



Frank Goeddeke Jr.



Marick F. Masters

## The UAW: Then and now

*50 years of United Auto Workers union history*



### Marick Masters and Frank Goeddeke recount 50 years of United Auto Workers union history:

- In the 1960s, the UAW was at the height of its power influence. Its membership peaked in 1979 with 1.5 million members.
- Foreign automakers hurt U.S. auto sales. The great recession brought bankruptcy and a federal bailout for GM and Chrysler. Both cut employees and plants.
- The UAW had to sell \$385 million in assets between 2007 and 2015 to fund its operating budget and in 2007 agreed to a two-tier wage structure, which has been a point of contention ever since.
- Scandal hit the UAW in 2017 as both labor and management colluded to obstruct the collective bargaining process to personally enrich officials from both sides. President Dennis Williams and other high-level UAW officials were implicated.
- To right itself, the UAW must, according to Masters and Goeddeke, put the scandal behind it, organize new members, and participate in the technological changes coming to the auto industry as vehicles evolve and the supply chain changes, bringing the opportunity to organize new workers.

**F**ifty years after the death of Walter Reuther, we assess the current state of the UAW, reviewing major trends that have shaped the UAW's destiny over this half century and discussing the challenges that lie ahead.

### The UAW in 1970

In the late 1960s, the UAW towered in power and reputation. As the decade closed, it had 1.4 million members as the largest affiliate of the AFL-CIO before it bolted in July 1968. The UAW's sheer size translated into economic and political clout, which has correlated with the fortunes of the Detroit 3. In 1970, General Motors, Ford, and Chrysler ranked number 1, 3, and 6, respectively, on the Fortune 500, dominating the world in auto manufacturing. GM alone employed 400,000 hourly workers. The UAW attracted national attention as it prepared for the 1970 round of negotiations with the Detroit 3 because its bargaining demands would set a pattern for numerous other industries (see Levine 1970). At the start of the year, Secretary of Labor George Shultz (a past LERA president) predicted "tense" negotiations, a forecast borne out when the UAW led a 67-day strike against GM.

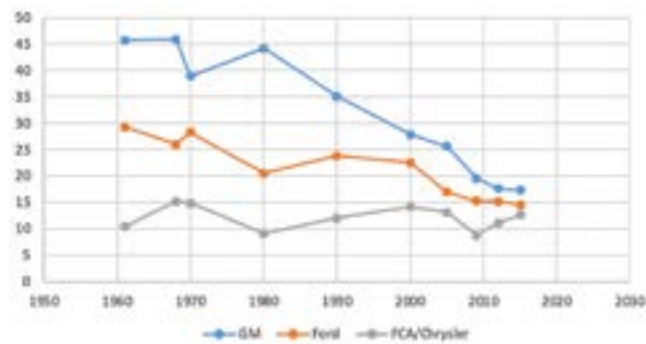


**George Shultz**, U.S. Secretary of Labor (1969-1970) in the Richard Nixon administration. He's a past president of LERA.

### Key economic, organizational developments

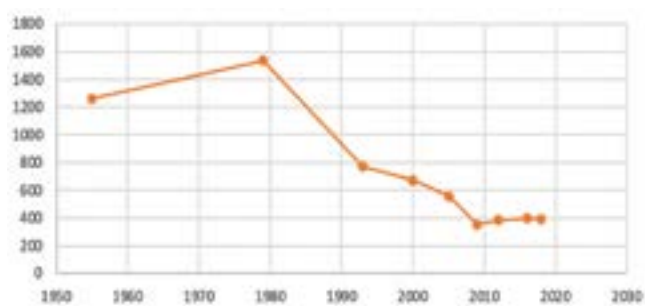
Several major economic trends in the past 50 years in the U.S. auto manufacturing industry have directly impacted the UAW. First, the Detroit 3's market share dropped dramatically, falling from about 85 percent in the early 1960s to less than 50 percent by 2015 (see

**Figure 1. Market Share of Detroit 3, 1961-2015**



(Source: Schwartz, A.R. (2015, June 23). *Leading Up to the 2015 UAW-Detroit Three Talks*. Center for Automotive Research Conference.)

**Figure 2. UAW Membership: 1955-2018 (in thousands)**



(Sources: Masters 1997; U.S. Department of Labor, Office of Labor-Management Standards, Online Public Disclosure Room, UAW's LM-2 financial reports, 2000-18.)

Figure 1). Second, at the same time, the U.S. automakers' employment cratered, dipping from about 1 million in the United States in the late 1970s to fewer than 200,000 in 2010 at the nadir of the Great Recession. Third, the footprint of the transnationals in the United States grew sharply to about 300,000 workers in the early 2000s.

