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FM WASHINGTON 030020Z MAR  
TO ROUTINE FCO  
TELEGRAM NUMBER 694 OF 2 MARCH 1982.

USA

U.S. UNIONS ACCEPTANCE OF WAGE FREEZE

1. IN WHAT COULD BE IMPORTANT PRECEDENTS, THE FORD MOTOR COMPANY AND THE ROAD HAULAGE INDUSTRY HAVE AGREED WITH THEIR UNIONS NEW CONTRACTS WHICH FREEZE BASIC WAGES. THE FORD AGREEMENT IS EXPECTED TO SAVE THE COMPANY DOLLARS 1 BILLION OVER THE 31 MONTHS OF THE CONTRACT. THE SAVINGS WILL BE MADE THROUGH A FREEZE ON WAGES AND DEFERRING COST OF LIVING INCREASES. THE WORKERS ALSO AGREED TO GIVE UP NINE DAYS OF HOLIDAYS. IN RETURN THE COMPANY WILL NOT PROPOSE TO CLOSE ANY NEW FACTORIES. LONG SERVICE EMPLOYEES ARE GIVEN A GUARANTEE OF HALF PAY IF LAID OFF. AT TWO PLANTS THE COMPANY WILL INTRODUCE A GUARANTEED LIFETIME EMPLOYMENT.

2. MORE THAN 600,000 FORD WORKERS ARE NOW UNEMPLOYED AND CURRENT SALES ARE DOWN TO 1947 LEVELS. IN THIS DEFENSIVE POSITION THE UNION HAD TO CONCEDE A NUMBER OF SIGNIFICANT CONDITIONS. THE UNION ORIGINALLY SAW THE NINE PERSONAL HOLIDAYS AS THE FIRST STAGE TOWARD THE FOUR DAY WEEK. THE UNION HAS ALSO GIVEN UP THE INCREMENTS FOR ITS RETIRED MEMBERS WHICH IT SAW AS A STEP TOWARDS INDEXED PENSIONS. WHILST THE AGREEMENT WILL GO SOME WAY TOWARDS REDUCING PRODUCTION COSTS, SOME ANALYSTS HAVE QUESTIONED THE GENERAL FOCUS OF ATTENTION IN THE NEGOTIATIONS. PRODUCTIVITY IS A CENTRAL PROBLEM FOR THE U S CAR INDUSTRY BUT THE AGREEMENT DOES NOT DEAL WITH THE ISSUE. THERE ARE GROUNDS FOR BELIEVING THAT THE AGREEMENT COULD RESTRICT THE COMPANY'S FLEXIBILITY AND MAY INHIBIT PRODUCTIVITY IMPROVEMENT.

3 WITH THE FORD NEGOTIATIONS SETTLED, THE UNION IS NOW TURNING ITS ATTENTION TO AMERICAN MOTORS AND GM. BOTH COMPANIES HAVE ASKED FOR THEIR CONTRACTS TO BE REOPENED.

4. THE ROAD HAULAGE INDUSTRY TODAY SETTLED ITS NEW NATIONAL AGREEMENT WITH THE TEAMSTERS UNION. THE CONTRACT HOLDS BASIC WAGES AT THE PRESENT LEVEL FOR 37 MONTHS. COST OF LIVING INCREASES WILL BE PAID ANNUALLY BUT ANY NEEDED SUPPLEMENTS TO THE PENSION AND HEALTH FUNDS WILL BE TAKEN FROM THE COST OF LIVING ADJUSTMENTS.

5. WITH THE MOST POWERFUL U S UNION AND ITS MOST INNOVATIVE ONE BOTH MAKING CONCESSIONS THE TREND COULD PROVE SIGNIFICANT.

6. PLEASE PASS COPY TO CAPELLA, DEPARTMENT OF EMPLOYMENT.

HENDERSON

[THIS TELEGRAM WAS NOT ADVANCED]  
[COPIED AS REQUESTED]

FCO/WHITEHALL

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