



*Review of **When Good Jobs Go Bad: Globalization, De-unionization, and Declining Job Quality in the North American Auto Industry***

Jeffrey Rothstein. *When Good Jobs Go Bad: Globalization, De-unionization, and Declining Job Quality in the North American Auto Industry*. 2016. New Brunswick, NJ: Rutgers University Press. 184 pages, ISBN 978-0-8135-7605-3 Paper (\$26.95)

In this short, engaging book, Jeffrey Rothstein explores why the bargaining power of unions, and with it, the compensation and working conditions of autoworkers, has declined so precipitously in the United States and Mexico since the late 1970s. The heart of the book is a close comparison of three General Motors (GM) auto assembly plants assigned to make very similar SUVs in the 1990s: two in the United States (Janesville, WI and Arlington, TX), opened in 1919 and 1952, respectively; and one in Mexico (Silao, Guanajuato), opened in 1994. Rothstein spent time at each location, interviewing workers, union leaders, management, and state officials. These case studies give the analysis much of its richness and nuance, but Rothstein is also very good at situating these cases in their wider sectoral, national and continental contexts, identifying the most important interactions among the forces operating at each level as they bear on union power.

Auto jobs remain among the best-paid and most sought-after manufacturing jobs in both economies, but they are much less good, in both countries, than they once were. Why? On its face, Rothstein's answer, reflected in his book's title, is economic globalization. But another answer can be found in the detailed accounts of evolving power dynamics in each country that the book offers. While there is certainly an international dimension to that story, much of the causal work is attributable to domestic factors that could have the same impact in a much less globalized world.



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There are thus two kinds of explanations coexisting uneasily in the book. To assess their relative importance, and their relationship to one another, it is useful to look at each strand in turn.

Rothstein defines globalization as “the increasing interconnectedness and integration of economies due to the opening of markets and the expansion of trade and investment across borders that results from international agreements” (15). By this definition, the formation of continental economic integration regimes – under the rubric of NAFTA in North America and the European Union (EU) in Europe – is part of the globalization process. In fact, most of the international economic integration since 1980 has taken the form of increased trade, capital and labor flows *within* the Asian, European and North American continental blocs (WTO 2013: 75-6). So a lot of what Rothstein calls globalization could more precisely be characterized as continental economic integration or regionalization.

This distinction is important because the norms governing continental systems of integration can differ significantly from those – set mainly by the multilateral agreements presided over by the World Trade Organization (WTO) – governing economic integration *across* regions. As a result, nations and firms can face very different incentives and pressures at the two levels. This is not so obvious from a North American vantage point, because there is little difference between the norms embodied in NAFTA and the WTO. But elements of the EU model relevant to labor relations and union power, such as the Social Charter, reflect a different model of economic integration, rooted in systems of labor relations that reflect different underlying power balances between labor and capital in the countries – above all, Germany and France – that determine the prevailing approach to economic integration in that region.

The German case, in particular, suggests that continental institutions, and the national institutions that they can protect or undermine, depending on their nature, matter. This qualifies the simple story that globalization is making auto jobs worse in the global North and the global South alike. If globalization were the main force driving down compensation in the U.S., its impact on Germany, which relies more heavily on trade than the United States – and particularly on the export of manufactured goods, led by automobiles – should be even greater. Yet, as Rothstein notes, the pay and benefits of German autoworkers are “roughly twice those of U.S. autoworkers,” and “Germany produces roughly twice as many automobiles as the United States” (151). To the degree that globalization exerts downward pressure on German auto unions, its impact is mitigated, if not neutralized, by continental institutions designed to be compatible with German industrial relations institutions. Among the most important of these are industry-wide collective bargaining; laws that extend union wages to non-union workplaces in most sectors, including the auto industry; and, works councils and codetermination. These institutions stabilize union bargaining power at higher levels than are found in the United States. Nor has rising German

auto sector compensation driven auto production out of Germany—the other way in which globalization is supposed to undercut worker power in the global North.

Beverly Silver (2003) has also been critical of analyses that treat globalization as a major contributor to declining union power. But she accepts that globalization – particularly increased international capital mobility, and with it, the relocation of much manufacturing to the global South – will erode the power of manufacturing sector unions in the global North. The German experience in the auto sector thus stands as a challenge to Silver’s analysis, as well as the simple globalization *uber alles* narratives. So does the fact that greatly increased transnational corporate investment in Mexico following NAFTA’s passage in 1993 (of which the GM Silao plant was an example) has not resulted in more powerful unions and rising strike activity in that country—not even in the auto sector, where those effects should be most keenly felt.