The UAW's position declined with the downturn in the Detroit 3. Its membership reportedly peaked in 1979 at roughly 1.5 million workers. Chrysler faced such dire straits in 1979 that it received a \$1.2 billion federal loan guarantee to stanch the potential loss of hundreds of thousands more jobs. Facing economic and energy threats, the UAW ranks fell 76 percent from 1979 to 2009 (Figure 2). In the first decade of the twenty-first century, the U.S. auto manufacturing industry lost 435,000 jobs, most of which occurred before the recession of 2008. The UAW membership dropped 31 percent between 2001 and 2009.

### The Great Recession, bankruptcy, and the new Detroit 3

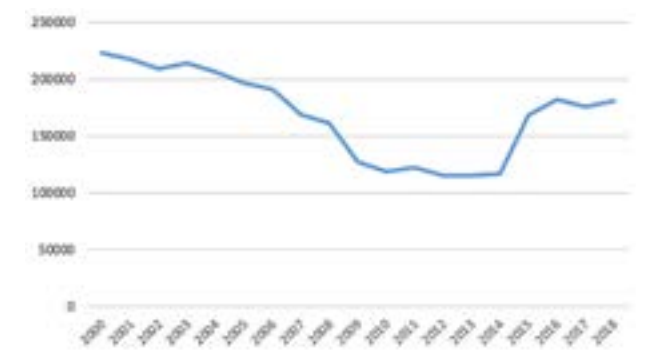
The Great Recession of 2008–09 hammered the already troubled auto industry, jeopardizing the survival of the Detroit 3. In fact, the UAW negotiated major concessionary contracts with auto companies in 2007. The union agreed to establish a two-tier wage structure, with new hires earning substantially less. It also conceded that new hires would no longer receive retiree health care, while the coverage of legacy retiree workers would be shifted to a newly established Voluntary Employee Beneficiary Association (VEBA).

**The UAW membership dropped 31 percent between 2001 and 2009.**

Indicative of the severity of the economic dip in the auto industry, GM's sales had fallen by 22.7 percent in 2008, while Ford experienced a 20.3 percent decline and Chrysler an even steeper 30.3 percent. Sales continued to fall in 2009, as the volume of vehicles sold by the Detroit 3 plummeted from roughly 8.74 million in 2008 to 5.75 million.

To save the industry from collapse, the federal government provided more than \$80 billion in assistance to GM and Chrysler.

**Figure 3. UAW Revenues**



(Source: U.S. Department of Labor, Office of Labor-Management Standards, Online Public Disclosure Room, UAW's LM-2 financial reports, 2000-18.)

Both declared bankruptcy to undergo major restructuring to slash labor costs and production capacity. Ford avoided bankruptcy because it had leveraged itself for a massive loan, but it too had to implement sizable downsizing. GM and Chrysler emerged rapidly from bankruptcy as “new” companies. Compared to its “old” self, the “New GM” had 34,500 fewer employees worldwide and 13 fewer plants.

As a result, the UAW suffered financially. As shown in Figure 3, the union's dues dropped by 48.5 percent between 2000 and 2012, remaining relatively flat until the UAW adopted rate hikes at its 2014 convention. To fund its operating budget, the UAW had to sell almost \$385 million in assets between 2007 and 2015.

In the midst of bankruptcy and immediately thereafter, the UAW and the Detroit 3 negotiated new collective bargaining agreements in 2009 and 2011. The union made additional concessions to help the companies regain profitability. It continued the freeze on wages, conceded the cost-of-living allowance (COLA), and gave up the “jobs banks,” a jobs security provision. However, in 2011 the union did negotiate sizable ratification bonuses and continued the potentially lucrative

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profit-sharing plans. In the years following the 2008–09 recession, the Detroit 3 (with Chrysler having entered into a partnership with Fiat, culminating in a 2014 merger to become FCA) regained profitability and had begun bringing jobs back by the time the UAW contemplated the 2015 round of contract talks. The UAW had declared it wanted its fair share of the companies' profits in wage hikes and lump-sum increases as well as profit sharing.

The UAW chose FCA as its “target” for the 2015 round, reaching a tentative agreement in September. However, the union had failed to meet demands to close the gap between the wage tiers, and FCA workers thus voted lopsidedly against ratification. The UAW and FCA renegotiated the tentative accord to include a plan to close the two-tier wage gap over an eight-year

period, which the members ratified. Successive agreements followed at GM and Ford. At the end of the 2015 negotiations, the parties looked forward to a brighter future.

### The UAW embroiled in scandal

The situation facing the UAW, however, turned dramatically as the news media reported evidence of a scandal in July 2017, when the U.S. Attorney filed indictments against FCA and UAW officials after two years of investigation. The indictments alleged that these officials had embezzled funds from the treasury of the joint training center (UAW–Chrysler National Training Center, NTC) funded by the company. High-level officials on both the union and management sides had participated in schemes to enrich themselves and corrupt the collective bargaining process to the advantage of FCA, whose CEO Sergio Marchionne wanted to merge with GM.

