THE NATION

U.S. Labor Is in Retreat as Global Forces Squeeze Pay and Benefits

By David Streitfeld, Times Staff Writer

Workers at auto parts maker Delphi Corp. will be asked this week to take a two-thirds pay cut. It's one of the most drastic wage concessions ever sought from unionized employees.

Workers at General Motors Corp., meanwhile, tentatively agreed on Monday to absorb billions of dollars in healthcare costs. Ford Motor Co. and DaimlerChrysler employees are certain to face similar demands.

The forces affecting Delphi and GM workers are extreme versions of what's occurring across the American labor market, where such economic risks as unemployment and health costs once broadly shared by business and government are being shifted directly onto the backs of American working families.

Four years into an economic recovery, workers across America should be riding high. Instead, they're facing new demands to surrender hard-won benefits and agree to wage concessions. Companies say these cutbacks are essential to stay competitive in an increasingly globalized economy.

In recent weeks, there have been numerous examples — and they aren't limited to manufacturers.

Grocery workers at the 71-store Farmer Jack chain in Michigan agreed to take a 10% wage cut to make their operation more palatable to a new owner. Hundreds of workers at a hose plant in Auburn, Ind., approved a $2 cut in their $18-an-hour pay to keep the plant open. Police officers in Wyandotte, Mich., agreed to a three-year wage freeze and to pay more for healthcare.

Jerry Jasinowski, president of the Manufacturing Institute at the National Assn. of Manufacturers, said such givebacks would simply become a fact of life.

"From airline pilots to auto assembly workers, employees need to help reduce their costs," he said. "We can't afford to live with the very generous benefits we provided 10, 15 years ago."

Workers' reduced leverage has many origins, including a slack labor market and the offshoring

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of jobs to low-cost countries such as China and India.

Some companies, challenged by low-cost rivals, say they can't afford more than minimal raises. And even at firms doing well, high premiums for healthcare insurance take away from the pool of funds that could be used to provide raises.

Only 60% of businesses offer health insurance to their workers, down from 66% in 2003 and 69% in 2000, according to a new survey by the Kaiser Family Foundation and the Health Research and Educational Trust.

Companies also are asking workers to produce more for the same pay.

The result is that the cost of living has been outpacing wage increases for most workers all year. Driven by high energy costs, inflation rose twice as fast as wages in September, the government reported last week. The liberal Economic Policy Institute called it "the largest decline in real earnings in decades."

Wages that stand still or decline help to damp inflation. But that's small consolation for anyone contemplating a lighter wallet.

As old-line industries such as auto parts and airlines struggle to adapt to harsh circumstances, their workers are particularly vulnerable.

When the mechanics at Northwest Airlines Corp. went on strike nearly two months ago in an effort to forestall a 26% pay cut, the company promptly filled their jobs. The workers have an offer from the company that features the same pay cut and worse job security than the deal they rejected before the strike.

Prospects for the rank-and-file at Delphi, which filed for bankruptcy protection Oct. 8, are just as grim. Labor historians say they can't remember a moment during an economic recovery when so many at one company were asked to give back so much all at once.

The proposed givebacks are "extraordinary sacrifices," especially in light of Delphi's "disgusting" decision to sweeten retention packages for executives, United Auto Workers union officials said in statements.

Critics say that Delphi employees, who earn an average of $27 an hour in addition to generous medical and retirement benefits, make too much to allow the company to compete. By contrast, workers at Delphi's profitable China operations earn about $3 an hour.

"Companies cannot provide gold-plated healthcare benefits and open-ended pension commitments," said economist Peter Morici, a trade negotiator in the Clinton administration. The UAW, he said, "should have educated" its members long ago "and been realistic" in its demands.

The new Delphi contract will set a precedent for labor negotiations at GM, Ford and DaimlerChrysler. Ford also said Monday that it was in talks with its union about possible health benefit cuts.

The auto industry has been a weather vane for wage trends almost since it began. Henry Ford's 1914 announcement of the Five Dollar Day, doubling at once the pay packages of his 15,000 assembly line workers, inaugurated what the

Detroit Free Press called a "new industrial era."

Then, factory workers were leading the way. Now they're seen as doomed.

"There's a widespread view that the old-line industries are just going to go away," said Steve Szakaly, an economist with the Center for Automotive Research. "In the global economy, we're all supposed to become service employees. And Delphi is as old-line as one could get."

Based in Troy, Mich., the company — spun off by General Motors in 1999 — is less of a dinosaur than it may appear. More than two-thirds of its 185,000 employees already work outside the United States. It's been closing and modernizing its U.S. plants. Its one California plant, in Anaheim, shut this year.

"As a world-class employer," the company proclaims on its website, "Delphi offers its full-time employees world-class benefits." In recent days, that proud statement has acquired another meaning: Delphi workers in the United States, management says, must earn something closer to what the rest of the world gets.

Vacations reportedly will be slashed from six weeks to four weeks. Healthcare premiums will be higher. The company's pension contributions will be lower. Paid holidays will shrink from 17 a year to as few as 10. And wages will fall sharply, to as low as $10 or $12 an hour. Those levels would make it unlikely that Delphi workers would be able to afford the cars they're helping to build.

Robert S. Miller, the restructuring specialist brought in this summer to run the company, said he didn't blame the workers for their unhappy predicament. He described the process as akin to a storm. "Globalization has swept over them," he said at a news conference.

It's a storm that has ravaged other American industries. "This is death by a thousand lashes, so it passes under the political radar," said economist Thomas Palley, a former assistant director of public policy at the AFL-CIO.

"It hit the apparel producers, then furniture, then textiles, then steel," Palley said. "It's moving up the value chain. I've gotten article proofs that were done in the Philippines. Radiologists in India now read charts for American hospitals. It's hit basic architectural work."

Globalization has many admirers and undeniable benefits. Every auto parts plant that Delphi sets up overseas improves the local standard of living. And in the U.S., globalization works to keep prices low, as domestic firms and importers compete to deliver the cheapest goods.

Some economists see little to worry about. The U.S. unemployment rate, at 5.1%, "is evidence that our economy's ability to provide jobs on a sustained basis has not been impaired" by international competition, Federal Reserve Gov. Donald Kohn said in a recent speech.

Others aren't so sanguine. "How do U.S. firms compete in the global economy?" asked UC Berkeley economist Harley Shaiken. "If the only way to compete is with $10 wages, we have a problem that is much larger than just Delphi. We're looking at a society where people exit rather than enter the middle class."

Last year's presidential election prompted a debate over globalization and the offshoring of jobs that yielded a lot of heat but little light. Some said the phenomenon was overblown in an economy that creates and destroys millions of jobs a year.

Others contended that it would swell over time and soon affect millions.

"Maybe we were looking under the wrong rock," said Jared Bernstein, an Economic Policy Institute economist.

A few hundred thousand jobs may have been lost directly to cheaper jobs overseas, he said. But what's under-recognized is how millions of others might have kept their jobs — or at least, a job — but lost current or future benefits.

The labor historians offering the bleakest outlook say they don't know what will arrest this downward process.

"There used to be a kind of floor for worker welfare," said Leon Fink, editor of the journal Labor: Studies in Working-Class History of the Americas. "But we're now living in an age in which all those old standards have come unglued."

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