Workers and Competitiveness in the North American Auto Industry

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Introduction

In the early 1990s, Canadian and US economic policy architects sympathetic to labour hoped to shape globalization and trade liberalization with a policy program designed to foster a ›high road‹ to competitiveness.[1] In the planning stages of the 1994 North American Free Trade Agreement (NAFTA), many intended that trade liberalization would be accompanied by government steps to ensure high productivity and high-quality production via investment in training and workforce development, a strengthening of the labour-management dialogue in the workplace, and increased incentives to high productivity and innovation.[2]

A decade after its signing, it is commonly argued that NAFTA's specific effects on economic performance have been limited, or that it is still too early to reach a definitive conclusion.[3] What is clear, however, is that ›high road‹ expectations for the North American economic zone have yet to materialize, and what has emerged in its place is an uneven regional economic space that has strengthened downward competitive pressures. By encouraging the search for low-cost, non-union labour, NAFTA has tended to reinforce insecurity in high-wage zones in the North without laying the basis for employment and wage-growth and the domestic economic links in Mexico that could support domestic market growth and endogenous development.

The auto industry is a paradigmatic case. On the one hand, while lean manufacturing techniques have diffused widely and Mexican, Canadian and US plants today produce similar products with comparable production systems, technology and human resource practices, wide gaps in compensation persist.[4] Labour-market weakness in parts of the US and Mexico in particular exert downward pressures on wages and working conditions in all three countries, where many auto workers face job insecurity, longer hours, and an intensified pace of work.

This article examines some of the elements of restructuring in the North American auto industry, and its consequences for unions and workers. The first section describes the formation of the regional industry. The next section looks at its unevenness. The article then discusses workers and unions in the industry. Then the paper looks at union responses. A final section examines the prospect for alternatives.

The Formation of an Integrated North American Auto Industry

The inauguration in 1994 of the NAFTA economic space was inseparable from the larger shift towards neoliberalism and market-led restructuring, but it was also linked in the case of the auto industry to the response to international competition. Auto makers' interest in NAFTA formed a key ingredient of a strategy for responding to the Japanese import wave in the early 1980s, when the Big Three auto companies looked to source subcompacts from Canada and Mexico.[5] US auto makers had sourced parts and components from the maquiladora in-bond processing zones since their inception in 1965 (and increasingly in the 1970s and 1980s), and aimed for a free trade agreement that permitted restructuring three national industries into one continental industry while preserving the advantage of the Big Three (DaimlerChrysler, General Motors, Ford) vis-à-vis Japanese competitors during the phased-in liberalization process.[6]

Decades earlier, the Canadian auto industry had been rationalized along continental lines and progressively integrated into the US industry following the negotiation of the 1965 Auto Pact. The basis for Canada's integration with the US was a modified free trade agreement that permitted duty-free access but imposed performance requirements that set minimum domestic content measures and production-sales ratios. First the Canada-US Free Trade Agreement and then the NAFTA replaced these national content requirements with North American content requirements and ended the performance requirements contained in the Auto Pact, before the Auto Pact finally succumbed to a WTO challenge from Europe and Japan in 2000.

In Mexico, regional integration emerged in response to the debt crisis and peso depreciation in the early 1980s.[7] The movement toward export-led growth, accession to the GATT, and the advent of neoliberalism in Mexico culminated in the agreement to phase out its restrictions on trade. As with Canada, Mexico had a history of local content stipulations and other requirements designed to the foster the development of the national industry that were eliminated in the NAFTA.

NAFTA has therefore meant much more than sectoral integration for industries like auto. It has reshaped social and economic development generally, most dramatically in Mexico, where economic extroversion and regional integration has occurred more rapidly. While its exports have become centrally important to Mexican growth, the maquiladoras have developed with little backward linkages to the rest of Mexico and has worsened the external dependence of the Mexican economy.[8] The cyclical downturn that followed the economic boom and stock market bubble of the 1990s has left Mexico in recession. In the US and especially Canada, the direct effects of NAFTA have been less pronounced.

Persistent Excess Capacity, Trade Imbalances, and Intense Competition

The intense competition that characterizes the contemporary North American automotive industry is rooted in world overcapacity and the particular relationship of the US market to the world economy. Globally, the United States is the world's market of last resort, running a net auto trade deficit with the rest of the world. While most of the growth in the world auto industry in the foreseeable future is expected to come from China and the developing world, the US auto industry and market remains a rich (albeit mature) market, which has witnessed substantial growth in specific lines such as the SUV (Sport Utilities Vehicles) segment. Competition remains fierce in the US, since it makes sense for all producers to concentrate sales efforts here in the immediate term; when economic growth slows at home, producers all over the world have strong incentives to target the richest and deepest market, the United States.

Consequently, the auto trade account in the US has tended to worsen through the 1990s, alone accounting in 2002 accounted for approximately one-quarter of the entire US current account deficit. Canada and Mexico have also emphasized export-led growth and selling in the US market, both becoming more dependent on trade and on exports to the US for growth.[9]

Intense rivalry has aggravated the overcapacity problem. German and East Asian auto companies have gradually taken US market share from the US producers, increasingly entering the lucrative light truck/SUV segment which was responsible for much of the profits of the Big Three in the 1990s.[10] Partly as a hedge against a backlash and partly to supply local markets effectively, they have continued to add capacity in the US, increasingly building plants in greenfield, rural sites located in the non-union, right-to-work states in the US South.[11] The ›new domestic‹ companies have also been able to extract concessions from states with typically low-wages, keen to attract auto worker jobs with auto worker wages. Although bidding for investment has gradually mounted with globalization, incentives appear to be growing in scale and as a proportion of total investment.[12]

A consequence has been the reinforcement of excess capacity in both auto assembly and parts manufacturing, a problem by no means restricted to auto and plaguing other industries from steel-making to airlines.[13] The addition of new capacity and the inability of the Big Three to close plants at a rapid enough rate in an already saturated market has put pressure on manufacturers, particularly the Big Three, to accelerate outsourcing and retire excess capacity. In addition to assembly overcapacity, many suppliers overexpanded in the boom of the 1990s, acquiring companies and going into debt; some of the leading manufacturers have managed this process profitably, but many others have faltered, either entering bankruptcy, suffering financial distress, or falling victim to acquisition.

