

The United Auto Workers' Contract

Contract Highlights

What the UAW achieved:

Wage rate increases of 2% in the third year and 3% in the fourth year.

A pension increase for future retirees.

Better medical coverage.

What the auto companies achieved:

For the first two years, bonuses will substitute for wage increases.

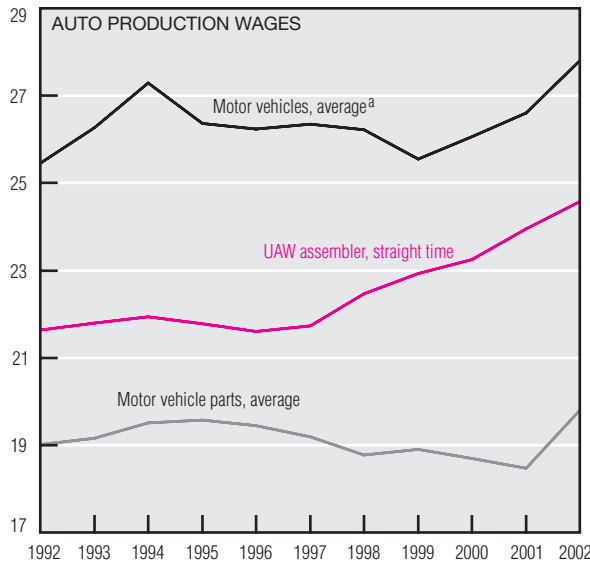
Current retirees will not receive monthly pension increases.

Created flexibility to close or sell plants.

Higher employee copays for name-brand prescription drugs.

Tougher restrictions on absenteeism.

Constant 2002 dollars



UAW Membership at the End of 2003:1Q

	General Motors	Delphi	Ford	Visteon	Daimler Chrysler
Active members	117,780	30,100	72,570	21,880	60,170
Retired members	228,550	6,310	77,460	*	57,490
Surviving spouses	63,480	140	24,220	*	17,580

* Included with Ford employees.

Characteristics of UAW Workers

	GM/Delphi	Ford/Visteon	Daimler Chrysler
Median age ^b	48.9	44.1	43.0
Average years of service ^b	23.3	16.6	14.8
Percent of members eligible to retire within five years ^c	60%	39%	33%

NOTE: All data are seasonally adjusted.

a. Motor vehicles comprise automobiles and light trucks. The data series for motor vehicles and motor vehicle parts are reported as production workers' average hourly earnings.

b. End of 2001:1VQ.

c. End of 2003:1Q

SOURCES: U.S. Department of Labor, Bureau of Labor Statistics; United Auto Workers; and *Detroit Free Press*.

In September, the United Auto Workers (UAW) finished negotiating its contract with the Big Three automakers—General Motors, Ford, and DaimlerChrysler. During this round, the UAW aimed to speed negotiations and create a cooperative environment, hoping to help the Big Three maintain their domestic market share and limit the expansion of transplant factories, the largely non-union domestic plants of historically offshore automakers. Honda, Toyota, and Nissan are the three largest foreign-owned producers in the U.S.

The UAW agreed to accept bonuses instead of wage increases in 2004 and 2005, followed by wage increases of 2% in 2006 and 3% in 2007. Auto production workers' actual average earnings, as measured by the Bureau of Labor Statistics, typically exceed the contract figure reached in negotiations (\$27.80 per hour in 2002). This occurs because some workers belong to higher-wage trades and many receive additional pay for working overtime or night shifts.

Workers in plants making motor vehicle parts earn substantially less. The new UAW contracts with Delphi, formerly part of General Motors, and

Visteon, formerly part of Ford, include wage concessions to help keep them competitive.

Because the UAW represents far more retirees than active workers, pensions and associated retirement benefits were key issues in the negotiations. The number of retirees covered under the contract is expected to keep rising as companies continue to trim their labor forces and encourage early retirement. The contract increased future retirees' pensions 9% over four years but reigned in the costs associated with current retirees by eliminating monthly increases.