

Live Bait & Ammo #89: Deduction by Diversion

In 1967 the UAW negotiated a six percent annual wage increase, but the raises were devoured by inflation. Workers' real incomes fell 7.4% over the course of the contract due to a cap on cost-of-living raises. At the UAW Convention in 1970 Walter Reuther said, "Wage earners are not responsible for inflation, and as far as we are concerned UAW members are not going to be used as scapegoats in the fight against inflation." In 1970 the UAW demanded "unlimited COLA" and struck GM for ten weeks to win it.

Cost Of Living Adjustment [COLA] is one of the most important factors in a worker's economic package. In the seventies and eighties when inflation sailed through the roof, the wages of union members with COLA sailed with it like a tail on a kite. But workers deprived of COLA suffered a wage cut, not directly through management fiat, but indirectly from the system that undermined their purchasing power.

When workers lose purchasing power because they lack protection against inflation, the thief has no face. Workers look for a culprit to pin frustration on. They may blame immigrants or minorities or even themselves when in fact it is management dealing from the bottom of the deck who has devalued their wages. The company adjusts its prices for inflation and compensates its executives for inflation but expects workers to eat dirt and be grateful.

Over the years the corporations and their partners in the UAW Concession Caucus have manipulated COLA to shift the cost of health care onto workers. The union negotiated "COLA diversion" whereby future cost of living adjustments were diverted into company coffers to pay for health care.

COLA Diversions for Health Care since 1970:

1976..... 6 cents per hour
1982.....16
1984.....13
1987.....00
1990.....14

1993.....22
1996..... 2
1999.....00

Schooled in the craft of concession making, Gettelfinger looked at the history of COLA diversion and said to himself, “I can do better than that.”

In 2003 Gettelfinger diverted 2 cents per quarter from COLA for a grand total of 30 cents to “offset the cost of health care for retirees”. It wasn’t enough. In October 2005 the Wily One presented GM-UAW members with a deeper COLA diversion, an initial 17 cents, plus an additional 2 cents to be picked from workers' pockets each quarter thereafter. Since the new agreement extends until 2011, the additional 2 cents will accrue to 32 cents for a grand total of 79 cents (30+17+32) diverted from COLA.

Gettelfinger diverted six cents more than the total COLA diversions (73 cents) accumulated by four previous UAW presidents: Woodcock, Fraser, Bieber, and Yokich. The Wily One created more diversions in two years than previous UAW presidents concocted in 27 years.

On top of that the Wily One removed the cost of health care from the formula used to determine the cost of living adjustment. When he was done eating our lunch he didn’t even have to use a napkin.

Twice in 2006 we experienced negative cost of living adjustments whereby our wages fell. The only rational explanation for a negative cost of living adjustment is the deduction of health care from the formula and COLA diversion. When union leaders tell us that we don’t pay for health care, it’s a lie. COLA diversion amounts to a health care premium — a minimum of \$1.52 per hour — more than three grand a year.

When workers retiree they look forward to a diminished standard of living exacerbated by health care inflation, but UAW International reps not only have unlimited COLA on their wages, they have COLA on their pensions and 100% reimbursement on all out of pocket medical expenses.

COLA should be a cornerstone in all union contracts. Many workers and retirees have no protection whatsoever against inflation. The rise in prices for gas, utility bills, taxes, and insurance forces workers to seek a second job and retirees to return to active duty. There is no logical reason why workers and retirees should suffer the burden of inflation while CEOs, politicians, and union officials are protected.

AT the 2007 UAW Bargaining Convention we should paraphrase Walter Reuther, "Wage earners are not responsible for inflation in health care, and as far as we are concerned wage earners are not going to be used as scapegoats in the fight against health care inflation."

Resist the trend to shift the cost of health care inflation onto workers and retirees. Demand unlimited COLA without diversions on all union contracts.

(sos, gregg shotwell)