CAPITAL RESEARCH CENTER

Labor Watch

Unions Grasp For Influence Over Private Equity

By Ivan Osorio

Summary: When private equity firms buy up companies they expect to avoid shareholder pressure campaigns—especially those devised by labor unions. Or so they hope.

Mention the names of certain large corporations, and many people start to think bad things. ExxonMobil reaps "windfall profits" as it "gouges" drivers with high gas prices. Wal-Mart "destroys" city downtowns by "undercutting" mom-and-pop shops.

Sound familiar? That's precisely how organized labor and their allies want it. These companies have been targets of "corporate campaigns"—public relations onslaughts designed to damage a company's reputation.

When planning corporate campaigns, unions and activist groups research their target and identify its weaknesses. One key pressure point is a company's need for capital. Because they often have great influence over pension funds, many unions are able to pressure companies by having the funds offer shareholder resolutions at corporate annual meetings. More and more companies find themselves under the gun, dealing with aggressive union-sponsored shareholder resolutions.

However, the enactment of the 2002 Sarbanes-Oxley Act, in the wake of the Enron and WorldCom scandals, has sparked an unanticipated response from some companies. To avoid burdensome government regulation, they are deciding not to list their shares on American stock exchanges—a trend that is leading to more stock listings in overseas financial centers like London and Hong Kong. In some

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'Corporate Campaigns' Target Private Firms

An Interview With Jarol Manheim

Labor Watch *author Ivan Osorio interviewed Jarol Manheim, Professor of Media and Public Affairs and of Political Science at the George Washington University. Professor Manheim is the author of* The Death of a Thousand Cuts: Corporate Campaigns and the Attack on the Corporation *(Lawrence Erlbaum, 2000) and* Biz-War and the Out-of-Power Elite: The Progressive-Left Attack on the Corporation *(Lawrence Erlbaum, 2004).*

Labor Watch: You have written extensively on corporate campaigns, which are multi-faceted public relations campaigns that labor unions and activist groups use to gain a certain advantage from a company. What role does shareholder pressure play in this strategy?

Jarol Manheim: Companies cannot ignore their major shareholders, so pressure from this direction can be quite effective. More than that, certain kinds of shareholder resolutions—such as those splitting the CEO and Board Chair positions or requiring multiple candidates for each position on the board of directors—

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cases, companies have even *de-listed* their stock shares in the U.S.

This has created great asset shopping opportunities for private equity firms, which are buying up publicly owned companies. Because they do not trade publicly, private equity firms are not directly exposed to the kinds of shareholder pressure that publicly traded companies face.

However, organized labor isn't about to sit idly by and let this development continue unchecked. Union officials understand that they must adapt to a new investment environment and they are looking for bold new ways to meet the challenge of private equity.

Leveraging Pension Funds

The ideological roots of union corporate campaigns can be found in the 1960s left-wing group Students for a Democratic Society (SDS). According to George Washington University political scientist Jarol Manheim, who has studied the history and tactics of corporate campaigns (see interview on page 1), it was SDS that adopted as a central philosophical principle "a view of the corporation, per se, as the critical actor in contemporary American society and as a target of opportunity to force social change."

SDS student activists in the late 1960s concluded that they would have to change the behavior of large corporations in order to change American society. And they could achieve that difficult goal only by forging alliances with other groups such as labor unions and religious organizations that had the capacity to pressure corporations.

SDS and its allied organization, the North American Congress on Latin America, developed a careful methodology for conducting research on corporations. Their aim was to identify the weaknesses of a targeted company. Then they would identify key "stakeholders" who could bring pressure to bear on the company. Stakeholders included anyone whose goodwill was necessary to the company's survival, including customers, suppliers, financial lending institutions, the media, government regulators and the general public. For publicly traded companies, another key constituency was the firm's shareholders—a pressure point that unions have since learned to exploit.

To overcome their continuing decline in the American workforce, labor unions are increasingly adopting corporate campaign strategies. An essential... campaign practice is the shareholder resolution.

To overcome their continuing decline in the American workforce, labor unions are increasingly adopting corporate campaign strategies. An essential corporate campaign practice is the shareholder resolution. As attorney Eugene Scalia pointed out at a 2005 Federalist Society panel, union power remains on the ascendant despite its membership declines because they have learned how to use corporate campaigns. Unions are finding "common ground" with institutional investors, including public employee pension funds. It's now a standard practice for unions to advance their goals by introducing resolutions at public company shareholder meetings. Typically, the resolutions call on the company to change its corporate governance practices or adopt specific public policy positions.

