

PUTTING THE FORD-UAW AGREEMENT AND THE CURRENT  
COLLECTIVE BARGAINING SCENE IN PERSPECTIVE

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INTRODUCTION

After the excellent talks by Pete Pestillo of Ford and Don Ephlin of the UAW, my assignment is to put the recent Ford-UAW agreement into some kind of perspective. This is not easy to do -- first, insufficient time has elapsed to assess adequately the true significance of this cluster of new principles and programs. Secondly, I feel overwhelmed by the economic adversity which characterizes so acutely this community and this region of the country. Thus, it is hard to look beyond the gloom that characterizes the automobile industry today.

Notwithstanding these difficulties, I will attempt to make some comments about the agreement that many people have termed historic (as I will say later, other commentators have used less complimentary terms) and then with this agreement as background make some other comments about the larger collective bargaining scene today in the United States.

THE SIGNIFICANCE OF THE AGREEMENT

The participation of Pestillo and Ephlin here today speaks "loud and clear" to one of the most significant aspects of the current labor-management scene at Ford Motor; namely, the change in attitudes and the strong positive leadership being exerted by these two individuals. Earlier, Pestillo quipped that this meeting is probably the first time that the two of them have been on the same program thus far, today. They appear together rather frequently in meetings throughout the Ford chain, and they are in the process of moving the relationship in a much more cooperative direction.

Significantly, they give important credit to the trip that they took together along with other members of their respective organizations to Japan several years ago. Beyond the ideas that they garnered during their visit (and there is some close association between the concept of career employment in Japan and the experiment to guarantee 80% of the workforce at three Ford plants that they will not be laid off), they acquired an appreciation of cooperative labor management relations, Japanese style.

It is interesting to note that Pestillo refers to Ephlin as "my partner." At a higher level, Donald Petersen, President of Ford Motor Company, calls industrial relations the "second bottom line,"\* meaning that the improvement of labor relations is a fundamentally important objective for business reasons as well as for human reasons. Consequently, it is not surprising that, as Ford Motor has introduced its 1983 models recently, it has used hourly workers to talk about product quality and the progress of employee involvement programs in their respective plants.

For his part, Ephlin has talked very openly about the improved labor management relationship and how Ford has moved ahead of General Motors in the installation of quality-of-work-life programs. Quite importantly, Ephlin, who is in a race to succeed Doug Fraser as president of the UAW, has staked his political career on the importance of employee involvement (as quality-of-work-life is called at Ford) and has said that the time has come for cooperation to be an important part of the way in which the union deals with the automobile industry.

Moving to the substantive side of the recent agreement, we can identify a number of important features. First, we see a modification of some of the major principles of collective bargaining in the automobile industry. The annual improvement factor

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\*Donald Petersen, "The Second Bottom Line: A Discussion of the Historic Ford-UAW Contract," speech presented at the Alfred P. Sloan School of Management, April 1, 1982.

has been eliminated. This has been a hallmark since 1948 and its passing from the scene represents a very important development. Also, the elimination of personal days which had been the UAW's way of steadily moving towards a four day week also represents a very important change.

Secondly, the theme of involvement has been enhanced. At the plant level, economic forums will be held in which workers and their union representatives will learn about economic developments. Already, a number of these forums have taken place and top executives have been visiting the plants on a regular basis to keep workers informed and to illustrate (by their presence) the importance that top management attaches to the improvement of labor-management relations.

At the highest level, what might be thought of as the strategic level, we see other fascinating developments, in the realm of "outsourcing." For example, the company has agreed to discuss with the union the feasibility of bringing back into U.S. or Canadian plants any work that was moved to non-Ford companies in North America or to other Ford divisions worldwide during the 1979 agreement. With respect to potential new outsourcing, the company will give the UAW 60 days advance notice, information on the financial considerations that have prompted the decision, and an opportunity for the union to propose any changes in work practices that might keep the work in the impacted plant.

For those of us who like to make neat distinctions as between issues that are mandatory and those that are non-mandatory subjects of collective bargaining, what Ford has agreed to falls in the middle ground; what we might think of as consultative labor-management relations. The discussions about outsourcing are not subject to the grievance procedure. A final phrase is quite instructive: "While the company retains the ultimate discretion as to the final major sourcing decisions, this mechanism (the process of consultation) can bring into sharper focus in specific instances factors

which can impact a decision and provide the opportunity for union input before certain decisions are made."

