

# Bond Case Briefs

*Municipal Finance Law Since 1971*

---

## VW, the UAW and the Re-Industrialization of America.

**The changing relationship between labor and business is important for communities hoping for a manufacturing comeback.**

The failed attempt to unionize the new Chattanooga Volkswagen plant set off shock waves in the business community. But the importance of the vote goes beyond a single plant in a single industry in a single city: It raises questions about an emerging new relationship between management and labor in general and the future of organized labor in particular. These are issues of vital importance to local leaders looking to rebuild manufacturing and bring well-paying jobs to their communities.

The February vote was close (626 for the union and 712 against), but the fact that it came after the company gave its tacit approval to the union effort, followed by an intense two-year campaign by the United Auto Workers, added to the significance of the outcome. It might be tempting to write this off as just another example of organized labor trying to gain a foothold in the traditionally conservative and anti-union South, but the stereotype doesn't fit in this case.

Chattanooga has a heavy-industry history. It's sometimes called a "Rust Belt city in the South," with all the union heritage that such a nickname might imply. Organized labor has been a part of the fabric of the community practically forever. A representative of the Chattanooga Area Labor Council sits on the board of directors of the local United Way.

Immediately after the vote, the accusations of improper behavior and finger-pointing began. The union was accused to heavy-handedness in signing up potential members. Local politicians were criticized for suggesting that there would be no financial incentives from the state and that a much-hoped-for expansion of the plant would be put on hold if the election went in favor of the UAW. The union filed an appeal with the National Labor Relations Board asking that the vote be set aside and that a new election be held. (The union later acknowledged that an appeal could drag on for years, and the complaint was dropped.)

Local, national and even international media pounced on the union election and produced scores of articles, editorials and postmortem analyses of the landmark vote. Intertwined and intermingled with all the discussion and dissection was a unique element that has future consequences for other communities dealing with re-industrialization: the issue of "old" vs. "new."

Volkswagen epitomizes a "new" type of world-class manufacturing. In Chattanooga the company is building a new vehicle utilizing a new workforce in a new billion-dollar plant. VW made no secret of its desire to establish "works councils," a type of shop-floor organization like those found in most of the company's other plants in Europe and elsewhere. The UAW promised to deliver a new sort of union representation to make it possible. Some argued that the only legal way that such works councils could exist under U.S. labor laws was with the participation of a union — and the UAW was the only candidate.

Tennessee had a similar experience almost 25 years ago with the opening of the dazzling General Motors Saturn plant in the previously rural village of Spring Hill south of Nashville. As with VW in Chattanooga, Saturn was a new vehicle produced by a new workforce in a new plant. GM and the

UAW pledged themselves to an equally new sort of cooperative labor/management arrangement.

Things went well for a time, but as the “new” wore off, the old-line company and the old-line union reverted to their old-line ways. The new sort of labor agreement was abandoned in 2004, and the Spring Hill plant closed in 2007. Some of this sad experience still haunts the present situation.

There are many successful unions that do exhibit a new way of thinking and doing business. They focus on worker training and qualification and exhibit a cooperative rather than a confrontational image. They look and sound a lot like what Volkswagen says it wants in its works councils.

The VW/UAW vote of 2014 is history, but the greater issue of establishing new ways of thinking about labor and management must be addressed by every city hoping to rebuild its manufacturing base. There will be more such challenges as this new-world industrial culture evolves and matures.

VOICES is curated by the Governing Institute, which seeks out practitioners and observers whose perspective and insight add to the public conversation about state and local government. For more information or to submit an article to be considered for publication, please contact editor John Martin.

Ron Littlefield | Senior Fellow

MAY 30, 2014

Copyright © 2024 Bond Case Briefs | [bondcasebriefs.com](http://bondcasebriefs.com)