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Michigan loses in UAW strike

Rising costs, declining productivity, labor conflict make region less competitive

By Jarrett Skorup | September 2023

The United Auto Workers union is on strike. Auto companies – backed by massive state and federal incentives – are seeing profits, and the union wants its members to get paid more. But there are many reasons to worry that this will end up leaving Michigan worse off.

Most people tell pollsters they are sympathetic to workers and unions. That helps explain why politicians of all stripes are heading to the picket lines or conferring with workers – including President Joe Biden, Sen. Bernie Sanders, I-Vermont, Gov. Gretchen Whitmer, former President Donald Trump, Rep. John James, R-Michigan, and others.

For all businesses and industries, there is a back-and-forth negotiation between companies and employees (labor and capital). And there are trade-offs, regardless of where things end up.

Unions are a disruptive force in this negotiation, and not always for the better. While they consistently advocate for better pay and benefits for their members, they also have contract provisions that are bad for many employees. Unions also often make companies less productive, which hurts them and

the industry over the long term. Union actions are typically far more likely to benefit current workers (especially those with seniority) than potential future workers.

Scott Lincicome, vice president of trade economics at the Cato Institute, summarizes this in his article “The UAW (and Bidenomics) vs. Economic Reality.” Some notable points:

- The latest demands from the UAW include a 40% wage increase, restoration of traditional pensions and other retiree benefits, automatic wage increases, a 32-hour work week, and payments for (former) workers at closed plants.
- Union demands would add \$80 billion to each of the automakers’ labor costs – costing them more than \$150 per hour per employee, which is more than double the \$64 per hour workers currently make.
- These costs may be sustainable in the short term, but they put U.S. facilities at an even bigger cost disadvantage. Workers in southern U.S. plants are less costly, and workers overseas are even less so.

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The U.S. automakers are international companies – they can move jobs elsewhere.

- In a competitive environment, the costs of adopting the union's preferences cannot easily be passed on to consumers. U.S. companies enjoy a tariff advantage right now, especially for trucks, but much less so for electric vehicles. This likely means fewer vehicles from Michigan plants as customers buy from elsewhere.
- The American automakers will face even heavier pressure to get more productive. That means fewer workers doing more (especially with the help of industrial robots). The UAW's demands could actually lower per-worker output.
- A recent analysis finds "that Rust Belt labor conflict, mainly before 1980, 'accounts for half of the decline in the region's share of manufacturing employment.'"
- "[T]he UAW's demands and actions aren't just costly; they might – given the economics and

recent history – actually speed the demise of the companies at issue, and thus the UAW itself."

Michigan has seen this before. Union demands drive up costs, making Michigan auto companies less competitive. The results are increased demand for automation to replace workers and a higher likelihood of losing jobs to other states and countries. There are trade-offs in everything, and while the UAW strike will benefit some, it is likely to harm the state of Michigan overall.

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