Although a feature of the industry since the 1980s, competition driven by overcapacity and imports has fueled outsourcing on a large scale, a phenomenon radicalized with the adoption of systematic lean production at the Big Three in the 1990s. Driven by the effort to lower costs by taking advantage of the wage gap separating unionized captive parts manufacturers and non-unionized, independent suppliers, outsourcing at the Big Three in the 1990s has involved the spinning off of in-house parts manufacturing operations such as Delphi (GM) and Visteon (Ford) as independent companies, and the outsourcing of subassembly and assembly of major modules to leading suppliers. While ridding the Big Three of high-wage parts production, this has allowed the newly-independent companies to specialize and restructure in competition with non-union and lower wage suppliers, thereby pressuring their own workforces (in part by themselves outsourcing).

For suppliers, the competitive strategy of producing major modules in turn requires extensive investments and responsibilities. On the one hand, the development of larger global platforms of 1 million units or more, the ›commonization‹ of parts across vehicles, and the outsourcing of entire component systems and major modules have left suppliers vulnerable and dependent on single Original Equipment Manufacturer (OEM) contracts for much of their well-being.[14] On the other, OEMs have taken advantage of the business model to download warranty costs and supply-chain management responsibilities onto suppliers while demanding price reductions.[15]

Outsourcing and excess capacity have generated downward pressure on prices in the North American industry, pressuring profit margins and wages. First, the Big Three automakers have offered increasing incentives, especially after September 11th 2001 and to slow the erosion of their market share. General Motors has aggressively fueled this competition, despite its consequences for profits. As the lowest-cost producer in the second half of the 1990s, and as the Big Three automaker most burdened by pension and health costs, and with labour as a fixed cost, it was in the interests of GM to offer incentives to continue sales and maintain production even at reduced per unit profits.[16] Although designed in part to force Chrysler out and eliminate some of the excess capacity, it has so far had the effect of intensifying competition for all automakers.

Second, pricing pressures on the Big Three have been transmitted through the supply chain price reductions from suppliers that have become an expected part of long-term agreements.[17] Intense pressure to drive down costs has also fueled the global search for low-cost sourcing sites and global comparisons of producers.[18]

This has left much of the supply chain in a poor financial state under the threat of bankruptcy. During the 1990s boom, suppliers grew especially rapidly, building capacity and adding debt; with the recession, suppliers have found their profit margins squeezed between higher costs associated with excess capacity and greater product design and development responsibilities on the one hand, and customer demands for price reductions on the other.[19] Despite initial hopes that the new system of collaboration was intended to involve trust and mutual gains for suppliers and assemblers, the universal sentiment is now the commonly-held complaint about ›profitless prosperity‹ and a ›broken‹ business model, excess capacity reigns, and many firms are unprofitable or in financial distress.[20] Notwithstanding the anxiety over weakness in the supply chain and the need to control competitive pressures, the larger tier-one suppliers are themselves consciously rationalizing their own supply bases through brutal price demands.

As suppliers have come to take for granted the permanence of price cuts, the effect has been to place a premium on lean production and the systematic search for cost reduction throughout the supply chain. This typically involves reducing labour, but may take the form of attrition and the decision to avoid replacing workers, with the remaining workforce in effect producing the same or greater volumes with the same or fewer workers. Geographically, US auto parts suppliers are exiting higher wage urban areas for greenfield sites in exurban areas.[21] Parts makers in the Mid-Western US states and southern Ontario have moved out of urban areas to semi-rural and suburban areas and greenfield sites to pay lower wages. Many of these producers take advantage of temporary staffing agencies and clientlist and ethnic patterns of hiring that serve as obstacles to organizing.

Workers, Unions, and the New Competition

This process of sustained competition and restructuring has transformed work and employment relations along a series of dimensions. First, there is the crisis of representation. Intensified competition makes the flexibility associated with non-union operations that much more crucial as a source of competitive advantage, and outsourcing has been an effort to take advantage of the large wage differential between union and non-union parts manufacturing. Companies have simultaneously adopted union avoidance strategies, from locational ones to defeating unionization campaigns and company unions. In this respect, NAFTA has handed employers greater leverage to resist organizing attempts.[22]

With the erosion of the Big Three's market share has come rising non-union influence not just in parts manufacturing, but in assembly as well. Approximately 19 percent of total North American light-duty vehicle output is non-union, a figure that is expected to rise as non-union capacity comes on stream.[23] Remarkably, in an industry once synonymous with strong unionism, today fewer than half of the workers in the US auto industry as a whole are unionized, down from 61 percent of skilled and production parts and assembly workers in unions at the beginning of the 1990s.[24] Since 1978, union density in the US parts sector has fallen 50 percent to the point where one-fifth of US auto parts workers are unionized, while the purchasing power of hourly earnings in the sector has fallen 20 percent.

Accordingly, the UAW has experienced considerable membership decline. Despite expansion outside of the auto industry, the UAW's membership has fallen from 1,360,000 in 1980 and approximately 1 million members as late as 1987 to just over 700,000 in 2001, before falling another 10 % in 2002 to a level roughly half its 1978 membership, even as total US industry employment has grown slightly since 1978.[25]

Because of historically stronger labour laws, the geographical concentration of the Canadian auto industry in Southern Ontario and Quebec, and the greater militancy and democracy of the Canadian autoworkers union, deunionization in Canadian parts has not occurred to the level it has in the US and union contracts continue to influence settlements in parts.[26] Since splitting off from the UAW, the CAW has fared better than the international union, merging with a number of other unions, but also managing to retain a foothold in the auto industry, organize new workers, and sustain some leverage in local labour markets.[27] Its membership has doubled since its founding to approximately 250,000 members.

Mexican unions remain in a crisis of representation. Despite hopes that the electoral defeat of the PRI in 2000 would weaken the corporatist structure of industrial relations, the new regime has moved to shore up the corrupt union structure. In some contexts (as in Canada and the US), employers continue to rely on naked coercion and intimidation. In others, the *charro* system of protection contracts and sweetheart deals between corrupt unions and management to ensure against militant labour demands hinders attempts at independent union organizing in the newer maquiladora plants of Northern Mexico.

