

# 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
- 2<sup>nd</sup> 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



# THE 2009 NEGOTIATIONS



# 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<sup>nd</sup> 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



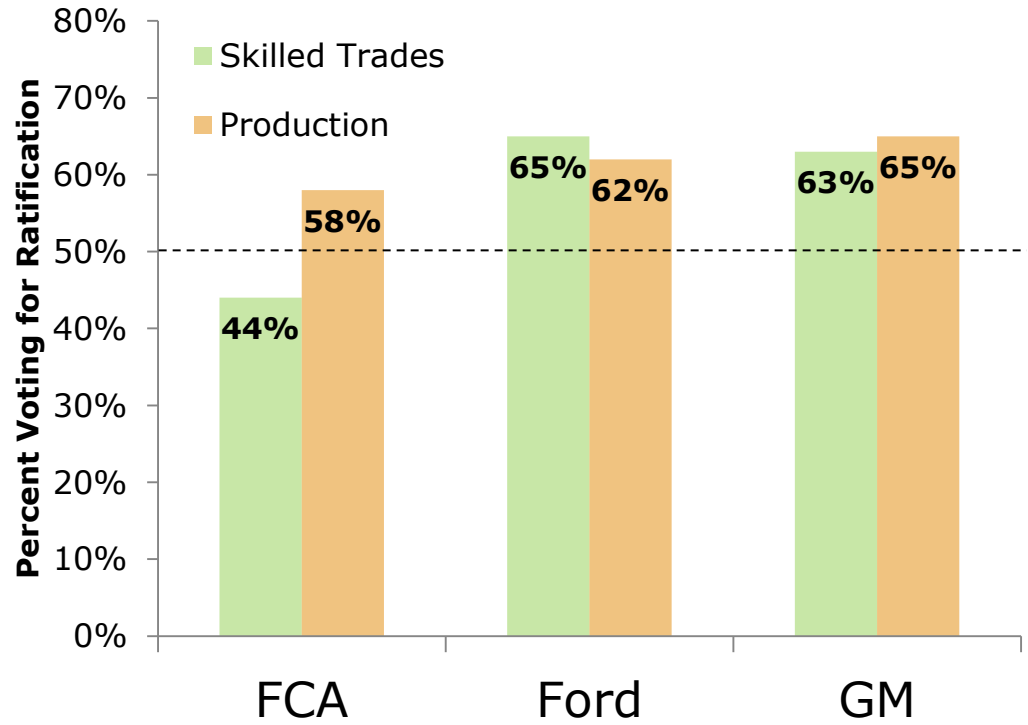
# The 2011 Settlement

- 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



# Ratification

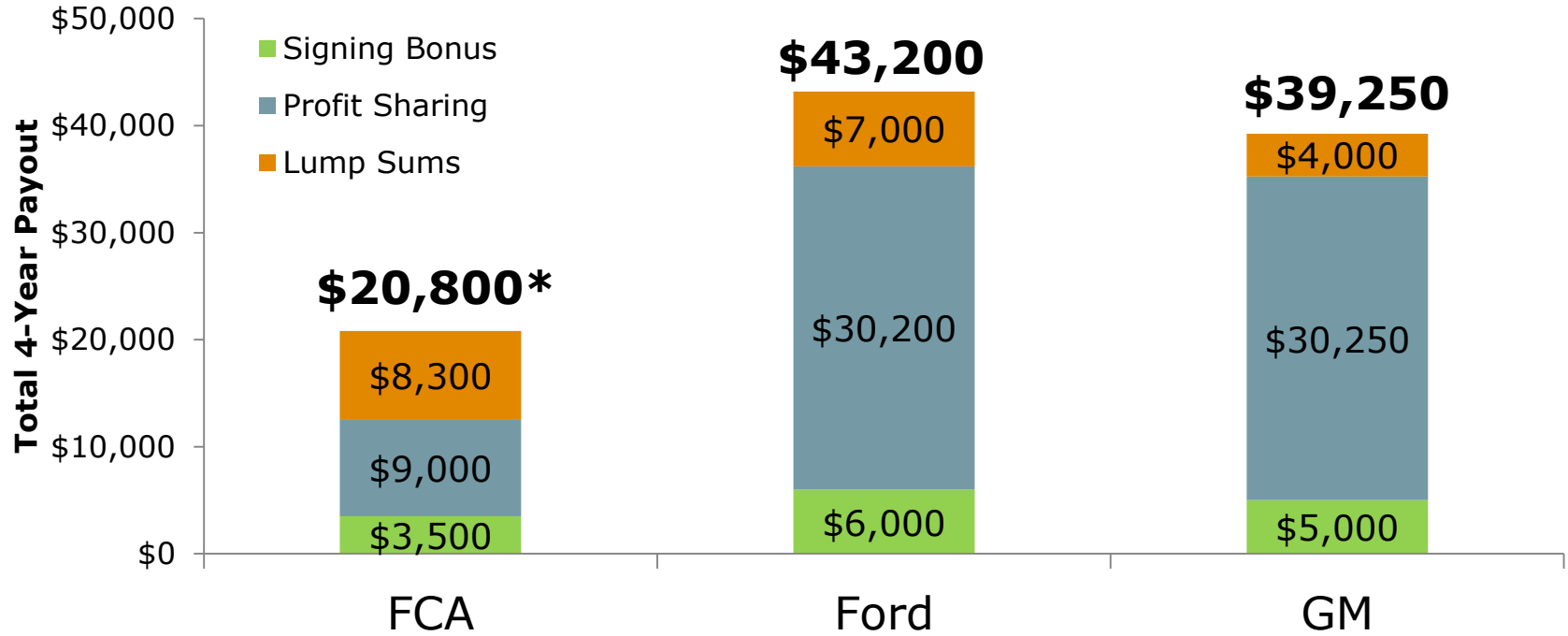
- There was some dissatisfaction with the contract –especially at Chrysler