Despite the UAW's efforts to downplay the scope and significance of wrongdoing, evidence of much wider union misconduct continued to materialize. Over the ensuing three years, it became clear that the UAW scandal had implicated then-president Dennis Williams, his immediate successor, Gary Jones, four UAW International vice presidents, several UAW regional directors, a UAW regional Community Action Program leader, selected other UAW staff and associates, plus several corporate officials at FCA, including the deceased CEO Sergio Marchionne and former vice president of employee relations, Alphons Icobelli, who is currently serving a term in federal prison. The scandal itself involved the misuse of funds at two of the joint training centers (UAW–Chrysler NTC and UAW–GM Center for Human Resources) and union dues by officials of Region 5 and the International UAW. To date, 15 people have been indicted, with most having pled guilty.

The U.S. Attorney prosecuting the case has indicated that the investigation is only halfway completed. While Rory Gamble, newly appointed leader of the UAW, has introduced several major reforms to mitigate the recurrence of such wrongdoing, the U.S. Attorney has stated that a federal takeover of the union is still under consideration. On top of these



Sergio Marchionne, chairman of Fiat-Chrysler Automobiles, in May 2006 at the 36th St. Gallen Symposium at the University of St. Gallen.



**The scandal continued unfolding during the months the UAW entered the 2019 round of contract talks with the Detroit 3.**

embarrassing developments, GM filed a civil complaint (Case No. 2:19-CV-13439-PDB-DRG) in the U.S. District Court of Eastern Michigan in November 2019 against the FCA under the RICO (Racketeer Influenced and Corrupt Organizations) statute alleging that a rival company (FCA) essentially gained control of the UAW through racketeering activities in order to extract concessions from the union to its economic advantage.

The scandal continued unfolding during the months the UAW entered the 2019 round of contract talks with the Detroit 3. In those talks, the UAW launched a 40-day strike involving about 49,000 members (compared with the 320,000-plus involved in 1970) against GM, with skeptics suggesting that the walkout was called to divert attention from the mounting evidence of criminality among the highest-ranking officials of the union, which led to the resignation of International President Gary Jones in November 2019. Although the UAW arguably negotiated cash-rich contracts with the Detroit 3 in this round, it did not stop several of GM's recently announced plant closures.

Before the pandemic swept the nation in March 2020, forcing the shutdown of the auto industry, the companies and the UAW faced a very challenging future because of disruptive technologies, changing patterns of mobility, and a softening market for vehicle sales.

## **The future of the UAW**

The UAW faces three sets of challenges on which its future depends: emerging from the scandal; organizing new members; and pivoting to rapid change in the automobile-transportation-mobility industry. First, the immediate task facing the UAW is getting out from under the cloud of scandal. International President Gamble deserves credit for introducing significant reforms, including independent auditing of the UAW itself and the joint programs, appointment of an ethics ombudsperson and officer, and stricter regulation of everyday financial practices. Whether or not this is sufficient to stave off a government takeover is unknown.



**Bob King**, UAW president (2010-2014) speaks during the session “People Power” at the 2012 Annual Meeting of the World Economic Forum at the Congress Center in Davos, Switzerland.

If the government were to impose a takeover, then the UAW faces years of potentially expensive oversight, as was the case in the government’s monitoring of the Teamsters. In the case of the IBT, the government also required the union to institute constitutional reforms for the direct election of its General Executive Board (GEB) officers (see Jacobs and Cooperman).

Second, though the UAW enjoys more members today than it did at its recent nadir in 2009, its successes in organizing lie largely in the nonauto sectors of government, education, and casinos. To date, it seems incapable of organizing the transnational plants, despite former president Bob King’s widely publicized commitment when he assumed the top spot in 2010. It is interesting to note that if the motor vehicle and equipment industry had the same rate of union density today that it did in 1983 (close to 60 percent), the UAW’s membership would be more than 1.04 million, as opposed to slightly above 395,000.

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Third, the UAW needs to consider restructuring as the auto industry changes with the electrification, autonomous driving, and new mobility patterns. It must adjust to a rapidly changing manufacturing supply chain so that the union will be prepared to organize the workers of new suppliers. It also necessitates understanding the employment implications of a new interface between the motor vehicle and the public.

The UAW should consider positioning itself to organize the transportation-equipment-mobility industry from the parts suppliers through the original equipment manufacturers and the distribution chain to the end users. Such repositioning contemplates prospective mergers or alliances with other labor organizations that play a role on this supply-chain continuum. ■

**Frank Goeddeke** is a senior lecturer in management at the Mike Ilitch School of Business at Wayne State University. **Marick F. Masters** is a professor in business at the Mike Ilitch School of Business at Wayne State University.

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