler $203 million over the

term of the agreement. The principal concessions were delays in the effective dates of the first, second and third year wage increases, the elimination of six paid personal holidays and delays in pension improvements.

The union had earlier agreed to permit Chrysler to defer $200 million in pension fund contributions in 1979 and 1980. At the same time, the union gained some long-sought goals. UAW President Douglas Fraser was made a member of Chrysler’s board of directors. It is true this was agreed to well before the 1979 agreement was reached and was not discussed during the negotiations. Nonetheless, the two events will always be tied together in the public’s mind. Additionally, Chrysler agreed to the following: 10% of its annual pension contribution would be used to fund “socially desirable projects”; the union would have the right to name five companies whose stock should not be invested in by the pension fund because of these companies’ failure to endorse the “Sullivan Principles”; and finally, that the concessions made by the union would be applied equally to all nonrepresented salaried employees.

There were some people in Washington who felt that Chrysler should have been able to negotiate a harder bargain than it did. However, in the summer of 1979, Chrysler put its case before the Carter Administration on the need to obtain $750 million in federal aid if it was to avoid bankruptcy. Washington spent most of the summer and fall debating the pros and cons of rescuing Chrysler. Members of the administration and certain congressmen made it clear that any aid package agreed to must be tied to major concessions made by Chrysler’s bankers, suppliers and unions. Perhaps one reason the union was unwilling to concede more than it did in its 1979 agreement with Chrysler was due to its belief that regardless of the level of concessions made in 1979, it would be required to return to the bargaining table once any Chrysler aid package was passed by Congress. If in fact this was the union’s reasoning, it was sound.

The second round of concession bargaining between Chrysler and the UAW was triggered by the passage of the Chrysler Loan Guarantee Act (Act) on December 21, 1979. The Act allowed Chrysler to borrow up to $1.5 billion in federally guaranteed loans, provided certain conditions were met. One of the key provisions of the Act had to do with “viability” which, roughly translated, meant that Chrysler had to be able to demonstrate there was a reasonable chance the loans would be repaid. The Act required that additional union concessions amounting to $259 million ($243 million being the UAW’s share) be negotiated
before any loan guarantee could be issued. Therefore, in January, 1980, less than three months after the first concession agreement, Chrysler was back at the bargaining table with the UAW. This time around, Chrysler's Canadian UAW employees, who at the time were under the same master agreement as Chrysler's U.S. employees, decided that the U.S. government was not going to dictate to them the need for additional concessions, and therefore, they refused to adopt the concessions agreed to by U.S. employees on January 5, 1980. (The Canadian employees finally agreed to concessions on January 14, 1981). The new accord called for further delays in the effective dates of the second and third-year wage increases provided under the 1979 agreement. Additionally, seventeen paid personal holidays were eliminated as well as the 1980 Sunday bonus holiday. During this time, Chrysler also implemented a similar concession package applicable to its nonunion salaried employees. These concessions totalled $125 million as was required under the Act. As a quid pro quo for the employee concessions, the Act required Chrysler to contribute $162.5 million, over a four-year period, to establish an employee stock ownership plan (ESOP) for its employees.

Up to this point, all that the employee concessions resulted in were temporary savings due to deferring implementation dates of wage and benefit improvements. So by the termination of the 1979 agreement in September of 1982, Chrysler's unionized employees would have caught up with the industry pattern in all wage and benefit areas.

The auto industry continued its nosedive, and as a result, in December, 1980, Chrysler petitioned the Loan Guarantee Board for another drawdown under the Act. The Board established as a precondition for obtaining the requested drawdown that Chrysler extract from the UAW additional concessions. Therefore, in January of 1981, Chrysler was once again knocking on the union's door and by January 14th reached an agreement with the union which provided for an additional $622 million in wage and benefit concessions. Despite the prospect of bankruptcy, 44% of the employees voted against acceptance of this agreement. Most of these employees were at plants whose level of operation had been affected only slightly, if at all, by the auto depression. Few employees were on layoff from these plants and apparently the feeling among these employees was that their jobs were not in jeopardy. If Chrysler went bankrupt, another company would purchase their plant, and if Chrysler didn't go bankrupt, they would not be laid off because the product produced at their plant was in demand. These concessions resulted in permanent labor cost savings to Chrysler. For
example, the then current cost of living adjustment (COLA) of $1.15 per hour was eliminated as well as future COLAs during the remaining term of the agreement. Other items eliminated were the second and third-year improvement factor wage increases, three personal days and certain scheduled pension improvements. The estimated concessions would result in Chrysler's labor costs being more than $4 per hour lower than the competition by September 14, 1982, the termination date of the 1979 agreement. As a trade-off for the union's concessions, Chrysler agreed to establish an employee profit-sharing plan, to furnish the union, each month, certain financial data presented to Chrysler's board of directors, and to keep open certain plants Chrysler was contemplating closing.