Chapter Four of Rothstein’s book helps us to understand the main reason why: the nature of Mexico’s “official” unions and the larger industrial relations system in which they are embedded. Because of this system, GM was able to select the union that it would work with at Silao before it even hired the first assembly line worker. This bizarre situation (from the standpoint of those who take the autonomy of unions from the state for granted) is the legacy of Mexican corporatism. Rothstein explains how the unions affiliated with the Confederación de Trabajadores de México (CTM) – the federation most closely aligned with the PRI, the political party that dominated Mexican politics for most of the 20th century period – saw their capacity to influence state economic policy deteriorate in the neoliberal era (105-114). The CTM unions had long taken their lead from the PRI party-state, but not without the *quid pro quo* of economic improvements for their members. What changed after the debt crisis of the early 1980s was that the Mexican state abandoned the strategy of import substitution industrialization (ISI) in favor of export-led development modeled on East Asian economic successes.

In that new development paradigm, rising wages were perceived to be a problem for export competitiveness, rather than a contributor to expanded domestic consumer purchasing power and associated economic growth. From this new perspective, the role of official unions was no longer to improve their members’ standards of living, but to hold down wages, and suppress the emergence of new, more militant unions that might otherwise form, nurture worker militancy, and take advantage of the structural opportunities that Silver’s analysis in *Forces of Labor* highlights (132-4, 139-44). The triad of state, state-subordinated unions, and employers, working in a coordinated fashion, has been very effective at suppressing worker militancy and autonomous union formation, and thus preventing the outcomes that Silver expected.

Rothstein tells us that the union that GM selected to be its partner at Silao, SITIMM, was a regional confederation of 44 workplace union locals or “sections,” affiliated with the CTM. A

SITIMM report summed up the union's operating philosophy, which stresses "the current and future circumstances in which we practice unionism; the firms, the products and the markets confronting the markets we serve; the improved opportunities offered by permanent dialogue and communication between the firm, union and workers; the protection of wage increases based on technical argument more than displays of force" (106). The first leaders of SITIMM Section 4 (the GM Silao local) shared this philosophy. But, over time, a growing share of the plant's relatively stable workforce – turnover was just 6% annually by 2003 compared with 30-40% *per month* in some of the lower paid auto parts plants nearby – grew dissatisfied with earning one-tenth the pay of their U.S. counterparts, even as they were congratulated for achieving equivalent productivity and quality levels.

Rothstein reports that by 2002, just a decade into the plant's existence, GM Silao workers were growing restive, with majorities voting for leaders who were challenging the original SITIMM leaders' philosophy. The immediate threat to their control was averted because the challengers split the dissent vote. But Rothstein notes that dissenting workers can be expected to learn the lesson of that defeat and to consolidate their challenge next time around (120-3). Consistent with that expectation, Rothstein notes that "sometime after fieldwork in Silao was completed," Section 4 disaffiliated from the SITIMM, joining in its place the CTM union that represented all three of Ford's Mexican assembly plants (123). Rothstein does not follow up on this important development, but we know from the work of others that between 2000 and 2003, wages in the Ford Hermosillo plant peaked at about \$3/hr. plus benefits worth another \$1-1.50/hr., for a total compensation rate of about \$34/day (Contreras 2005). Unpublished industry data collected by Wayne State University researcher Steve Babson indicate that by 1998, the Hermosillo Ford plant had the fourth highest wages and the second highest total daily compensation costs of the 15 major assembly and engine plants in Mexico.

This superior wage and compensation performance had been achieved by a more militant strategy – bucking the national trend of CTM acquiescence to state demands – resulting in two strikes in the early 1990s (Babson 2002). We may speculate that this superior wage performance, and willingness to challenge the philosophy of the SITIMM and the mainstream of the CTM, may be what led Silao workers to change their affiliation. Such a shift would be consistent with Silver's expectation that Mexico's autoworkers would become more militant in tandem with their increasing structural power. Part of the reason the Ford local was able to stand up to Ford, state policy and the directives of the national CTM was that it had the support of state-level CTM leaders who were based in Sonora's state capitol, Hermosillo. The Sonora CTM not only supported militant leaders in the Ford union; it also organized all of the workers in the city's auto parts sector, creating the functional equivalent of an industrial union, at least in the city of Hermosillo, for as

long as the Ford Hermosillo union local and the Sonora CTM continued to cooperate and support one another. (U.S. labor federations don't bargain collective agreements, but in the Mexican system this is not unusual.) This is the kind of strategic behavior we might expect to see, based on Silver's analysis.

