



GRINDING GEARS

The jobs bank program has provided greater job security for unionized workers at the Big Three automakers, but at the expense of greater flexibility in labor markets

BY CHARLES GERENA

You have probably seen this scene played out before in the news: Laid-off workers, forlorn, leave their shift at a manufacturing plant for the last time. The meaningful relationships and lengthy careers they had built up are gone, and the workers know it.

That was the scene at General Motors' assembly plant in Baltimore, Md., on May 13, 2005. The 70-year-old facility rolled out its last vehicle, a van tagged with a cardboard sign reading "The End." It was a difficult day for the 1,400 plant workers facing an uncertain future.

Displaced workers often suffer long periods of unemployment. When they finally get another job, it is more likely lower-paying and part-time. Even those who land full-time jobs are less likely to match their previous salaries, especially when they enter a different line of work. That's bad news for people in industries such as automobile manufacturing who have permanently lost positions due to automation and the competitive pressures of a global economy.

Blunting the impact of layoffs is one of the reasons why a "jobs bank" for displaced autoworkers was created in the early 1980s. The program was the result of contract negotiations between the United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW) and the "Big Three" — Ford Motor Company, General Motors, and

the Chrysler Group. In the jobs bank program, laid-off autoworkers typically receive all or at least a large share of their usual wages and benefits indefinitely. Eventually, the idea was, these idled workers would be plugged into new jobs when they became available.

Automakers expected to avoid extensive job cuts and plant closings in the future, so they figured the number of people in the jobs bank wouldn't be overwhelming. They also believed that most employees would be there for only a short stay. Unionized workers, in turn, were willing to accept pay freezes and other concessions in exchange for greater job security.

"We had to look at ways of protecting people, even if we were going to do some givebacks," says Fred Swanner, president of UAW Local 239 based in Baltimore. His union represents the 100 people who remain in the jobs bank two years after General Motors closed its assembly plant in the city. "It was a way of protecting the employees and keeping the corporations from outsourcing [work] overseas, or at least try to slow them down by attaching some liabilities to it."

The program appears to have given autoworkers what they wanted. Swanner says his members appreciated the added stability in their employment and have used their stretch in the jobs bank to volunteer or go back to school.

PHOTOGRAPH: GM CORP

But the Big Three automakers have paid a heavy price with the jobs bank program. Although they have been able to shed workers through attrition, automakers have laid off more people than expected. This has forced the companies to pay millions of dollars to idle their employees, as well as to offer increasingly large buyouts to persuade jobs bank participants and other workers to leave.

Since 2005, vehicle and parts producers have announced more than 280,000 layoffs, according to surveys by employment consultant Challenger, Gray & Christmas. Against this backdrop, everything is up for renegotiation during this summer's UAW contract talks, including the jobs bank.

Great Expectations

When it was created under the 1984-1987 UAW contract, the jobs bank covered workers who lost their jobs as a result of technological change, outsourcing, corporate reorganization, or productivity improvements. It was expanded in the 1990-1993 contract to include workers who were laid off due to declining sales.

Under the contract that expires this September, laid-off autoworkers receive supplementary unemployment benefits on top of their state benefits for 48 weeks. Then they enter a jobs bank designated for each automaker. Depending on the specifics of the union contract at a plant, jobs bank participants can sometimes continue to receive up to 100 percent of their salary and benefits until they leave the company, accept another position at their plant, or transfer to a different facility within a 50-mile radius.

What happens in the meantime? It varies from plant to plant. Sometimes, workers are allowed to use their downtime to take classes or volunteer in the community. Or they may be asked to help the company in another capacity, such as delivering vehicles at dealerships or covering for other workers who are receiving training.

In a few cases, there isn't anything productive for the jobs bank inhabitants to do. When General Motors

closed its Baltimore plant in May 2005 and displaced 1,400 workers, the union hall near the plant was reportedly a popular hangout for banked workers waiting for odd jobs.

Being stuck in a jobs bank may not seem attractive to someone accustomed to punching a clock at a factory every day. But in the early 1980s, UAW officials wanted some degree of job security for their members after several years of mass layoffs. A sluggish economy and a surge in imports had prompted automakers to shed close to 300,000 positions, or one-third of their work force, between 1979 and 1982.

Besides, the UAW figured the jobs bank would discourage companies from cutting jobs and speed the reassignment of those who were laid off. Companies weren't expected to pay people *not* to build vehicles for an extended period of time. In fact, that is exactly what the Big Three have done, slowing down assembly lines, eliminating shifts, and, eventually, closing plants despite the additional expense of putting workers in the jobs bank.

