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White Paper

The Ramifications of the UAW's Victory at Volkswagen's Chattanooga, Tennessee Assembly Plant

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Within six months of ratifying the record contracts with the Detroit Three — GM, Ford, and Stellantis — the UAW successfully unionized Volkswagen’s Chattanooga assembly plant in Tennessee. This victory marks a significant milestone — the first unionized foreign-owned light-duty vehicle plant in the South — and could “be the first domino to fall,” as UAW President Shawn Fain¹ articulated it.

The UAW has unionized other foreign-owned light-duty vehicle plants in the United States, such as Volkswagen’s Westmoreland assembly plant near New Stanton, PA, and Mitsubishi Motors’ Illinois assembly plant in Normal, IL, now owned by Rivian. However, Volkswagen’s Pennsylvania plant closed in 1988, and Mitsubishi Motors’ Illinois plant ceased operation in 2015.

The UAW also used to represent several joint venture assembly plants, including New United Motor Manufacturing, Inc. (NUMMI, a joint venture of GM and Toyota) that closed in 2010 and later became Tesla Fremont Factory; and AutoAlliance International (AAI, a joint venture of Ford and Mazda.) Ford took full ownership of AAI in 2012, and the plant became Ford’s Flat Rock Assembly Plant.

All closed U.S. light-duty vehicle assembly plants in the past two decades were unionized plants; therefore, there is a general misconception that there must be a direct link between a plant’s unionization and its closure. However, the reasons behind the closure of each plant are complex, with no exclusive causality attributable to unionization. The major reasons for a plant closure may include having the wrong products at the wrong time, which in turn may lead to low or negative product profitability and low plant capacity utilization. The viability of plant renovation and investment depends on the plant’s age, location, labor force condition, and the company’s financial conditions, all of which also play a significant role in a plant closure decision. The inability to adjust direct labor costs, owing to the union contract, is a contributing factor, but not the sole or definitive one for a plant closure.

As a case in point, during the economic downturn and the Great Recession between 2007 and 2011, the UAW made significant concessions, including attrition programs, cutting new hires’ wages by half, and reducing healthcare and retirement benefits. Despite the efforts made by the companies and the UAW, about one-quarter of the Detroit Three vehicle assembly plants were closed during that time. Such events suggest that plant closures are

¹[The Guardian, April 22, 2024](#)

outcomes of complexities of market plays with Darwinian outcomes. Labor costs or production efficiencies at individual plants are but a component in a highly competitive marketplace with a complex system of factors that determine success and failure.

A question that is frequently asked is whether the lucrative union and the company contracts in the 1990s were the root cause of the subsequent plant closures at the Detroit Three. This question can only be answered by the union and the companies who executed the contracts. More generally, from an economic standpoint, if automakers are unable to adjust labor costs based on the plant's marginal product, then labor cost can become a fixed expense, like equipment cost. During economic downturns, plants unable to adjust their product-cost structure are often the most exposed to the risk of having to shut down.

The future of Volkswagen's Chattanooga assembly plant hinges on the labor contract agreement that will be hammered out between the UAW and Volkswagen. Both parties have publicly committed to working together to achieve a fair and sustainable agreement. Being Volkswagen's sole light-duty vehicle assembly plant in the United States, whether the Chattanooga plant's current products and production volume will sustain the union's promises to the workers is likely to be a sticky point in the contract negotiation.

The plant's current products, the Atlas, and the ID.4 are high-volume mass-market products which are also made in plants outside of the United States. The Atlas (known as the Teramont, outside of North America) and the ID.4 are sold globally. Nevertheless, the Chattanooga plant's production is mainly for the U.S. and Canadian markets. Maintaining the Chattanooga plant's competitiveness and profitability while negotiating a contract as favorable as the agreements the UAW secured with Detroit Three can be a challenge.

Based on publicly available data and CAR estimates, substantial differences exist between the base wages and the workforce arrangements of workers at the Chattanooga plant and those at the Detroit Three assembly plants. The top wage rate of a regular full-time worker at the Chattanooga plant is estimated at \$32.40 per hour². On the other hand, the top wage rate at the

² [Fox2 Detroit](#)

Detroit Three assembly plants is 11% higher at \$36.00 per hour³⁴⁵. Additionally, the wage rate difference for temporary workers can be as high as 40%. If the current ratio of temporary to regular workers in the Chattanooga plant remains unchanged, adopting Detroit Three's wage rates and wage rate progression would increase the Chattanooga plant's labor costs by 25% this year and by up to 50% by 2027.

The UAW's successful unionization of the Volkswagen Chattanooga plant represents the first victory in a campaign to organize the 13 non-unionized automakers in the United States. This said, the challenges of aligning Chattanooga's labor contract with the Detroit Three agreements are significant, particularly in terms of balancing labor costs with the health, safety, and job security of the workers. Further, this will be an important signal to record in the complex process of determining the viability of motor vehicle assembly plants in the United States.

³ [UAW-GM 2023 Agreement Highlights](#)

⁴ [UAW-Ford 2023 Agreement Highlights](#)

⁵ [UAW-Stellantis 2023 Agreement Highlights](#)

About the Authors

Center for Automotive Research

The Center for Automotive Research (CAR) is an independent, non-profit organization conducting industry-driven research and analysis. Focusing on critical areas like Energy and Sustainability, Technology, Labor, Economics, and Policy, CAR has been a trusted resource for the automotive industry for over twenty years. www.cargroup.org

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