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# Killing Jobs with "Cooperation": the GM Memo

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# Killing Jobs with "Cooperation": the GM Memo

## **Abstract**

[Excerpt] As the UAW and General Motors prepare for difficult negotiations for a 1984 national contract, a leaked document by GM's Vice-President of Industrial Relations Alfred Warren has severely embarrassed both company and union officials. The memo outlines a presentation made by Mr. Warren to GM Personnel Directors in October, 1983, and describes GM's bargaining strategy and basic labor policy.

The company's goals include elimination of the cost-of-living allowance and productivity pay, and the institution of benefit co-payments; the elimination of local work rules and the expansion of outsourcing; the initiation of a two-tiered wage system; and the expansion of profit-sharing. The memo reveals that GM hopes to eliminate 80,000 to 100,000 jobs by 1986.

To achieve these objectives, GM plans to elicit employee cooperation without surrendering traditional management rights. It hopes to replace formal bargaining with a "continuous agreement" and plans to launch a sophisticated public relations campaign to mold public opinion and to pressure the UAW into submission.

So comprehensive and disturbing are GM's plans that UAW President Owen Bieber, who supported concessions in 1982, has said that the "document supports many of our worst suspicions about the motives and intentions of the General Motors Corporation." The implications of the document are far-reaching: American labor can expect employer belligerence in the foreseeable future.

## **Keywords**

labor movement, United Autoworkers, UAW, General Motors, GM, productivity, layoffs

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# Killing Jobs with "Cooperation" the GM Memo

□ John Russo

As the UAW and General Motors prepare for difficult negotiations for a 1984 national contract, a leaked document by GM's Vice-President of Industrial Relations Alfred Warren has severely embarrassed both company and union officials. The memo outlines a presentation made by Mr. Warren to GM Personnel Directors in October, 1983, and describes GM's bargaining strategy and basic labor policy.

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## BARGAINING STRATEGIES

According to the document, GM's goals for 1984 negotiations are to reduce labor costs per car and to increase the quality of the workforce. These goals will require GM to attain the following objectives: contain labor costs per car; reduce labor hours per car;

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enhance both internal and external outsourcing capabilities; shift labor/management relations toward problem-solving processes; and enhance individual accountability and commitment. To achieve these objectives, GM will use the following strategies:

1. To achieve labor cost savings per hour, GM intends to eliminate the UAW's cost-of-living allowances (COLA) and annual improvement factor (AIF). GM also wants to reduce the annual rate of increase in benefit costs. High on their list will be pensions and health care expenditures. Currently, GM is spending \$2.2 billion on health care delivery, and these costs may double in the next five years. No doubt, the UAW will be asked to contribute to health care cost containment with the likely method to be the co-payment of medical insurance. This will further erode the disposable income of autoworkers.

In return for giving-up COLA, AIF, and full-payment, GM proposes to extend its profit-sharing program. Since 1982 each UAW member gave \$5,500 in concessions (deferred wages and COLA and lost Paid Personal Holidays and Bonus Holidays), while they averaged only \$640 in profitsharing in 1983. Furthermore, profit-sharing causes autoworkers to identify with the company rather than fellow workers at a time when union solidarity is crucial to rebuilding the UAW.

Another GM strategy involves restructuring the Guaranteed Income Stream (GIS) to reduce costs. During the 1982 negotiations, GIS was touted by the UAW as a "major income security gain for GM employees" and as a quid pro quo for concessions. GIS gave high-seniority workers pro-rated supplemental income if they lost their jobs through lay-offs or plant closings. But since GM plans to terminate as many as 100,000 autoworkers by 1986, it's little wonder the company wants to "restructure" the program.

Furthermore, GM wants to implement a two-tiered wage system. In the last several years, the company attempted to negotiate just such a two-tiered system at several subsidiaries, including Packard Electric in Warren, Ohio. In 1983, IUE Local 717 voted overwhelmingly to reject a plan that would have reduced compensation by two-thirds for new workers doing wiring assembly. But GM hasn't abandoned this idea.

GM also has ideas for cutting labor costs at selected facilities on a local basis. The leaked Warren document proposed freezing existing compensation by two-thirds for new workers doing wiring assembly. But GM hasn't abandoned this idea.

