Process & Outcome of
2015 UAW Auto Negotiations

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Center for Automotive Research

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Detroit, MI
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Recent UAW Agreements
With FCA, Ford & GM Have...

• Held the line on costs (and in some cases, lowered labor costs)
• Put a lot of cash in the members’ pockets
• Incentivized the automakers to hire more workers and grow the union’s membership
Cash Payout Over 2011 Contract

- **FCA**
  - Signing Bonus: $8,300
  - Profit Sharing: $9,000
  - Lump Sums: $3,500
  - Total: $20,800*

- **Ford**
  - Signing Bonus: $7,000
  - Profit Sharing: $6,000
  - Lump Sums: $5,000
  - Total: $43,200

- **GM**
  - Signing Bonus: $4,000
  - Profit Sharing: $30,250
  - Lump Sums: $5,000
  - Total: $39,250

*maximum payout

Source: UAW-FCA, UAW-Ford & UAW-GM Contracts; media reports; Center for Automotive Research
Hourly Employment Grew at Each of the Three Companies Over the Past Four Years

Source: UAW-Chrysler, UAW-Ford, and UAW-GM 2011 agreements and company reports.
Trading Money for Jobs...or Vice Versa
The Issues
WE CAN’T GO BACK TO THE OLD WAYS!

VS.
1. The Future of Entry Level Pay: The Parties had Three Different Goals on Tier 2.

- No More Tiers
- Bridge the Gap
- Keep (and expand) Tiered Wage Structure
2. How to Address Call for Base Wage Increases: Top Tier Workers haven’t had a Increase in 9-10 Years.

![Graph showing Inflation-Adjusted Average Hourly Wage for Production Workers]

**Average Wage in 1999 $**

- 1999: $19
- 2000: $19
- 2001: $20
- 2002: $20
- 2003: $21
- 2004: $21
- 2005: $22
- 2006: $22
- 2007: $23
- 2008: $23
- 2009: $24
- 2010: $24
- 2011: $24
- 2012: $24
- 2013: $24
- 2014: $24

**UAW Base Wages & Average Manufacturing Wage**

- Skilled Trades: $32.83
- Production: $28.69
- Average Manufacturing Wage:
  - Entry Level Top Wage: $19.28
  - Entry Level Starting Wage: $15.78

3. Are There Ways to Improve Profit Sharing?
Different Business Situations Lead to Different Payouts.

<table>
<thead>
<tr>
<th>Average Profit Sharing Payout</th>
<th>33-years</th>
<th>Pre-2011</th>
<th>2011 and Later</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chrysler/FCA</td>
<td>$1,785</td>
<td>$1,710</td>
<td>$1,950</td>
<td>$375-$8,100</td>
</tr>
<tr>
<td>Ford</td>
<td>$2,550</td>
<td>$2,000</td>
<td>$7,040</td>
<td>$160-$8,800</td>
</tr>
<tr>
<td>GM</td>
<td>$1,300</td>
<td>$660</td>
<td>$6,910</td>
<td>$50-$9,000</td>
</tr>
</tbody>
</table>

Source: UAW-FCA, UAW-Ford & UAW-GM Contracts; media reports; Center for Automotive Research

Weighted Average of U.S. International Producers = $47

Source: UAW-Chrysler, UAW-Ford, and UAW-GM 2011 agreements and company reports; Company data and Center for Automotive Research estimates.
5. How Will the UAW Secure Employment Levels & Jobs?

Entry Level want more hiring to push them “over the cap.”

Top Tier want a base wage increase, which may incentivize outsourcing and less hiring.

While Mexico offers automakers labor cost, regulatory & export advantages.
6. Dealing with Rising Health Care Costs

UAW:

- Maintain and expand benefits without additional cost sharing
- Cost sharing doesn’t lower costs
- Proposed health care co-op

Automakers:

- Cut cost of the single most expensive benefit
- Incentivize better decision making through cost sharing
- Don’t want to pay ACA Excise Taxes
UAW Process & Strategy
Process & Strategy

- UAW chose to negotiate with FCA first
  - First tentative agreement was rejected 2-to-1
  - Second tentative agreement was ratified with 77% in favor
  - Contract costing the same, but shifted cash to current workers

- GM went next
  - Economics of core tentative agreement ratified with 55% in favor
  - Skilled trades rejected the agreement
  - UAW leadership addressed some issues with GM, and declared the agreement ratified

