British cars. The real issue is that Japan today has better, more modern plant and equipment as a result of the country's capital investment policy and the freedom from domestic versions of Paul Volcker interest-rate policies. Japan produces almost one-and-a-half times as many cars per worker as America. At Nissan Motor's Zama plant, which has 50 robots, 160 workers turn out 800 units a day—the highest level in the world—even though each worker is given two 10-minute coffee breaks and a 1-hour lunch break.

The U.S. auto industry was first crippled by the environmentalist movement, which demanded unsafe safety standards—smaller cars result in more accidents and of greater severity—and then by the two oil shocks during the 1970s. Even though the auto industry spends a huge amount for plant and equipment—$100 billion for the decade of the 1980s—much of it is diverted into environmental standards, not basic production techniques.

The danger of the U.S. auto industry's moving abroad is not that auto production someday should not take place elsewhere, but that the United States is not moving simultaneously up the technological ladder of production—to producing fusion plants, cryogenic plants, monorail plants, etc.

What GM, which is essentially run by the Mellon and Morgan banks, has in mind for U.S. auto is indicated by the story of GM's Hyatt plant in Clark, New Jersey, which has been "sold" to the workers, and opens "under new management" Nov. 2 (see page 8), with cuts in pay, workforce, and seniority.

Earlier this year, workers at Ford's Dearborn, Michigan steel plant agreed to a cut in incentive pay, and workers at a Ford stamping plant in Cleveland, Ohio and at a parts plant in Monroe, Michigan have agreed to certain productivity-related changes in local work rules.

Chrysler Motor Company has already gotten the UAW to agree to a profit-sharing plan, in which the workers took large pay cuts and givebacks, totaling $450 million, in return for a hoped-for piece of the profits sometime later. GM and Ford have explicitly asked for this arrangement from the UAW and are prepared for a long strike, according to sources at Chase Econometrics.

GM's strategy, which was first enunciated by GM chief economist and New York Council on Foreign Relations board member, Marina von Neumann Whitman, will not work. If the top auto-maker does achieve its objective, which is nothing short of breaking the union, it will simply contribute to the lowering of living standards in the United States in the way Fed Chairman Paul Volcker has persistently proposed. At continued falling wage-levels, the consumer demand for cars will not exist, regardless of where they are produced.

## GM'S HYATT PROJECT

# 'If you can't sell cars, sell labor the plant'

by Leif Johnson

On Monday, November 2, 800 workers at the former Hyatt-General Motors bearing plant in Clark, New Jersey will re-enter the plant both as new employees and new "owners." In a buyout by the employees that has taken more than a year to negotiate, GM succeeded in liquidating a plant that makes obsolete bearings, and adding to its own cash flow, while taking tax losses carried forward and achieving unprecedented wage and benefits givebacks.

The workers have accepted a 30 percent wage cut, pledged a 50 percent "productivity" increase (although new machinery will not be provided), abolition of seniority, and the attrition of half the workforce. The remainder bears responsibility for servicing the $60 million new debt which was incurred in purchasing the plant from GM. Still being members of the union, workers will continue dues payment.

The workers will not own the factory directly. The Employee Stock Ownership Trust (ESOT) will be run by a board of directors, of which three members will be chosen by the union, three by the lenders, and three by the management. The management group will be headed by C. D. Howell, a social-engineering specialist from Arthur D. Little, Inc., the Boston-based de-industrialization consultants.

General Motors' good fortune was relatively easily achieved. Since the mid-1960s, the company has been divided into an assembly division and a parts-supplier division. While the company kept the assembly division intact, it has contracted out much of its parts supply. Most of the suppliers, whether domestic or foreign, have been set into desperate competition against each other. As the whole auto industry dissolves, the competition increases, and supply-company managements search for cost-cutting devices—primarily wage cutting.

GM President Roger B. Smith recently declared that "just as GM has to compete with the Japanese auto companies as if they were right across the street, so does our worker have to compete with the Japanese worker as though he lived across the street."

GM informed Hyatt's union, Local 736 of the United Auto Workers (UAW), in March 1980 that it would close the plant. The union argued that management should diversify production at the plant, since the tapered bearings being produced are for rear-wheel-drive cars that are being gradually phased out. GM responded that it would put no new capital into the plant, but would search for a buyer.

