Leading Up to
The 2015 UAW-Detroit Three Talks

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Negotiations with a Difference

- 2007 - The Game Changer
- 2009 – Negotiating Under Duress
- 2011 – Another New Approach
THE 2007 NEGOTIATIONS
2007 Bargaining – The Key Outcomes

• The VEBA
  – Took enormous liability off the books of the Detroit 3 and gave it to the UAW VEBA
  – Significantly reduced the Detroit 3 labor cost going forward (approx. $15/hr reduction)
  – To take effect 1/1/10
  – Funded through cash, preferred stock and other payouts

• 2nd Tier New Hire Rate
  – UAW wanted to grow the number of jobs and the companies needed it for a competitive blended rate
  – Wages started at $14/hr; lower benefit package

• No pay increase
  – Signing bonus of $3000
  – Lump sums of 3%, 3%, 4%
  – COLA (10 cents diverted every quarter, most to VEBA)

• Pensions increased
• Product guarantees
2009 – The Bankruptcy Negotiations

• First agreement was reached in February, 2009
  – Ratified at all 3 companies
  – Deemed insufficient by government

• Second agreement was reached in May, 2009
  – Ratified at GM and Chrysler; Ford workers rejected
  – VEBA funding was the last item
What Happened in 2009?

- The JOBS Bank was eliminated
- Employee placement was “fixed”
- VEBA was funded primarily with stock at GM and Chrysler
- Remaining lump sums eliminated
- Plants were closed
- COLA was essentially eliminated (suspended)
- Pension fund remained intact
- Items agreed to at GM and Chrysler but not ratified at Ford
  - No cap on number of 2\textsuperscript{nd} tier employees at GM and Chrysler
  - No strike in 2015; economic issues settled by binding arbitration
  - Skilled trades work rule changes
THE 2011 NEGOTIATIONS
What Was Different in 2011?

• Government was still an owner of GM
• UAW VEBA owned some of GM and Chrysler
• No strike clause and binding arbitration
• Bankruptcy was not that far in the past
The 2011 Settlement

- No pay increase for Tier 1
- Significant increase for Tier 2
  - Top of Tier 2 to be $19.28 vs. $28.50 for Tier 1
- Revamped profit sharing and bonus structure
  - Paid more at all 3 companies than a 3% pay increase
- No pension increase
- Little change in health care
- Caps remained off for Tier 2 hires for GM and Chrysler per 2009 government agreement
- Significant commitment for jobs and investment
There was some dissatisfaction with the contract—especially at Chrysler.
What Has Happened 2011-2015
Cash Payout Over 2011 Contract

- **FCA**:
  - Signing Bonus: $8,300
  - Profit Sharing: $3,500
  - Lump Sums: $9,000
  - Total 4-Year Payout: $20,800*

- **Ford**:
  - Signing Bonus: $6,000
  - Profit Sharing: $30,200
  - Lump Sums: $7,000
  - Total 4-Year Payout: $43,200

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

*maximum payout
## Profit Sharing Over 2011 Contract

<table>
<thead>
<tr>
<th>Year</th>
<th>FCA</th>
<th>Ford</th>
<th>GM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$1,500</td>
<td>$6,200</td>
<td>$7,000</td>
</tr>
<tr>
<td>2013</td>
<td>$2,250</td>
<td>$8,300</td>
<td>$6,750</td>
</tr>
<tr>
<td>2014</td>
<td>$2,500</td>
<td>$8,800</td>
<td>$7,500</td>
</tr>
<tr>
<td>2015</td>
<td>$2,750</td>
<td>$6,900</td>
<td>$9,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$9,000</td>
<td>$30,200</td>
<td>$30,250</td>
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</table>
Profit Sharing Over the Years

Source: Company data

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Tier 2 Wages and Limits

• Tier 2 wage ceiling is $19.28 going into bargaining
• There have been no limits at GM and Chrysler for Tier 2 – Ford has had a 20% cap with exceptions
• All companies have hired Tier 2 to meet rising demand
  – FCA has 45%+ Tier 2
  – Ford is at 20% cap plus exceptions and has had to “promote” several hundred workers to Tier 1
  – GM is still below their cap of 20-25%
  – The level of the cap becomes the key issue
• For the companies it is a question of cost and insourcing
  – All have brought in work due to presence of Tier 2
Current Tier 2
Wages and Benefits

• New Tier 2 employees start at $15.78 growing to $19.28
  – GM warehouse employees $1 per hour less
  – All tier 2 employees as of 2011 are now at $19.28
• Health care less expensive than Tier 1, but still very good
• Pension is 4% company pay into a defined contribution plan
• $1 per hour goes into employee defined contribution account to pay for retiree health care
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.
Health Care

• Management’s issue
• Premiums, deductibles and co-pays still virtually zero
• Has been core issue for UAW
• Still the largest benefit cost to the companies
Health Care is the Most Costly Benefit

Source: Center for Automotive Research estimates

Average Annual Cost of UAW Health Coverage

Traditional: $16,000
Entry Level: $7,000
For the first time, there was no pension increase for anyone in 2011
  – Fears by the UAW that pension funds were in trouble
Pension funds perceived to be in better shape now
  – GM pension plan still in worse overall shape than Ford
Robust health of VEBAs mitigates the need for large lump sums for those already retired
Big Three VEBA Fund Status

Source: VEBA 5500 Reports
## Recent Pension Gains

<table>
<thead>
<tr>
<th>Year</th>
<th>Future Retiree Multiplier</th>
<th>30&amp;out</th>
<th>Current Retiree Multiplier</th>
<th>Current Retiree 30&amp;out</th>
<th>Current Retiree Lump</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>+$4.00</td>
<td>+$230</td>
<td>+$1.00</td>
<td>+$60</td>
<td>2 up to $570</td>
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<tr>
<td>1996</td>
<td>+$4.55</td>
<td>+$265</td>
<td>+$1.15</td>
<td>+$80</td>
<td>2 tied to inflation</td>
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<tr>
<td>1999</td>
<td>+$7.45</td>
<td>+$435</td>
<td>+$1.25</td>
<td>+$90</td>
<td>1 tied to inflation plus catch up</td>
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<tr>
<td>2003</td>
<td>+$4.20</td>
<td>+$290</td>
<td>Nothing</td>
<td>Nothing</td>
<td>4 of $800 plus 2 vehicle vouchers</td>
</tr>
<tr>
<td>2007</td>
<td>+$2.65</td>
<td>+$150</td>
<td>+$2.00</td>
<td>+$120</td>
<td>Nothing</td>
</tr>
<tr>
<td>2011</td>
<td>Nothing</td>
<td>Nothing</td>
<td>Nothing</td>
<td>Nothing</td>
<td>Nothing</td>
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What Did UAW Give Up?

• The UAW did a good job of protecting its members
  • No hourly employee took a pay cut
  • No change to active hourly health care
  • No impact on UAW pensions
  • Biggest impact was on the number of jobs but there were soft landings
  • A lot of “cost extras” disappeared (JOBS Bank)
• Only increases to wages and benefits have been minimized
• Existence of Tier 2 has increased jobs
  – Saved Lake Orion plant at GM and others at Ford and FCA
• Will be point of disagreement in 2015
FCA, Ford & GM 2011 UAW hiring commitments and actual results

Source: UAW-Chrysler, UAW-Ford, and UAW-GM 2011 agreements and company reports; Company data and Center for Automotive Research estimates.
The wage gap between the tiers has narrowed

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