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Whitepaper:

Impact of 2023 UAW-Detroit Three National Contracts on the U.S. Auto Industry

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Introduction

On October 30, 2023, General Motors (GM) and the United Auto Workers (UAW) reached a tentative agreement, bringing an end to the longest UAW strike against an automaker since 1998. Lasting 46 days from September 15 to October 30, 2023, the 2023 UAW strike saw extensive negotiations between the UAW and the three major domestic automakers—commonly referred to as the Detroit Three: Ford, GM, and Stellantis. These negotiations resulted in what are being reported as “record contracts,” poised to significantly influence the U.S. automotive industry for years to come. This whitepaper aims to encapsulate the salient components within the UAW-Detroit Three 2023 National Contracts and assess their immediate and long-term impact on the U.S. automotive sector.

2023 UAW-Detroit Three National Contracts Highlights



Top Wage	+25% Over 4 and ½ years Production: \$32.05 → \$42.60* Skilled Trades: \$36.96 → \$50.57*	+25% Over 4 a ½ years Production: \$32.32 → \$42.95* Skilled Trades: \$36.96 → \$50.43*	+25% Over 4 and ½ years Production: \$31.77 → \$42.24* Skilled Trades: \$37.05 → \$50.87*
Wages – Grow-in Workers	3-year grow-in (70% → 75% → 85% → 100%)		
Ratification Bonus	\$5,000		
Component/CCA/GMCH /MOPAR workers	Component plant workers carry over their service hours and are converted to regular grow-in workers.	CCA and GMCH workers carry over their service hours and are converted to regular grow-in workers.	MOPAR workers carry over their service hours and are converted to regular grow-in workers.
Jobs Security and Strike over Plant Closures	1 year Job Security + 1 year Transition Support Agree to the right to strike over plant closure		
Temps Wage growing path	Existing temporary workers with at least 3 months of service will be immediately converted to grow-in full-time workers. Future temporary workers will start at \$21/hour and will be converted to grow-in full-time after 9 months of continuous work.		
Cost of Living Adjustment (COLA)	Traditional COLA formula restored: +5.6% Over 4 and ½ years. Total \$1.78/hour (estimated)		
Vacation and Holidays	Up to 200 hours of paid vacation; 18 holidays/year; 84 holidays over 4 and ½ years		
Retirement Benefits	Increased 401(k) contribution to 10% Retirees and surviving spouses get annual payments of \$500		

Sources: UAW-Detroit Three Agreements Highlights

*Include COLA Estimates 2023-2028

Initially, the UAW put forward demands for a substantial 46 percent wage increase coupled with a 32-hour workweek for full pay. However, these demands were not met, leading to a negotiation that resulted in a 25-percent wage increase over four and a half years and maintaining the 40-hour workweek structure. While the UAW's initial wage goal was not fully achieved, the secured 25-percent wage hike plus the Cost-of-Living Adjustment (COLA) stood as the highest wage increase the union has ever obtained. Notably, Unifor, the Canadian union representing Detroit Three autoworkers in Canada, had only secured a 15-percent wage increase just a month before this agreement was reached.

The most significant triumph in the 2023 contracts for the UAW is the elimination of tier wages. Previously, full-time production workers hired after October 16, 2007—referred to as grow-in or in-progression workers—required eight years of seniority to reach the top wage tier. Additionally, for component plants and warehouse workers (known as second-tier workers), the top wage was approximately 30 percent lower than that of regular production workers. Under the new contracts, all grow-in and second-tier workers with three years or more of seniority are immediately elevated to the top wage level. Those with less than three years of seniority, including new hires, will achieve the top wage within three years. Moreover, current full-time temporary workers with 90 days or more of employment will be promptly transitioned to regular full-time positions, potentially experiencing wage rate increases of up to 147 percent over the contract period.