Prospective buyers came and sniffed, disparaged the largely obsolete equipment, and left.

According to the union leadership, the idea for employee ownership was its own. James Zarello, Local 736's Chairman, claims that "sometime in the summer, Jim May [the Local's President] and I were discussing this problem, and we read an article in the *New York Times* about an employee buyout of a company in Iowa. We had to do something to preserve our jobs. Some of the men thought GM was bluffing, but I had watched them close plants all over the place."

The union was then led through a set of meetings with top de-industrialization consultants by Alan V. Lowenstein, an attorney in Roseland, New Jersey. Lowenstein had created an ESOT for the Paterson, New Jersey Okonite plant five years earlier when that corporation informed its workforce that it would close. Lowenstein also had the contacts to put together the $25 million mortgage loan from Prudential Life Insurance Company, $15 million revolving credit from Fidelity Bank, and $10 million in federal grants. The remaining $20 million was subscribed by GM in a block of 100,000 non-voting preferred shares, although Prudential and Fidelity have the option of converting their loans to voting equity, and also have three members on the new board of directors.

The union leadership met with the New York- and London-based McKinsey and Company, and with Booze, Allen Hamilton, finally choosing Arthur D. Little (ADL) to make a $90,000 feasibility study. The study and additional legal fees were paid by a subscription of $100 each from 1200 of the plant's 1600 workers. The ADL study said that the plant, which had been carried on GM's books for several years as a losing operation, could be made profitable if the employees would accept large pay and benefit cuts and take on Douglas Howell, the study director at Arthur D. Little, as the company's new President.

According to Howell, "we gave jobs to those who gave money to the Job Preservation Committee—a contribution that many union members would not make because they knew it would involve pay cuts—and to those we thought were skilled. Technically we are a new corporation, so we hire who we want, so that eliminated seniority."

Of the former 1,600-man workforce, 950 applied to be re-hired, of which 800 will be selected. Four hundred will retire while many of the remainder will seek to use their seniority at other GM plants in the area. The union had warned these workers that they would be unsuccessful because the other plants have been hit by heavy layoffs.

Howell is most concerned about changing employee "attitudes" to achieve the plant goal of producing as much with two shifts as was previously produced in three.

"All the workers will be sent to classrooms to learn about the new attitudes," Howell explained. "We will develop a pride about the plant. For example, we'll have a cleanup day on a Saturday, for which I'll ask the workers to come in voluntarily and we'll scrub the plant. I'll be like everyone else, and wear my overalls.

"I'll also be writing a newsletter once every two weeks, telling everyone how they are doing, what they are not doing correctly and so on."

Howell describes the Clark buyout as one of the most advanced "Quality of Work Life" experiments. "Quality of Work Life is my religion. I live and breathe it."

The purpose of Quality of Work Life is to convince employees that compensation is not as important as the "quality" of work and the right to make decisions about work, to have group discussions about production procedures, and to take financial responsibilities. Instead of having the company impose pay and benefit cuts, workers will be trained to do it to themselves.

Once in the ESOT, workers cannot pull out until they retire, since the ESOT is a trust, rather than direct ownership. According to Howell, "No worker gets any of his equity until he retires. He gets some pay bonuses based on productivity and some small profit-sharing during the year, but no ownership shares until he retires."

Many workers were convinced to accept ESOT to protect their pensions, not merely their present jobs. One 49-year-old worker told reporters last week that with 18 years at the plant he was only 6 years from GM's early retirement. Of course, his retirement benefit will be affected by the pay cut which chopped his salary from $12 to $9.25 an hour. As this worker put it, "We're in a bind."

This "bind" is the controlled environment sought by the "Quality of Work Life" labor controllers. The 29-member International Council for the Quality of Working Life meeting recently in Toronto, Canada and representing top-level psychological-warfare experts of the London Tavistock Institute and the Organization of Economic Cooperation and Development, the controlling body of NATO, have constituted a World Association for the Quality of Work and Life. According to Basil Whiting, Executive Director of the Michigan Quality of Work Life Council, "They decided it was time to take it out of the hands of the monks and give it to the practitioners." Their actual intent is being demonstrated today in Clark, New Jersey.