

## **Honda and UAW Clash Over New Factory Jobs**

October 10, 2007, Neal E. Boudette, Wall Street Journal

When Honda Motor Co. announced last year that it was building a new plant amid the farms of southeastern Indiana, Hoosiers cheered. Then Honda announced in August that only people living in 20 of the state's 92 counties could apply for jobs -- a move that excluded most of the state's thousands of unionized laid-off auto workers.

Foreign car companies have added U.S. plants and created new jobs -- but they've kept workers with UAW memberships out of their factories.

Honda's unusual hiring restriction highlights an often overlooked aspect of the United Auto Workers union's declining power. While Detroit's big auto makers and their unionized suppliers have been slashing jobs, wages and benefits, foreign car companies have added U.S. plants and created thousands of new automotive jobs. Yet they have effectively kept auto workers with UAW membership cards out of their factories, hampering the union from gaining any foothold where the jobs are.

Of the 33 auto, engine and transmission plants in the U.S. that are wholly owned by foreign companies, none have been organized by the UAW, despite repeated attempts. Mainly, foreign auto makers have located plants in Southern states where the UAW has little presence and where right-to-work laws limit union power. When they have ventured into Northern states such as Indiana and Ohio, they have mostly chosen rural locations far from any unionized plants and UAW halls. The moves now are helping the foreign-owned plants begin to lower wage scales.

In the case of Honda's latest plant, in Greensburg, Ind., the company received \$140 million in tax breaks and other incentives, at least \$50 million of it in statewide funds. But the company wasn't required to consider all state residents for jobs.

Margaret Ward is one of the people excluded. The UAW member spent 10 years assembling car components in Anderson, just outside the Honda hiring zone. Along with about 1,500 other people, she lost her job early this year when a former General Motors Corp. lighting factory closed, the last of three auto-related factories to close in Anderson. After spending six months on unemployment assistance, she's working at a battery plant. "I don't feel like this is fair to anybody in this area, to anybody in the state," she says.

Under the National Labor Relations Act, companies cannot discriminate against workers because of affiliation with a union. They are, however, allowed to restrict hiring to certain geographical areas if they have a legitimate business reason for doing so, a spokeswoman for the National Labor Relations Board said. UAW officials are gathering information in hopes of filing official complaints with the NLRB or possibly the Equal Employment Opportunity Commission.

Honda spokesman David Iida said the Greensburg hiring policy is not intended to prevent union members from applying. The auto maker just wants workers to live within an hour's drive of the plant so they can get to work on time even in bad weather, he said. The area does include a UAW-organized plant in Indianapolis and one organized by the International Union of Electrical Workers in Connersville, both of which closed and together idled about 1,500 people. Honda won't accept applicants from outside the hiring zone who would be willing to move into it, Mr. Iida said, because that could slow down Honda's "aggressive launch schedule" to start production in late 2008.

Many UAW members don't believe Honda's rationale, noting thousands of workers from shuttered or downsized plants in Muncie, Fort Wayne and Kokomo are excluded along with those who worked in Anderson. "I've probably had 100 people ask me what's going on down there because they can't apply for jobs," said Ollie Dixon, a city councilman in Anderson and vice president of UAW Local 663. "I think it's directly related to the union. They don't want people who are going to go in there and support the union."

Some states have required that companies benefiting from government incentives spread the rewards broadly. Indiana didn't. A spokeswoman for Indiana Gov. Mitch Daniels said that Honda, as a private company, is free to define its hiring process as it wishes. The first-term Republican, known for dissolving the unions representing state employees after his election, didn't discuss the hiring policy with Honda while negotiating to bring the plant to Greensburg, the spokeswoman said; he was just pleased to have jobs come to Indiana.

Greensburg Mayor Frank Manus says he also was initially unaware of Honda's plan. But in a telephone interview, he said he believed a desire to keep its plant nonunion was "certainly a factor" in the company's decision to restrict its hiring.

Honda plans to hire 2,000 production workers in Greensburg, where basic wages will start at just under \$15 hourly and rise to \$18 over the next three years. In Big Three assembly plants, UAW workers get about \$26 an hour. Until recently, nonunionized plants owned by foreign auto makers have paid close to that -- about \$24 an hour -- which helped damp worker interest in unions.

As eroding membership and contract concessions hurt the UAW's ability to keep up a wage standard, foreign makers have begun lowering what they offer. In Greensburg and elsewhere, wages are pegged to the average of all manufacturing jobs in the areas, not just auto plants.

Indianapolis, about 50 miles northwest of Greensburg, is the only big city in Honda's hiring zone. It also is the only place in the hiring area where major UAW locals are located. The rest of the zone is predominantly rural and has few manufacturing workers. UAW members in Indianapolis are free to seek jobs in Greensburg, Mr. Iida says. Ms.

Ward counters that despite some layoffs, most UAW members in Indianapolis are employed and don't need Honda jobs, unlike in Anderson. "We have a lot of people in Anderson who need jobs, but we can't apply," she says.

Honda's policy in Greensburg is a departure from the way it and other foreign auto makers have previously staffed plants in the U.S. Several years ago Honda put a plant in Lincoln, Ala., and took applicants from anywhere. It ended up hiring workers from 60 of Alabama's 67 counties, according to the company. The state, which had provided Honda with \$158 million in incentives, required the company to consider workers from across the state. "We wanted to spread the opportunity across our state and wanted plants to be able to hire the best people in the state," said Calvin Miller, director of the Alabama's Talladega County Economic Development Authority.