Hourly Wage Impact

After the successful ratification of tentative contracts, the ripple effect of these new agreements extended beyond unionized automakers in the United States. On November 1, 2023, Toyota Motor announced a 9 percent wage hike for a majority of its U.S. automotive manufacturing workforce, encompassing hourly workers in automotive parts manufacturing facilities and warehouses.¹ Following suit, American Honda Motor Co. announced an 11 percent wage increase for its U.S. automotive manufacturing employees, effective from January 2024.² Subsequently, on November 13, Hyundai Motor North America revealed plans for a 14 percent wage increase in 2024, with projections indicating a total of 25 percent wage hike by 2028.³

Similarly, Nissan, Subaru, Volkswagen, and Tesla unveiled plans for double-digit wage increments for their U.S.-based automotive manufacturing personnel. Collectively, these automakers, including the Detroit Three, accounted for over 87 percent of U.S. motor vehicle production in 2023. Media reports⁴ suggest that while some of the cost pressures will be absorbed by automakers and suppliers, a portion will inevitably be passed on to consumers, potentially impacting vehicle prices. This comes amid a

backdrop where vehicle prices have already surged by over 20 percent compared to three years ago.⁵

The rise in wages is accompanied by an unavoidable decrease in companies' profit margins. Ford has projected that the new contract will contribute an extra \$8.8 billion to labor costs,⁶ while GM anticipates an additional \$9.3 billion in payroll expenses over the next four and a half years.⁷ This increased financial burden is expected to limit the companies' capacity to invest in products with high-risk, high-return potential, thereby impeding innovation and slowing down the transition to electric vehicles.

Impact on the EV Battery Cell Plants and Parts Distribution Centers

During the contract negotiations, one of the key points of dispute revolved around the inclusion of Joint-Venture EV battery cell facilities. The Detroit Three sought contractual flexibility to ensure a seamless shift from internal combustion engine (ICE) vehicle production to electric vehicle (EV) production. In contrast, the UAW aimed to safeguard workers' wages, benefits, and job security during the transition from powertrain manufacturing to battery cell manufacturing.

The agreement reached between GM and UAW outlined a transparent plan for Ultium Cells (UC) plants in Warren, OH, Springhill, TN, and Lansing, MI, and any future UC facilities in the United States. Upon contract ratification, UC hourly workers will become GM employees and are covered by both the National Agreement and a local agreement exclusive to the facilities. The agreement allowed existing GM workers to voluntarily transfer to local UC facilities within a six-month window. Any GM powertrain and parts workers facing layoffs due to the EV transition will have the ability to transfer to UC. Despite the UC top wage rate being 75 percent of GM's maximum wage, transferees will receive the same wage rate and benefits as before the transfer.

On the other hand, the agreement between Ford and UAW provided a less clear outlook for Ford's two JV battery cell facilities located in Marshall, MI (BOBM) and Stanton, TN (TEVC). The agreement failed to cover BOBM and TEVC, despite the fact that Ford will lease its workers to BOBM facility and permit workers from Dearborn Truck Plant and Rouge EV Center to transfer to TEVC. Any surplus workers from other Ford facilities will also be permitted to transfer when the establishments are unionized. The agreement did not specify the wage rate and benefits for workers hired by BOBM and TEVC, and both facilities will retain operational sovereignty, including the ability to outsource jobs and hire contractors.

Similar to the UAW-Ford agreement, the UAW-Stellantis agreement offered an early view of Stellantis' three JV battery cell plants: one in Belvidere, IL, and two in Kokomo, IN. UAW President Shawn Fain claimed in a livestream video that all employees who work for the future Joint-Venture will be employed by Stellantis and leased to the Joint Venture. Fain assured that any UAW members of Stellantis who transfer into JVs will keep their pay rates, benefits, and seniority, while new hires in JVs will start with 75 percent of Stellantis' maximum wage.⁸ A supplemental letter⁹ disclosed by the UAW acknowledges that the three battery manufacturing facilities are predominantly owned by a third party, and the union consents to relinquish the right to strike.

Additionally, the UAW agreed to the closure of 12 out of 20 Stellantis' Parts Distribution Centers and Warehouses, known as MOPAR. These will be replaced by larger, Amazon-like super warehouses, characterized by high automation and fewer employees. Surplus workers from the closed facilities will be transferred to nearby operations or placed on Indefinite Layoff. If the new mega hub system proves to enhance efficiency and reduce costs, Stellantis is likely to extend the implementation to the remaining MOPAR facilities.