Manheim, in the same panel discussion, noted that "on the one hand, while [union membership] has been declining, another base of power has been increasing" through the leveraging of $3 trillion in assets in public employee and multi-employer pension funds run by boards that include union representatives.

A key to helping unions leverage these assets was the establishment in 1995 of the AFL-CIO Center for Working Capital. This was the year John Sweeney became president of the federation. Even before heading the AFL-CIO, Sweeney led the stridently activist Service Employees International Union (SEIU), which perfected the strategy of the corporate campaign. In his 1995 AFL-CIO inaugural address, Sweeney proclaimed, "We will use old-fashioned mass demonstrations, as well as sophisticated corporate campaigns, to make worker rights the civil rights issue of the 1990s."

Sweeney's strategy got a huge boost in 1998, when the Securities and Exchange Commission revised its Rule 14a-8 to allow shareholders who meet certain floor criteria to submit resolutions and have them included in the company's proxy materials. Before 1998, companies could exclude proposals that dealt with social issues such as the environment and human rights. But the new SEC rule allowed some social policy resolutions to go before shareholders over management objections. A driving force behind this change was the more than 2,000 letters that shareholder activists sent the SEC.

In 2005, SEIU, the Teamsters, the United Food and Commercial Workers and UNITE-HERE disaffiliated from the AFL-CIO and formed a new federation called Change to Win. Earlier that year, SEIU established SEIU Capital Strategies, an organization with parallel functions to the AFL-CIO Center for Working Capital. Some observers correctly recognized this as a sign that the SEIU would leave the AFL-CIO.

Labor Meets Private Equity

Fittingly, SEIU President Andrew Stern

Editor: Patrick J. Reilly
Publisher: Terrence Scanlon
Address: 1513 16th Street, NW
Washington, DC 20036-1480
Phone: (202) 483-6900
Email: preilly@capitalresearch.org
Website: www.capitalresearch.org

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has moved quickly to respond to the rise of private equity. He has met with the heads of some of the largest buyout firms, including David Rubenstein of the Carlyle Group, Stephen Schwarzman of Blackstone and David Bonderman of TPG (formerly Texas Pacific Group).

"I've been incredibly impressed," Stern told *Wall Street Journal* columnist Alan Murray. "Compared to most of my meetings with company CEOs, these men are much more business-like, and have much more understanding of what we are trying to accomplish. I'm not saying we agree. But they are much more calculating than they are ideological."

Stern's complimentary tone may indicate that private equity CEOs are more willing to play ball with his union than the CEOs of publicly traded companies. But the private equity CEOs may feel they have no choice. Murray notes that Stern operates like Jesse Jackson: "Attack first, then engage—with a hand out for the ultimate payoff."

> For some on the receiving end, this feels like a shakedown, though none of the private-equity leaders I spoke with will say so on the record. But Mr. Stern is unapologetic. Indeed, he blames business for encouraging labor to behave badly.
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> "They've trained us wrongly," he says. "We tend to get ignored or caricatured, and sent to the human-resources department when we call. The CEO says, 'Will someone take care of these guys?' Not until we do something they find 'unfair' will they talk to us."

Stern's union is likely to keep up the pressure on prospective private equity buyers of unionized companies. SEIU maintains BehindtheBuyouts.org, a website which promises to reveal embarrassing information about private equity executives whom union officials believe might be unsympathetic to union interests. For example, the site claims The Carlyle Group's David Rubenstein has a compound in Nantucket "large enough to accommodate 30 overnight guests." A Carlyle spokesman called this claim "grossly overstated," according to the *Journal*.

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In August, Stern warned pension funds that invest on behalf of SEIU's one million public-sector members to think twice before they invest in the portfolio funds or buy shares in a future initial public offering of the private equity firm Kohlberg Kravis Roberts (KKR). Stern acknowledged that pension funds containing SEIU members' money already account for more than 30 percent of KKR's $16.6 billion 2006 Fund.

Stern hopes this pressure will get unions favorable contracts from companies that go private. Because SEIU cannot present shareholder resolutions to the management of private equity firms, Stern has had to figure out some new union tactics. His interest in private equity intensified during the summer of 2006, when HCA, a hospital corporation that is one of the largest employers of SEIU members, agreed to go private. Stern also was jolted early in 2007, when Blackstone bought out Equity Office Properties, a large employer of janitorial services that employ SEIU members.