Laurie Harbour-Felax, a manufacturing consultant and president of Harbour-Felax Group, says there have been dramatic improvements in productivity in the last few decades and a greater focus on quality, which drives higher efficiency. The result: less labor required to produce the same number of cars. "As people are retiring, automakers are hiring back fewer people," she adds.

Labor demand has been eroded by overseas competition as well. Asian automakers like Toyota, Hyundai, and Nissan have lured consumers away from the Big Three, reducing the latter's share of the domestic market. They also operate American plants, taking up some of the labor slack they helped create, but not all of it. "Throughout the 1980s and 1990s, the Japanese would put in a plant to make the same volume as a Big Three plant, but do it with dramatically fewer people," Harbour-Felax says.

This pushed U.S. automakers to be even more productive and reduce their labor needs. "The globalization that

has gone on in the last 25 years has put tremendous pressure on this country," she notes.

The Big Three automakers didn't envision this situation, either. "The thing we didn't plan for was the loss of market share and the need to close plants," says Dan Flores, General Motors' spokesman for manufacturing and labor. "There weren't jobs that people could go to."

When they renewed their UAW contracts in the early 1980s, the Big Three automakers were optimistic that their long-run growth since World War II would continue — their combined profits had jumped from \$6.3 billion in 1983 to \$9.8 billion in 1984. "We thought that [the jobs bank] would be a temporary bullpen, where employees would go before they were assigned to a different job or plant," Flores says.

Automakers were also willing to create the jobs bank in exchange for union concessions on the use of automation and flexible scheduling. Lastly, the added level of job security was supposed to improve productivity by enhancing workers' motivation and commitment.

Improving the worker-employer relationship was expected to have one more benefit, adds Cornell University economist Harry Katz. "[Automakers] hoped workers would be more willing to move around the system and live with plant closings, line adjustments, work-rule changes ... and other things they were doing in exchange for longer-term security," he notes.

Katz says it's hard to tell whether the creation of the jobs bank contributed to productivity improvements in the automotive industry. It hasn't led to substantially greater flexibility, in his opinion.

What the program has done is add to the ranks of the underemployed. Chrysler had 2,000 people in its jobs bank at the end of 2006. (As of press time, the private equity firm Cerberus Capital Management LP had agreed to buy 80.1 percent of the Chrysler Group from DaimlerChrysler AG.) Ford and its former parts subsidiary, Visteon, had a

combined total of 1,100 jobs bank participants. Published estimates for General Motors and Delphi, a parts supplier spun off from GM, indicate that they have the largest jobs banks — a combined 11,100 people as of March 2006. In total, more than 14,000 autoworkers have been laid off but are still on company payrolls. The number is expected to drop in 2007 as workers finally accept severance and retirement packages.

Stuck in Neutral

Automakers have waved numerous enticements in front of idled workers to prompt their departure. In 2006, General Motors offered \$140,000 buyouts to workers with 10 years of seniority, including those in the jobs bank. Ford also offered buyouts of up to \$140,000 last year, as well as annual tuition assistance of \$15,000. In March 2007, Chrysler started offering early retirement payouts of \$70,000 and lump-sum buyouts of \$100,000 to help reduce its North American headcount.

The Details

The size of the Big Three automakers' jobs bank program is expected to decline in 2007. It will depend on how many laid-off workers accept buyout packages or choose to retire. Here is a snapshot of where the program stood at the end of 2006.

Chrysler Group

Jobs Bank Name: Job and Income Security
Funding Committed Under UAW Contract: \$451 million
Estimated No. of Participants: 2,000 (2,100 in 2005)

Ford Motor Company

Jobs Bank Name: Protected Employee Program (PEP)
Funding Committed Under UAW Contract: \$944 million
Estimated No. of Participants: 1,100 (1,275 in 2005; includes PEP workers at former parts subsidiary Visteon)

General Motors Corp.

Jobs Bank Name: Job Opportunity Bank-Security (JOBS)
Funding Committed Under UAW Contract: \$2.7 billion
Estimated No. of Participants: 11,100 (9,000 in 2005; includes JOBS workers at former parts subsidiary Delphi)

SOURCES: Company estimates, news reports, and UAW Web site

— CHARLES GERENA

Many people in the jobs bank seize the opportunity to move on with their lives. About 600 of the 1,400 people let go from General Motors' Baltimore facility in 2005 have retired or accepted buyouts, according to the UAW's Fred Swanner. About 700 people accepted transfers to other GM facilities, including a transmission plant in Baltimore County and an assembly plant in Wilmington, Del. That leaves about 100 workers in the jobs bank by Swanner's calculations.