Pay and Productivity

Second, NAFTA has encouraged a crisis of pay and productivity-sharing, as countries (especially Canada and Mexico) adopt wage compression strategies of competitiveness, relying on a strategy of holding living standards down to maintain and increase competitiveness in relation to the restructuring US automotive industry. Intense competitive pressures mean that where productivity growth occurs, there is also evidence of a ›broken link‹ with real wage growth.[28] The severing of the productivity-wage nexus, connected to the export-led strategies associated with NAFTA, is most pronounced in Mexico, where real wages have tended to fall. The uncoupling of productivity growth and wage increases in Mexico meant that in 2001, real hourly wages for manual workers in Mexican manufacturing were 3 percent lower than in 1993, and 1998 wages in the Mexican economy as a whole were 40 percent lower than 1991.[29]

Through constant devaluations, Mexico has been able to hold its manufacturing compensation costs stable relative to the US. Nevertheless, this has not insulated Mexican workers and manufacturers from competitive pressure from China.[30] Mexico's manufactured exports to the US now compete against China, and with China's entry into the WTO, the spectre of low-wage competition has cast a shadow over Mexico.[31] Other jurisdictions, including Central American countries like Nicaragua and Costa Rica, are positioning themselves by offering low wages and attractive government subsidies to compete with Mexican investment sites in advance of hemispheric free trade. Recently, after Puebla strikers prevailed in a strike against Volkswagen, the company threatened to close the Mexican plant and move to China.

Companies in Mexico are therefore demanding subsidies and incentives. In response, employers and politicians have mobilized to push for a liberalization of labour law and industrial policy reforms such as the introduction of free trade zones designed to improve competitiveness, as the country finds ways to compete with China and its entry into the WTO.[32]

In analogous fashion with Mexico's economic liberalization and continental integration on the basis of a weak peso, Canada's strategy of continental integration since the mid-1970s has relied on currency devaluation and relatively cheap labour costs.[33] This has been effective in competition with the United States. Substantial investment in the Canadian auto industry during the 1990s has reinforced the cost competitiveness associated with lower labour costs.[34] However, the 25 % depreciation of the Canadian dollar against the US dollar in the 1990s has underwritten Canada's export success in the US market. The weakness of this strategy has been demonstrated more recently, as the depreciation of the US dollar against other world currencies has pushed up the Canadian dollar (which floats against the US currency) and threatened the competitive position of the Canadian industry.

For auto workers and unions in all countries, insecurity has become seemingly permanent. Non-union competition is a consistent feature of union negotiations over investment, competitiveness and insourcing. Where unionization or otherwise has kept wages up, the risk of a large union premium opening up over non-union production or over the manufacturing average threatens to isolate unionized auto workers.

Work

Finally, there is the largely invisible toll of work. Despite the initial hopes that workers might becoming more empowered under lean production, tasks are closely circumscribed, jobs are heavily loaded, and the pace is very tight, with a growing price for workers.[35] One participant observer spoke to new employees of an Oshawa, Ontario plant that had introduced Synchronous Manufacturing, GM's version of lean production. They had been transferred from another plant GM had decided to close, where they had been able to ›bank‹ time by working up the assembly line before momentarily relaxing.

Rob was called to Oshawa and found himself back on the line, working on radiators in the truck plant. ›You get thirty to thirty-five seconds to do your job, and if you don't do it in that time, the lights flash. They'll come down on you about that,‹ he said. Neal Callahan was called to the truck plant to install bumpers – up to sixty-eight per hour. ›I'm back on the line with a bang, and my brain is fried. I don't think I knew what production work was before this. Jesus, my hands‹… Barry Harvey was working in Oshawa. ›I started doing engine harnesses, and going home in the car I was crying. I said, ›This isn't human.‹ Jack Morgan had been working near him. ›I say hello to him, and he's behind,‹ Barry said.[36]

Competitive pressures have led to a deteriorating quality of working life and work-related injuries that have been increasingly well-documented.[37] Union ergonomic and worktime strategies combat this, but the periodic eruption of wildcats and frustration over the pace of work under lean production testify to the continuing inability of unions to adequately address workers' concerns on the shopfloor. Insecurity, downward pressure on wages and benefits, and constant pressure on work rules and working conditions remain fundamentally linked to the intractable and unresolved problem of competitiveness.

Union Responses

During the crisis of the early 1980s, the UAW maintained the position that cooperation with US automakers' efforts to become more competitive was necessary to save jobs and prevent even greater decline. At the same time, the United Auto Workers presided over and in many respects acquiesced in the rapid deunionization of the auto parts industry and the progressive outsourcing of work from the unionized OEMs.

The union has subsequently been confronted with the consequences of a large cost gap that has opened up between unionized employers and their non-union competition. In the 1990s, the UAW's negotiations with employers addressed the cost gap through a combination of cooperation in bringing costs down and agreeing to downsizing at the unionized companies, and renewed attention to organizing at non-union competitors.[38] In 1996 and 1999 negotiations, for instance, the UAW played a role in negotiating the eventual spin off of captive parts manufacturing from Ford and GM; where the union could not prevent the sale of Big Three operations, the union bargained for successor rights, transfers, and coverage for existing employees under the umbrella GM agreement.[39] Workers at the new plants remained UAW members, and the new companies would have to pay GM level wages and benefits and protect pensions. The companies were given long-term contracts to supply GM, but the new companies would ultimately be expected to compete on their own; for its part, the union wanted a chance to show the new parts companies could be competitive without requiring deep concessions from the union.[40]

As well, the automakers were given the latitude to begin new parts operations (either as joint ventures or otherwise) paying the prevailing wage in a particular area, allowing wages below union rates that would instead be on a par with the area wage or wage for that segment of parts production.[41] The 1996 agreement expanded the union's right to greater advance notice of outsourcing so that it could bid for the work, while also permitting companies to produce parts it was now purchasing from outside at a lower than UAW wage, as low as half existing unionized wages. [42] Combined with the union's restrictions governing allowable workforce reductions, this step was intended to encourage companies to expand parts production at unionized company facilities. This trend toward a reduction of the gap between unionized and nonunion parts compensation continued in the 1999 negotiations, in the agreements at the spunoff plants of GM and Ford's in-house parts making operations.

