

2023-09-16 Peter Coy - In the Autoworkers Strike, One Side Has the Higher Ground

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[In the Autoworkers Strike, One Side Has the Higher Ground](#) | @Peter Coy^[1]

Members of the United Auto Workers union have a strong hand in their strike against General Motors, Ford Motor and Stellantis. Their negotiators have reason to believe that they should come close to getting what they're asking for, which includes raises of 40 percent over four years. I don't foresee the autoworkers caving. If the automakers also refuse to cave, this strike could drag on, harming both parties to the conflict as well as the general public. That would be unfortunate.

On Friday, the U.A.W. struck all three companies at once for the first time. It began what it called a "stand up strike," picketing just three assembly plants, one from each of the companies. It's likely the targets will change. The idea is to throw the automakers off balance while allowing most union members to keep drawing a paycheck. "As time goes on, more locals may be called on to 'Stand Up' and join the strike," the union said.

In a contract negotiation such as this involving powerful parties that need each other, there is no one clearly correct outcome.^[2] Both labor and management gain immensely from their partnership. The fight is over how to divide the value that they jointly create. It would seem unfair for either the companies or the workers to extract 100 percent of it. But what's the right split? Is it 50-50? And how would you measure such a split, anyway?

In the absence of an undisputed standard, the U.A.W. and the automakers are using different yardsticks to make their cases. It seems to me that the U.A.W. is making a more appealing one.^[3] It also helps them that big business in general is not held in high esteem these days. The chart below shows that since at least the early 1970s, there has never been a bigger gap between the public's confidence in

¹ **summary:** Peter Coy handicaps the strike between the UAW and the big three U.S. Automakers: Ford, Stellantis, and GM. The strike is unusual -- a 'stand up' strike that hits only a few factories but of all three automakers. Coy takes a neutral stance, claiming 'there is no undisputed standard' as to who is right or wrong in a conflict like this (I think John Rawls would disagree), but he concedes the UAW has more 'appealing' arguments. 1/ Automakers have to catch up on all that the workers gave up after the Great Recession, and recalibrate what pay should be now, decades later. 2/ Share the wealth: the billions in profits made that haven't been fairly shared. In the end, Coy is just handicapping: there is apparently no moral case to be made, just a power struggle to be gamed, and the UAW has a stronger hand. But from my viewpoint, a better moral case.

² Hmmm. There is no morality or legal basis for a 'fair deal' outside of the contention between the parties and their political and economic might? I think @John Rawls would disagree. For example, appeals to the injustice of CEO pay are often couched in terms of historical multiples in scale to the average worker in earlier eras when a working wage was above the poverty line and more importantly supported a middle class life.

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organized labor (which is so-so) and its confidence in big business (which is abysmal).

Americans Are More Confident in Labor Than Big Business

Share saying they have a great deal or quite a lot of confidence in each institution



Source: Gallup • By The New York Times

"In modern corporate America the people who don't do the work get paid many times more than the people who do the work, so picking sides in these disputes is generally not difficult," @Hamilton Nolan, a journalist who writes about labor and politics, wrote this week on Substack.

The public doesn't feel the same warmth toward autoworkers that it feels toward striking actors or the U.P.S. drivers they know, who nearly went on strike this summer, but the autoworkers' dispute revolves around "issues that resonate with the public, the same issues that they're dealing with," @Kate Bronfenbrenner, the director of labor education research at Cornell University's School of Industrial and Labor Relations, told me.

The first thing that tends to affect the public in an auto strike is that replacement parts run low.^[4] People get angry when they can't get to work or the supermarket because their cars can't be repaired. When that happens, "they're going to blame the company, not the union," Bronfenbrenner predicted. Some angry customers will switch to other makes of cars — which is ironic, because those other companies (Tesla in particular) generally offer workers a worse deal.

⁴'The first thing that tends to affect the public in an auto strike is that replacement parts run low.' How long does that take? Weeks? Months? Years?

Another thing that gives the autoworkers a strong hand is that the automakers can't go for very long without running out of vehicles to sell.^[5] As the chart below shows, the seasonally adjusted ratio of inventories to sales, at less than 1.0, is far below its 30-year average of around 2.5. This strike will be a war of attrition between the autoworkers' steadily dwindling strike fund, which pays workers while they're on

⁵ Pressure on the automakers. Who can outlast the other?

the picket line, and the automakers' steadily dwindling stock of vehicles for sale.

