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What the D3-UAW contracts mean for U.S. auto manufacturing

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2020 Automotive Insights Conference

Federal Reserve Bank of Chicago—Detroit Branch

16 January 2020



Topics

- Summary of the 2019 agreements
- Competitive labor cost positions
- Implications for U.S. auto manufacturing
- Supplier considerations

Summary of the 2019 UAW agreements

2019 Ratification Timeline

September						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

December						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				



Expire



Strike



Tentative Agreement



Ratification

TALE OF THE TAPE



- Job security =
- Income security =
- Benefit security =
- Investments in US +*
- Temps made permanent +**

Guarantees & Certainty

- Contingent pay =
- Contingent work (some)
- Lump sums =
- Plant closures +***
- Footprint decisions =
- Health cost sharing X

Flexibility

* DHAM closure reversed; \$22.7B total D3 US investments

**Temp-to-permanent pathway @ Ford & GM only

*** GM: Lordstown Assembly, Baltimore & Warren Transmission; Ford: Romeo Engine

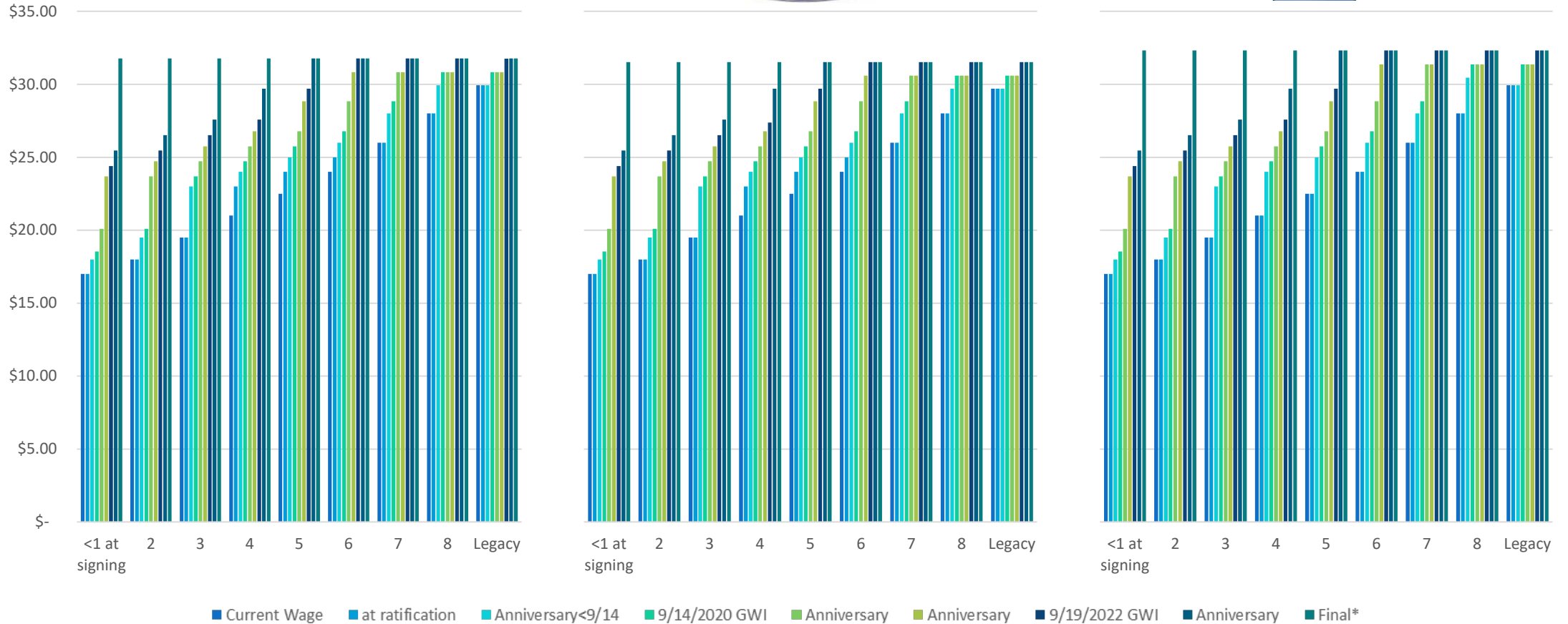
2019 UAW Contract Summary



Signing Bonus	\$9,000 for permanent workers \$3,500 for temporary workers	\$9,000 for permanent workers \$3,500 for temporary workers	\$11,000 for permanent workers \$4,500 for temps
Wages	<2007: 4% lump, 3%, 4% lump, 3% 2007-2019: 4-year grow-in to top wage >2019 \$15.78-19.28 temp wage	<2007: 4% lump, 3%, 4% lump, 3% 2007-2019: 4-year grow-in to top wage >2019 \$16.67 temp wage	<2007: 4% lump, 3%, 4% lump, 3% 2007-2019: 4-year grow-in to \$32.32 >2019 \$16.67 temp wage
Jobs	+7,900; \$4.5B new investment	+8,500 new &/or secured; \$6B investment	\$7.7B investment
Retirement Incentives	\$60K targeted for production at Belvidere, Marysville Axle, Mt. Elliott, and Milwaukee PDC <2007 employees	\$60K for retirement-eligible production workers & \$75K for 200 skilled trades Pre-retirement & buyout programs	\$60K for 2,000 retirement eligible production workers & 60 skilled trades \$75/85K for unallocated/eligible
Profit-Sharing	\$900 for each margin point > 2% \$12K cap removed	\$1/\$1 Million once margin >2% \$12K cap removed	\$1,000/\$1 Billion once margin >2% \$12K cap removed
Retirement Benefits	\$1,000 to FCAUS LLC UAW Savings Plan accounts for legacy workers	\$1,000 to TESPHE for legacy workers	\$1,000 to PSP for legacy workers
Other Bonuses	\$500 annual performance bonus \$1000 annual quality bonus	4 \$1,500 annual inflation protection	4 \$1K annual performance bonuses 4 \$500 annual quality bonuses
Health Care	No change to worker contribution; Removed distinction between traditional and in-progression plans	No changes to worker contribution	No changes to worker contribution

BOLD indicates a change from 2015 contract

In-Progression Wage Increases for 2019 On-Roll Employees



Did they get rid of the tiers?