# What Has Happened 2011-2015



# Cash Payout Over 2011 Contract

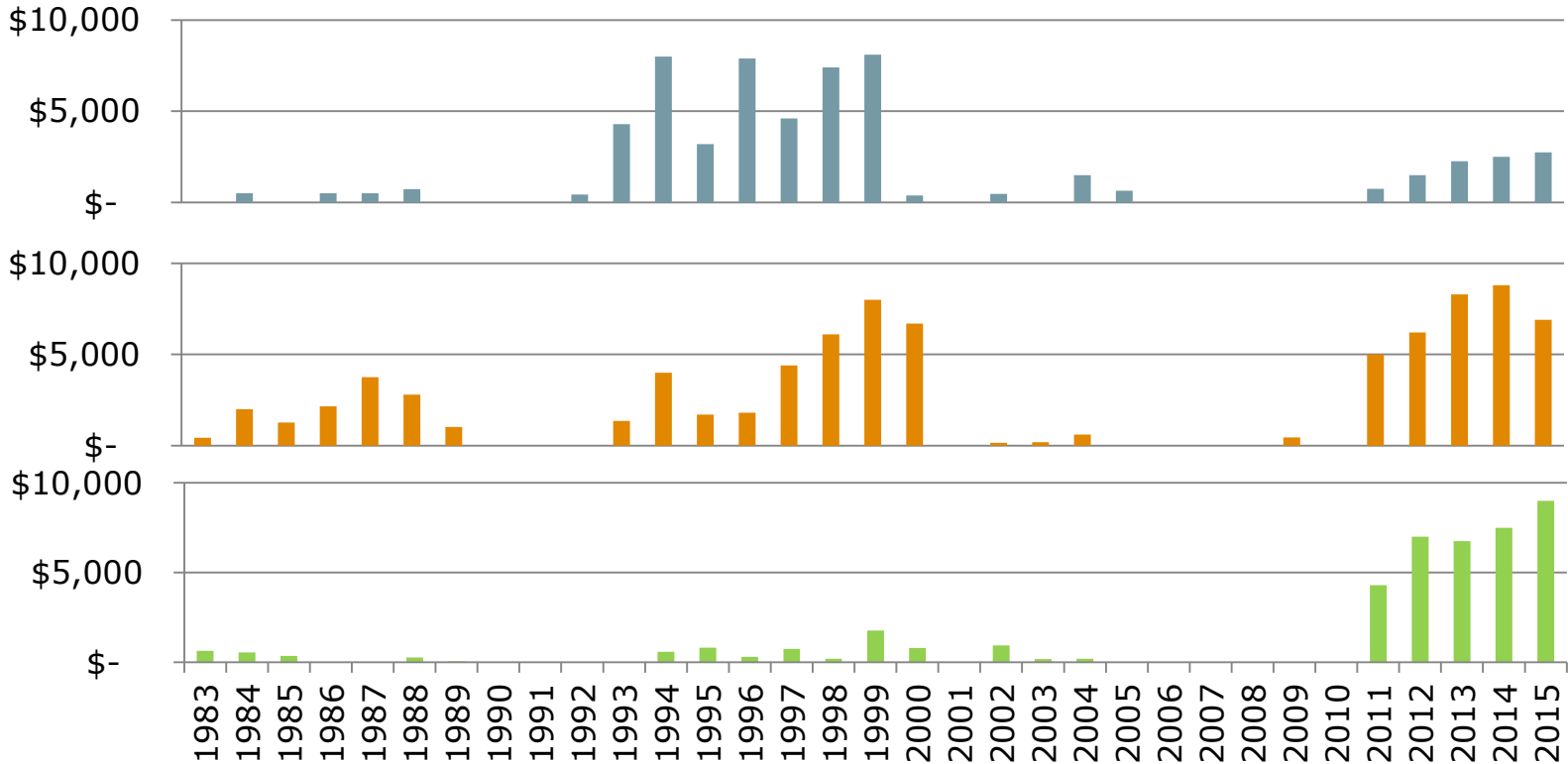


\*maximum payout

# Profit Sharing Over 2011 Contract

	FCA	Ford	GM
2012	\$1,500	\$6,200	\$7,000
2013	\$2,250	\$8,300	\$6,750
2014	\$2,500	\$8,800	\$7,500
2015	\$2,750	\$6,900	\$9,000
TOTAL	\$9,000	\$30,200	\$30,250