Automakers Have Thin Cushions



Source: Bureau of Economic Analysis • By The New York Times

I recently watched a replay of an Aug. 1 Facebook Live [event](#) hosted by [@Shawn Fain](#), the fiery U.A.W. president. Fain, who was elected in March, was wearing a short-sleeved black shirt bearing the U.A.W. logo and sitting in front of some easels with charts. He gave folksy shout-outs to union members tuning in from across the country, including Kokomo, Ind., where he got his start in 1994 as an electrician at Chrysler's Kokomo Casting Plant. (Chrysler is now part of Stellantis, which is headquartered in the Netherlands.)

You wouldn't expect someone in [UAW president Shawn] Fain's position to say that the union's requests were "audacious," but that's what he did. I think he was trying to tell his members that they were entitled to ask for more to make up for a long time when they got very little. When the financial crisis of 2007-9 jeopardized the automakers, the union agreed to give up its annual cost-of-living adjustments, which had begun in 1948. It also accepted expanded use of a two-tier wage structure. Today the starting wage is \$18.04 an hour, which is lower than the 2007 starting wage of \$19.60, Fain said. If the starting wage had kept up with inflation it would be around \$29 today, he noted.^[6]

⁶ The primary argument is that the automakers have to catch up on all that the workers gave up, and recalibrate what pay should be now, decades later.

Meanwhile the automakers rebounded from the financial crisis and began to make a lot of money — \$250 billion from 2013 through 2022, according to the Economic Policy Institute. G.M. and Chrysler were prohibited from issuing big dividends or stock buybacks to reward shareholders as a condition of the federal bailouts they received, but soon after the government sold the last of its shares (in 2011 for

⁷ Second argument: share the wealth.

Chrysler and 2013 for G.M.), they resumed big payouts in earnest. They also boosted top executives' pay.^[7]

The automakers have argued in negotiations that they will need lots of money to make the transition to electric vehicles, but the big payouts to shareholders and executives somewhat undercut them.^[8]

"The companies made mistakes," Bronfenbrenner said. "They underestimated the depth of the anger and the depth of the organization, how well the unions are prepared. They haven't dealt with this kind of organization in the union for a long time."

"There's a lot of bitterness that I don't think we've seen for a very long time," @Garrett Nelson, a senior equity research analyst for CFRA, told me this week. He said that among expenses for automakers, labor is a distant second to the cost of materials, such as steel. "So they do have some room" to pay more, he said. "It is digestible."^[9]

Another analyst, @Daniel Ives of Wedbush Securities, disagreed, saying that big pay increases would "make the Detroit Three put one hand behind their back in a fist fight against Tesla."^[10] He said it would be impossible for the companies to give the U.A.W. the raises it wants and "keep the same profit margin that they've promised to the Street."

Tesla does enjoy an unfair labor-cost advantage, which the union will certainly work to eliminate by organizing Tesla employees. As far as helping the automakers keep their promises to Wall Street, that is not high on the U.A.W.'s priority list.

I do understand that autoworkers at G.M. and what's now Stellantis got preferential treatment, compared with other parties to whom the automakers owed money, in the Obama administration's bailout of those two companies in 2009. Autoworkers at the three companies remain among the best-paid factory workers in America. I also understand that the chiefs of the Detroit Three don't want to lock themselves into expensive, inflexible contracts that will leave them exposed to failure in the next big downturn.

@Jim Farley, the chief executive of Ford, said this week that Ford's latest offer is the most generous in 80 years.^[11] He said it gives pay increases, eliminates tiering of wages, offers protection against inflation and increases contributions to retirement plans^[12]. He added that he was "still optimistic

⁸ Yeah, if you say you need to keep all those concessions and all the profits to transition to EV, why the stock buyback, dividends, and executive pay boosts?

⁹ In many industries -- software, for example -- labor is the biggest cost. Not so in automotive, where it's materials. So they have financial room.

¹⁰ But the unions will sooner or later unionize Tesla.

¹¹ 'The most generous in 80 years.' He's agreeing with one of the unions' arguments: the automakers have to make redress for those years.

¹² Filling the gap they gouged out of the workers' hides, but that only gets back what should have been there all along, and only going forward. What about

that **we'll get a deal, but there is a limit.**" Unstated was the possibility that the automakers could shut down U.S. factories and move the jobs to cheaper places.

sharing the profits that they should have received in the past decade and a half?

On the whole, though, the autoworkers do seem to have the stronger argument, and the stronger hand, as this strike begins.^[13]

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