Korean auto maker Hyundai Motor Co. also opened a plant in Alabama in 2005 and accepted job applications statewide as a condition of Alabama's incentive plan, said Hyundai spokesman Robert Burns.

When Toyota Motor Corp. put a plant in Indiana, in Princeton in the southwest corner of the state, anyone from Indiana was allowed to apply for a job. But in the end Toyota hired almost all of the workers from within 50 miles of the plant, a Toyota spokesman said. At Toyota's new truck plant in San Antonio, skilled tradesmen were hired from as far away as the Midwest, the spokesman said, but neither plant has unionized.

African-American leaders also have questioned whether Honda's hiring plan discriminates against black workers. The population of the 20-county hiring zone is 80% white, with almost all of the nonwhites living in Marion County, where Indianapolis is located. In the hiring zone's other 19 counties, the population is 96% white. "I think it's wrong and unfair," said James Burgess, president of the Madison County NAACP in Anderson, of Honda's hiring policy.

A racial-discrimination argument defeated a hiring policy Honda used in the 1980s when it expanded two plants in rural Ohio and gave preference to applicants who lived within 30 miles of the facilities. That excluded residents of Columbus, the nearest large city to both plants, with a large African-American population, while the population within the hiring zone was overwhelmingly white. Honda settled a complaint by the EEOC by paying 370 black and women workers \$6 million and offering them jobs.

In Greensburg, Honda is working hard to encourage minorities to apply for jobs, said company spokesman Jeffrey Smith. Indianapolis was specifically included in the hiring zone to open the door to African-American applicants, he said, and Honda invited black leaders to the groundbreaking and has advertised in minority newspapers. The Greensburg plant, he added, "will be a diverse and inclusive workplace."

Honda built its first U.S. auto plant in 1982 in Marysville, Ohio, and Toyota soon added its first wholly owned plant in Georgetown, Ky. In the 1990s, more foreign auto plants

sprang up: BMW AG in Spartanburg, S.C.; Mercedes-Benz in Vance, Ala.; Nissan Motor Co. in Canton, Miss. Southern states provided a safe haven from UAW influence that permeates Big Three auto plants in the Midwest. In right-to-work states, unions can't force employees to join or pay dues.

By 2005, Honda had five assembly plants in the U.S. and was looking for a site for a sixth to produce Civic compacts, which were selling briskly because of the rise in gasoline prices. Indiana doesn't have a right-to-work law, but was in the running for the new plant because it was located near Honda's Ohio plants and those of many of its suppliers. The state also had a new governor with a pro-business mind-set.

Within days of taking office in January 2005, Gov. Daniels used an executive order to void contracts between the state and several unions representing 25,000 public employees. A few weeks later, he set off to Japan with the message that Indiana could be a safe, secure location for Toyota and Honda. In March 2006, Toyota announced a deal to produce Camry sedans in an unused part of an Indiana plant owned by Fuji Heavy Industries Ltd., which created 1,000 jobs.

That June, the governor was back in Japan but had to cut the trip short to rush back for Honda's announcement in Greensburg, a town of 10,500 people in a corner of the state known mainly for pig farms and corn fields.

Residents had sent Honda hundreds of letters, pictures and drawings in hopes of convincing the automaker to settle there rather than choose a competing site in Ohio. About 200 people donned red T-shirts and stood in the shape of Honda's logo for an aerial photo. Officials from Greensburg and the surrounding counties boasted that the area offered plenty of cheap land, easy access to Interstate highways and workers with no ties to the UAW.

When Honda announced its choice, Greensburg residents packed a community center to celebrate the news. "This is probably one of the wildest dreams I've ever had," Mayor Manus told the crowd.

UAW jobs have been disappearing from cities in east-central and northern Indiana for several years. Muncie, Indianapolis and several other smaller cities have had to absorb plant closures; Kokomo and Fort Wayne have seen major downsizings.

Few places have been hit as hard as Anderson. Years ago, it was the home of three big GM plants that provided some 22,000 UAW jobs. Life revolved around factory work. Union teams filled up city bowling and softball leagues. Most downtown streets are one-way, to accommodate heavy flows to and from the plants during shift changes. At Local 663, a mural pays homage to one of the union's proudest moments -- a sit-down strike against GM in 1936.

Over the years, GM sold each of the plants to suppliers. The first closed in 2003. Then last year, Delphi Corp., the former parts division of GM, announced it would close its Anderson plant. The third, the taillight plant owned by Guide Corp., ceased operations earlier this year, idling its workers. One of them was Ms. Ward.

A native of Anderson, Ms. Ward earned a nursing degree from the University of Miami but eventually took a union job because of the good pay and benefits. By the time the Guide plant closed, Honda had already announced it would build its plant in Greensburg. Ms. Ward, 45 years old, was thinking she could find work there. A cousin of hers works at the company's Alabama plant, and encouraged her to apply.

In July she went to a job fair and found a Honda recruiter. She left determined to apply. A month later at another jobs fair, a Honda recruiter told her not to bother. "She said Anderson isn't in Honda's hiring area, and I'm like, 'What hiring area?'" Ms. Ward recalled one morning recently.

In September, Honda began taking applications for jobs at the Greensburg plant over the Internet. Ms. Ward considered using a friend's address in Indianapolis, but worried what would happen if the company called and couldn't reach her. She never applied.

In just two weeks, more than 30,000 people applied for jobs at the plant, and Honda stopped taking applications.