The workers who accept buyouts or transfers are usually the ones who are the most mobile. They are willing and able to start anew, whether it's at a plant in a different city or in an entirely different career. This includes younger people with lots of healthy, productive years ahead of them, as well as older, experienced workers who are confident in their marketability.

Then there are the workers who don't move on. One group of General Motors' employees reportedly stayed in the jobs bank 12 years after their plant in Van Nuys, Calif., closed in 1992. Some Delphi workers in Flint, Mich., have been idling for more than six years.

Based on his experience, Swanner says the people who stay the longest in the jobs bank aren't usually production workers who stamp out or assemble parts. Rather, they are the millwrights who fix conveyors, the electricians who maintain assembly line robots, and other skilled trades workers. "We're down to our trades guys, who are hard to place. Those openings only occur in some factories one or two at a time," Swanner notes.

There are other reasons why people choose to remain in the jobs bank. Workers close to retirement may be willing to stay in limbo for a few more years until they can collect their pension and health-care benefits. Others may cling to the hope that automakers will regain their market share and ask them to return — several people at General Motors' Baltimore plant told the *Baltimore Sun* last year they didn't want to accept buyout offers and give up a chance to work at

GM's transmission plant in Baltimore County.

Similarly, some workers may be holding out for a buyout that is worth giving up their current salary and benefits. In general, the comparatively high compensation of autoworkers — even within the manufacturing sector — makes staying put in the jobs bank a better choice, even if it only delays dealing with the harsh realities that lie beyond the automotive industry.

For one thing, the jobs bank sets a high bar for a worker's reservation wage, the minimum salary for which people are willing to supply their labor. Economists believe that a person's reservation wage depends on the probability of getting a job offer, the expected range of wages available in the market, and the availability of alternative income sources, such as state unemployment benefits and personal savings. So, the higher the alternative income — in this case, the salary that laid-off workers in the jobs bank continue to receive — the higher the reservation wage, all other things being equal.

Also, autoworkers may not get the same wages and benefits if they transfer to another plant. The labor market has undergone a significant shift from unionized positions at American firms in the "Rust Belt" to positions at foreign producers with plants in lower-cost, "right-to-work" Southern states where unionization is less common.

For example, BMW Manufacturing has been hiring people at its plant in Spartanburg County, S.C. But the nonunionized facility needs only temporary workers and pays \$12 to \$13 an hour compared to the industry average of \$22 an hour.

Finally, laid-off workers may feel less secure about their employability and be afraid to take chances and switch careers. "We get some who will be in that mode. Their self-esteem is lower," Swanner notes. "They might not feel they can make another career change at the age they are now." Or they might feel that they lack the necessary skills to handle today's technology.

Buyout Blitz

Automakers looking to downsize have been working hard to persuade their workers to voluntarily leave their jobs. Unionized workers have required more encouragement, especially those in the jobs bank programs at Ford, GM, and Chrysler.

	Date of Buyout Offer	Scope of Buyout Offer	Lump Sum Payments Offered
■ Chrysler Group	Mar 2007	11 plants nationwide	<ul style="list-style-type: none"> • \$100,000 + six months of benefits for workers with at least one year of seniority • \$70,000 + full benefits for workers eligible for early retirement
■ Ford Motor Company	Sep 2006	All active employees	<ul style="list-style-type: none"> • \$140,000 for any worker with 30 yrs. service or age 55 with 10 yrs. of service; future benefits forfeited • \$100,000 + six months of benefits for workers eligible for retirement
■ General Motors Corp.	Mar 2006	All active employees	<ul style="list-style-type: none"> • \$140,000 for workers with 10 yrs. of service or more; future benefits forfeited • \$70,000 for workers with less than 10 yrs. of service; future benefits forfeited • \$35,000 for normal or early retirements retroactive to 10/1/05; future benefits retained
■ Mitsubishi Motors North America	Jul 2006	Plant in Normal, Ill.	<ul style="list-style-type: none"> • \$85,000 + 3 months of benefits
■ Nissan North America	Feb 2007	Plants in Decherd and Smyrna, Tenn.	<ul style="list-style-type: none"> • \$45,000 + \$500/year of service

SOURCE: News reports and press releases

■ Unionized / ■ Nonunionized

Automakers provide educational programs for laid-off workers to learn new skills. However, the type of training varies from plant to plant — one General Motors' facility in Flint reportedly offered classes on working in a casino, while a Ford plant in Wayne, Mich., taught classes in bicycle repair and silk flower arranging. The career paths that workers are being prepared for may not be as financially rewarding as staying in the automotive industry or in manufacturing.

