

Rubber Room

Money for Nothing

U.S. Car Companies Pay Hundreds of Millions of Dollars in Wages to Idled Workers

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In his 34 years working for General Motors, one of Jerry Mellon's toughest assignments came this January.

He spent a week in the "rubber room."

The room is a windowless old storage shed in Flint, Mich. It is filled with long tables, Mr. Mellon says, and has space for about 400 employees. They must arrive at 6 a.m. each day and stay until 2:30 p.m., with 45 minutes off for lunch. A supervisor roams the aisles, signing people out when they want to use the bathroom.

Their job: to do nothing.

This is the Jobs Bank, a two-decade-old program in which nearly 15,000 auto workers continue to get paid after their companies stop needing them. To earn wages and benefits that often top \$100,000 a year, the workers must perform some company-approved activity. Many volunteer or go back to school. The rest clock time in the rubber room or something like it.

It is called the rubber room, Mr. Mellon says, because "a few days in there makes you go crazy."

The Jobs Bank at GM and other U.S. auto companies including Ford Motor is likely to cost around \$1.4 billion to \$2 billion this year. The programs, which are up for renewal next year when union contracts expire, have become a symbol of why Detroit struggles even as Japanese auto makers with big U.S. operations prosper.

'Designed for a Different Time'

While GM often blames "legacy costs" such as retiree health care and pensions for its troubles, its Jobs Bank shows that the company has inflicted some wounds on itself. Documents show that GM itself helped originate the Jobs Bank idea in 1984 and agreed to expand it in 1990, seeing it as a stopgap until times got better and workers could go back to the factories. The idea was to help train or find jobs for senior UAW employees who would "otherwise be permanently laid off" because of better technology or higher productivity. Ford later matched the plan for its UAW employees.

"The bank was designed for a different time, a time when we were growing," says Pete Pestillo, a former Ford executive who oversaw union talks. The Jobs Bank has failed to stop the outflow of jobs at Detroit's unionized auto makers. Since 1990, GM's union payroll, including former subsidiary Delphi, has fallen to about 137,000 from 358,000. Many have retired, died or found other jobs. The rest are in the Jobs Bank.

Mr. Mellon, 55, joined GM in 1972, following his grandfather and his father. Through the 1980s and 1990s, Mr. Mellon held jobs designing electronic systems for vehicle prototypes. In 2000, GM merged two engineering divisions, and he wasn't needed anymore.

Since then, except for a period in 2001 when he worked on a military-truck project, GM has paid him his full salary for not working. That is currently \$31 an hour, or about \$64,500 a year, plus health care and other benefits.

About 7,500 GM workers are now in the Jobs Bank, more than double the figure a year ago. Each person costs GM around \$100,000 to \$130,000 in wages and benefits, according to internal union and company figures, meaning GM's total cost this year is likely to be around \$750 million to \$900 million.

One way employees in the Jobs Bank can fulfill their requirements is to attend eight- or 12-week classes offered by GM. In these classes, Mr. Mellon has studied crossword puzzles, watched Civil War movies and learned about "manmade marvels like the Brooklyn Bridge," he says. One class taught him how to play Trivial Pursuit. More recently, he attended an institute in Flint called the Royal Flush Academy. It is designed for those

seeking work in casinos. Mr. Mellon says he isn't interested in casino work and left the academy after they docked his pay because he was 10 minutes late coming back from lunch.

With that he arrived at the rubber room. Every day for a week Mr. Mellon got up at about 4:30 a.m. to make the 45-minute commute to the rubber room from his home in Otisville, Mich. At first he read the newspaper or magazines lying around, such as Reader's Digest. He talked some with acquaintances. After conversation dried up, he says he spent hours staring at the wall, hoping time would move faster.

The waiting "makes you want to bang your head against the wall," Mr. Mellon says. "I couldn't take it. I need to be doing something. And there is a supervisor who walks around staring at everyone. It's worse than high-school detention."

Mr. Mellon thinks a "line-worker mentality" keeps people going back to the rubber room. "A lot of guys sit in that room and just collect their paycheck because they don't know what else to do," he says. "They've spent 20 years tightening a nut as it came down the line. They are faced with this harsh reality, and they are just happy the paycheck still comes so they can put their kid through college."

Mr. Mellon soon found a way to escape the room, through volunteering. He recently arranged to do community service work at Freedom Temple, a Baptist church in Flint. He is installing motion sensors at the homes of senior citizens in a bad part of town.

Corrosive Influence

Mr. Pestillo, the former Ford executive, and others see the Jobs Bank as a corrosive influence with significant indirect costs because it encourages auto makers to build more vehicles than consumers want. Companies figure it is better to build cars with little or no profit margin than to pay people not to work, he says. They also may keep rote work in-house even though it would be cheaper to outsource.

The system gives older union workers little incentive to move to other plants, find jobs at other companies or retire. There is no limit on how long a worker can stay in the Jobs Bank. They don't have to look for work

at their company. Contracts allow workers to turn down any job offer at a site farther than 50 miles from their home plant.

Detroit's Big Three auto makers are likely to seek reductions in the program when they renegotiate their contracts with the UAW next year. It may be difficult for the UAW to keep the Jobs Bank intact, not only because of the public-relations problem but also because it is hindering a settlement to get Delphi out of bankruptcy-court protection.

In Flint, Mr. Mellon also sees change on the horizon. "I understand the Jobs Bank needs to have an end to it," he says. "I mean, they've paid me like \$400,000 over six years to do nothing, to learn to deal blackjack. But buy me out. Retire me with something like \$2,000 for every year I worked. I need that because you know they're going to keep cutting our health care and pensions. You are so vulnerable in retirement."