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Business & Financial Letter

After Reuther

The founding generation of the United Auto Workers union is dying out. Although Douglas Fraser—a close associate of Walter Reuther—took over the presidency at last week's UAW convention, he and the other members of the old guard on the union's executive board will all be gone within the next half-dozen years. After that, new leaders will have the task of applying the Reuther legacy—the belief that "the labor movement is about changing society"—to an industry which itself has transformed the world economy.

The union leadership takes pride in what it has won in its negotiations with the auto industry over the past generation, including the full or partial achievement of cost-of-living allowances, productivity-tied wages, guaranteed annual wages, and four-day workweeks. But some internal critics think it should have gained more. One local-union president recently told *Business Week*, "Before the union existed, the auto industry was a high-wage and poor-working-conditions industry. After 40 years of unionism, it is still a high-wage and poor-working-conditions industry." Yet no one doubts that workers have obtained a significant share of the wealth created by an immensely productive auto industry. The major question facing the UAW today is what happens if the industry's future productivity should be reduced by outside market and governmental forces.

Industry and union

The auto industry plays a central role in American life, accounting directly or indirectly for roughly one-sixth of the nation's total employment. The motor-vehicles industry itself employs 845,000 workers, but there are 337,000 more in highway and street construction, 319,000 in petroleum extraction and refining, 2 million in auto sales and service work, and so on. The industry is still predominantly a production-line operation; in 1970 as in 1950, roughly half of the labor force consisted of operatives, and almost one-quarter more consisted of craft workers.

The union which speaks for these workers contains 1,388,000 people, making the UAW the second-largest union in the country next to the Teamsters. (Ironically, neither of the nation's two largest unions belongs to the AFL-CIO, although both are edging back, slowly and sometimes reluctantly, towards reaffiliation.) The union's power derives not only from its entrenched position in the auto industry, but also from its ability to press for precedent-setting agreements in other industries (such as aerospace and farm machinery) which contain roughly half of the UAW membership. And despite its former firebrand image, the union

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finds itself increasingly cast in a bureaucratic mold of business unionism. For example, last year's Ford-UAW master contract contained 219 printed pages, not to mention a 285-page supplement covering fringe benefits and roughly 100 pages more for each local union agreement.

Wages and benefits
Historically, the auto industry has paid its production workers more than they could receive elsewhere, beginning with Henry Ford's $5-a-day wage of 1914. (But to earn that amount—56 cents an hour— workers had to meet the moral standards set by a Sociological Department headed by an Episcopal clergyman.) Gross hourly earnings of auto workers reached $7.22 in late 1976—44 percent higher than the average for the private nonfarm sector as a whole. Hourly earnings have increased about 13 percent faster in autos than in other industries over the past generation, and the differential has widened even more for weekly earnings, reflecting the relative stability of the auto workweek over time.

The auto industry has frequently been the first to introduce new fringe benefits, and today's UAW-industry contracts remain at least as generous as those found elsewhere, as regards vacation, holidays, health and pension benefits. In addition, the industry pioneered the introduction of supplemental insurance benefits, as an approach to a guaranteed annual wage. These supplemental benefits, when combined with regular unemployment-insurance plans, are designed to provide laid-off workers with 95 percent of their take-home pay. SUB funds were at times exhausted during the severe 1974-75 recession, so the union concentrated on improving these plans in its 1976 contract negotiations.

Trouble on the line
Despite its past successes, the UAW with its aging bureaucracy now has to deal with new problems generated by the industry or by its own membership. In recent years, the union in its attempt to organize all industry employees has found itself in conflict with General Motors, which had been trying to offset high labor and high energy costs by shifting some production into non-union Southern plants. The UAW-GM confrontation was settled (at least temporarily) last year when GM's southern management dropped its active opposition to UAW organizing efforts.

An aging white male union leadership also has to deal with the problems of the young, the women and the minorities within its own membership—all of whom have their own troubles in addition to the perennial assembly-line blues. Minority participation on the assembly line has increased in recent years, but women and minorities hold fewer higher-level jobs (professional, managerial and craft) than they do in industry generally. In 1973, black and Hispanic males held relatively only half as many higher-level jobs in the auto industry as they did elsewhere, and the ratios were only about one-third of the all-industry averages for women of all races. But because of the higher auto wage rates, the earnings of minorities and women are still greater in the auto industry than elsewhere despite this less favorable occupational mix.