For on-roll production workers—yes.

Example: UAW-GM Wage Scales

Skilled Trades	\$32.45-43.66	
Skilled Trades Apprentices	\$29.39-41.66	
Production	<2007: \$30.46- 32.32	>2007 “In Progression” \$17.00- 32.32 >2019 “In Progression” \$17.00-23.00 (*4 years)
Temporary	2015 < x < 2019 \$15.78-19.28	> 2019 \$16.67
GMCH	< 2015 \$16.25-23.87	> 2015 \$16.25-22.50
CCA	< 2015 \$17.00-\$31.57	> 2015 \$17.00-25.00

Temporary-to-Permanent Pathway

	1/6/2020	1/1/2021 & thereafter	
Ford & GM	GM	Ford	
Ford & GM	<ul style="list-style-type: none">• Temporary FULL TIME (TFT) only• 3+ years continuous service as TFT (breaks < 30 days, strike doesn't count)• Time as TFT counts toward seniority• Enter wage progression at seniority step	<ul style="list-style-type: none">• Temporary FULL TIME (TFT) with 2+ years continuous service as TFT (breaks < 30 days, strike doesn't count)• Time as TFT counts toward seniority• Enter wage progression at seniority step	<ul style="list-style-type: none">• Temporary PARTTIME (TPT) with 2+ years continuous service—at least last 12 months as a TFT (breaks < 30 days, strike doesn't count)• Time as TFT counts toward seniority (not sure about TPT status)• Enter wage progression at seniority step
FCA	Did not agree to a set timeframe, but will give “supplemental” workers hiring preference over off-the-street for the 7,900 new jobs promised in the 2019 agreement.		

Competitive labor cost positions

What is in average hourly labor costs?

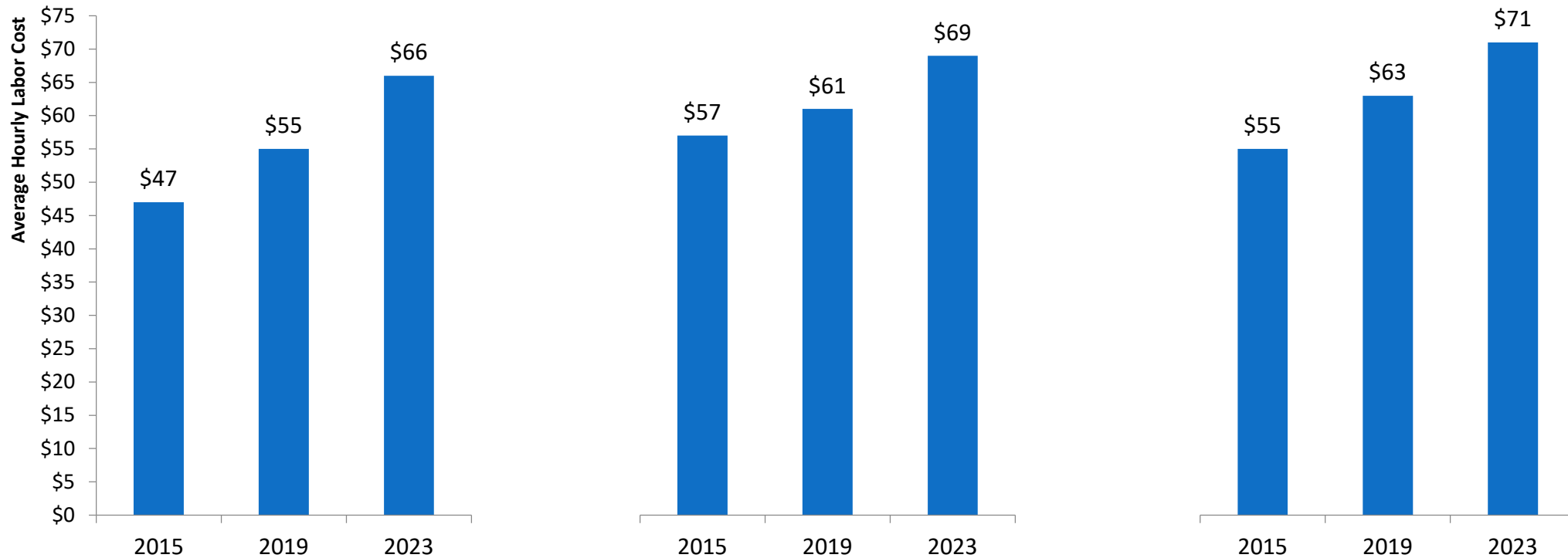
- Wages
- Shift premiums
- Overtime
- PTO/Holiday
- Income Security
- Profit-sharing
- Bonuses
- Health insurance
- Life & disability insurance
- Pension / 401(k) contributions
- Statutory (payroll taxes, workers' comp insurance, UI)
- Other benefits (legal services, etc.)