**Ford, GM, AMC 1982 Concession Bargaining**

Following the January, 1981 Chrysler-UAW concession agreement, General Motors and Ford began to exert increasing pressure on the UAW to reopen negotiations on their existing contracts. In March of 1981, the GM and Ford UAW councils met in Washington and resolved not to conduct early negotiations. Nonetheless, GM and Ford continued to press for concessions to save jobs and reduce an $8 per hour labor cost disadvantage they had with Japanese manufacturers. Concurrently, Ford negotiated work rule concessions at four of its plants and GM implemented a "Road to Survival" campaign to impress upon employees the need for concessions. In December of 1981, the UAW executive board rescinded its policy of refusing to renegotiate existing agreements, leaving the question of early negotiations to the respective councils. After canvassing the local union leadership, the GM and Ford councils met in January of 1982 and agreed to reopen negotiations with both companies. At the commencement of negotiations, GM announced that it had tentatively agreed that it would reduce car prices on a dollar-for-dollar basis with concessions received from the UAW. However, these initial negotiations did not result in a new agreement and talks broke off on January 20th with the parties apart in three areas—economics, outsourcing, and job security. On January 23rd, the GM council voted to resume discussions. However, these negotiations also failed to result in a new agreement.

At this point negotiations shifted to Ford where a 31-month agreement was reached on February 13th. This agreement provided for the following: the current COLA was frozen at December, 1981 levels ($2.03 per hour); the next three COLAs were each deferred for eighteen
months; the paid personal holiday plan was eliminated as was the Sunday bonus holiday; and the improvement factor increases which had been 3% per year in prior agreements were eliminated. Ford, in exchange for these labor concessions, established an employee profit-sharing plan, improved income protection for employees impacted by layoffs and plant closings, put a moratorium on plant closings and put restrictions on outsourcing. The new Ford agreement was ratified by 73% of the union membership.

In early March, the UAW-GM committee voted to resume negotiations and an agreement similar to Ford's was reached on March 21, 1982. This agreement was ratified by 52% of the voting membership.

In November of 1981, American Motors Corporation (AMC), in order to achieve its $1 billion future product plan, sought assistance from the UAW. AMC proposed to the UAW a plan whereby employees would defer certain wages and benefits which AMC would later pay back. The UAW agreed in December to study this proposal and negotiations opened in March of 1982. A three and one-half year agreement was reached in April which provided that workers defer the following: six quarterly COLAs between March, 1982 and June, 1983; improvement factor wage increases in 1982, 1983 and 1984; and a number of paid days off between 1982 and 1984. It was agreed that these deferrals would be repaid to the employees, with 10% interest, between 1985 and 1988 in accordance with formulas based on AMC production and/or profit. The new agreement required ratification by all three AMC locals. After initially being rejected only by Toledo Jeep, the agreement was resubmitted and approved at Toledo.

1982 CHRYSLER NEGOTIATIONS

Union Objectives and Strategy

It was against a backdrop of three concession agreements in three consecutive years and no wage increases in nineteen months, that the Chrysler council of the UAW met in Memphis in May of 1982 to formulate its demands. Historically, the UAW at its collective bargaining conventions has tended to demand a great deal more than it knows it can obtain from the management, and this time proved to be no exception. It demanded restoration of wage and benefit concessions made between 1979 and 1981, full parity in wages and benefits with Ford and GM workers and substantial improvements in job and income security to name but a few items. The union's demands would have increased Chrysler's costs by about $750 million per year.
Douglas Fraser, UAW President, repeatedly said that in the 1982 negotiations, Chrysler had to start on the long, long road back to parity. It was clear from the beginning that the union would not accept any additional concessions. Included in the union’s definition of concession was any tampering with the employee health care and pension plans despite the fact that Chrysler said it would return any savings generated by a reduction in these plans in the form of increased wages.

**Chrysler Objectives and Strategy**

In contrast to the union demands to restore the concessions made in the last three years, Chrysler was faced with the need to hold labor costs constant due to the depressed car market and the high cost of fixed fringe benefits such as health care and pensions. At the same time, it was obvious to management that a new agreement would have to provide an increase in take-home pay. To provide this increase and at the same time keep total labor cost increases to a minimum, Chrysler proposed the elimination of inefficient work practices and the restructuring of fringe benefits to generate savings that could be passed along to employees in the form of increased take-home pay.