# Profit Sharing Over the Years



Source: Company data

# 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



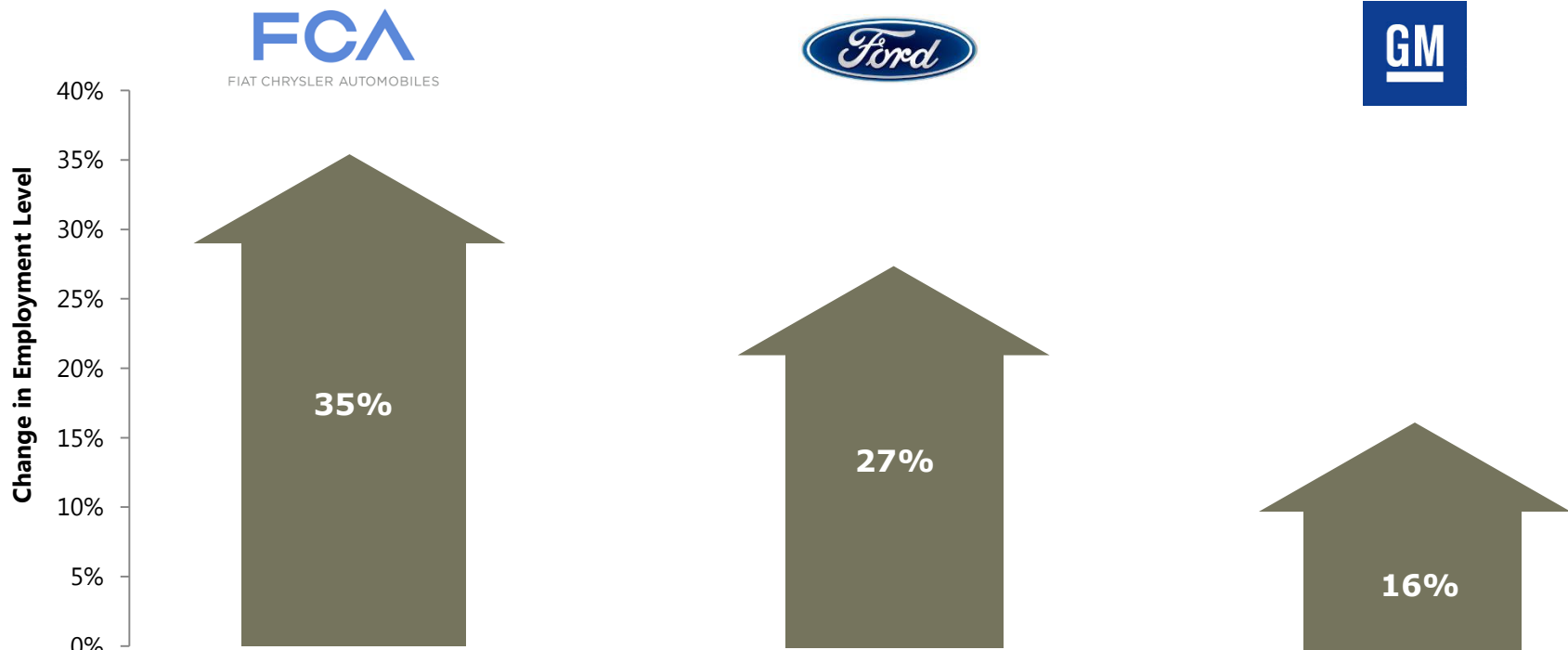


# Current Tier 2 Wages and