Weighted average by workforce composition (legacy production, in-progression production, skilled trades, apprentices, temporary/supplemental workers)

Estimated Average Hourly Labor Cost Changes, 2015-2023



FIAT CHRYSLER AUTOMOBILES

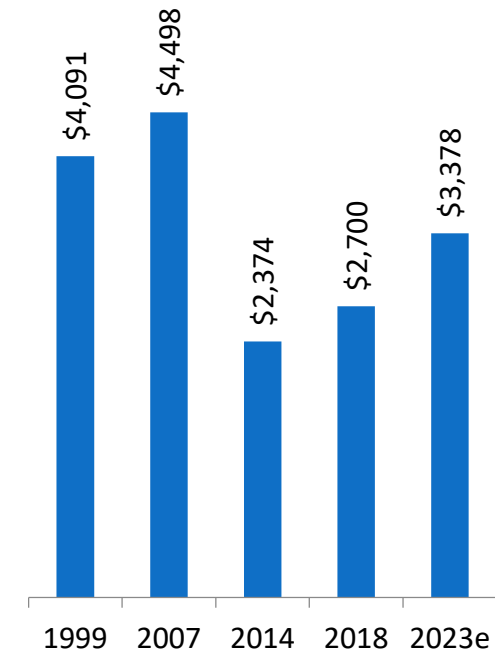
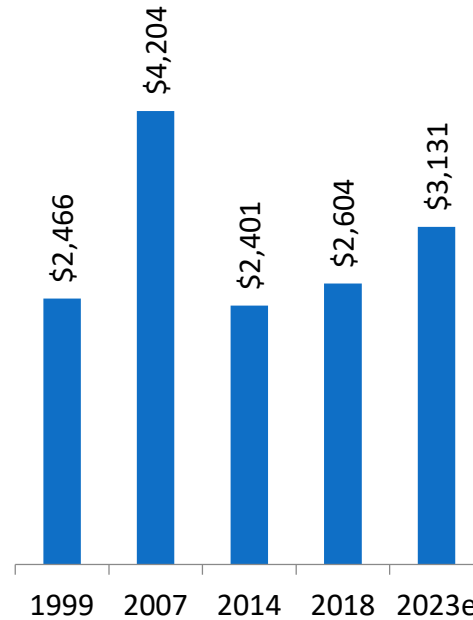
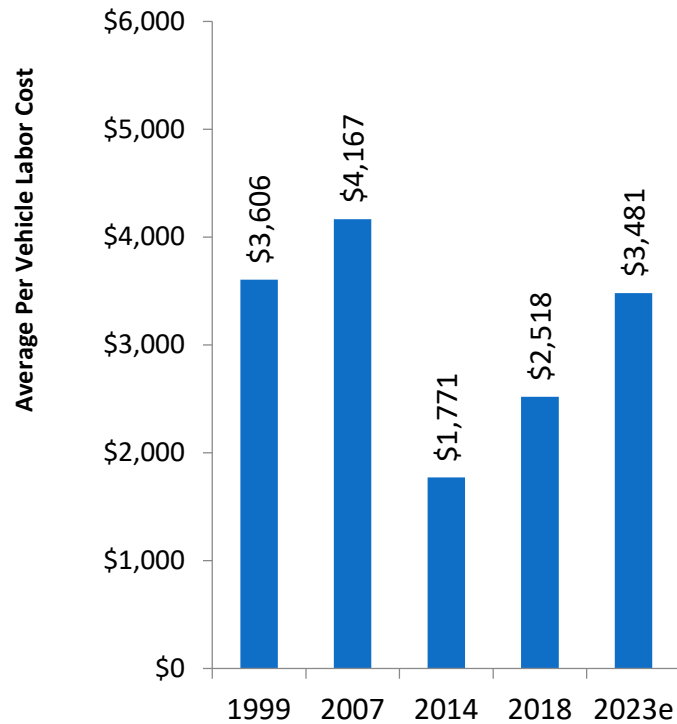


