PROFITGUARD

SECTOR SPOTLIGHT: AUTOMOTIVE

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Impacts of the UAW Strike

For the first time in its history, the United Auto Workers (UAW) has simultaneously gone on strike against the Big Three automakers: General Motors (GM), Ford, and Stellantis. The union is demanding significant pay raises, a shorter workweek, and defined-benefit pensions for all workers. It is also concerned about mass layoffs and plant closures due to automation or outsourcing and is demanding the right to strike over plant closures.

The automakers state these lists of demands are not realistic, it would make them uncompetitive with nonunionized automakers, will impact future investment into the EV market, and could cause them to be insolvent within a few years if they accepted these demands.

The UAW strikes involve only 12,700 workers over three plants owned by GM, Ford, and Stellantis, with the potential for roughly 130,000 more workers. These walkouts are impacting only 3 plants that manufacture Broncos, Jeeps, and Colorado pickups and are strategic as the Jeep line holds residual value and Bronco has wait times of over a year. The UAW has at its disposal over $800.0 million in strike funds, which can last a few months or roughly 12 weeks. To put this in perspective, when 48,000 UAW workers went on strike against GM for six weeks in 2019, it pushed Michigan into a single-quarter recession. A prolonged and larger number of walkouts would have a swifter impact on the Michigan economy and an even larger ripple effect on the regional economies because of the impact on its suppliers that are heavily dependent on the automotive sector.

The impacts are complex and vast with repair parts having elevated prices and long wait times. The prices for new or used vehicles will skyrocket as dealers' inventory dry up; most have for around 60 days. The strike will likely also have a ripple effect on the automotive supply chain if suppliers have to halt production. This could lead to layoffs, shutdowns, or even bankruptcy. Metal consumption will drop as the supply overflows while simultaneously demand shrinks, cutting into prices. All in all, this can have immeasurable effects on the entire economy the longer it lasts.

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