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Unions skeptical about ownership offer

UAW, CAW members say the idea violates their core values, but analysts say it will be studied.

Josee Valcourt and Louis Aguilar / The Detroit News

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Kirk Kerkorian's surprise \$4.5 billion bid for Chrysler included a plum for its union workers -- a chance to own a stake in the company.

But United Auto Workers officials and rank-and-file members are openly skeptical about the idea of surrendering pay and benefits in exchange for partial ownership of the company.

For many, the idea runs contrary to organized labor's core values. "We need a union that is separate from the company because the union and the company have become way too close," Daniel Bennett, a committee chairman for UAW Local 122, said Thursday. His local represents Chrysler workers in Twinsburg, Ohio.

"It is necessary for both of us to exist. There's a fine line that cannot be crossed."

Employee stock ownership plans have worked in other industries, but have not been introduced in the auto industry, where labor-management relations are often combative. Kerkorian appears to believe a true partnership between workers and the company is the only way for Chrysler to become competitive.

UAW spokesman Roger Kerson declined to comment Thursday on Kerkorian's proposal.

Investor's motives questioned

Some union members wondered how they could trust the unpredictable billionaire investor, whose earlier attempt to take over Chrysler left a bad taste.

"My question is what changed his mind from breaking it up to wanting to keep it together and now all of a sudden he wants to get involved with the union," said Dale Hunt, president of UAW Local 7 in Detroit.



Hargrove

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But the situation for Chrysler and the UAW is so dire that the union will have to seriously weigh the offer, analysts said.

"The devil is in the details and the UAW will give this strong scrutiny," said Harley Shaiken, labor professor at the University of California, Berkeley.

Across the U.S. border, Buzz Hargrove, president of the Canadian Auto Workers union that represents Chrysler employees in Brampton and Windsor, was unmoved by Kerkorian's offer. He is opposed to a private equity firm buying the automaker.

"The Kerkorian Tracinda offer is exactly what I've been arguing against all along," Hargrove said. "I don't take any comfort in an offer by Tracinda and Kerkorian that offers equity to workers. I don't see it as being in the interest of the workers."

Private equity firms aren't about maintaining jobs, Hargrove said.

Experts understand concerns

Labor academics and analysts understand Hargrove's skepticism. There are numerous cases of large industrial unions -- the airline and steel unions, for example -- taking it in the chin after agreeing to become owners of a struggling company, they said.

Often wages and jobs were cut. And still the company went under.

"A lot of times it's having to cut off the arm to save the patient kind of thing," said Hal Stack, director of Wayne State University's Labor Studies Center. "Most workers in most unions are not going to want to do this. The union has to believe this is really the last straw" to save the company.

Like the auto industry is now, the American steel and airline industry went through wrenching change brought upon by intense new competition. Many companies went under, filed for Chapter 11 bankruptcy or were bought by private equity firms and eventually spliced apart.

"The most infamous example is what happened at Eastern Airlines," said David Reynolds, labor professor at WSU's Labor Studies Center, referring to the defunct airline. "Eastern was in a financial tailspin. Unions gave wage concessions in exchange for stock ownership. They really had a say on the shop floor and in the boardroom."

It worked for several years, Reynolds said.

The unions found enough ways to cut costs that they won back some of workers' lost wages.

"But a new round of price-cutting sent Eastern into a tailspin," he noted. "There was a deep split on the board between shareholder representatives and employee representatives."

The airline was permanently grounded in 1991.

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"The parallel I see is what went on in the steel industry," said Deborah Groban Olson, a Grosse Pointe Park attorney who specializes in employee ownership. "Many companies were bought up by private equity. And now there are many fewer steel suppliers in America."

But union ownership can work, she said. "The big question to ask is whether the (union is) going to have a real voice in what happens?"

Part ownership of companies was an ideal espoused by Walter Reuther, a famed UAW leader, said Michael Whitty, labor professor at University of Detroit Mercy.

"Reuther believed in co-determination," Whitty said. "It's time for everyone to start thinking creatively about this, and the UAW only needs to look back in its history for that creative solution."

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