When 2,300 workers stop making F-150 trucks at Ford's Norfolk, Va., plant this year, few alternatives will be available for those who decide to enter a jobs bank. "There is nothing around here," says Chris Kimmons, president of the plant's union. They could join the International Longshoreman's Association and make \$16 an hour at a wharf, but that compares poorly to the \$28 an hour they make now. "You do the best you can for your family and yourself."

The Price of Layoffs

Laid-off workers are likely feeling the pressure to get out of the jobs bank, with the UAW's contracts with the Big Three expiring in September. Apparently, most of the workers at

Ford's truck assembly plant in Norfolk don't want to take any chances when the facility shuts down. About 1,900 workers have accepted one of the severance packages that Ford offered to workers in 2006. Another 360 will transfer to the company's truck plant in Dearborn, Mich. Kimmons estimates that fewer than 50 workers will enter the jobs bank after receiving 48 weeks of unemployment benefits.

"They wanted to take the money and run," Kimmons says. "Maybe they feel the auto industry isn't as sound as it used to be. There is a lot of devastation going on."

While the UAW will likely resist any changes to the jobs bank, automakers have good reasons to push for a compromise. With \$4.1 billion committed to funding the jobs bank under the current UAW contract, the program adds another burden to the long list of challenges facing automakers, from rising health-care costs to designing vehicles that can compete with imports on quality and customer satisfaction.

As consumer tastes change and demand fluctuates, automakers constantly reevaluate their production levels and employment needs. According to GM spokesman Dan Flores, there has been room for the

company to make short-term tweaks, such as eliminating a shift at a plant producing an unpopular model.

Flores admits that the jobs bank did raise the cost of long-term layoffs enough that it has affected GM's production plans. But he downplays its impact on GM's decisionmaking process, saying it is just one of many considerations. "Certainly, there is a significant cost associated with [the jobs bank]," he notes. However, "there are a lot of factors that come into play."

In an October 2006 report, the Harbour-Felax Group calculated the price tag for permanently closing a typical assembly plant that produces 1,000 vehicles a day. Its analysis assumed a total of 4,450 workers — both at the plant and in related component, engine, and transmission plants — would end up in a jobs bank for one year.

The bottom line: Chrysler would have to devote \$175 of every vehicle it sells in North America to pay for the plant closing, while Ford would have to cough up \$134 per vehicle and GM would have to pay \$88 per vehicle. To put these costs in perspective, Chrysler lost an average of \$950 per vehicle sold in North America last

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limiting tool but a growth allocation, spatial allocation tool.”

High land prices have brought new owners to TDRs, says Susan Hance-Wells, but many are “farmettes” rather than large-tract farms. “Some of the land that will get in is not what we originally intended, but they preserve farm communities. It’s insulating the farms in that community against increased density,” she says. “You’re going to have

cases that don’t suit what you’re looking for or don’t accomplish the goals, but they’re not going to be in the majority.”

OK, so maybe the development isn’t ideally situated. And perhaps it isn’t a true market, as Thorsnes points out, because the zones are predetermined by planners. But the fact remains that farmland is being preserved.

Likewise, maybe Safe Harbor won’t

satisfy everybody, but it’s increasing populations of the red-cockaded woodpecker. And mitigation banks are criticized for “enabling” development. Yet the private banks, the successful ones, are preserving larger sites and providing permanent management for endangered animals. As markets for endangered species and open land mature and go mainstream, they may reveal nature’s true value. **RF**

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year, while Ford lost \$2,015 per vehicle and GM lost \$335 per vehicle.

Some industry observers argue that if it weren’t for the cost of the jobs bank, mass layoffs would have been more common in the automotive industry. Sean McAlinden, chief economist at the Center for Automotive Research in Ann Arbor, Mich., agreed with this argument in a June 2004 report.

If the Big Three held firm on prices

during the onset of the 2001 recession, McAlinden noted, they would have laid off tens of thousands of workers who would have collected supplementary unemployment benefits and, eventually, full pay and benefits in the jobs bank. “The companies, already facing pension shortfalls, and remembering the disastrous cash drain of such layoffs in 1992 for GM, cut prices instead of

production and employment.”

This overcapacity has been partially masked by strong sales of high-margin trucks and sport-utility vehicles. But continued poor sales of the Big Three’s cars are forcing automakers to make more drastic changes. With or without the jobs bank, it’s a more challenging environment for both American automakers and the people they employ. **RF**

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