- Ford went last
  - Ratified with 51% in favor
  - Until last votes were counted, contract appeared headed for defeat
  - Large locals voted it down by 2-to-1 margins
Contract Summary & Costing
## New 2015 UAW Contract Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>FCA/Chrysler</th>
<th>Ford</th>
<th>GM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Signing Bonus</strong></td>
<td>$3,000 for “in progression” workers $4,000 for legacy workers</td>
<td>$8,500, with $1,500 “pull-ahead” profit sharing $2,000 for temporary workers</td>
<td>$8,000 for permanent workers $2,000 for temps &gt;90 days at signing</td>
</tr>
<tr>
<td><strong>Jobs</strong></td>
<td>+103; $5.3B potential total investment</td>
<td>+8,500 new &amp;/or secured; $9B investment</td>
<td>+3,300 created &amp; retained; $1.9B new+$6.4B announced=$8.3B</td>
</tr>
<tr>
<td><strong>Retirement Incentives</strong></td>
<td>$25K targeted</td>
<td>$70K, tilted toward production</td>
<td>$60K for 4,000 retirement eligible production workers</td>
</tr>
<tr>
<td><strong>Profit-Sharing</strong></td>
<td>$800 for each margin point &gt; 2%</td>
<td>$1/$1 Million once margin &gt;2% $12K cap removed</td>
<td>$1,000/$1 Billion once margin &gt;2%</td>
</tr>
<tr>
<td><strong>Retirees</strong></td>
<td>$1,000 vehicle voucher (one-time)</td>
<td>$250/year for retirees; $125/year for surviving spouses</td>
<td>$500 cash or gift card (one-time)</td>
</tr>
<tr>
<td><strong>Other Bonuses</strong></td>
<td>$0-1,500 annual quality bonus $1K-5K one-time for World Class Mfg</td>
<td>4 $1,500 annual inflation protection 4 $250 annual competitiveness bonus</td>
<td>4 $1K annual performance bonuses 4 $500 annual quality bonuses</td>
</tr>
<tr>
<td><strong>Health Care</strong></td>
<td>No change to worker contribution; maintained distinction between traditional and in-progression plans</td>
<td>No changes to worker contribution; same plan for traditional &amp; in-progression Health care plan for temp workers</td>
<td>No changes to worker contribution; same plan for traditional &amp; in-progression Health care plan for temp workers</td>
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<tr>
<td>------------------------------------</td>
<td>-----------------------------------------</td>
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<td>-----------------------------------------</td>
</tr>
<tr>
<td>Skilled Trades</td>
<td></td>
<td>2015: $33.99</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2017: $35.01</td>
<td></td>
</tr>
<tr>
<td>Production Group B</td>
<td></td>
<td>$17-29.94* over 7 years</td>
<td>$17-28 over 7 years</td>
</tr>
<tr>
<td></td>
<td>2015: $29.98</td>
<td>2017: $30.88</td>
<td></td>
</tr>
<tr>
<td>Production Group C</td>
<td>2015: $28.89</td>
<td>2017: $29.76</td>
<td>$17-25 over 8 years</td>
</tr>
<tr>
<td>(CCA, etc.)</td>
<td></td>
<td>$17-29.76 over 4 years</td>
<td></td>
</tr>
<tr>
<td>GMCH</td>
<td></td>
<td>$16.85-19.26 over 4 years plus</td>
<td>$16.25-19.86 over 4 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3% in 2016, 2017, 2018 and 3.7% in 2019 for those at top rate</td>
<td></td>
</tr>
<tr>
<td>Temporary workers</td>
<td>2015: $17-29.94* over 7 years</td>
<td>$17-22 over 4 years</td>
<td>$15.78-19.28 over 4 years</td>
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</tbody>
</table>

*Similar scales in place at FCA and Ford*
Attrition & Hiring

- Targeted retirement incentives will yield not much more than normal attrition
- Product movement/retooling will mean shuffling existing workers more than hiring new ones (net employment change=+103)

- Retirement incentive tilted toward production; possible to clear out roughly 6,500 legacy workers over four year contract
  - Largely replacement hiring, with some growth (8,500 jobs “created/retained”)

- Retirement incentive aimed at clearing 4,000 retirement-eligible in early 2016; hitting a demographic bubble, and retirement attrition could be as high as 5 to 6%/year
  - Largely replacement hiring (3,300 jobs “created/retained”)

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Contracts Allow Increased Use of Temporary Workers