This permitted GM in particular to reap increased productivity and focus on core competencies, while divesting itself of uncompetitive money-losing operations and allowing it to purchase components from cheaper outside suppliers offshore or locally. In all, outsourcing and downsizing allowed assemblers to reduce their unit labor costs by 0.9 percent each year between 1991 and 1998.[43] Over the decade, the union premium –- the differential between compensation in union and non-union firms –- narrowed, as wages rose faster in non-union parts production and non-union firms moved into higher value-added components production.[44]

The second prong of the union's strategy for addressing the cost gap has been to organize non-union plants in the supplier industry. The UAW has increasingly used bargaining with employers to secure neutrality agreements to facilitate organizing non-union suppliers. The union moved to force the OEMs to push suppliers to remain neutral and allow certification on the basis of card-checks.[45] The UAW has begun to accept markedly lower wages and benefits in parts in exchange for neutrality agreements to recruit additional members, and has involved cooperating with plant closings at the Big Three in exchange for assistance in organizing suppliers.[46]

What this entails for the strength of the UAW is unclear. As the UAW learned in the 1980s, agreeing to concessions or selling collaboration with management undermines the argument for joining a union in the first place. In the 1990s as in the 1980s, the UAW was consistently unable to organize the transplant assemblers in the United States, in part due to its organizing campaigns that marketed the union as a partner with management and a force for competitiveness, drawing on the union's relationship to GM at its Saturn plant.[47] This strategy also confused the message of the union fighting the company on speedup, health and safety, shopfloor favouritism, and other issues, despite the fact that the pace of work, the treatment of injured workers, and pensions were gradually becoming issues at the transplant operations. To be sure, anti-union campaigns played a large role in intimidating workers and the transplants continued to pay high wages (comparable to Detroit) and the companies were expanding, which acted as an outlet for employees' career advancement ambitions. Yet there is a long experience with the weakness of unions that agree to concessions and are unable to represent members' interests. Pensions, health costs remain unsettled, and cast a shadow over 2003 bargaining. This will be controversial, since the stock market bust and very low interest rates have combined to create an unfunded pensions liability crisis.

Canada

The Canadian Auto Workers' position in the concessions and competitiveness crisis of the early 1980s established the section, and later the union, as an important model for rank-and-file reformers and militants in other unions, especially those associated with opposition union caucuses in the United States and other countries. This became the basis for the break with the International union that had been the parent organization since 1937 and the formation of the CAW in 1985. Just as free trade and competitiveness were being adopted by governments around the world, the union attempted to develop a distinctive critique of globalization, the role of the state, and the terrain for contesting capital politically.

In the 1980s, union and labour movement intellectuals continued to attempt to elaborate the critique of competitiveness into a positive program and alternative vision of development for the economy and for the auto industry in particular.[48]

As part of the union's strong philosophical orientation toward social unionism, the union has retained a penchant for progressive and innovative collective bargaining.[49] The union's commitment to reduced work time is one example. The union has made reduced work time a central feature of its response to declining jobs in the industry, expanding time away from work as a way of generating employment and also as a response to the pace of production (while still attempting to deal with ergonomics and work itself).

While the strategy and direction of the union has been the critical component of the CAW's distinctiveness, Canada's economic strategy has facilitated the Canadian union's distinctive strategy toward the auto companies. The weak currency has permitted strong competitiveness of the Canadian industry, even as the Canadian union has been able to resist employers demands for concessions on work rules and the like.[50] The other components of this are socialized health care and other payroll costs. The defeat associated with free trade agreements and the introduction of lean production with a vengeance in the 1990s has challenged the ability of the union to innovate and advance in hard times. Since then the union has moved toward more of a defensive position.

The continuing rank-and-file discontent over the quality of auto work under lean production, despite the union's remarkable achievements in reducing work time, suggest the limits of this response.[51] For unions like the CAW, which have historically been weak in challenging the organization of work on the shopfloor, acting on members' complaints in this area raises a whole set of difficult questions regarding the responsiveness of the union on the shopfloor, the role of stewards, the skills required to successfully organize and carry out shopfloor actions, and the larger democratic space to raise difficult questions about this inside the union.

In the 2002 round, the CAW bargained hard on new investment, placing bargaining for automakers' commitment to invest in Canada front and centre. At DaimlerChrysler the union won a last minute investment from the company (to replace a plant closure) that was originally intended for Mexico (which was eventually postponed). This raised a series of questions, as well as putting pressure on the Ontario and Federal governments to come up with incentives for development.

Like the UAW, the CAW has also begun bargaining with the companies to accept voluntary recognition (recognition of the union with a simple majority expressed through card signing, rather than through a vote which management can then influence).

As the Left in the Canadian Auto Workers acknowledged early on, the strategy adopted in the 1980s anti-concessions fight was an essentially conservative one, but radical in the context of enormous pressure for concessions and partnership. In the 1990s, the CAW has struggled with maintaining a strategy toward industry competition that fights concessions and builds the union. It has been forced into concessions most recently at Navistar and Air Canada where the union has faced employers in financial distress.[52] It has proved difficult internally to challenge the union leadership on these positions, even as the union increasingly finds itself negotiating on the terrain of competitiveness and concessions. In general the union has moved its internal campaign (union education etc.) away from alternative arguments about re-regulating the companies.

Mexico

The neoliberal shift has been especially devastating in Mexico. Economic restructuring since the peso crisis of the early 1980s has been associated with downward pressure on real wages and working conditions.[53] Plant closures of older plants in the centre of the country in the 1980s and the opening of plants in the North coincided with wage cuts and loss of worker autonomy. Companies maximized the advantage of opening new greenfield plants in the North, employing a new workforce comprised of younger and healthy workers with little union tradition or customary work norms, unlike the older sites.[54] Management has introduced measures to increase flexibility – unions in new plants have contracts with weakened protections and rights to participation.

In the export plants in the North, Mexican workers confront low wages, onerous working conditions, and precarious employment.[55] Mobility of capital within Mexico and beyond has strengthened management's leverage over labour in the older plants in the centre of the country, so that even though Mexican workers have militantly confronted lean production and shaped it, capital mobility has allowed management to isolate militant plant unions.