GM also has ideas for cutting labor costs at selected facilities on a local basis. The leaked Warren document proposed freezing existing compensation levels; modifying selected new wage and benefit provisions otherwise approved by the 1984 National Agreement; reducing hiring rates and extended grow-in provisions for new employees; and modifying contracts to provide for local approval of

of wage agreements. If these proposals were accepted by the UAW at the targeted operations, it would involve a major break with the UAW pattern-setting approach that takes wages out of competition. It would destroy the principle of equal pay for equal work and set worker against worker and/or local union against local union.

2. To reduce man-hours per car, GM plans to continue its assault on local work practices. The Warren document suggests that plant management and supervisors "actively support local changes in work practices, seniority work practices and seniority bumping procedures that increase productivity." In a similar vein, the document specifically states that craft barriers should be torn down to "provide for effective utilization of the skilled trades work force."

Autoworkers at the Lordstown assembly plant believe such changes would keep many workers on permanent layoff. When Rudy Gasperek and Harry Johnson, president and shop chairman respectively of UAW Local 1112 (Lordstown) read the Warren document, in conjunction with current GM attempts to overload jobs, they were so angered that they told their membership: "If they eliminate jobs in your area and add the work to you, work at a normal pace and build quality and if you can't get it all, leave it go. We have to stick together to preserve our jobs and work pace." Skilled trades workers at Lordstown claim that GM has been trying to have all skilled tradesmen "become a millwright and to lay off skilled trades workers."

GM also plans to reduce labor hours per car by increasing the pace of technological change. With its record profits, GM will implement "new technology and manufacturing processes that increase productivity, reduce costs and improve quality." GM could have as many as 14,000 robots by 1990.

As for changes in the manufacturing process which improve quality, the trend is to collapse jobs into one category. For example, at Lordstown, which has the highest quality rating for J-car plants, repair and inspection jobs are being combined so that those who inspect cars will also repair them, while their co-workers are laid off.

What is to happen to the displaced autoworkers? In 1982 the rank and file was told by the UAW that GM was moving towards guaranteed employment. The GM-UAW Report prepared prior to the 1982 ratification vote read, "The union won the establishment of a pilot employment guarantee program (PEG) which will incorporate a 'lifetime job security' concept at four corporation locations applicable to 80% of the workforce at each facility." The PEG program was never fully implemented, however, because GM asked for additional local concessions before PEG would be initiated. The "lifetime guarantee" established in 1982 expires in September 1984, and the Warren document states that it will be discontinued. Clearly,

reducing man-hours per car will result in increased levels of unemployment among autoworkers.

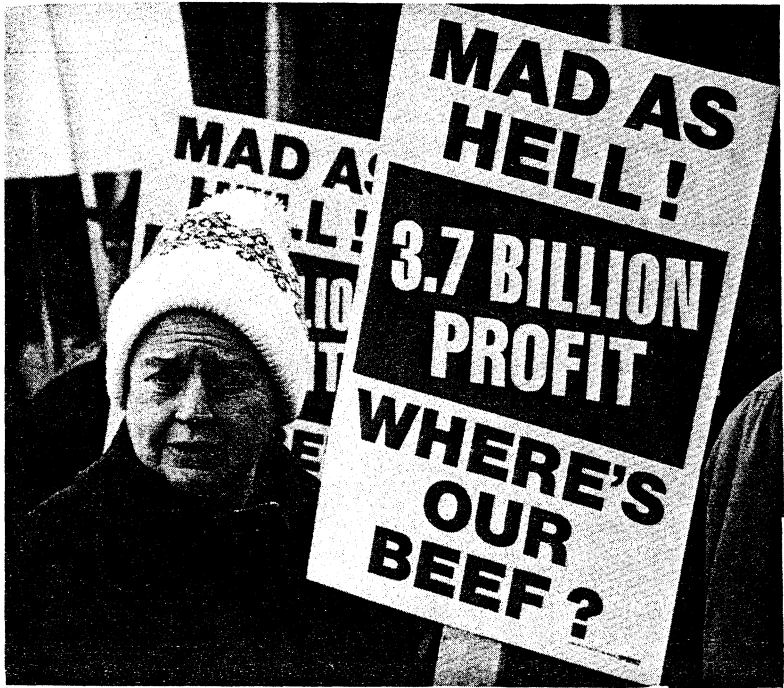
3. The third objective of the GM plan concerns outsourcing. Over the last decade, the production of automobile components and sub-assembly operations has been shifted to both domestic and foreign producers where there are low wages and poor working conditions. The result of these shifts has been permanent layoffs for American workers.