Long-term impact on the industry strategy

The escalation in labor costs has prompted automakers to reassess their strategies in the U.S. market. An option under consideration is the relocation of production to Canada and Mexico, thereby constraining the growth of production within the United States. Remarkably, Canadian vehicle production witnessed an impressive 28 percent surge last year, while Mexican auto output increased by 16 percent. In contrast, U.S. motor vehicle production experienced a more modest growth of only 6 percent.

The inevitable consequence of higher labor costs is to raise vehicle prices and enhance economies of scale, aiming to mitigate the impact. This, in turn, may compel automakers to strategically allocate resources towards manufacturing high-profit segments, particularly focusing on pickup trucks and SUVs in the United States to ensure profitability. Simultaneously, there might be a limitation on production resources dedicated to less profitable models such as electric vehicles.

As vehicle prices increase, imported motor vehicles are expected to seize a larger share of the mass market models, with motor vehicle imports reaching a record high in 2023—a notable increase of 23 percent from 2022 and up 19 percent from pre-pandemic levels. In contrast, the overall growth of the U.S. motor vehicle market in 2023 was a more modest 12.4 percent. This shift underscores the broader impact of

labor cost considerations on the dynamics of the automotive industry in the United States.

For automotive suppliers, the cost-cutting pressure coming down from the automakers will further squeeze the survivability of U.S. operations. Increasingly, suppliers find themselves compelled to outsource and relocate their businesses overseas to ensure survival. Since 2019, U.S. motor vehicle manufacturing employment has seen a whopping 37 percent increase, but motor vehicle parts manufacturing employment has simultaneously declined by 3 percent. This highlights the intricate challenges faced by automotive suppliers in adapting to the evolving landscape shaped by labor cost dynamics.

Summary

The 2023 UAW-Detroit Three National Contracts carry significant implications for the U.S. automotive industry. The union secured contracts with near-term benefits for their members, however this comes at the expense of long-term growth. The elimination of tier wages is noteworthy, but a collateral impact is that it incentivizes companies to reduce union workers in less value-added facilities. The escalation in labor costs limits the vehicle segments in which the companies can compete profitably, leading to a diminished market share overall. Automotive suppliers face challenges as cost-cutting pressures from automakers may lead to outsourcing and relocation overseas.

The prospect of the UAW and the Detroit Three harmoniously working together to drive innovation, enhance product quality, and boost efficiency seems dimmer in the aftermath of the strike. The complexity of the U.S. automotive industry landscape has been reshaped, posing even more challenges for all industry stakeholders for years to come.

¹ [Wall Street Journal, November 1, 2023.](#)

² [Automotive News, November 10, 2023.](#)

³ [Reuters, November 13, 2023.](#)

⁴ [Reuters, November 30, 2023; Wall Street Journal, December 13, 2023; Plante Moran - UAW –Detroit Three Contract Outcomes and Implications, November 21, 2023.](#)

⁵ Consumer Price Index for All Urban Consumers – New Vehicles in U.S. City Average, Bureau of Labor Statistics

⁶ [Ford pegs cost of UAW labor deal at \\$8.8 billion, cuts full-year profit view, Reuters, November 30, 2023](#)

⁷ [GM says UAW labor agreement will cost \\$9.3B through 2028, Automotive Dive, November 29, 2023](#)

⁸ [UAW President Fain & Vice President Boyer on UAW Stellantis Tentative Agreement Highlights, November 2, 2023.](#)

⁹ [Battery Letter -Tentative Agreement Version -11.3.2023](#)

About the Authors

The Center for Automotive Research (CAR) is a non-profit 501(c)3 organization based in Ann Arbor, Michigan. CAR's mission is to inform and advise, through independent research, education, and dialogue, enabling a more viable and sustainable automotive ecosystem. CAR has been an independent entity since 2003 and has a reputation for providing leading, thought-provoking, impactful research. CAR focuses on the future of automotive business, economic, manufacturing, and technology trends and helps critical stakeholders understand how the automotive industry is changing. CAR researchers are widely recognized as experts.

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