Per Vehicle Labor Cost Changes

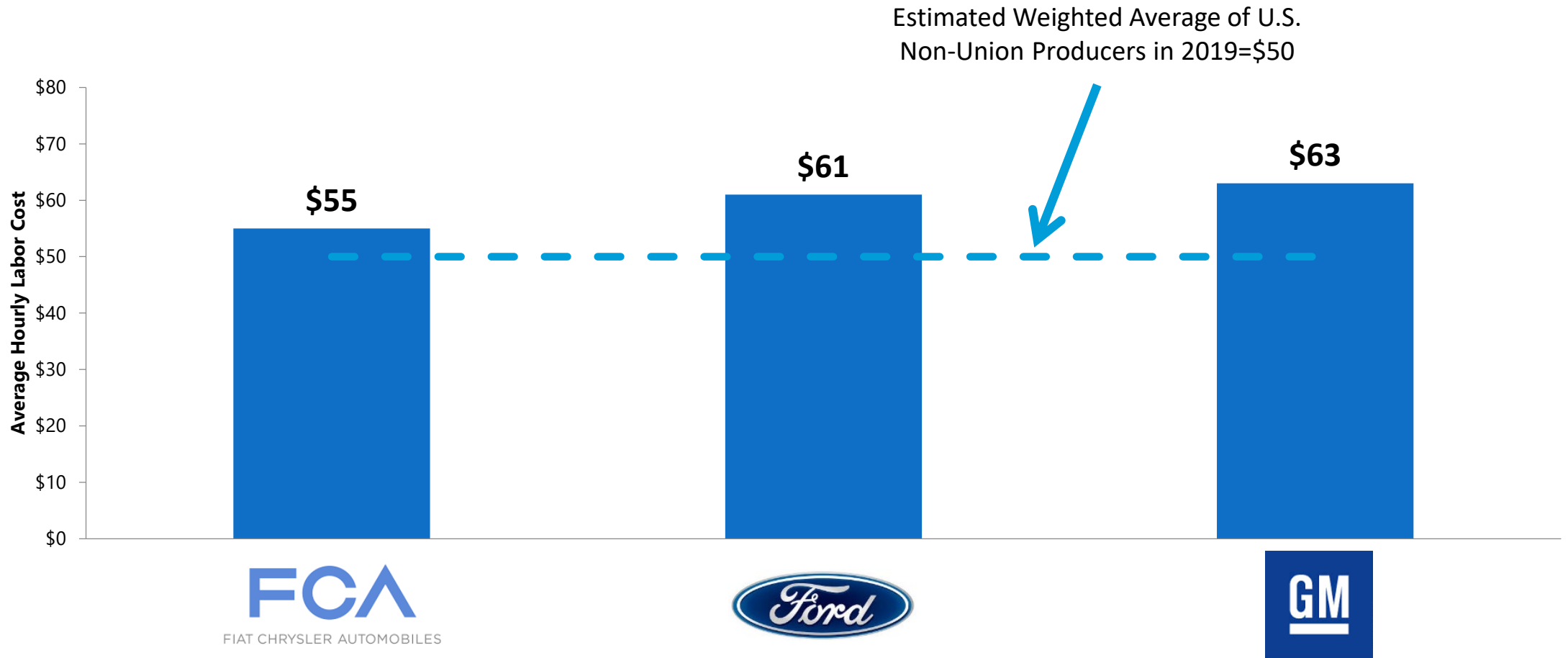
Selected years: 1999-2018, 2023e



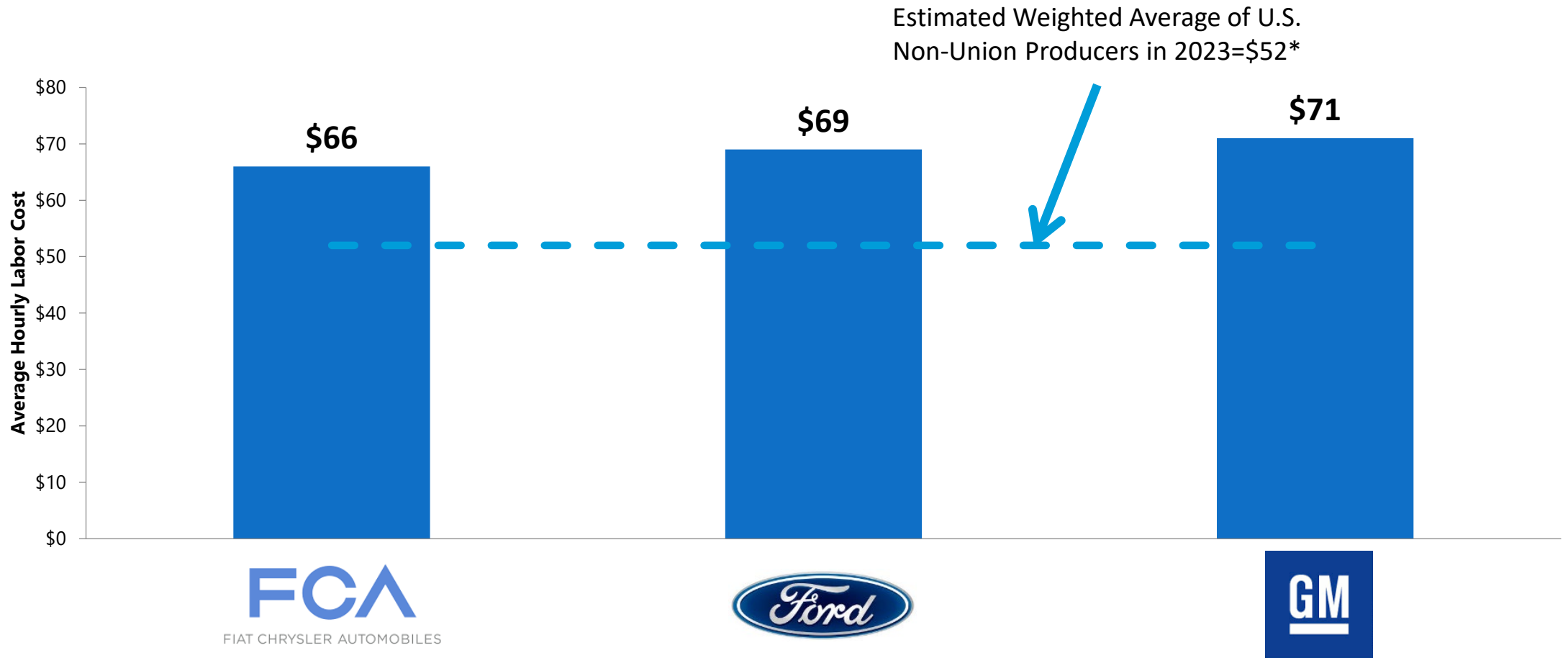
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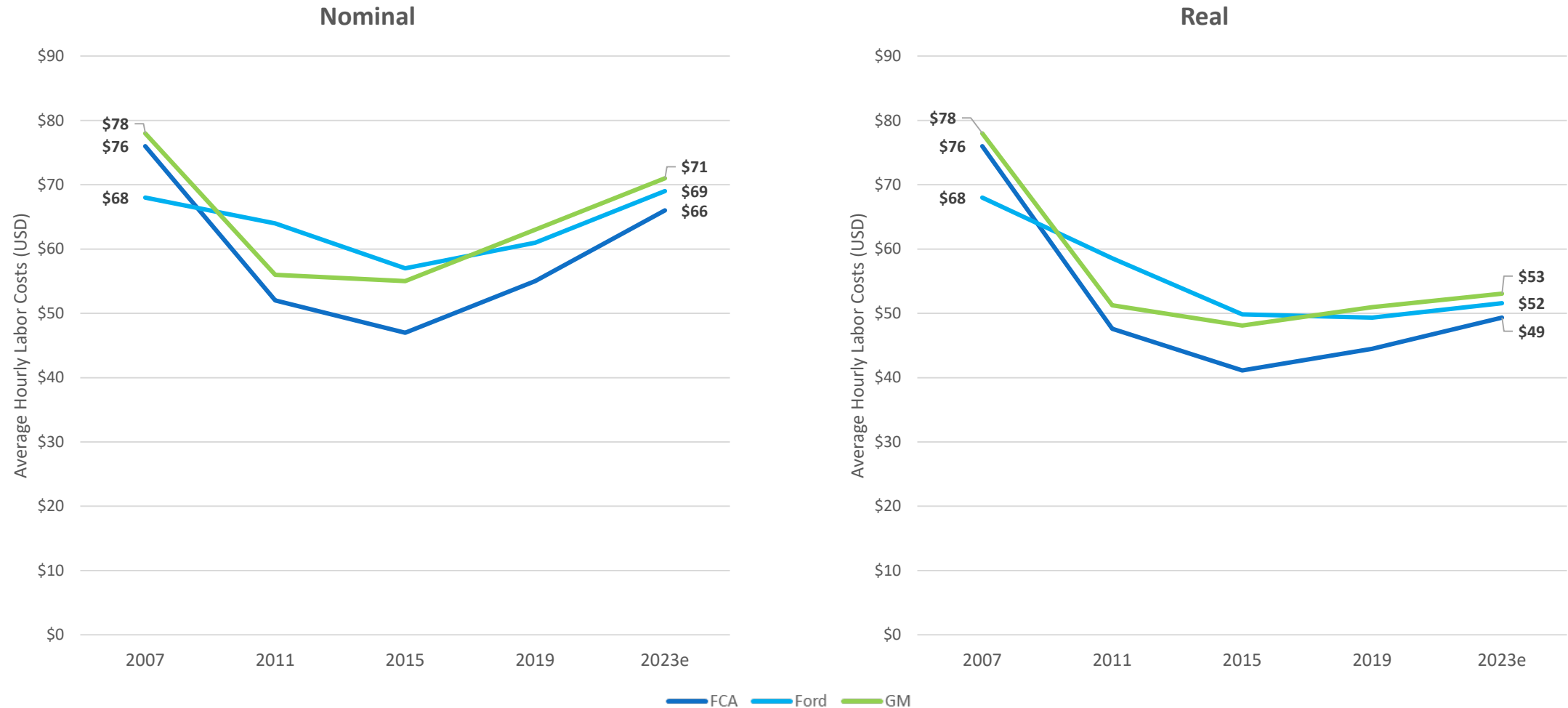
Projected Cost Competitiveness in 2019: UAW Average Hourly Labor Costs vs. Non-Union Automakers



