

SEPTEMBER 22, 2023

Walking Out On The Auto Industry

The strike comes at an inflection point for automotive production.

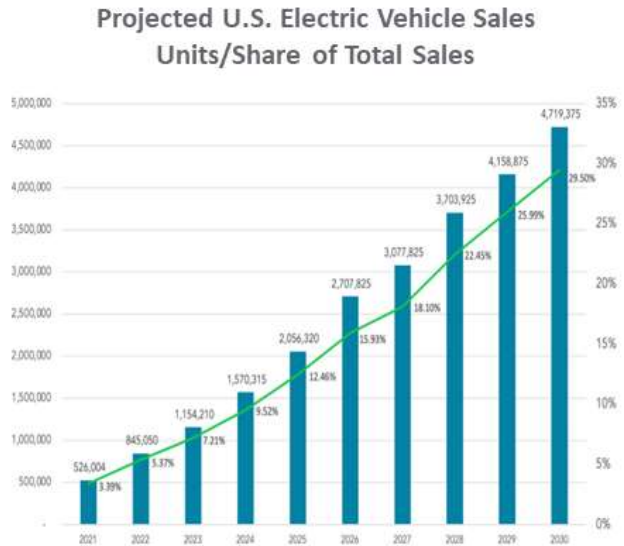
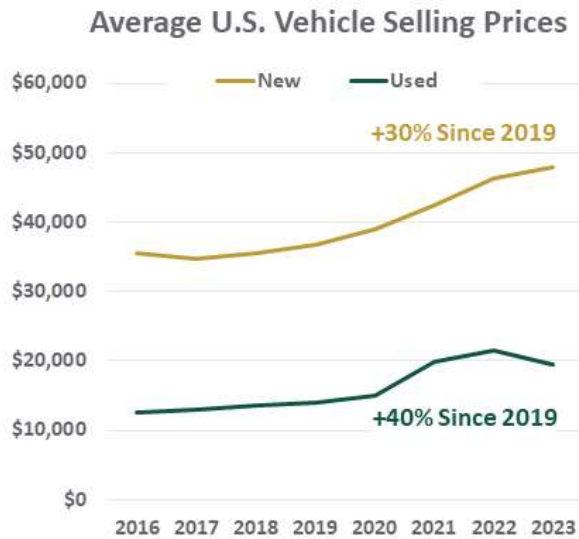


A picket fence guards the perimeter of the quintessential suburban home. Pickets also periodically guard the perimeter of factories, preventing entry. We're getting a live display of this practice at American auto plants.

After a summer of unsuccessful negotiations, the United Auto Workers (UAW) initiated strikes against the three large U.S. car makers last Friday. 13,000 walked off their assembly lines, with more of the UAW's 146,000 members potentially to follow in the weeks ahead.

The union is seeking substantial improvements in compensation. A 40% pay increase over four years, automatic cost of living adjustments and broadened pension benefits are among the demands. The auto strike culminates a year full of **labor actions**, the product of tight job markets that have provided workers with renewed leverage.

The UAW has also taken notice of very strong earnings among the “big three” since all recovered from near bankruptcy in 2008. More recently, supply chain disruptions created product scarcity in 2021 and 2022, increasing selling prices and company profits.



Sources: Cox Automotive, Manheim, Haver Analytics, EVAdoption

The negotiations will also be colored by the evolution towards electric vehicles (EVs), which have fewer components and require fewer workers to assemble. The UAW will seek to preserve jobs; the big three will seek the same flexibility and efficiency that non-union EV manufacturers enjoy.

If the strikes continue for a period of weeks, they will scramble economic measures like industrial output and employment. One analyst estimates that a walkout comparable to the last major action in 2019 would cut fourth quarter real growth by a full percent. That loss would, presumably, be made up in the quarters after a settlement is reached.

The strike may not have much of an impact on inflation. Auto workers make up only about 0.1% of the private sector workforce, and auto inventories are not nearly as thin as they were a year ago. With consumers showing signs of fatigue, dealers will almost certainly have less pricing power.

Both sides have planted stakes in the ground, because the stakes in the dispute are significant. That may make fence-mending more difficult.

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