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# Autoworkers at the Top of Automakers: What's Next?

The United Auto Workers union now owns parts of GM and Chrysler. Management must adapt to avoid what happened at United Airlines

By Dean Foust

Union workers at Chrysler and General Motors (GM) have long lamented that they could run the automakers better than management. Now they'll get their chance—to a degree, at least. But if the experience of workers at other companies— such as United Airlines (UAUA), where employees also made financial concessions in exchange for equity and a larger voice in operations—serve as any guide, auto workers should be careful what they wish for.

Under the terms of the government's bailout of the two troubled automakers, union workers at Chrysler will gain 55% ownership in return for reducing by half the automaker's $10.6 billion obligation to the United Auto Workers' retiree health-care fund. Similarly, UAW members will own 39% of General Motors through a deal that allows GM to use stock instead of cash to fund half of its $20.4 billion obligation to the UAW's retiree health-care fund.

While there are no guarantees that the automakers will survive their current downward spirals, UAW leaders clearly feel they had no good alternatives. "We fought to maintain our wages, our health care, and our jobs," UAW President Ron Gettelfinger said in a letter to workers. "In the face of adversity, we secured new product guarantees and we negotiated new opportunities for UAW involvement in future business decisions."

## CAN AUTOMAKER MANAGEMENT ADAPT?

Those very words could have been spoken by union leaders at United Airlines in 1994, when management and workers at the Chicago-based company struck a similar deal to bring the carrier back from the brink of financial crisis. In exchange for $700 million in wage concessions, workers for key union groups received three board seats and a 55% ownership stake in the form of an employee stock ownership plan.

What happened at United over the following decade could provide valuable lessons to the workers at Chrysler and GM. The biggest key? Whether management at the automakers motivates workers to buy in to the turnaround and gets them to act as owners. "If the [companies] see this as just financing engineering and don't adapt their management style, then [unions] are just going to behave the way they always did," says Charles O'Reilly, the Frank E. Buck Professor of Management at Stanford University.

In the first year out of the gate, the new management-labor partnership at United looked like a winner for all parties. The airline made the most of its new ownership structure: United encouraged customers to "fly our friendly skies," and callers to its reservation system were told that "one of our owner-representatives will be with you shortly." But the changes went beyond slogans. The union-influenced board quickly replaced polarizing CEO Stephen Wolf with Gerald Greenwald, a former auto executive who vowed to give workers a greater voice in making decisions. Indeed, workers from across the airline were brought together in new "best of business" teams that generated tens of millions of dollars in cost savings across the system. With United's historically disenfranchised workers suddenly feeling—and acting—like owners, the number of formal grievances dropped by nearly three-quarters, and absenteeism and workers' compensation claims fell as well. Buoyed by the strengthening economy, United's shares more than tripled over the next several years—boosting the value of those ESOP shares by more than $2 billion.