The period between the late 1960s and the later 1970s saw a phase of union democratization movements. Where these succeeded, unions responded more militantly to the restructuring associated with continental integration and restructuring after 1982. Corporatist linked unions accommodated the wage and work rule concessions associated with the opening of the export plants and pressure at the older plants dating from the period of import-substitution industrialization (ISI).[56]

Auto and auto parts have been sectors which have seen particularly promising instances of cross-border cooperation.[57] Substantial hurdles face union efforts to deepen international solidarity between NAFTA countries. Mexico's assembly industry features fragmented union organization and the absence of sector-wide organization. There are no fewer than 12 different unions in the final assembly and engine plants. A minority of auto companies feature national enterprise unions, while most feature plant-level unions. Moreover, most unions are affiliated to the CTM, which has been reluctant to deepen solidarity with North American unions, and are limited by their association with official labour structure. Independent unionism faces tall obstacles in the maquiladoras, where protection contracts are signed by corrupt unions affiliated with the PRI-linked corporatist union movement. Significantly, though, Mexican workers themselves have not been convinced that continental cooperation is in their interests, and the fear and suspicion remains that it might lead to job losses. Mexican corporatism remains an obstacle to advance. UAW and CAW have opted for national strategies and have been reluctant to throw energy and resources into regional bargaining.[58]

Mexico's integration under NAFTA has aggravated its dependent relationship, reversing the inward focused character of import-substitution industrialization, and tying Mexican fortunes closely to the US market. At the same time, the accelerated pace of global restructuring appears to be narrowing the opportunity for export- and foreign-investment-led development for middle-income countries like Mexico. More established labour movements in wealthier, industrialized regions, and earlier waves of global migration of industrial capital to low-wage locations have repeatedly laid the basis for the emergence of new militant and strategically-situated labour movements rooted in expanding mass production. These movements have had success in improving wages and working conditions, as well as playing a major role in the political democratization movements of the twentieth century. However, the competitive pressures presently being exerted on Mexico from China may well be an example of what Beverly Silver calls the »contradictions of semiperipheral success« in which migration of industrial capital to new sites is speeded up due to intensified competition, limiting the ability of the industry to finance stable and generous settlements with labour gives these sites aspects of industrial development without the high wages.[59]

Conclusion: Alternatives?

NAFTA's failure to meet original expectations, or in the case of Mexico and the US, its contribution to greater hardship and insecurity, creates strategic openings for labour. For US workers, after a period of tightening labour markets and finally rising real wages in the 1990s boom, the strong US dollar in the late 1990s and falling import prices have led, according to some estimates, to 2.5 million jobs lost in US manufacturing since 1998.[60] Similarly, in Mexico post-NAFTA per capita GDP growth on average has been below 1 percent, about one-quarter the pace between 1960 and 1980.[61] Even in the Canadian case, NAFTA has failed to fulfill the claims made for it. Canada has enjoyed a share of the 260 percent increase in US merchandise imports between 1987 and 2002, witnessing a nearly equally dramatic increase in exports to the US, 40 % of which has been energy products and automotive goods.[62] However, its share of US imports has been under pressure since the advent of NAFTA, and Canada has been unable to capitalize on its position as privileged exporter to the US, seeing its FDI balance with the rest of the world deteriorate.[63] As other countries gain access to and compete in the US market, the pressure increases in Canada to move toward ever deeper integration with the US to retain an edge.

The question of what alternative for continental development might exist, and how to pursue, are much more difficult questions.[64] Imposing controls on capital is one requirement, as part of demands for a managed trade regime that implements rough production-to-sales ratios for individual countries within a North

American context that also attempts to lift Mexican wages and provide security against China. Forcing NAFTA back onto the political agenda and demanding the right to enforce performance requirements on capital as a right of development is a necessary component of this demand. Presently, this is beyond the pale of much neoliberal and social democratic thinking in the state, unions and political life, both of which have come to accept globalization and are prepared only to seek a supply-side role for government to ensure competitiveness, investment and employment. It is most vociferously opposed by state managers, and by business.

A strategy for organizing the unorganized and bringing low-wages up across the continent (and especially in Mexico) is needed. Managed trade is an important part of this. A concerted, well-funded and coordinated organizing crusade is required. Unions are increasingly turning to voluntary recognition agreements with employers; these can work in some instances, but it is ultimately a limited strategy. Also leaves in place the problem of imports. In general, a continental campaign to organize the unorganized in the parts sector, together with a serious effort to put NAFTA pack on the agenda, would require bold action from the auto unions. It would also require being part of larger struggles around labour law inequities and similar social justice struggles so auto unions wouldn't be isolated.

Second, there is a need simply to regain strategic and ideological clarity about competitiveness and trade unions' relation to it. What the labour movement is presently missing, having been forced on the defensive and to defend its gains against erosion, is something to fight for. In this sense, there is a pressing need to reinvigorate an alternate view which begins from the understanding that competitiveness is antithetical to workers' interests and that a strategic vision that contests the logic of competitiveness and replaces it with one of solidarity and development against the logic of the market is necessary. This in turn requires a strategic outlook that soberly understands competitiveness as a real constraint on the development of workers' capacities and building militant and democratic unions and institutions that aim at replacing competitiveness with development goals that strengthen workers' capacities, among other things, to continue to resist.

The CAW has historically approached investment pressures from the companies in a more concerted and united fashion than the UAW. Nevertheless, it is bargaining for investment from a difficult position. This understanding and outlook has to form the basis of thinking about building the union, about strengthening workers and union activists, and about working with other social forces to put alternatives on the agenda to oppose the Right. It is also seriously on the defensive in terms of mobilizing and responding to the difficult position it is in.

Critically, the road to alternative economic development strategies for auto in North America begin with the democratization and transformation of the industries' unions. The crisis of union economic development strategies has been closely tied up with the decline of working class politics in the face of neoliberalism, and the inability to design alternative working class vehicles to mobilize political pressure and press for changes in trade and investment policy. There have been steps in this direction, with the effort to push the union from social unionism to social movement unionism, linking internal democratization efforts (confronting right-wing sentiment inside the union) with the anti-globalization ferment outside the union itself. As well, unions retain significant resources to shape the direction of restructuring. Unions in the auto industry also retain important workplace power deriving from close interdependencies of the supply chain and just-in-time delivery.[65] This has had some important successes, but the union has a great distance to travel to overcome bureaucratization. The UAW is more paralyzed in this respect, and the Mexican labour movement remains authoritarian and undemocratic in key ways. Virtually everywhere, after years of neoliberalism, unions and leadership in North America are feeling defeated and on the defensive, and perhaps unprepared to press the attack against the entire neoliberal project. Yet the alternative to devising new ways forward, for North American auto unions as with all unions, is invariably retreat.

