

# CAW kills jobs, then demands severance

Peter Shawn Taylor, Financial Post

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Gas prices go up and down all the time. So does the price of tomatoes. No so with the price of labour. Wages, economists like to say, are sticky. They go up. Or they stay the same. But they rarely come down. Explanations for this phenomenon vary; one frequently heard reason is that workers resist wage cuts because they simply hate to see their pay-cheques shrink. No doubt. But can it be any worse than losing your job?

In fact, most real-world evidence suggests it's not the delicate psyches of workers that are keeping wages sticky. Rather, unions shoulder most of the blame. And there might be far fewer layoffs in the troubled Ontario manufacturing sector if employees and employers were able to freely negotiate their wages up or down without union bosses getting in the way.

Case in point is Ledco Ltd., a 76-year-old tool-and-die shop in Kitchener, Ont. Like many southwestern Ontario auto-parts plants, a high dollar and high union wages combined to make Ledco--a Canadian Auto Workers union shop -- unprofitable. With the red ink mounting, Ledco workers were offered a last-ditch deal in late January: take a 25% wage cut or the factory closes its doors for good.

The workers held a meeting on their own to consider the offer. At the time, the plant employed 37 unionized workers with another 30 or so already laid off. News reports say 29 workers showed up and 23 voted for the pay cut. Thus a clear majority of those in attendance were in favour. In some provinces, such a response would even be sufficient to trigger a certification vote.

Not so for union wage negotiations. The CAW disavowed the meeting, refused to renegotiate wages despite the sentiment of the workers and forced Ledco into bankruptcy. Then, with its members no longer employed and the shop in the hands of the receivers, the CAW occupied the building to demand full payment of severance. The occupation has since ended, but the CAW isn't finished with its sound and fury.

The union then picketed the empty building for a while. CAW head Buzz Hargrove dropped by once to blame the factory owners and Ottawa. The CAW's most recent gambit is to demand that Ford, Chrysler and GM ante up for Ledco's missing severance. This is based on the heretofore unknown financial insight that companies have an "obligation" to cover the payrolls of firms they do business with. Of course none of this makes any practical sense.

The real point of the CAW riding off madly in all directions -- casting blame, flexing flaccid muscles and taking nonsensical actions -- is to distract everyone from the fact that the demise of the Ledco workers' jobs was a strategic decision on the part of the CAW itself. In short, they were expendable.

The union has a strict no-concession policy that prohibits wage reductions in the auto-parts sector. The CAW fears that if workers are allowed to renegotiate their own wages, they might choose to take pay cuts in order to keep their jobs alive, turning wages less sticky. While this makes perfect sense for an industry grappling with high costs and tough off-shore competition, it looks bad for a union that prides itself on keeping wages high. And allowing pay cuts at Ledco could create a precedent for the whole country. So the CAW dogmatically opposes all wage-cut proposals as a matter of policy, regardless of what its members say. The policy is more important than its people.

It's worth consider the wording of the CAW's no-concession statement: "We will not cut our wages, pensions, and benefits. That will never save our industry; at absolute most, it slightly defers the inevitable." What exactly the CAW considers 'inevitable' is unclear. Maybe the union figures the entire Canadian auto-parts sector is doomed and plans to keep wages high until it collapses altogether. But that seems rather fatalistic. If profitability equals output price less input cost, it's perfectly logical to expect that lower wages could return many troubled plants to profitability.

Then again, perhaps what's inevitable is simply the demise of the unionized auto-parts sector. For how long are members going to accept being sacrificed for a union policy that deliberately ignores their own wishes?

Ledco employees appeared quite willing to reopen their contract and lower their pay. It's also clear that Ledco's owners were not bluffing. So those jobs could have been saved had the workers been able to make their own decisions on their own wages. But the CAW would rather lose a job than cut a wage. Solidarity means never having to say you're sorry.

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