Projected Cost Competitiveness in 2023: UAW Average Hourly Labor Costs vs. Non-Union Automakers



While nominal average hourly labor costs have increased, costs are still \$16-27 below 2007 levels in real terms.



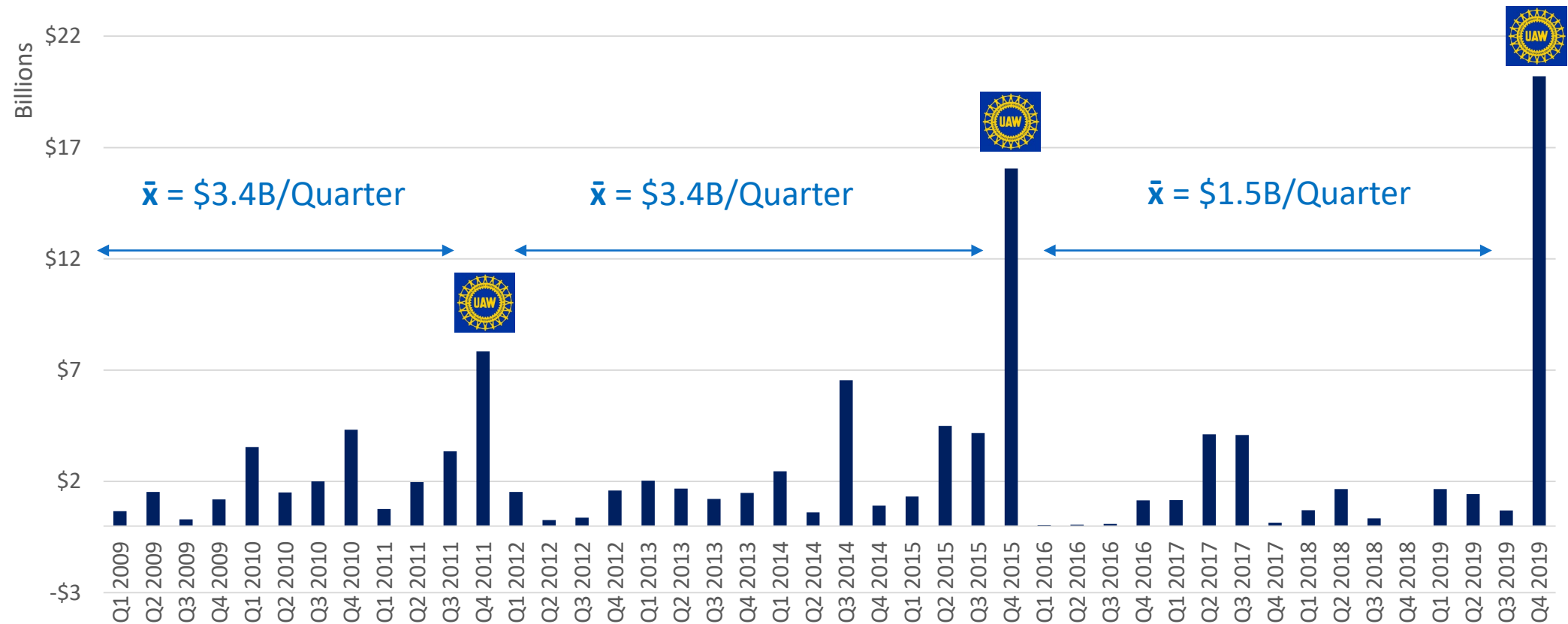
Source: Center for Automotive Research preliminary estimates for 2023
Adjusted using CPI-W and assuming 2% inflation.