Stern realizes that he still has leverage over these companies because they have been bought out by private equity firms that rely on capital from union-dominated pension funds. Indeed, according to Murray, union control over the pension funds "makes the firms more open to union arguments than most public companies." (Of course, union influence will be reduced to the extent that private equity buyout deals rely on other sources of capital.)

Further, couple union pension fund investments in private equity with cash-hungry unionized firms seeking to be bought out and watch the sparks fly. At a May congressional hearing, Rep. Maxine Waters (D-Calif.) asked Stern, "So, public employee pension funds and union funds could be investing in deals where people are going to get laid off?" Stern had to admit that pension fund managers have one key responsibility—to get the best investments for the people whose money they are investing. But that means there has to be a limit to the amount of pressure unions can impose on private equity firms. "They are called limited partnerships because they have a limited role in the decision-making process," Stern acknowledged.

Raising Taxes

Even when they are not its investors, labor unions have other forms of pressure that they can exert on a private equity firm. One is the tax treatment of private equity buyouts.

Currently, top executives at private equity buyout firms can earn hefty payouts of 20 percent of the profits from their funds and their payments are considered "carried interest." They are taxed at the capital-gains tax rate of 15 percent rather than the top personal income rate of 35 percent.

This could change if a Democratic-controlled Congress decides to alter private equity's tax treatment, and this will give unions added clout. "Therein may lie the makings of a deal," notes the *Journal*'s Alan Murray. "Mr. Stern has suggested the buyout firms could help his cause by, for instance, adopting standards that would encourage the use of unionized janitorial services in buildings. He hasn't said what he wants in return. But one possibility: He eases up on his criticism of their favorable tax treatment." In August, Stern called on Congress to look at what he called "tax dodges" used by private equity firms.

The fight over taxes is stretching across the Atlantic. American unions are seeking alliances with their European counterparts to put pressure on companies with a presence abroad. In Great Britain, union officials are calling for increased taxes on private equity firms, with the revenues used to support company pension funds that the unions claim are put at risk by the buyouts. Philip Jennings of the Switzerland-based Union Network International, a global labor federation representing some 900 unions around the world, told CNBC's Maria Bartiromo in a July *Business Week* interview:

> In a number of countries, a series of inquiries has been launched looking at transparency, the taxation implications and corporate governance. I think we can change the environment within which private equity works… Now there's a bill in Congress concerning tax treatment of private equity firms. The same discussion is taking place in Britain. And we're making it our business that this discussion takes place around the world.

In June, the Brussels-based International Trade Union Confederation called for governments to impose tighter regulations on private equity firms, covering taxation, financial reporting and collective bargaining.

Rearguard Action

In some troubled industries, unions are fighting a rearguard action to salvage whatever jobs and clout they can.

"Unions, which represent a record-low 7.4 percent of private-sector workers, are hardly dealing from a position of strength," note *Washington Post* reporters Dale Russakoff and David Cho. "Often their dealmaking serves to only limit inevitable losses, particularly in companies already in serious financial distress," such as steel, airlines and autos—which are hobbled by huge health care and pension legacy costs and ever-increasing foreign competition.

Last May, DaimlerChrysler announced the sale of its Chrysler division to Cerberus Capital Management, a private equity firm. United Auto Workers president Ronald Gettelfinger, who barely a month earlier had denounced private equity bidders as "strip and flip artists" and vultures "hovering overhead," said that the Cerberus deal was "in the best interest of our membership." He conceded that the union was powerless to stop the deal, so he was determined to make the best of it.

In addition to threatening to push for higher taxes on public equity or block takeovers, unions can get in on the game by inserting themselves into negotiations as "creditors," with workers' lost wages and benefits as their claims.

Even under pressure, however, unions can gain significant concessions when negotiating with private equity firms that buy out their employers. For instance, the United Food and Commercial Workers now routinely negotiates language in contracts requiring new supermarket owners to restore wage concessions over the life of the contract.

"If you're a business agent for the textile workers in North Carolina, and your mill is about to move to Mexico, and [private equity mogul] Wilbur Ross shows up, you're going to try to cut a deal with him," Santa Clara University law professor Stephen Diamond told the *Post*. "You're not going to like it, but you're going to do it."

Indeed, the 850,000-member Steelworkers union has dealt with Wilbur Ross, beginning in 2001 when he started buying bankrupt steel mills. In his bid for LTV Steel, the union agreed to job cuts and reductions in job rules in exchange for the promise of profitability. Ross agreed to give buyouts to departing workers, share profits with workers who stayed and direct some of his gains to a health fund for retirees if LTV became profitable as part of Ross's International Steel Group. Similar deals followed, with Ross acquiring Bethlehem Steel and other steel companies.