Benefits

- 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



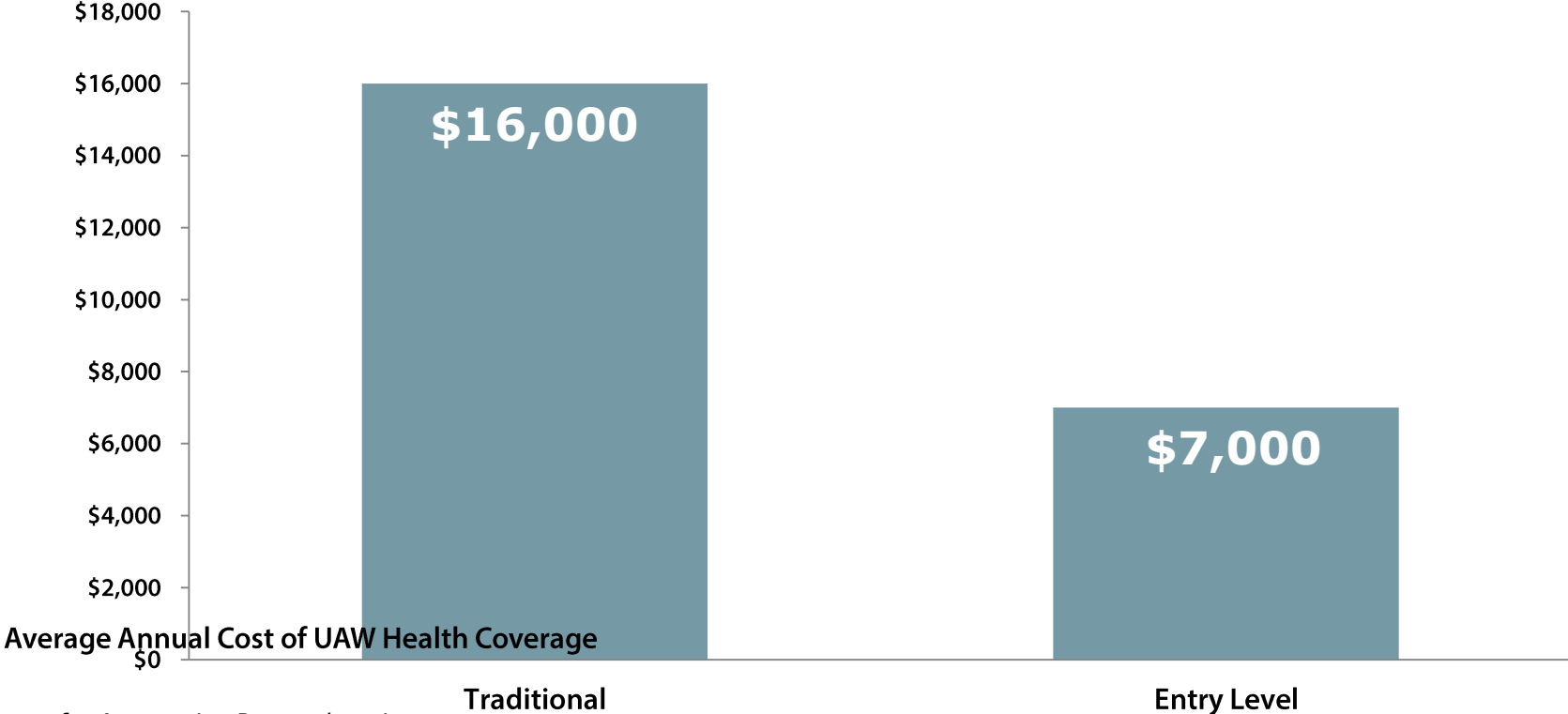
Source: UAW-Chrysler, UAW-Ford, and UAW-GM 2011 agreements and company reports.