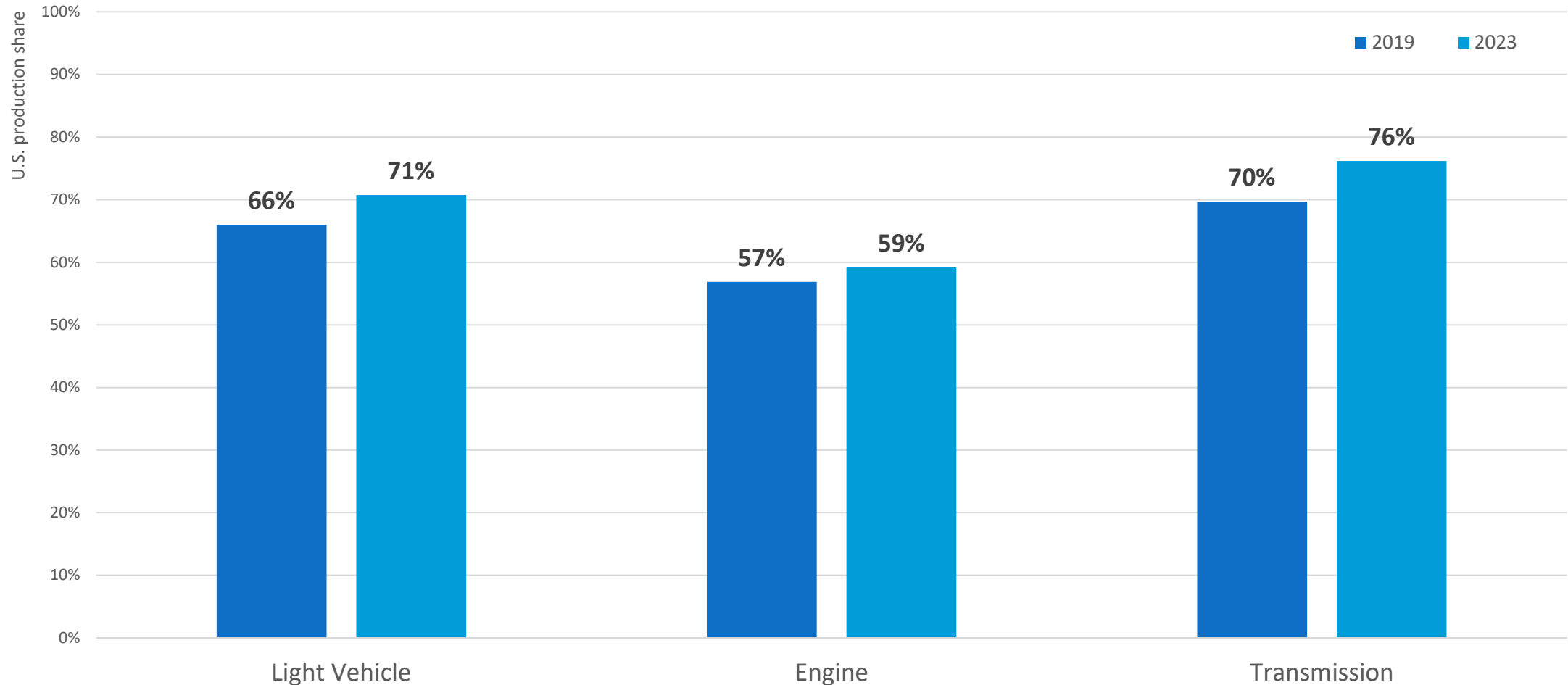
Implications for U.S. auto manufacturing

Automotive investment announcements peak every four years, & have been slower between Q4 2015-Q3 2019.