On the Bethlehem deal, Steelworkers investment banker Ron Bloom told *The Wall Street Journal*: "So now we say to Wilbur [Ross] 'OK, we'll support you. We'll shield you from all other bidders… so you can get it real cheap,'" in exchange for Ross putting "real money" into the retiree benefit trust. "You get to put LTV and Bethlehem together—you've now just created by the stroke of a pen the largest steel company in America."

The union also forged an agreement that if Ross cashed out, any new owner would first have to agree to a new labor contract, essentially giving the union veto power over potential bidders. That deal paid off. In 2005 Ross sold his stake in his steel empire for $4.5 billion and a $300 million personal profit, after the new owner, Mittal Steel, met the union's terms.

Despite their ability to negotiate such deals, the Steelworkers see these moves as playing defense. "These were horrible situations," Bloom told *The Washington Post*. "Has there been a huge amount of devastation and pain our folds have suffered? Yes. We like to believe that in an awful environment, we've done as well as could be done."

For private equity investors, such deals are part of the cost of doing business. "Labor has found that these investors operate in a brutally, economically rational fashion," AFL-CIO Associate General Counsel Damon Silvers told the *Post*. "They have financial targets and they have to hit them. If they have to deal with a union to get there, they'll deal with the union."

Steeling for Obstruction

In addition to threatening to push for

higher taxes on public equity or block takeovers, unions can get in on the game by inserting themselves into negotiations as "creditors," with workers' lost wages and benefits as their claims.

That strategy worked well when Toronto-based Onex Corp. bought out three failing Boeing factories in 2005. The new owners wanted to cut 1,700 jobs (out of 10,300), eliminate certain work rules and cut pay by 10 percent. The unions agreed, but in exchange they wanted the employees to get a share of the profits when the spin-off company went public.

The new company, Spirit AeroSystems, rebounded more quickly than expected, winning contracts for the new Boeing 787 as well as from Sikorsky and Airbus. When it went public in November 2006, Spirit employees who had taken the pay cuts got checks averaging $30,000, plus 1,000 shares of stock worth around $34,000 as of June 2007. Spirit continues to prosper.

The United Steelworkers of America (USWA), hit hard by foreign competition, has tried a more sophisticated negotiating strategy since the 1980s. A key component to the union's approach is to strike agreements like the one in the Onex deal, called successorship clauses.

It was a successorship clause that enabled the USWA to block the Brazilian steel giant CSN from acquiring publicly-held steelmaker Wheeling-Pittsburgh. But finding an alternative offer took some doing. The Steelworkers managed to steer Wheeling-Pittsburgh Corp. away from a bid by CSN and it persuaded Chicago-based upstart Esmark, Inc. to make a bid for the company. Privately-held Esmark promised that there would be no union layoffs. In return, the union agreed not to oppose Esmark efforts to import steel slabs to Wheeling-Pitt mills.

In July 2006, the union and Esmark mounted a proxy fight to oust the entire Wheeling-Pitt board. They succeeded after vigorously lobbying shareholders and adding two union representatives to the board. The Esmark-Wheeling-Pitt deal should be finalized this fall, and it is expected to bring $50 million to $200 million in equity into the company.

CSN executive Luiz Ernesto Migliora said that while his company remains interested in buying American steel assets, next time, "I would never try anything without going to the union first."

A New Chapter

A new chapter in American economic and labor history is now being written. Unions thought they had found in corporate campaigns a promising new organizing strategy to fix their problem of declining membership. But now they must reorient that strategy to deal with the rise of private equity firms. Burdened by government regulations, publicly traded companies have strong incentives to accept buyout offers from private equity firms, which have demonstrated that they can make companies more profitable.

The union role is in flux. Labor unions have room to maneuver, thanks to their influence over pension funds that provide lots of private equity capital. But private equity firms have other sources of capital, and unions have no access to shareholders in dealing with a privately-held company. But don't count the unions out. They are responding in a characteristically aggressive fashion, and may yet find new ways to assert their influence.

Ivan Osorio is Editorial Director at the Competitive Enterprise Institute.

Manheim Interview

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if adopted, fundamentally change the dynamics of the board-management-shareholder relationship in ways that might open the company to new forms of pressure going forward.

Labor Watch: How do labor leaders use their influence over pension funds to advance political and social agendas?

