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Bankruptcy latest tool for breaking the unions

By John Jordan

WASHINGTON – One by one, America's great industrial unions are being defanged. Where once presidents of these unions could march into the White House and leave with a pledge by President Kennedy to end a strike on favorable terms, they are now sitting in federal bankruptcy court watching as unelected judges rip their contracts to shreds.

The first union to be "broken" in this way was the United Steelworkers of America. In 2002 and '03, the global steel industry was in crisis; every major American steel company was insolvent or nearly so. The USWA worked with management to save certain companies through wage-and-benefit cuts and elimination of some work rules. The steel companies' pension obligations were shifted to the Pension Benefit Guaranty Corp., run and guaranteed by the federal government.

The union cut the best deals it could for its members, but its overarching goal became working to ensure corporate profitability. For all practical purposes, the once mighty steelworkers' union is now a management subsidiary.

The next unions to be broken were in the airline industry. Nearly every large airline has filed for bankruptcy protection. Management has used the threat of bankruptcy to slash workers' wages and benefits, sometimes by 50 percent. If the threat of bankruptcy hasn't impelled unions to "negotiate" such cuts, bankruptcy judges have voided union contracts and imposed management's terms on workers. Either way, management has gotten almost everything it has wanted.

While airline unions still exist, and still negotiate with management, the most they can hope for is a slower decline in members' pay and working conditions.

Now it's the United Auto Workers' turn to feel the brunt of 21st-century America's definition of labor rights. Delphi, the largest auto-parts supplier in the country, just filed for bankruptcy protection. Before it did, management told the UAW that it wanted the union's members to swallow wage and benefits cuts of 60 percent. The UAW rejected this out of hand, as Delphi management knew it would. Now it's up to a bankruptcy-court judge to slash Delphi workers' wages, benefits and jobs.

How did we get to the place where labor rights are so unprotected that bankruptcy-court judges are the arbiters of wages, benefits and working conditions in what are still some of our most important industries?

There are a number of answers. First are the judges who have simply assumed this role. Bankruptcy-court judges agreeing with management and tearing up union contracts as a matter of course is a recent innovation. This ability of corporate managers to easily abolish legal contracts sends a terrible message to society: We'll abide by contracts when they work for us, but not when they work for anyone else.

The second development fatally undermining labor rights is a federal government that, regardless of which political party is in power, consistently sides with management in labor disputes. When the pilots' union struck Northwest Airlines, in 1998, management knew it could be seriously hurt. It asked the Clinton administration to intervene. Using a provision of the law governing the transportation sector, President Clinton effectively outlawed the strike. Not surprisingly, the pilots' union agreed to management's terms.

Fast-forward to 2005: The union representing Northwest's machinists goes on strike. Management asks the Bush administration not to intervene, as management has a longstanding plan to replace the striking machinists and ultimately break their union. The Bush administration refuses to intervene, the strike goes ahead, and Northwest's machinists are replaced by temporary workers, paid far less than Northwest's full-time union employees.

The final development is a situation that affects nearly every employee and employer in the country: America's horribly mismanaged and inefficient health-care system. Analysts estimate that health-care costs add from $1,000 to $1,500 to the price of every automobile produced in the United States. Manufacturers in no other advanced economy face these costs, since health care is paid for by their national governments.

America's dysfunctional health-care system even dissuades investment here. Honda recently decided to build a new North American plant. It chose to build it in Canada. One of its stated reasons: Our neighbor's universal health-care system.

The protection of labor rights in America has regressed to where this country stood in the 1920s. The result is neutered unions, stagnant wages, shrinking benefits and increased insecurity.

The United States now operates in a global economy, and adjustments must undoubtedly be made to remain competitive. But the haphazard way those adjustments have been made during the past 25 years – with their heavy bias toward the interests of those who run large corporations – simply isn’t working. There’s a growing unease in the country, a sense that the American Dream is unattainable by those who lack the right parents or other inside connections.

The Delphi bankruptcy, and what it means for the auto industry and its workers, sends a powerful message: A middle-class life is increasingly out of reach for many Americans.

Global economic integration achieved a great deal over the past two decades. It’s time now for government and others to address the roadblocks that prevent everyone from sharing in the gains. Rediscovery of labor rights is a good place to start.

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