Consistent with its strategy of restructuring the wage and benefit package, Chrysler presented the union with a very extensive list of proposals for changes in the working agreement and benefit plans. The number of proposals presented by Chrysler caught the union off guard as it had difficulty in coming to grips with Chrysler’s offensive strategy. Throughout the negotiations, Chrysler hammered away at the union that it was essential to get health care and pension costs in line by restructuring the health care plan and changing the early retirement provisions of the pension plan. Detailed presentations were made to the union explaining Chrysler’s position on these issues. Chrysler stressed to the union that to compete in today’s market it was absolutely necessary to eliminate or change various work practices that have an adverse impact on productivity. As a result, more hours were spent discussing Chrysler proposals than those of the union.

**Terms of the September, 1982 Settlement**

During the final days of negotiations, it became clear that the union was not willing to accept what Chrysler offered in a two-year agreement, and Chrysler was in no position to accept the cost increases that the union was demanding. The only way to resolve this impasse...
was for both sides to agree to a two-year agreement that provided for a one-year economic reopener.

The agreement reached on September 16, 1982, reinstated the COLA formula then in effect for Ford and GM workers with one important difference. Chrysler did not agree to restore any of the COLA which had been generated during the term of the 1979 agreement. The agreement did include a wage bonus plan which provided quarterly lump sum wage payments to workers contingent upon Chrysler's profits reaching a certain level. The parties also agreed to the following: elimination of the Sunday bonus holiday for 1982 and 1983; health care cost reduction programs; and the establishment of a committee called the Roundtable, composed of top officers of Chrysler and the UAW that would provide a nonadversarial approach to problem-solving. The purpose of the Roundtable would be to improve communications among the union, management and employees, and to improve operational competitiveness and quality.

The union characterized the agreement as "meager," "modest" and "skimpy" but nonetheless presented it to the rank and file as an agreement for survival. As it turned out, the agreement was not ratified by the rank and file. The reasons given for this rejection were coextensive. The rank and file wanted an immediate pay increase and believed that Chrysler, in light of its highly publicized $1 billion cash reserve, could afford to give a wage increase.

Second Round of Negotiations

Once it became clear the settlement would be rejected, the question that confronted both the union and management was "where to now?" because this was the first time in history that an automotive settlement had been voted down. Chrysler could ill afford a protracted strike given its sensitive financial condition.

The union, well aware of the devastating effects of a strike acted in a very responsible manner to try to diffuse the strike sentiment that existed among the rank and file. It gave the membership the option of striking Chrysler on November 1st or to recess the negotiations until January of 1983 in the hope that economic conditions would have improved by then, and therefore, Chrysler would be in a better position to grant a wage increase. The union believed that the rank and file would recognize that there would be nothing to gain by going on strike in November and experiencing payless paydays during a period of heavy winter and Christmas expenses and at the same time lose eight paid
holidays. The outcome was that employees voted overwhelmingly to extend the existing agreement until January, 1983.

**Chrysler-UAW Canadian Negotiations**

In the meantime, Chrysler and union negotiators in Canada were bargaining against a November 5th strike deadline. The union was holding steadfast to its demand for parity in wages with Ford and GM workers, which meant about a $3 per hour wage increase. In every negotiation since 1958, except one, the union went out on strike. And on November 5th, the workers extended their record by walking out.

The Canadian UAW strategy was simple. Since Chrysler's U.S. operations were dependent upon certain parts produced at its Canadian plants, the Canadian UAW knew it was only a matter of time before they would be able to shut down all of Chrysler's operations. This put the UAW in a superior bargaining position. On the other hand, Chrysler's strategy was to leave the Canadian employees on strike until such time as they exhibited a willingness to discuss a substantially smaller wage increase. To protect its domestic operations, Chrysler made arrangements to find U.S. producers of those parts produced in its Canadian plants in order to avoid a shutdown. Nonetheless, about four weeks after the strike had begun, it became evident that it was causing a substantial erosion in Chrysler's earnings. Chrysler, therefore, would have to make a concerted effort at ending the strike.

As talks resumed on both sides of the border, the union in the U.S. changed an earlier position that it had taken regarding wages, and this change provided one of the keys to settling the Canadian strike. Throughout the negotiations, the union had maintained that Chrysler's Canadian employees could not get "one cent more" than their U.S. counterparts. Late in November, UAW President Douglas Fraser said he would support the "Canadian effort to get equity for Canadian workers, based on economic facts in Canada." This meant the settlement in Canada could be larger than in the U.S. provided that it was based on economic differences between the two countries.