According to the internal document, GM will attempt to "retain the current procedures regarding outsourcing decisions and pursue fair implementation by management" and "avoid infringement of management's right to effect internal sourcing decisions." Furthermore, GM will attempt to "facilitate a competitive approach to subcontracting." That is, it will continue to subcontract as much work as possible to outside facilities so that workers at these facilities will be forced to compete against each other and be disciplined by the marketplace.

GM's cavalier attitude toward outsourcing once again points-up the weakness of the 1982 agreement. According to the 1982 GM-UAW Report mentioned earlier, the UAW had won language that addressed the critical issue of outsourcing. "The company agreed to make 'earnest efforts' to maintain employment opportunities equivalent to those now encompassed by the total of all plants covered by the national agreement." Specifically, the company pledged to use "its best efforts to replace jobs which may be lost by outsourcing action and commits itself to create, where feasible, new prospects for growth." Furthermore, the UAW told its members that it achieved a moratorium on plant closings as a result of outsourcing. But the flood of outsourcing has not stopped. GM often circumvents the moratorium issue by merely outsourcing elements of the production process and technically not closing any plants. To make matters worse, the moratorium on plant closings resulting from outsourcing ends in April 1984—five months prior to the termination of the agreement.

4. At the same time that GM intends to decrease compensation, decimate local agreements, continue outsourcing and subcontracting, the company wants autoworkers to participate in joint problem-solving. To achieve this objective Warren suggests the following strategies: "Increase the jointness of QWL programs," "strengthen the national and local joint councils for job security and competitive edge" and "initiate joint problem-solving activities at the International and local levels."

To further the objective of altering labor/management relations, GM also suggests a strategy of replacing the "three year cycle of formal bargaining with a continuous problem-solving process (living



agreement)". The living agreement suggests flexibility and cooperation through informal counseling and conflict resolution. In such a climate, local negotiations are unnecessary because of the ongoing nature of the problem-solving process. It can be expected that under the aegis of problems-to-be-solved will be the lines of distinction between skilled trades and production workers; reducing the number of job classifications; control over hours and overtime, bumping and transfers; and even health and safety issues. The unspoken goal is to remove union protections against arbitrary, discriminatory and capricious decisions which limit management's authority over pace, content, length and manning in the workplace.

5. GM's final objective is to enhance individual accountability and commitment. Here, the strategies center on training individual workers. In order to maximize individual efficiency, the internal document suggests shifting "the focus of training programs to upgrade the skills of the *active workforce*," obtaining "union support of the Statistical Process Control by hourly employees," and supporting "pay for knowledge systems." The purpose is to bring training in line with company needs. In the past there has been a tendency for GM to fragment, rationalize and mechanize work in both an absolute and relative sense so that workers can be easily and cheaply substituted in the production process. Since GM intends

to upgrade its technology and manufacturing process, the present workforce will need new skills, at least until the new processes themselves can be rationalized, fragmented and mechanized.

## PUBLIC RELATIONS CAMPAIGN

GM is fully aware that it must overcome a number of contradictions if it is to achieve its bargaining objectives. According to the internal document, these include an improving economy, higher sales and earnings, executive bonuses, real and imagined threats to job security, and other "event-driven" and "date-driven" events.

The latter category is defined as "plant closings," "whipsawing between plants to get lower labor costs," "the announcement of joint ventures," "outsourcing," and the "stockholders' dividend." For example, it is already known that GM made record profits of \$3.7 billion in 1983, and that its estimated profit for 1984 is \$5.3 billion. GM's top 55 executives have received more than \$29 million in salaries, bonuses, and stock, with GM's chairman Roger Smith earning \$1.5 million in 1983. Furthermore, GM will be boosting its foreign sourcing of small cars to include 300,000 units from Isuzu and Suzuki in Japan and another 100,000 units from South Korea.

To overcome these problems, Mr. Warren suggests the following actions be taken at the corporate level. First, and of primary importance, will be the need to influence the UAW leadership. From the document, it becomes clear that efforts will concentrate on UAW vice-president Donald Ephlin. Mr. Ephlin will personally be briefed in one-on-one meetings with Mr. Warren and other key management officials. In addition, as a sign of cooperation, Mr. Ephlin is to accompany Mr. Warren and GM president James McDonald on a tour of plants "where innovative solutions have been devised." Lastly, time and information will be provided for Mr. Ephlin to educate secondary leadership and regional sub-councils to such issues as profit-sharing.