But this moment of labor upsurge in Hermosillo did not last long. At about the same time that the GM Silao workers affiliated with the Ford union, Ford offered to double its capital investment in the Hermosillo plant if the union would agree to a two-tiered wage system. The union did agree, even though such systems undermine labor solidarity and mobilization capacity. With that concession in place, Ford invested \$1.2 billion in expanding the plant, creating about 3,800 new jobs in the process, a 73% increase over the plant's previous employment total. Ford's first- and second-tier parts suppliers invested another \$600 million, creating another 3,375 jobs, a 260% increase over 1996 parts sector employment levels (Contreras 2005). The Tier Two workers at Ford Hermosillo were paid about half of what Tier One workers doing the same work were paid. Since these new workers comprised more than half of the workforce at the greatly expanded assembly plant, the introduction of the two-tier system pulled the average wage at Hermosillo Ford down by perhaps 30%. To make matters worse, the flexibility agreement that Ford negotiated with the union allowed it to bring into the plant to assemble components workers employed at \$1.50/hr. by parts companies. This form of 'in-plant outsourcing,' pioneered by Ford a few years earlier in one of its Brazil plants, could be used to displace a growing number of the (still) relatively well-paid Ford assembly workers. With these moves, the power of the Ford local was greatly reduced.

At the same time, 17 major parts plants supplying Ford Hermosillo refused to negotiate new collective agreements with the Sonora CTM. Instead, they cut a deal with the Coahuila CTM – a state federation whose headquarters was located some 800 miles east of Hermosillo! – which had a reputation for negotiating sweetheart deals with auto sector employers in that state. In the late 1990s, the Hermosillo parts sector workers were making about \$3/hr.; after the shift to the Coahuila-based union, the new base wage was set at \$60-70/week, almost halving the previous rate (Juárez Núñez & Babson 2006: 7-8). Such a shift from Sonora to Coahuila, at the behest of employers, would never have been permitted by Mexico City in the days when the labor movement had more power within the PRI, and the national CTM told state branches and local affiliates what they could and could not do. But by the time of these events, this old power structure was much weaker (Bensusán & Middlebrook 2012).

These dramatic declines in Mexican autoworker wages were not the result of 'race to the bottom' dynamics associated with competitive pressures rooted in international wage differentials. The other major exporters of autos to the United States – Germany, Japan, Canada and South Korea – all had much higher wages than Mexico. Rather, they occurred because major corporations could

whipsaw local unions into making concessions using the carrot of new investment (so potent in Hermosillo, as it was earlier in Silao) and the stick of threatened disinvestment and plant closings. As in Silao, the power of mobile capital vis-à-vis less mobile labor and communities was greatly reinforced by an industrial relations system that allowed employers to pick relatively compliant unions (and federations) to negotiate with.

In Chapter Three of his book, Rothstein argues that the same power to invest or close plants moved UAW locals in the United States to make the work rules concessions that permitted the introduction of “lean production” techniques, and with them, the intensification of work. Because of its industrial structure and its pattern bargaining strategy, the UAW was able to resist, well into the 2000s, the substantial wage reductions and two-tier system that had become routine in Mexico. But ultimately, the dynamics of the U.S. auto industry – specifically, the declining market share and profitability of the Big Three – forced major concessions from the UAW as well. The main problem was not competition from German or Japanese auto exports, which had similar if not higher labor costs than the Big Three by the 1990s. Nor was Mexico, the only country in the global South with significant auto exports to the U.S, the culprit: its small number of assembly plants could only put a small dent in the U.S. market, and the higher profit rate of Big Three plants located there helped keep those corporations afloat. No, the fundamental problem was competition from the so-called foreign transplants — assembly plants operated by German, Japanese and (later) South Korean corporations on greenfield sites in Southern states. Because they were started in the 1990s and 2000s, these plants did not have overhead costs associated with the pensions and health care programs of hundreds of thousands of retired workers. And because they remained non-union, despite UAW attempts to organize them, they also had significantly lower benefits and thus overall compensation costs for current workers. This enabled the transplants to undercut Big Three prices and still make higher profits. That was not a sustainable situation.

Rothstein would agree, I think, with most if not all of the above analysis of the process by which the UAW’s bargaining power vis-à-vis the Big Three eroded, since all of this is documented in his book. Yet very little of this dynamic is attributable to a global ‘race to the bottom,’ or to the shift of vehicle production to Mexico or other countries in the global South—the things we normally think of when we talk about the impact of globalization. The transplants came from other countries, to be sure, but auto corporations have been jumping tariff barriers since the 1920s, long before the era of corporate globalization. And the transplants were sufficient to undermine the economic viability of the Big Three, and with it, the UAW’s ability to resist the cuts that offered the best hope of keeping the Big Three afloat. The inability to organize the transplants in this sector was a function of labor movement weakness in the South specifically and at the national level generally. And the decline of U.S. labor movement power since the 1970s is also due mainly

to domestic factors. In sum, Rothstein's book provides us with much of what we need to understand why wages and the quality of work life in the US and Mexican auto industries has deteriorated since the late 1970s. But in this reviewer's judgment, his explicit theoretical position assigns too much weight to globalization, as opposed to the dynamics of domestic political power, in bringing about this outcome.

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