Quarterly Automaker Announced U.S. Investment; 2010 to Q4 2019

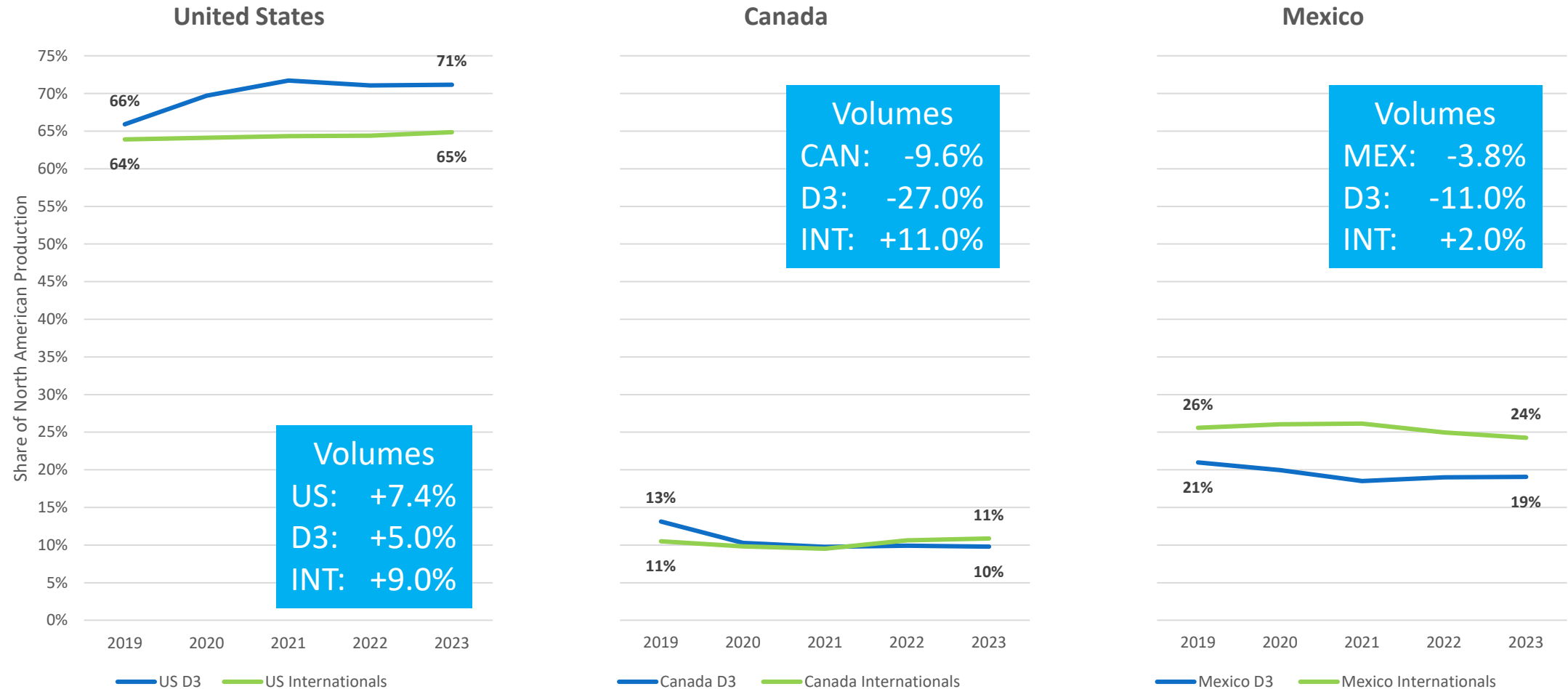


The Detroit Three are expected to increase their U.S. share of North American production of light vehicles, engines, & transmissions between 2019-2023.

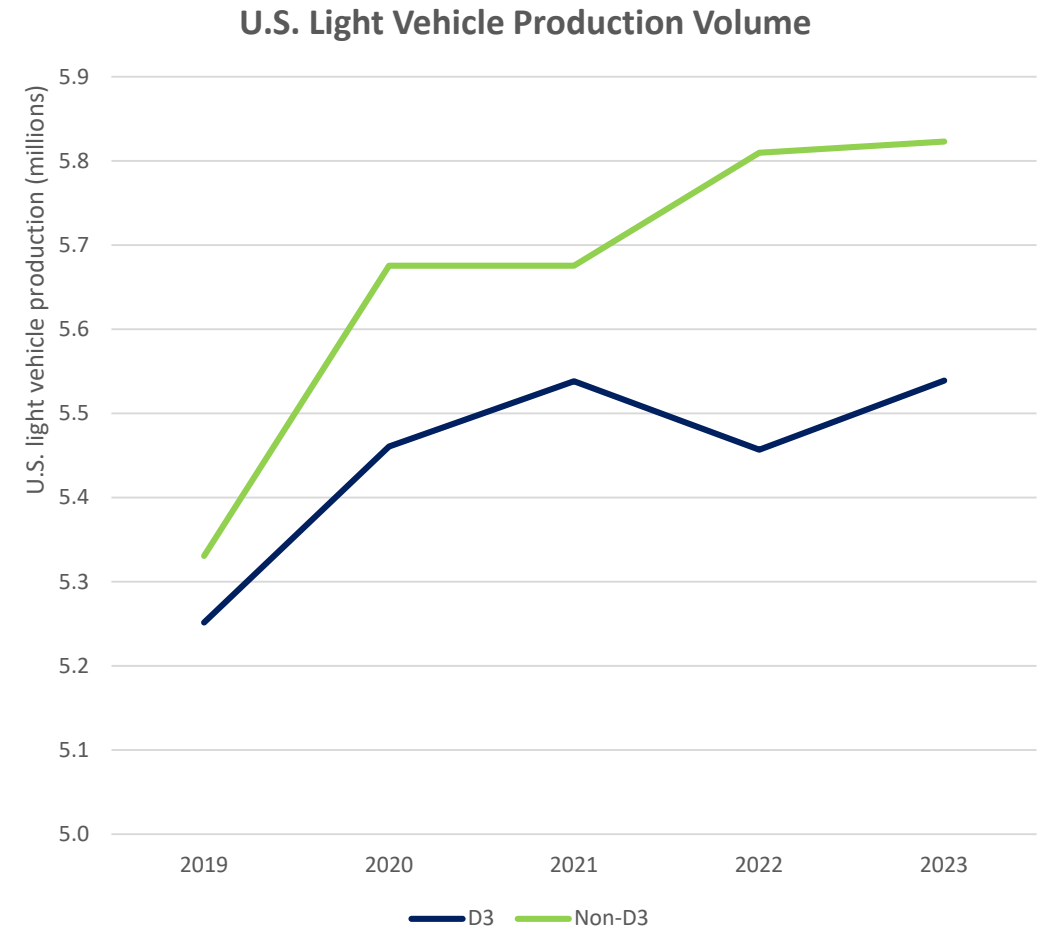
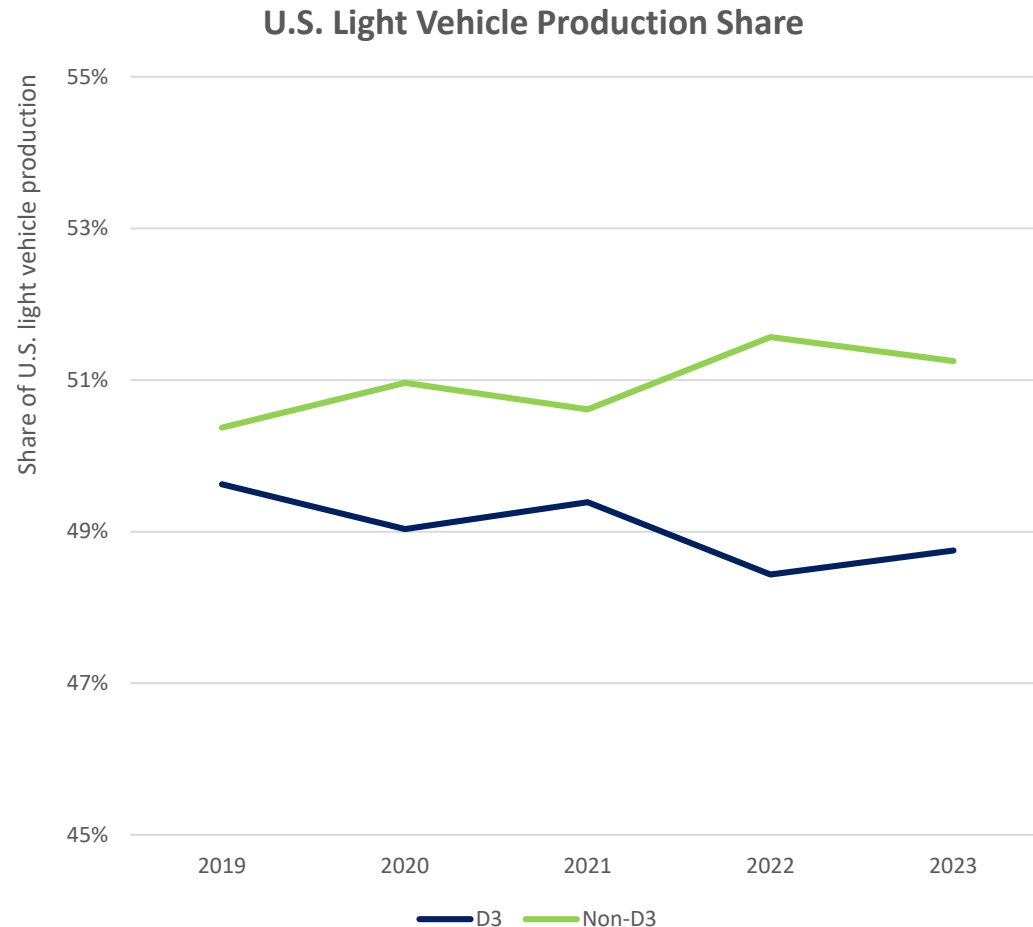


