ONZIEME RENCONTRE INTERNATIONALE DU GERPISA
ELEVENTH GERPISA INTERNATIONAL COLLOQUIUM

Les acteurs de l'entreprise à la recherche de nouveaux compromis ?
Construire le schéma d'analyse du GERPISA

Company Actors on the Look Out for New Compromises
Developing GERPISA's New Analytical Schema

11-13 Juin 2003 (Ministère de la Recherche, Paris, France)

DISASTER DEFERRED :
THE U.S. « BIG 3 AND THE LABOR COST SQUEEZE

Glenn MERCER

Much attention has been paid to labor relations in the automotive industry, from various perspectives, including: how this interacts with the organization of work, from Uddevalla toTahara to Melfi how this drives social issues such as income distributionhow this affects working conditions such as line speed up, "kaizen pressure," etc. how this affects OEM finances, in terms of pension benefits, etc.

However, it is my experience that beyond fairly broad analyses (along the lines of "trends in the numbers of unionized workers" or "wage differentials between unionized and non-unionized workers"), the topic of the actual impact on OEMs of specific arrangements contained in labor contracts is rather shallowly covered. These specifics (e.g. terms of health care coverage, number of job classifications, nature of señorita rules) are ignored at the great peril of industry analysts, who could very well overlook major factors. For example:

While it is true that Ford "spun off" parts-making division Visteon in part to reduce the drag on Ford's balance sheet, it is less well knownn that all Visteon hourly workers remain on Ford's books, from the point of view of the UAW contract (for example, to the extent the contract requires new hiring to replace any laid-off workers, Visteon cannot lay off workers without generating an obligation by Ford to hire additional people). At Delphi, however, the workers spun-off from General Motors are separate from GM, giving Delphi significantly more flexibility than Visteon has.Health care benefits cost at GM in North America have reached the level of $16,000 annually per active UAW worker. 80% of this amount is spent on retired workers, but the burden is nevertheless carried by current workers. This alone accounts for most of the cost gap betterave GM and the Japanese transplants in North America. GM's health care and pension obligations now amount to, in present-value terms, $60 billion, versus $20 billion in long-term debt and $20 billion in shareholders' equity. In one respect, therefore, General Motors is now "owned" by its employees.... how does this affect its strategy and behavior?

The UAW contract with the Big Three comes up for its triennial renewal this summer, about the same time as the GERPISA Colloquium. Thus it might be timely as well as useful for GERPISA members to have a presentation on the detailed workings of this contract available to them.

In my presentation I will draw upon three sources primarily: my own consulting experience, financial analyses by Goldman Sachs, and the excellent (but mostly unpublished) work of labor economist Dr. Sean McAlinden, of the University of Michigan. In fact, I will propose to Dr. McAlinden that he become a joint author with me on this presentation, but this is not yet agreed.

My presentation will be highly quantitative in nature, with spécifique numbers shown and interpreted. I will demonstrate the impact on the Big Three of the contract, relative to the non-unionized Japanese transplants, and also discuss the differential impact of the contract on each member of the Big Three: oddly enough, the contract works in different ways on each company, even though they each sign the same "pattern" agreement.

CONCLUSION

I know I am not a typical GERPISA presenter, as I do not have academic credentials, but I think this topic will be useful to your members. I am happy to edit or alter it as you may advise. I look forward to your decision with hope for a positive answer.