Third, the agreement extends via a number of provisions additional protection against plant shutdowns and layoffs. This is not the place to go into great detail about the different programs, but these different concepts must be seen as hallmarks of the 1982 agreement. Ford has committed itself that there will not be any plant shutdowns for two years due to outsourcing. For workers with more than fifteen years of service, if they are laid off, they will receive a minimum of 50% of their normal pay until age 62. As mentioned earlier, at three and possibly more plants, the parties will experiment with the concept of a pilot employment guarantee, wherein 80% of the workers will be protected against layoff.

A fourth area of innovation, that is taking the company into a realm of responsibility that European companies have exercised for some time, is the development of a joint union-company training facility that will prepare workers for outplacement; in other words, using company funds, workers, who have been laid off and have little hope of recall to work at Ford, will be trained for work where there are openings in other industries.

So in short, the agenda of collective bargaining has been expanded substantially as a result of the recent agreement.

#### THE OTHER VIEW

Before proceeding to make some other comments about the agreement and then the broader sweep of collective bargaining in this country, I should take note of the fact that a number of commentators, mostly colleagues of Pestillo from the industrial relations fraternity, have referred to the agreement with various terms such as "cosmetic"

and a "disaster." Basically, these critics are expressing a point of view that the company has allowed the UAW to come into sacrosanct areas of management prerogatives without receiving commensurate gains in return. One point of reference is the lack of relief in the important area of containing health care costs -- a subject that Ford introduced into the negotiations but made no headway in changing.

In passing, I should note that we do have at least one example, from the history of labor-management relations in this industry, of a company and a union that appeared to improve labor-management relations, meanwhile back at the plant, costs remained out of line, and as a result the company slid into oblivion. I am referring to the Studebaker Motor Company. And, at least one academic found himself in a very embarrassing position, having written a book touting the constructive relationship between UAW and Studebaker, only to see a few years later the company fail -- with a good deal of the blame being put on higher labor costs and indirectly on labor-management relations.\*

#### MY VIEW

While I doubt that Pestillo and Ephlin have created such a good thing in their relationship that it could be called a "Mustang," neither do I think they have created an "Edsel." For my money, they have made a good beginning and the next year or two will tell just how solid a foundation has been created. Let me enumerate some of the directions that can emanate from this important agreement. First, the parties clearly are moving away from a configuration of fixed compensation costs and varying employment to one where employment will be more fixed and compensation will be more varied. Profit sharing may become more significant in the future and I would hazard a guess that the company and the union will find ways of introducing some type of gain sharing on a plant-by-plant basis.

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\* F.H. Harbison and J.R. Coleman, Goals and Strategy in Collective Bargaining, (New York: Harper & Row, 1951).

Second, with more job security programs in place as a result of the new agreement, it should be possible for the company to make some important changes in work rules and to gain greater flexibility in the deployment of the workforce. This process takes time and evidence can be cited from local agreements that have been signed at plants such as Livonia and Sterling. It is an important fact of life today in the United States that union plants have more work rule problems than non-union plants. Consequently, if this agreement makes it possible for the parties to refashion working arrangements and to develop the kind of flexibility that exists in Japanese plants, then the agreement will be part of a program for creating a new work culture.

It is very fashionable these days to talk about culture as a way of understanding what is going on in U.S. industry and how it compares to what is going on in other countries, especially Japan. There are different ways to intervene to change a relationship that tends to be frozen and self-perpetuating. Organizational development specialists sometimes are called in. I happen to think that a method for changing a culture with some leverage and promise of continuation is through the types of programs and ideas that are being put in place between Ford and the UAW.

#### THE AUTOMOBILE INDUSTRY MORE GENERALLY

Everett Kassalow has made the important point that the automobile industry probably will not be for the foreseeable future the pace setter for U.S. collective bargaining that it has been in the past. Almost every important substantive innovation in collective bargaining including pensions, annual improvement factor, cost of living, supplemental unemployment benefits, and personal days off were first put in place in the automobile industry. Clearly, given the reversal of some of these programs as well as the deep financial problems of the industry, it is unlikely that we will see the automobile industry in the forefront of new benefits and compensation arrangements.