Manheim: Although these funds control a great deal of money—literally trillions of dollars—for the most part, they do not seem to invest or disinvest in specific companies based primarily on social and political agendas. Fund trustees have a fiduciary responsibility to their beneficiaries which they would violate were they to pursue such agendas to the detriment of those beneficiaries.

That said, over the last couple of decades the labor movement, in cooperation with the social responsibility (SR) investment community, has been pursuing two tracks to facilitate more social investing by pension funds.

The first is to redefine a trustee's fiduciary responsibility to include more than simply the financial performance of a company considered for an investment—to incorporate an assessment of the company's environmental practices, community role and overall corporate citizenship.

The second has been to show that investments in companies judged to be socially responsible will perform as well as those in other companies. The successful establishment of those two principles will create more and more flexibility for fund trustees to become activist investors while remaining true to their newly redefined fiduciary duty.

Labor Watch: How would you define fiduciary duty for a union pension fund? Can it be different from that of a typical investment fund? If so, how?

Manheim: The managers of mutual funds, insurance company assets, university endowments and the like also have a fiduciary responsibility, but it is not always the same as that of a pension fund manager. Some fund managers, for example, can accept, or might even seek, higher levels of risk to produce higher levels of reward. It depends on the purpose of the particular fund.

That said, all fund managers have an obligation to exercise sound judgment. But for most fund managers—with the exception of funds pledged to particular combinations of SR investing (e.g., those pledged to avoid investments in arms manufacturers or tobacco companies)—the focus of this responsibility is on the rate of return on the investment, not on individual aspects of corporate governance or policy.

For many years, these fund managers tended to vote their shares more or less automatically for management when it came to shareholder resolutions, and few ever revealed how they had voted. A few years ago, however, the AFL-CIO led a movement to require transparency in this area, a position that was advanced in a campaign against Fidelity Investments and later adopted as policy by the Securities and Exchange Commission. The expectation is that casting light on such proxy voting will lead more and more fund managers to support resolutions to reform corporate practices, and there is some evidence that that is happening.

Labor Watch: In recent months, union leaders—including Andrew Stern of the Service Employees International Union—have begun meeting with private equity investors, and in some cases negotiating for union-friendly deals. Since unions can wield some influence on private equity—through their pension funds and through their ability to block acquisitions through labor strife—how do you see this trend evolving?

Manheim: This is a real challenge, and not just for the unions. Private equity has been around for a while now. Indeed, several public employee pension funds have long participated in these pools of capital, and through one of them actually owned a sizable portion of Institutional Shareholder Services, the most influential proxy voting advisory firm, for several years. Most recently, though, it appears that acquisitions by private equity are assuming a much larger role in our economy, perhaps in part as a form of corporate reaction to the requirements and costs of Sarbanes-Oxley. In fact, in August 2007 both NASDAQ and Goldman Sachs, the investment banking firm, set up specialized exchanges where private equity firms and super-wealthy individuals can trade their holdings with one another in an unregulated marketplace.

"As more and more companies are taken private in this way, unions find themselves either representing, or seeking to represent, workers at companies that are... somewhat more insulated from the kind of pressure we have been discussing."

As more and more companies are taken private in this way, unions find themselves either representing, or seeking to represent, workers at companies that are no longer publicly traded and that are therefore somewhat more insulated from precisely the kind of pressure we have been discussing. At least in the near term, I think the unions are at a relative disadvantage here, and I think they are looking for an effective response.

Labor Watch: Do you foresee private equity firms themselves becoming the target of corporate campaigns in the future?

Manheim: The future is now. In the European Union and in the United States, there is an increasing focus on these firms, at least (for the moment) as secondary campaign targets. The problem, from the unions' perspective, however, is that their capital structures are somewhat immune to the forms of campaign pressure that have been developed to date. The movement to change the tax status of these firms is a first, broad-brush effort to remedy this. My guess is that, over time, we will see the emergence of tactics that are tuned more finely than that.

Labor Watch: What do you consider the likelihood of ideological, non-labor activist groups—who may not have as much of a stake in a company's survival as a labor union—adopting a similar strategy?

Manheim: Actually, there is another way of looking at this. The overwhelming majority of Americans hold some measure of direct or indirect (through pensions, mutual funds, etc.) ownership in publicly traded corporations, which are, in turn, the primary engines of the U.S. economy. If the current trend toward private equity acquisition continues, one consequence is that fewer and fewer companies, and hence less and less of our economy, will be available for this form of ownership. Private ownership will come to be defined in a less public way.