Endnotes

1 In the United States, Robert Reich, Secretary of Labor in the Clinton Administration, envisioned free trade as part of a strategy to create jobs, raise skills and compete with low-wage countries; see Robert B. Reich, *Locked in the Cabinet* (New York: Alfred A. Knopf, 1997). Also see Stephen Herzenberg, »Calling Maggie's Bluff: the NAFTA Labor Agreement and the Development of an Alternative to Neoliberalism,« *Canadian-American Public Policy* 28 (December 1996), and in Canada, Ontario Premier's Council, *People and Skills in the New Global Economy* (Toronto: Premier's Council, 1990).

2 As articulated in the preamble to the *North American Agreement on Labor Cooperation between the Government of the United States of America, the Government of Canada, and the Government of the United Mexican States*, September 13, 1993.

3 For instance, Michael J. Ferrantino, »Evidence of Trade, Income, and Employment Effects of NAFTA,« *Industry Trade and Technology Review*, United States International Trade Commission (December 2001); United States Congressional Budget Office, *The Effects of NAFTA on U.S. Mexican Trade and GDP* (Washington, DC: CBO, 2003). Under NAFTA, the provisions of the 1989 Mexican Automotive Decree setting out domestic content and trade balancing requirements, and production minimums would be phased out over a ten year transition period, before finally ending on January 1st, 2004.

4 David Robertson, »External and Internal Labour Markets: Some Union Observations,« presentation to 'The Auto Industry in the 21st Century: Challenges and Prospects,' Conference, Ottawa, April 10th, 2003.

5 John Holmes, »From Three Industries to One: Towards an Integrated North American Automobile Industry,« in Maureen Appel Molot, ed. *Driving Continentally: National Policies and the North American Auto Industry* (Ottawa: Carleton University Press, 1993), pp. 31-32.

6 Holmes, »From Three Industries to One.« For a treatment of the auto negotiations around NAFTA, see Maryse Robert, *Negotiating NAFTA: Explaining the Outcome in Culture, Textiles, Autos, and Pharmaceuticals* (Toronto: University of Toronto Press, 2000), chapter 5.

7 Isabel Studer-Noguez, *Ford and the Global Strategies of Multinationals: the North American Auto Industry* (London: Routledge, 2002).

8 Enrique Dussel Peters, »Effects of Export-led Growth on the Structure of Mexican Industrial Production,« in John Bailey, ed. *US-Mexican Economic Integration: NAFTA at the Grassroots* (Austin: Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, 2001); Huberto Juárez Núñez, »*Maquila* Workers in Mexico: The Prospects for Organization and International Solidarity,« *Labor History* 43:4 (2002).

9 Ninety percent of Mexican manufacturing exports (amounting to 22.7 % of GDP) depended on the US market, while 85 % of Canadian exports accounting for 43 % of GDP went to the US. Bruce Campbell, *Managing NAFTA*; Banamex, *Review of the Economic Situation of Mexico*, March 2003.

10 Since 1994, the share of the North American market held by the Big Three has fallen from 73 percent to 61.3 percent in 2002. Micheline Maynard, »U.S. Carmakers Losing Ground to Imports

Despite Deals,« *New York Times* 24 October 2002; Ed Garsten and Mark Truby, »Carmakers Scramble for Sales,« *Detroit News* 9 March 2003.

11 Brian Corbett with Alisa Priddle and Drew Winter, »Southern Hospitality,« *Ward's Auto World* August 1, 2002.

12 Kenneth Thomas, *Capital Beyond Borders: States and Firms in the Auto Industry, 1960-94* (New York: St. Martin's Press, 1997); Industry Canada, Aerospace and Automotive Branch, *U.S. State Programs for New Investments*, December 3, 2002. This is despite the fiscal crisis that is current gripping US state governments.

13 The notion of excess capacity is a somewhat nebulous and elastic concept, since capacity is more flexible than one would think (given the record amounts of overtime being worked in the 1990s and three-shift production schedules). However, the capacity to produce at straight-time shifts continues to outstrip demand, not only in assembly but in the parts industry as well. The US Office of Automotive continues to estimate world-wide overcapacity at 20 million units or 80 assembly plants, a condition that is likely to persist (Office of Automotive Affairs, Transportation and Machinery, International Trade Administration, U.S. Department of Commerce, *The Road Ahead for the US Auto Industry*, 2003, p. 10). In addition, overcapacity remains a problem in the independent parts manufacturing sector.

14 Neil De Koker, »An Automotive Industry Outlook From the Suppliers' Perspective,« address to Society of Automotive Analysts, Marriott Renaissance Center, Detroit, Michigan, January 7, 2003.

15 According to the head of the US independent parts suppliers association, suppliers now take on two-thirds of the capital investment and provide two-thirds of the content of the vehicle (Ibid.). Of late, this has led to misgivings among OEMs over the transfer of engineering and technical expertise to suppliers. See Tom Murphy, »Insourcing,« *Ward's Auto World*, May 1, 2003.

16 Dave Guilford, »GM Cost-Cutting Wins Market Muscle,« *Automotive News*, 6 May 2002.

17 As part of its intentions to reduce its supply base, suppliers like Visteon have begun to consider granting business in exchange for a low price and payment of the first-year price reduction and pre-payment of a share of each future yearly reduction over the life of the contract. Rhoda Miel, »Visteon Demands Advance Payments,« *Automotive News*, 24 February 2003.