Within the industry, there is also the possibility that we will see substantially more deviation around what historically has been called the pattern. Certainly, this has already happened at Chrysler and there is the possibility in 1984 that Ford and General Motors may not sign identical agreements -- specifically, it may turn out that Ford will not be able to afford the kind of package that General Motors could finance in 1984. This disparity in ability to pay across the industry represents another reason for movement towards contingency compensation.

The application of any pattern will be a very important subject to watch because it will create a very severe dilemma for the top leaders of the UAW. On the one hand, as they are drawn into discussions at the top of the companies about the financial outlook they become aware of the need for differentiated policies. On the other hand, the rank and file remains very committed to parity across the companies (as illustrated by the demands on the part of Chrysler workers both in the United States and Canada to close the gap). Just how these two perspectives get reconciled represents a new challenge for union leadership.

#### THE COLLECTIVE BARGAINING SCENE MORE GENERALLY

One of the more intense debates taking place within the fraternity of industrial relations researchers and specialists is whether the spate of changes that we see taking place now in the form of concession bargaining and new program principles of the sort contained in the Ford-UAW agreement represents a fundamental shift, in other words, a new system of industrial relations or whether it represents a phase that will pass from the scene once the economy returns to some kind of normal operating levels. The first view expresses the perspective that collective bargaining is "loose from its moorings" and we can expect to see some fundamentally new approaches characterizing

our industrial relations system for some time to come. The second view is that essentially we are witnessing a "rerun of an old movie," and it's just a matter of time before we will swing back to what we have known as the essential features of collective bargaining for the past 30 or 40 years in this country.

My view is somewhere in between. To the extent that the recession is the driving force, then I think the changes that are taking place are probably no different than those that have taken place during other recessions. There is substantial evidence that much of what is going on now can be explained in terms of the economic downturn. For example, layoffs, wage freezes and wage cuts are happening in the non-union sector as well, and they have to be explained in terms of the overall economic picture. Also, in industries where economic pressures have not been overly severe, such as the oil industry, the collective bargaining settlement in 1982 is in line with what would have been expected following past relationships between economic factors and bargaining outcomes.

To the extent, however, that the current situation can be analyzed in terms of some fundamental structural changes (what economists would call secular changes), then we can expect some permanent effects. For example, in a number of industries competition has been altered irrevocably, either as a result of deregulation (e.g., industries such as trucking and airlines) or new technology (with the best example being robotics in the factory). In the face of these new competitive factors, we see much more emphasis on solving productivity problems on a continuing basis and a focus on the other side of the equation (as far as the workers and unions are concerned), namely job security.

Thus, what we have witnessed this year in a number of negotiations in the rubber, electrical equipment and meat packing industries is much greater emphasis on the subjects of advance notice, severance pay, retraining and consultation over new technology and the prospective displacement of workers.

Increased competitive pressures also have fostered more attention to communications. Workers who heretofore have been somewhat immunized from the realities of the product market have come to understand much more the impact of competition from non-union and/or foreign suppliers. One company has used the phrase "tough trust" to describe the provision of information to the organization so that once workers understand the competitive realities, they can make the kinds of choices about changing rules and compensation costs that enable their jobs to be preserved and the company to maintain its share of the market.

A skeptic might point out that what is happening in industries such as automobiles and steel (and indeed in many other sectors of manufacturing) is no different from what has characterized competitive industries over the years in the U.S. I have no quarrel with this qualification -- the point is that we have many more industries today that fall into the category where the economics of the business and the collective bargaining arrangements are much more closely intertwined. The fact that this interdependence now characterizes many more industries is bound to affect the overall tone of labor-management relations in the country.

Before leaving the important question of whether we are witnessing a turning point or just another inning of a ball game where one team temporarily has the upper hand, let me share with you some quotes from a fascinating study written by Jean McKelvey about labor-management cooperation during the 1920's. Clearly, both environment and personalities are important:

The greater number of cooperative ventures have been launched in industries or establishments facing new conditions of competition because of technological innovations, the tapping of fresh sources of cheap labor or shifts in demand - changes which have taken place with an unprecedented suddenness and intensity during the post-war decade. On the other hand,

it is equally significant that unions in such sheltered trades as building and railway transportation have shown little disposition to modify restrictive working rules or to cooperate with employers in increasing output and eliminating waste. In their case no competitive pressure has called for concessions in the interest of industrial efficiency.