Chrysler still faced the dual problem of meeting union demands for higher wages and keeping labor costs in line. Chrysler's solution was to lengthen the term of the rejected agreement from one year to two, thus allowing it to spread any up-front wage increase over a longer time period. The parties agreed to try to reach a two-year agreement. However, the UAW in Canada continued to insist on a substantial first year wage increase ($1.15 per hour) as well as an unspecified "substan-
tial" second-year wage increase. To move matters along, Chrysler, on December 3rd, advised the union that striking Canadian employees must be back on the job by December 13th or negotiations would be postponed until January. Postponement would result in the Canadian workers losing all their paid Christmas holidays. This provided the impetus for the two sides to reach an agreement.

**Terms of the Canadian Agreement—December, 1982**

The Canadian agreement included a wage increase of $1.15 per hour, which reflected Canada's relatively higher cost of living. This increase was partially offset by various labor cost reductions. The agreement provided for the following:

1. Elimination of the employee profit-sharing plan, thus saving Chrysler an estimated thirty cents per hour;
2. Canadian UAW employees foregoing their third and fourth year payments under the ESOP which was the equivalent of a twenty-nine cents per hour savings;
3. Rejection of the quarterly wage bonus plan—saving sixteen cents per hour;
4. A twenty-five cent per hour increase was granted to track the increase given in the Ford and GM Canadian settlements (this reflected Canada's higher inflation rate); and
5. A fifteen cent per hour cost of living adjustment was granted.

Within a matter of hours after the Canadian settlement was reached, Chrysler and the U.S. UAW agreed to a first-year wage increase of seventy-five cents per hour which was fourteen cents per hour more than the rejected agreement.

**Concession Bargaining—Effect On Pattern Bargaining**

What effect, if any, concession bargaining will have on the power of major industrial unions to negotiate pattern settlements in various industries is not clear. However, from settlements in various industries it appears that the unions' power has only been transitorily affected by concession bargaining. For example, in the rubber industry, the pattern agreement that was set by B. F. Goodrich in 1982 was adopted by most other major tire manufacturers. Pattern settlements also seem firmly entrenched in the steel industry. Lloyd McBride, president of the United Steel Workers (USW) has made it clear that the USW would continue industry-wide bargaining with the "Big Eight" steel companies when he said, "It would not be in the long range interest of
anyone to fracture our [USW] coordinated bargaining.’’

In the auto industry, the concessions granted Chrysler, Ford and GM were in response to specific and transitory problems faced by these companies.

Chrysler’s situation was a classic case of survival bargaining. Chrysler would either obtain the concessions sought by it in 1979-81 or face certain bankruptcy. This was not the case with Ford and GM. The UAW agreed to wage and benefit concessions in order to curtail massive layoffs that were then occurring at Ford and GM.

However, in Chrysler’s 1982 negotiations, the UAW said the 1982 settlement must represent the first step on the long road back to parity with Ford and GM workers. As it turned out, it was a fairly large first step because it reduced Chrysler’s wage rate differential with Ford and GM from about $3 per hour to about $2.40 per hour in one year. And the UAW was able to achieve this rather healthy settlement at a time when Chrysler’s financial underpinnings were still pretty wobbly. Given this situation, it appears likely that once Chrysler returns to profitability on a consistent basis and liquidates all or part of its $1.2 billion federally guaranteed debt, the UAW will expect to receive parity wages from Chrysler. The union leadership sold the idea of concessions to the rank and file as a temporary measure to tide Chrysler over until it was back on its feet. If parity is achieved, it will be difficult, if not impossible, in subsequent negotiations for Chrysler to vary from the auto industry pattern as long as Chrysler remains financially sound and profitable. If the forecasted level of domestic auto sales for 1983 and beyond are realized, the auto industry may never again return to concession bargaining.

**Pattern for Survival**

Perhaps the most important question now facing labor and management is what changes must occur in the collective bargaining process in order to restore America’s basic manufacturing industries to their pre-eminent position in the world economy. The events experienced by Chrysler during the past three years shed some light on the answer to this question.

The UAW and Chrysler recognized that if the company was to avoid bankruptcy, not only must operating costs be reduced, but the union and Chrysler had to become more flexible on issues and posi-

tions affecting the well-being of the company and its employees. In addition, there had to be a much greater degree of trust and openness in dealings between the union and Chrysler. Moreover, individual and group interests had to be subordinated to common interests and goals and there had to be a recognition that these common goals could not be attained unless conflict was replaced by cooperation.

The adversity which has plagued Chrysler has brought about a closer working relationship between it and the UAW, and this has resulted in a better understanding on the part of both parties as to each other's problems. The result has been that the historical "We—Them" is gradually being replaced by a joint approach to problem solving. The parties are not home yet by a wide margin, but they are on the right course. The hope for the future of American industry lies to a large extent on how successful labor and management are in changing the collective bargaining process from one based on conflict to one based on cooperation.