18 Robert Sherefkin, »DCX Mandate: 'World Prices,'« *Automotive News* June 16, 2003; Sarah A. Webster, »Chrysler Steps Up Effort to Cut Costs,« *Detroit News* 17 June 2003,

19 De Koker, »An Automotive Industry Outlook From the Suppliers' Perspective.«

20 Perhaps indicative was a panel discussion featured at the March 2003 Society of Automotive Engineers world congress in Detroit entitled, »17 Million Vehicles – Where's the Profit?«

21 Susan Helper, »Auto Parts Manufacturers: Why Are They Still in the MidWest?« Presentation to International Research Network on Autowork in the Americas conference, Hamilton, Ontario, November 2000; Thomas Klier.

22 Kate Bronfenbrenner, *Uneasy Terrain: The Impact of Capital Mobility on Workers, Wages, and Union Organizing*, submission to the U.S. Trade Deficit Review Commission, September 2000.

23 [for the first six months of 2002; calculated Industry Canada semi-annual circular]

24 UAW, »Union Representation and Earnings in the Auto Industry,« *Jobs, Pay, and the Economy* (January/February 2001); Joe Miller, »UAW's Ranks Fall As Economy Sinks,« *Detroit News* 25 April 2001.

25 Lindsey Chappell, »Sad State of the Union: As Foreign Automakers Build U.S. Plants, the UAW Struggles to Organize Workers,« *Automotive News International*, June 2001; Mike Hudson, »UAW ranks sink 10 % in 2002,« *Detroit News* 25 April 2003.

26 Stephen Herzenberg, *Toward a Cooperative Commonwealth? Labor and Restructuring in the U.S. and Canadian Auto Industries,* unpublished Ph.D. thesis, Massachusetts Institute of Technology, 1991.

27 Charlotte Yates, »Mergers, Organizing and Collective Identity: The CAW at the Crossroads,« in Mercedes Steedman, Peter Suschnigg and Dieter Buse, eds. *Hard Lessons: The Mine Mill Union in the Canadian Labour Movement* (Toronto: Dundurn Press, 1995); Charlotte Yates, »Unity and Diversity: Challenges to an Expanding Canadian Autoworkers' Union,« *Canadian Review of Sociology and Anthropology* 35 (1998).

28 Herzenberg, »Calling Maggie's Bluff«; Bruce Campbell, *From Deep Integration to Reclaiming Sovereignty: Managing Canada-U.S. Economic Relations Under NAFTA*, Canadian Centre for Policy Alternatives, May 2003; Sam Gindin and Jim Stanford, »Canadian Labour and the Political Econo-

my of Transformation,« in Wallace Clement and Leah Vosko, eds. *Changing Canada: Political Economy as Transformation* (Montreal: McGill-Queen's University Press, 2003). The reasons why competitiveness pressures have broken this link are explored in Dick Bryan, »National Competitiveness and the Subordination of Labour: An Australian Policy Study,« *Labour & Industry* 11:2 (2000).

29 David Bradley, *Trade and Pennsylvania* (Harrisburg, PA: Keystone Research Center, 2002), p. 5.

30 Ralph Watkins, »Mexico Versus China: Factors Affecting Export and Investment Competition,« United States International Trade Commission *Industry Trade and Technology Review*, July 2002.

31 As it has over Canada; Greg Keenan, »Big 3 Squeeze Parts Makers,« *Toronto Globe and Mail*, 28 April 2003.

32 »Delphi, COPARMEX Warn Government on Investment Uncertainties,« *Maquilaportal.com*, May 7th, 2003; Dan La Botz, »Fox Presents Anti-Worker Labor Reform to Legislature,« *Mexican Labor News and Analysis*, 7:10 (December 2002).

33 See Glen Williams, *Not for Export,* third edition (Toronto: McClelland and Stewart, 1994).

34 Jim Stanford, »A Success Story: Canadian Productivity Performance in Auto Assembly,« Centre for the Study of Living Standards, Conference on the Canada – U.S. Manufacturing Productivity Gap, Ottawa, Ontario, January 21-22nd, 2000.

35 James Rinehart, Chris Huxley, and David Robertson, *Just Another Car Factory?* (Ithaca, NY: ILR Press, 1997); James Rinehart, »Transcending Taylorism and Fordism? Three Decades of Work Restructuring,» in Rick Baldoz, Charles Koeber and Philip Kraft, eds. *The Critical Study of Work: Labor, Technology, and Global Production* (Philadelphia: Temple University Press, 2001).

36 Solange De Santis, *Life on the Line: One Woman's Tale of Work, Sweat, and Survival* (New York: Doubleday, 1999), p. 270. Subsequently, conditions at the GM complex have continued to deteriorate; Pradeep Kumar, »In Search of Competitive Efficiency: The General Motors of Canada Experience with Restructuring,« in Anil Verma and Richard Chaykowski, eds. *Contract and Commitment* (Kingston, ON: Industrial Relations Centre, Queen's University, 1999).

37 David Fairris, »Lean Production and Workplace Health and Safety,« in Steve Babson and Huberto Juárez Núñez, eds. *Confronting Change/Enfrentando el Cambio* (Puebla: Benemerita Universidad Autonoma de Puebla, 1998); David Fairris and Mark Brenner, »Workplace Transformation and the Rise in Cumulative Trauma Disorders: Is There a Connection?« *Journal of Labor Research* 22:1 (2001); Wayne Lewchuk, Paul Stewart, and Charlotte Yates, »Quality of Working Life in the Automobile Industry: A Canada-UK Comparative Study,« *New Technology, Work and Employment* 16:2 (2001).

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39 *Detroit News* 28 August, 10 October, 5 November 1996.

40 *Automotive News* 17 February, 7 April 1997, 19 October, 16 November 1998, 27 September 1999, 25 December 2000; John McElroy, »Miracles in the Heartland,« *Automotive Industries* (June 1995); *Industry Week* October 6, 1997; Greg Gardner, »A Ray of Hope from Tonawanda,« *Ward's Auto World* (September 1996); »This Changes Everything,« *Ward's Auto World* (April 1997); »Buick City's Demise,« *Ward's Auto World* (June 1997); Said Deep, »Labor Talks 1999: Unrest or Lovefest?« *Ward's Auto World* (July 1999).