• FCA and GM currently use temps for 5-10% of annual hours worked; Ford for <1%
• Temps can now be used for:
  – Generally long-term, but no more than 3 days/week
    • Absentee replacement
    • Monday/Friday
  – Short-term supplemental employees
    • Vacation/Leave replacements
    • Launch/Increased Production (3rd shifts)
    • Attrition program transition
    • Other similar supplemental manpower needs
• FCA struck the words: Temporary Part-Time Employees
• New temps will be paid the former entry-level scale ($15.78-19.28/hour), and will be used to balance higher wages/bonuses paid to current workers
Average Hourly Labor Cost Changes, 2007-2019

Source: Center for Automotive Research preliminary estimates
Per Vehicle Labor Cost Changes, 1999-2019

Source: Center for Automotive Research preliminary estimates; * Ford and GM agreements have not yet ratified—costing estimates may change.
Projected Cost Competitiveness in 2019: UAW Average Hourly Labor Costs vs. Internationals

Estimated Weighted Average of U.S. International Producers in 2019=$50

Source: UAW-Chrysler, UAW-Ford, and UAW-GM 2015 agreements and company reports; Company data and Center for Automotive Research estimates.
Meaning for Michigan
Michigan Plants

- Conner Avenue
- Jefferson North
- Sterling Heights
- Warren Truck
- Connor Engine
- Dundee Engine
- Mack Avenue Engine
- Trenton Engine
- Sterling Stamping
- Warren Stamping
- Mt. Elliot Tool & Die
- Dearborn Truck
- Flat Rock
- Michigan Assembly
- Dearborn Engine
- Romeo Engine
- Livonia Transmission
- Van Dyke Transmission
- Dearborn Stamping
- Woodhaven Hot Metal
- Dearborn Diversified
- Dearborn Tool & Die
- Woodhaven Forging
- Rawsonville
- Sterling Axle
- Flint Truck
- Detroit/Hamtramck
- Lansing Delta Twp.
- Lansing Grand River
- Orion Township
- Flint South Engine
- Romulus Engine
- Romulus Transmission
- Warren Transmission
- Bay City Powertrain
- Saginaw Metal Castings
- Flint Stamping
- Pontiac Stamping
- Grand Rapids Components
- Flint Tool & Die
- Brownstown Battery

Roughly 43%—61,800 of FCA/Ford/GM’s 142,500 UAW employees—work in Michigan
Bonus Cash into Michigan Economy...

<table>
<thead>
<tr>
<th>Year</th>
<th>FCA</th>
<th>Ford</th>
<th>GM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$68 million</td>
<td>$226 million</td>
<td>$176 million</td>
</tr>
<tr>
<td>2016</td>
<td>$114 million</td>
<td>$231 million</td>
<td>$279 million</td>
</tr>
<tr>
<td>2017</td>
<td>$99 million</td>
<td>$226 million</td>
<td>$244 million</td>
</tr>
<tr>
<td>2018</td>
<td>$1.25 million</td>
<td>$266 million</td>
<td>$291 million</td>
</tr>
<tr>
<td>2019</td>
<td>$114 million</td>
<td>$220 million</td>
<td>$239 million</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>$520 million*</td>
<td>TOTAL: $1.2 billion</td>
<td>TOTAL: $1.2 billion</td>
</tr>
</tbody>
</table>

GRAND TOTAL: $2.9 Billion (before taxes)

*Plus possible one-time $5,000 for World Class Manufacturing, and $1,500 skilled trades bonuses at FCA

Plus Wage Increases and Retiree Bonuses
Conclusion
The Tale of the Tape for UAW:

Achieved:
- Pay increases AND profit sharing/lump sums (largely cash)
- Begin to phase out tier 2...but with many more wage scales
- Did not change health care benefits or take on any additional cost share
- Got back Easter Monday & scaled-back Legal Aid benefit
- Won same health care for everyone at GM & Ford

Didn’t Win Back:
- COLA
- JOBS Bank/GEN pool
- Overtime after 8 hours/day
- 3-year grow-in to top wages
- Pension increases
...And For FCA Ford GM:

- Most of the cost of the contract is cash (and can potentially be cancelled depending on the market)
- Maintained a lower wage scale for new hires
- Companies can adjust production in a downturn and can layoff excess employees at lower costs than during last major downturn (SUB pay was substantially limited in 2011 contracts: 26-52 weeks of 95% pay less $30 for “traditional employees” and an equal number of Transitional Assistance Program weeks at 50% pay; 13-26 weeks of 95% pay less $30 for “new hires” with no TAP)
- Overall contract cost does not rise as much as in pre-2009 contracts
Center for Automotive Research

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