Younger workers and skilled workers have their own complaints, partly because of the orientation of the union toward a majority of older production-line workers. Young workers seeking advancement find themselves enmeshed in a rigid seniority system—not to mention a compressed wage structure, with the vast majority of workers in any given job classification earning wages within a range of only 20 cents an hour. Skilled workers meanwhile complain about a narrowing of occupational wage differentials over time. Tool-and-die makers earned 44 percent more than janitors in 1963, but only 36 percent more in 1973—and the differential widened even more for highly skilled patternmakers.

Trouble in the marketplace
Nonetheless, the union and the industry find their greatest problems in the world marketplace—a market influenced not only by the changing preferences of consumers, but also by the efficiencies of foreign competitors, the fuel-price decisions of an OPEC cartel, and the environmental and energy decisions of Washington officials. All of these problems seemed to hit the industry at the same time during the recent recession, which caused a sharp reduction in employment from 955,000 in 1973 to 774,000 in 1975—and despite a strong recovery, the basic problems are still there.

The 1978 model cars due out this fall will be required to achieve a fleet-weighted fuel-economy rating of 17.8 miles per gallon, and by 1985 the requirement will be one-third higher. In addition, stricter auto-pollution standards are scheduled for 1978. The auto-driving public has become increasingly dependent on imported oil, whose cost has increased eight-fold since 1970 through the cartel's efforts. To reduce that import dependence—and to reduce auto usage—the Administration has now proposed taxes on both large domestic autos and their fuel supply.

The recent consumer demand for large-scale domestic models—the type which brings profits to automakers and employment to union members—has pushed many of these problems temporarily into the background. But if governmental and market pressures force a permanent shift to low-profit compact models, there will be less money remaining for the industry and the UAW to negotiate over in future labor contracts. Moreover, there will be fewer jobs for UAW members to the extent that compacts replace gas-guzzlers in the market, especially if those compacts happen to be foreign-made. In dealing with all these developments, an aging UAW leadership is apt to earn even more gray hairs.

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BANKING DATA—TWELFTH FEDERAL RESERVE DISTRICT
(Dollar amounts in millions)

Selected Assets and Liabilities Large Commercial Banks	Amount Outstanding 5/11/77	Change from 5/4/77	Change from year ago Dollar	Percent
Loans (gross, adjusted) and investments*	96,234	+ 509	+ 8,634	+ 9.86
Loans (gross, adjusted)—total	73,836	+ 215	+ 7,991	+ 12.14
Security loans	1,826	+ 76	+ 632	+ 52.93
Commercial and industrial	23,965	+ 36	+ 1,657	+ 7.43
Real estate	22,856	+ 102	+ 2,889	+ 14.47
Consumer instalment	12,896	+ 58	+ 1,855	+ 16.80
U.S. Treasury securities	8,774	+ 16	− 721	− 7.59
Other securities	13,624	+ 278	+ 1,364	+ 11.13
Deposits (less cash items)—total*	94,314	+ 613	+ 6,937	+ 7.94
Demand deposits (adjusted)	26,637	+ 540	+ 2,245	+ 9.20
U.S. Government deposits	373	− 182	− 73	− 16.37
Time deposits—total*	65,783	+ 423	+ 4,452	+ 7.26
States and political subdivisions	5,835	+ 191	− 865	− 12.91
Savings deposits	32,053	− 18	+ 5,815	+ 22.16
Other time deposits‡	26,093	+ 243	− 197	− 0.75
Large negotiable CD's	9,215	+ 204	− 1,904	− 17.12

Weekly Averages of Daily Figures	Week ended 5/11/77	Week ended 5/4/77	Comparable year-ago period
Member Bank Reserve Position			
Excess Reserves (+)/Deficiency (−)	− 25	− 2	− 7
Borrowings	8	3	0
Net free(+)/Net borrowed (−)	− 33	− 5	− 7
Federal Funds—Seven Large Banks			
Interbank Federal fund transactions			
Net purchases (+)/Net sales (−)	− 248	− 424	+ 145
Transactions with U.S. security dealers			
Net loans (+)/Net borrowings (−)	+ 214	+ 35	+ 558

*Includes items not shown separately. ‡Individuals, partnerships and corporations.

**Editorial comments may be addressed to the editor (William Burke) or to the author. . . .
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