# 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



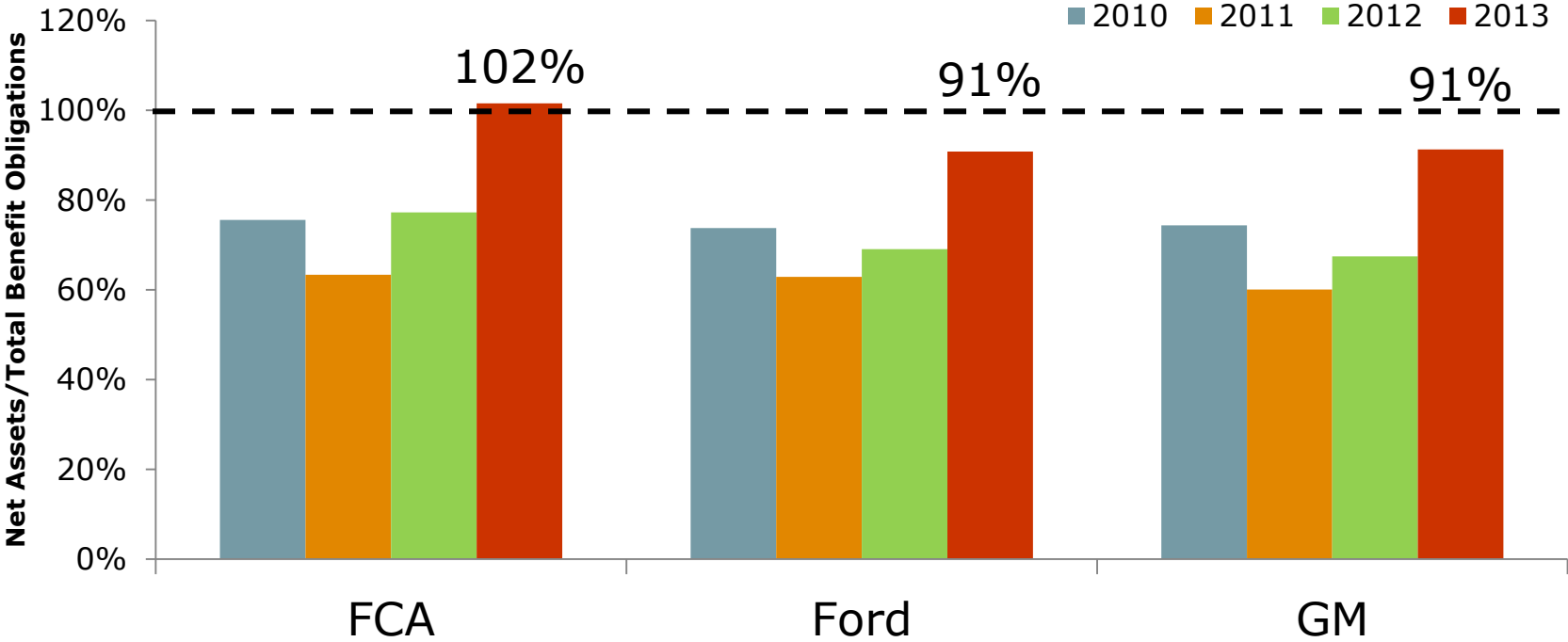
Source: Center for Automotive Research estimates