GM also intends to meet regularly with the National Bargaining Committee and regional and local UAW leaders to "develop a common information base" and to "focus on business needs as a reference point for future bargaining." Furthermore, GM would like to develop a joint task force appointed by Mr. Warren and Mr. Ephlin that would review "the formal bargaining process and recommend changes to facilitate the achievement of mutual objectives." The underlying purpose of these various meetings will be to obtain the UAW leadership's support of business objectives. This is important when it is remembered that the UAW leadership must sell any new contract to a very skeptical rank and file. At the same time, there is serious doubt that GM will supply any substantive information



to assess GM's present and future economic condition. For example, will GM supply information on its five-year business plan, company finances, investment and outsourcing plans, and future plant closings? If history is any indication, when the union asks for this rudimentary information, any illusions about GM's commitment to joint problem-solving and cooperation will quickly fade.

Fortunately for the UAW, the internal document suggests what GM really has in mind. As part of a slide entitled, "Significant Areas of Improvement Targeted for 1984 Local Negotiations in the Five Year Business Plan," the following items are mentioned: the "elimination of all language restricting management's right to job assignment within a classification; standardize shift preference language to eliminate individual job selection and bumping; changes in time limits in regards to layoff; the elimination of low man rules in terms of overtime (equalizes overtime opportunities); changes in recall rights; and removal from all references, procedures, and agreements to relief practices."

Ultimately, these changes will permit management to reorganize the workplace, increase the pace of production and reduce manpower. They will also lead to a return of the reward system and workplace of forty years ago. To a great degree, GM's success in achieving these changes in workrules will be directly related to its ability to coopt UAW leadership at all levels to help in their efforts.

Not only must GM convince the UAW leadership of business imperatives, but they must also convince the rank and file. This will not be an easy task given the extent of the 1982 concessions package and significant improvements in GM's economic position. It should be remembered that the 1982 agreement was narrowly ratified (52% to 48%) with resistance heaviest in assembly plants like Lordstown (Ohio) and Linden (New Jersey). Already there are signs that such progressive groups as Locals Opposed to Concessions (LOC) will be better organized this year. Communications networks independent of UAW headquarters are already being organized under the slogan "Enough is enough. Restore and More in 84."

To offset militancy and resistance during the 1984 negotiations, GM has organized a sophisticated "Image Management" campaign. This "integrated communications approach" will be used to "minimize adverse reaction to a number of critical issues," "dampen bargaining demands" and "foster union/management cooperation efforts instead of conflict." Image management will use both mass media and face-to-face communications to focus on local concerns and issues. First-line supervision and local GM management will be primary actors. Their role will be to convince the employees that GM is concerned for their job security and to gauge resistance among the rank and file.

Other ideas being considered under the umbrella of image management include the development of new internal and external communication programs. The Corporate Internal Communications Program will be developed by the Public Relations Staff to coordinate internal communications on "relevant themes." A separate internal communications program, the First-Line Supervisors Communications Program, is also being developed to provide monthly briefings and informational material concerning corporate bargaining issues for shop floor supervision. The External Communications Program will also be developed by the Public Relations Staff to increase the public's and media's "understanding of the competitive challenge and other issues relevant to negotiations." This massive communications network will be activated to pressure GM's employees into accepting whatever GM has to offer. As occurred prior to the 1982 negotiations, the UAW and its members can expect to be simultaneously portrayed as lazy, selfish, and overpaid in the public media while being badgered by an internal media blitz within the plants.

## CONCLUSION

The disclosure of the GM document has infuriated many UAW members. Their anger seems focused on the indirection implicit in the GM public relations program and the abuse of the social values of trust, cooperation, communication and problem-solving.

GM has done precisely what Mr. Warren had hoped to avoid—it has shot itself in the foot. On the eve of the most important negotiations of the 1980s, GM has seriously undermined the trust of its employees to such a degree that no amount of 'damage control' can overcome it. GM has also seriously compromised the UAW's chief negotiator, Donald Ephlin, and consequently reduced his flexibility to shape an equitable agreement. The wide circulation of the GM document has already led to the expansion of the Locals Opposed to Concessions (LOC) consortium that was primarily responsible for nearly upsetting the 1982 concessions agreement. Altogether, it appears a strike is a distinct possibility. Were a strike to occur, it could have a disastrous impact on an already brittle national economy. For this threat, the nation has only General Motors to blame.