41 *Automotive News* 23 September 1996; Anonymous, »Ford-UAW Pact Won't Reverse Trend Toward Outsourcing,« *Ward's Auto World* (October 1996); John Lippert, »Suppliers Are the Target,« *Ward's Auto World* (July 1996); Sean McAlinden, »Levelling the Playing Field,« *Ward's Auto World* (March 1997); Jane Slaughter, »Overlooking Outsourcing,« *Multinational Monitor* (December 1996); Sean McAlinden, »Issues in Big Three-UAW Local Plant Negotiations: Heavy Weather Ahead,« *Automotive Manufacturing & Production* (August 1997).

42 *Automotive News* 31 July 1995; 30 September 1996; 3 February, 24 November 1997.

43 US Department of Labor, *Report on the American Workforce 1999* (Washington: Bureau of Labor Statistics, 1999), p. 12.

44 The union premium fell from 85 to 59 percent over 1990s, and the auto industry earnings premium (average hourly wages in auto assembly over general manufacturing) also peaked in 1994, before falling to 1999. UAW, »Union Representation and Earnings in the Auto Industry,« *Jobs,*

Pay, and the Economy (March/April 2000); Sean McAlinden, »The Cost of Productivity: Big 3 Automotive Labor Relations,« Chicago Federal Reserve Conference, Spring 2002.

45 For instance, in June 2002, Johnson Controls agreed to a deal that ended a 2-day strike at 4 factories interfering with GM and DC production. The company agreed to card-checks and non-interference in UAW efforts to organize 8,000 employees at 26 plants. John Gallagher, »UAW Claims a Victory in Quick Strike,« *Detroit Free Press*, 15 June 2002; Ed Garsten, »Strike Settlements a Victory for New UAW President,« *Detroit News* 15 June 2002. The union has continued to pursue this strategy effectively; Sarah A. Webster, »UAW Wants Freightliner,« *Detroit News*, 6 May 2003.

46 Jeffrey McCracken, »UAW May Consider Plant Closings,« *Detroit Free Press* 16 May 2003; John Lippert, »Union's Trade-Off,« *Seattle Post-Intelligencer* 19 May 2003.

47 *Automotive News* 28 August 2000, 3 September, 4 October 2001; *Detroit News* 5 October 2001. The union first tried to organize Nissan's Smyrna, Tennessee facility in 1989 (the election was lost by more than two to one), and a second attempt in 1997 was called off (as was a third in 2000). The union lost another vote there in October 2001, again by a two-to-one margin. The UAW also failed to organize the Mercedes-Benz plant in Alabama and Toyota's Georgetown Kentucky plant in 2000.

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49 Sam Gindin, *The Canadian Auto Workers: Birth and Transformation of a Union* (Toronto: James Lorimer, 1995).

50 John Holmes and Anthony Rusonik, »The Break-Up of an International Labour Union: Uneven Development in the North American Auto Industry and the Schism in the UAW,« *Environment and Planning A* 23 (1991); Donald Wells, »When Push Comes to Shove: Competitiveness, Job Insecurity and Labour-Management Cooperation in Canada,« *Economic and Industrial Democracy* 18:2 (1997).

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52 Tony van Alphen, »Navistar Workers Okay Concessions to Save Plant,« *Toronto Star*, 14 May 2003.

53 See for instance John T. Morris, »Economic Integration and the Transformation of Labor Relations in the Mexican Automotive Industry,« in John Tuman and John T. Morris, eds. *Transforming the Latin American Automobile Industry* (Armonk, NY: M.E. Sharpe, 1998).

54 Morris, »Economic Integration and the Transformation of Labor Relations in the Mexican Automotive Industry.«

55 John P. Tuman, *Reshaping the North American Automobile Industry: Restructuring, Corporatism, and Union Democracy in Mexico* (London: Continuum, 2003).

56 Ibid.

57 Barry Carr, »Labour Internationalism and the North American Free Trade Agreement,« in James Goodman, ed. *Protest and Globalisation* (Halifax: Fernwood, 2002); Dale Hathaway, *Allies across the Border: Mexico's Authentic Labor Front and Global Solidarity* (Cambridge, MA: South End Press, 2000); and the collaborative essay by members of Pastoral Juvenil Obrera, »The Struggle for Justice in the Maquiladoras: The Experience of the Autotrim Workers,« in Timothy A. Wise, Hilda Salazar and Laura Carlsen, eds., *Confronting Globalization: Economic Integration and Popular Resistance in Mexico* (Bloomfield, CT: Kumerian Press, 2003). Also see Donald Wells, »Building Transnational Coordinative Unionism,« in Steve Babson and Huberto Juárez Núñez, eds. *Confronting Change/Enfrentando el Cambio* (Puebla: Benemerita Universidad Autonoma de Puebla, 1998).

58 Tuman, *Reshaping the North American Automobile Industry*.

59 Beverly J. Silver, *Forces of Labor: Workers' Movements and Globalization since 1870* (Cambridge: Cambridge University Press, 2003), p. 79. See also Giovanni Arrighi, Beverly J. Silver, and Benjamin D. Brewer, »Industrial Convergence, Globalization, and the Persistence of the North-South Divide,« *Studies in Comparative International Development* 38:1 (2003).

60 Robert A. Blecker, *The Benefits of a Lower Dollar*, Economic Policy Institute, 2003, p. 2.

61 Dean Baker, *Economic Reporting Review*, Center for Economic Policy Alternatives, May 19, 2003.

62 Jim Stanford, *Canada's Economic Role in North America: Evaluating the Impacts of Integration, And Considering the Next Steps*, Submission to the Standing Senate Committee on Foreign Affairs, Ontario, Canada, April 2003, p. 3.

63 Jacqueline Thorpe, »Canada Gives Back NAFTA Gains,« *Financial Post*, 19 October 2002.

64 For some proposals, see Sam Gindin, »Internationalism Beyond Slogans: Concretizing Working Class Solidarity,« address to the International Research Network on Autowork in the Americas (IRNAA) Conference, Hamilton, November 9-10, 2001; and Stephen Herzenberg, »Regulatory Frameworks and Development in the North American Auto Industry,« in Frederick Deyo, ed. *Social Reconstructions of the World Automobile Industry* (New York: St. Martin's, 1996).

65 Andrew Herod, »Implications of Just-in-Time Production for Union Strategy: Lessons from the 1998 General Motors-United Auto Workers Dispute,« *Annals of the Association of American Geographers* 90:3 (2000).