# Retirees

- 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

	Future Retiree Multiplier	30&out	Current Retiree Multiplier	Current Retiree 30&out	Current Retiree Lump
1993	+\$4.00	+\$230	+\$1.00	+\$60	2 up to \$570
1996	+\$4.55	+\$265	+\$1.15	+\$80	2 tied to inflation
1999	+\$7.45	+\$435	+\$1.25	+\$90	1 tied to inflation plus catch up
2003	+\$4.20	+\$290	Nothing	Nothing	4 of \$800 plus 2 vehicle vouchers
2007	+\$2.65	+\$150	+\$2.00	+\$120	Nothing
2011	Nothing	Nothing	Nothing	Nothing	Nothing

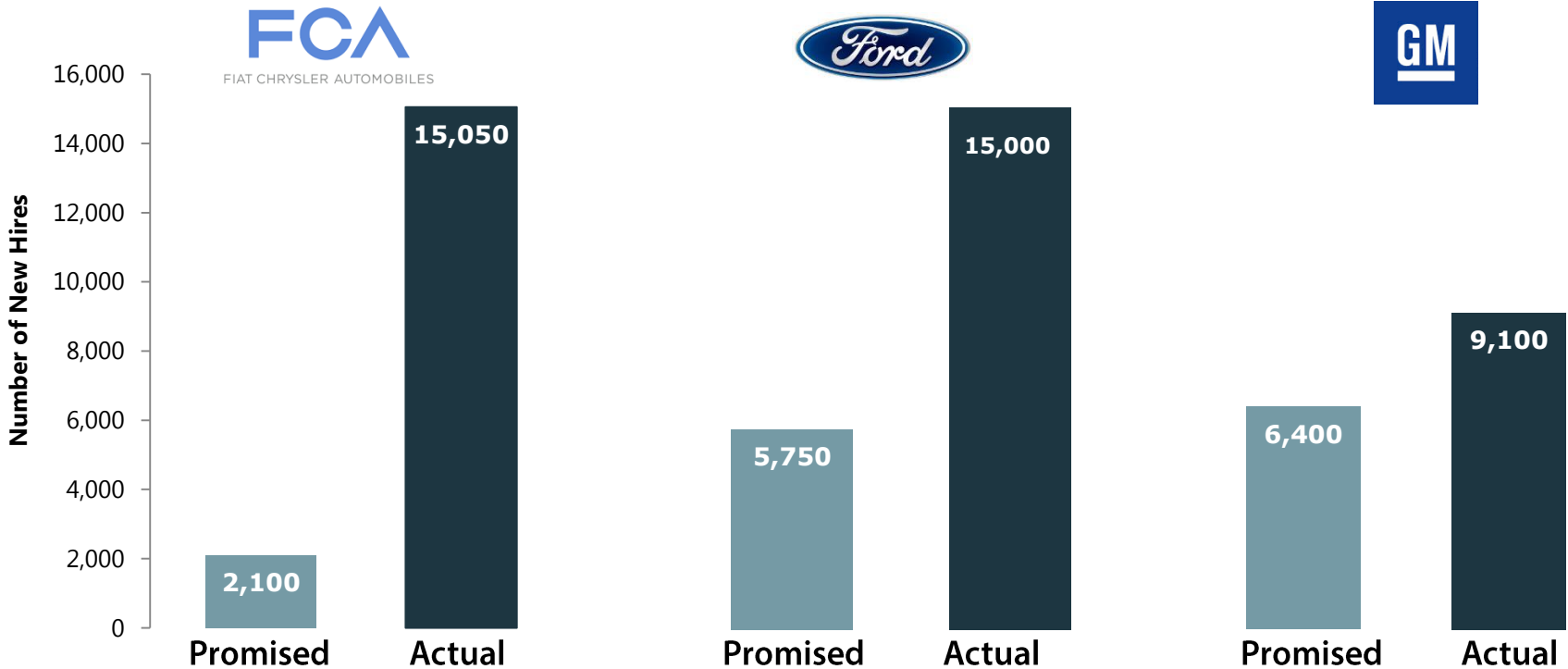
# What Did UAW Give Up?