That development, should it reach critical mass, might actually fertilize the rhetoric of class conflict that some number of these ideological groups are already employing. So rather than adopting a strategy of pressuring individual companies—which may well suit the interests of U.S. unions, which are, at their core, economic institutions—these groups might find it more attractive to try to exploit the evolution and concentration of corporate ownership, per se, in the political arena.

Labor Watch: Given the large amounts of capital on which they have to rely, including from union-influenced pension funds, could private equity expose companies to greater pressure from unions or activists? What could be the consequences of that?

Manheim: That's an interesting question, and one that requires a pretty good crystal ball. It might be that over time the greater concentration of capital inherent in these developments actually shifts the target of campaigns and reverses somewhat their normal flow. Today, it is not unusual to see institutional shareholders or foreign parent companies used as pressure points to gain downward leverage on operating companies targeted in corporate campaigns. But in a new world of private equity and in a new twist on the strategy of consolidating pressure points through the functional equivalent of master contracts, it might come to make sense to use the operating companies and their particular vulnerabilities to pool and generate pressure upward toward the equity firms themselves in the hope of producing universal gains across their respective holdings.

Labor Notes

Experts Convene for 'Conservative Summit on Labor Issues'

On September 18, Capital Research Center organized an all-day "Conservative Summit on Labor Issues," which brought together 31 experts on labor union politics and policymaking to develop the conservative movement's response to current and future labor union initiatives. Participants from policy research institutes, trade associations and union watchdog groups held a series of roundtable discussions to brainstorm issues and strategies. The luncheon guest speaker was Linda Chavez, president of Stop Union Political Abuse and author of *Betrayal: How Union Bosses Shake Down Their Members and Corrupt American Politics*. A major sponsor of the event was the Lynde and Harry Bradley Foundation. CRC will consider the meeting successful if it helps conservative policy advocates better understand how labor unions are thwarting efforts to reform American education, create jobs and foster economic growth.

Presidential Candidates Vie for SEIU, Laborers Endorsements

Last month several Democratic presidential candidates addressed gatherings of the Service Employees International Union and the Laborers International Union of North America, each trying to top the others with promises to the union movement. "People say to me, when I'm president will labor have a seat at the table? Labor built the table," Sen. Hillary Clinton said. Former Sen. John Edwards pledged that if universal health care is not approved by July 2009, he will introduce a law to revoke health insurance for members of Congress, the vice president and the Cabinet. The United Brotherhood of Carpenters and Joiners announced in August that it had endorsed Edwards.

United Auto Workers: The Future Is in Alabama?

As the automobile industry warily anticipates the outcome of General Motors negotiations with its union employees, the United Auto Workers is already looking south. A month after the United Auto Workers launched a campaign to organize 4,500 workers at Honda's automobile plant in Alabama, the company has spoken out for the first time against the effort. "In recent years, many of our unionized competitors have closed plants, lost thousands of jobs and posted staggering financial losses,'' wrote human resources manager Linda Bailey to employees. "Meanwhile, by working together as one team, Honda's North American auto operations have managed to avoid even a single layoff for nearly 30 years—a claim none of our unionized competitors can make." UAW and the International Association of Machinists and Aerospace Workers are also competing to organize a Mecedes plant in Vance, Alabama.

GAO Employees Vote to Unionize

Employees of Congress' watchdog agency voted 897-445 to join the International Federation of Professional and Technical Engineers. The union's organizing effort at the General Accountability Office (GAO) was in reaction to Bush administration efforts to implement a "pay for performance" salary plan, which caused some employees to receive no pay raise in 2007. Prior to the vote, Sen. George Voinovich (R-OH), ranking member on the Senate subcommittee that oversees the GAO, praised Comptroller General David Walker for his efforts to implement the new pay system and said the union vote would be a referendum on how well employees have accepted it.

Unions Want 'Marshall Plan' for New Orleans

At a rally in New Orleans on August 29, the AFL-CIO, United Teachers Union and Black Trade Unionists called for a new "Marshall Plan" to rebuild the Gulf Coast region, still devastated from Hurricanes Katrina and Rita two years ago. In *The Washington Times*, Ethics and Public Policy Center fellow Ernest Lefever notes that the United States has already spent $127 billion on hurricane relief in inflation-adjusted dollars—$20 billion more than the Marshall Plan expenditures to rebuild 16 war-torn countries in Europe over a span of five years. Lefever blames fraud, corruption, crime and the absence of a German-style work ethic. "What New Orleans needs is not a Marshall Plan, but serious reform beginning with an honest administration, a reliable police service and competent civil servants," Lefever writes.