Economic change, however, cannot of itself modify union policy. Leadership is necessary to analyze a new industrial situation and to formulate a program for dealing with it. Leadership is also essential in educating the rank and file to acceptance of policies which involve a departure from long established procedures.\*

#### THE IMPLICATION OF THESE CHANGES FOR UNIONS

Thus far, we have been talking (for the most part) about labor-management relations at the company or industry level. Yet, some of the most important developments are taking place at the level of the individual and small group through such mechanisms as quality of work life, labor-management committees and other involvement programs. These developments are creating some important opportunities as well as some important challenges for unions. On the one hand, it appears to be the case that traditional or adversarial labor-management relations produces lower productivity at the plant level. Some work that has been done on productivity related to quality of work life in the automobile industry by several of my colleagues demonstrates this quite authoritatively.\*\* Thus, there is the important rationale for quality of work programs, not only to improve the job satisfaction of workers and the tone of industrial relations system but also to exert an important impact upon economic outcomes.

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\* Jean Trepp McKelvey, "Trade-Union Interest in Production," unpublished Ph.D. dissertation, Radcliffe College, 1933, p. 505.

\*\* Katz, Harry C., Thomas A. Kochan, Kenneth R. Gobeille, "Industrial Relations Performance and the Effects of Quality of Working Life Efforts: An Inter-plant Analysis," July 1982.

On the other hand, cooperation can mean a loss of control and shop-floor power for the union. Herein, lies the dilemma, what can be termed the inherent mixed-motive situation of labor-management relations. Unfortunately, we cannot use the experience of any other country where this dilemma has been handled in a skillful fashion. Certainly, Britain presents no model: unions are strong at the shop-floor level, but cooperative labor-management relations do not exist and productivity outcomes are poor. In the case of Germany and Japan, unions are rather weak at the shop-floor level and participation takes place through the mechanism of the work's council.

In this light the Ford-UAW agreement can be seen as extremely significant. There is the prospect for achieving cooperative relations at the plant level -- at the same time that the traditional functions of the union and collective bargaining are retained in an effective and vital fashion.

By far the most significant implication of all of the changes taking place in the U.S. collective bargaining scene is with respect to the role of unions at the highest levels of the enterprise. We touched on this earlier in discussing the commitment of Ford Motor to discuss the reasons for outsourcing with the UAW. We do not have a good phrase to describe this linkage of worker and corporate concerns at the highest level. One term is "strategic coordination." Another way to phrase it is to call it "job-investment integration."

I expect to see this development increase steadily in the foreseeable future. It is one possible way that unions can ease the predicament that they find themselves in at the present time. Currently, unions find themselves being blamed by the public, and management especially, for many of the economic problems that exist in industries that are under tremendous competitive pressure. The public does not think it is coincidental that companies are shutting down and laying off workers on a more frequent basis in their unionized than in their unorganized plants. In addition, unions are also taking

"the heat" from workers themselves who have been affected by layoffs and plant shutdowns. The displaced are saying "I thought the union was supposed to protect my job and this has not happened." Thus, it is not surprising that we see emerging union interest in investment decisions and the job security implications of different investment decisions. This means that unions are going beyond the defensive stage of merely asking for advance notice and income maintenance programs. The prospect is for unions to take the offensive, similar to what unions in Germany and in Scandinavia have done, to insist that employment concerns be factored into business decisions.

In some instances the position of unions with respect to investment matters will be quite adversarial, e.g., unions demanding to have a look at the books so that they can ensure that companies make their investments in a manner consistent with the interests of the workforce. In other instances, the approach will be more cooperative and collaborative (of the sort that we see emerging between UAW and Ford) where the coercion of traditional collective bargaining will be absent.

In addition, we can expect to see new standards emerge, such as "equality of sacrifice." Clearly, companies have laid off more of their unionized workers than non-unionized workers and more blue collar workers than white collar workers. As a type of "enmeshment" develops, due to financial adversity, it will be inevitable that workers and their union representatives will scrutinize equality of sacrifice across groups within the corporation.

All in all, if you have a job, its a great time to be alive to watch all the changes taking place in industrial relations.