- 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



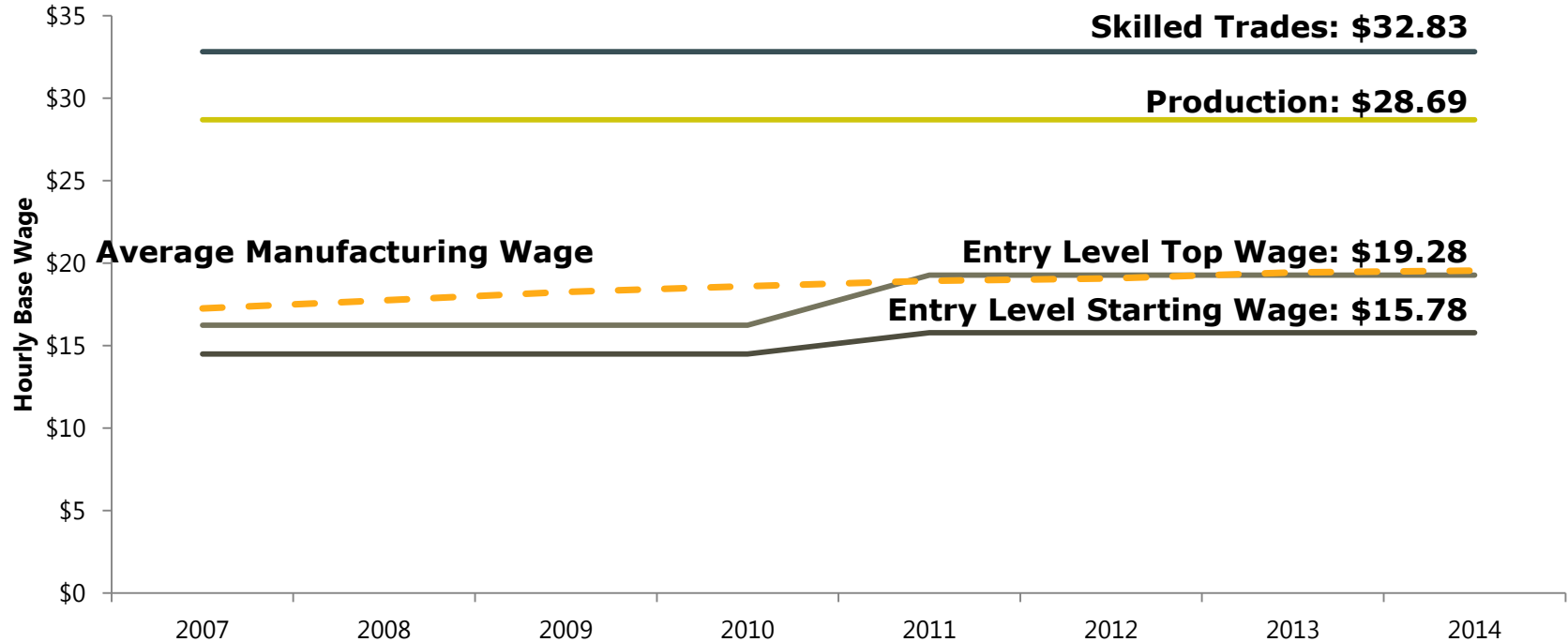


# FCA, Ford & GM 2011 UAW hiring commitments and actual results



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



Source: UAW-Chrysler, UAW-Ford, and UAW-GM 2011 agreements and U.S. Department of Labor, Bureau of Labor Statistics



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