All automakers will increase U.S. share of North American production, & decrease shares in Canada and Mexico over the next four years.

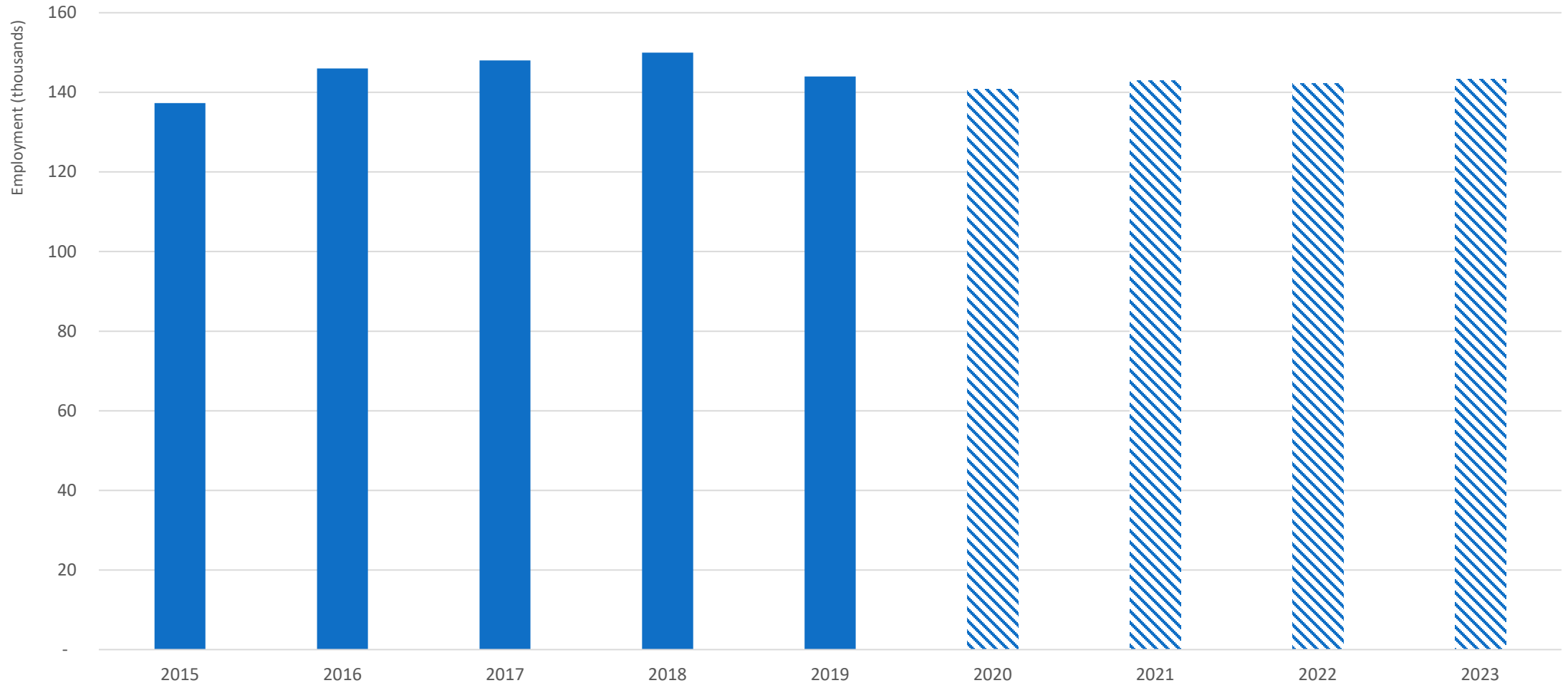
Change in Share of North American Production, 2019-2023



However, the Detroit Three automakers' share of total U.S. light vehicle production is projected to fall, even as volumes increase between 2019-2023.



The Detroit Three automakers are expected to hold U.S. hourly employment steady or increase it slightly over the next 4 years.



Supplier considerations

What should suppliers look for as a result of 2019 UAW-Detroit Three contract talks?

- More U.S.-based D3 investment & production
- Upward wage pressures for suppliers
- No “brave new healthcare” initiatives to use as a pattern to lower costs or improve health care outcomes
- Higher D3 labor costs may mean increased supplier price pressure



Thank You

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