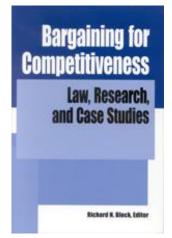
## W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

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Auto Assembly: General Motors–Lansing, Michigan, and United Automobile Workers Local 652

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## 6 Auto Assembly

### General Motors–Lansing, Michigan, and United Automobile Workers Local 652

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#### **DESCRIPTION OF THE BUSINESS**

General Motors (GM) in Lansing, Michigan, consists of four divisions, the employees of which are represented by UAW Local 652: Worldwide Facilities, which consists of skilled trades, primarily construction; Powertrain, which is responsible for designing and building engines and transmissions for GM vehicles; metal fabrication, which is responsible for sheet metal; and small car assembly, which is responsible for the actual assembly of the vehicles. As of October 2001, the Lansing facilities assembled the Pontiac Grand Am, the Oldsmobile Alero, and the Chevrolet Malibu. The Grand Am is an established nameplate that has been restyled several times over the last decade. It has long been one of GM's most successful vehicles. The Alero is a new nameplate, and the Malibu is a revived nameplate. Lansing and Lordstown, Ohio, which is also part of GM small car assembly, are the main assembly locations for GM small cars. Saturn, in Spring Hill, Tennessee, also assembles small cars, but under a different agreement.

Also located in Lansing are a body plant, a parts facility, and the Craft Centre, which manufactures GM's electric car and the Chevrolet Cavalier and Pontiac Sunfire convertibles. The production employees in these facilities are represented by UAW locals other than Local 652.

#### **HISTORY OF THE SITE**

Lansing is a medium-sized city with a 2000 population of 119,128 (U.S. Bureau of the Census 2001a) in the midst of a metropolitan area with a 2000 population of 447,728 (U.S. Bureau of the Census, 2001b). The city is located in southern lower Michigan, approximately 90 miles northwest of Detroit. Other major employers in the area are the State of Michigan (Lansing is the state capital) and Michigan State University.

Oldsmobile was founded as an automobile producer in Lansing in 1897 by Ransom Olds. After GM acquired Oldsmobile in 1908, Lansing became the headquarters of the Oldsmobile division of GM. Until the early 1980s, Lansing was a complete automotive manufacturing complex—a hometown manufacturer. Oldsmobile maintained powertrain, sheet metal, parts, and assembly facilities in Lansing. GM's body division, Fisher Body, also maintained a plant that supplied Oldsmobile with car bodies. Through the 1970s and early 1980s, Oldsmobile manufactured mid-size and full-size rear-wheel-drive automobiles in Lansing: the Oldsmobile Cutlass Supreme, a mid-size two-door automobile; the Oldsmobile 88, a full-size automobile; and the Oldsmobile 98, a luxury automobile.

With a corporate reorganization in 1983–1984, which is discussed in the following section, GM chose to establish Lansing as a manufacturing site for small front-wheel-drive vehicles. Because Lansing had been tooled to assemble large, rear-wheel-drive vehicles, GM invested approximately U.S.\$40–\$60 million in Lansing by building a new paint plant, a new assembly plant, and remodeling the fabrication facilities. From the mid 1980s through the late 1990s, GM Lansing and Local 652 assembled the Pontiac Grand Am (three major styling changes), the Buick Skylark (two major styling changes), the Oldsmobile Calais, the Chevrolet Cavalier, and the Oldsmobile Achieva.

#### **EMPLOYMENT AT GM-LANSING**

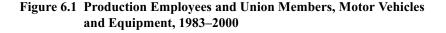
GM employment in Lansing facilities represented by Local 652 peaked at approximately 15,000 hourly and salaried employees in

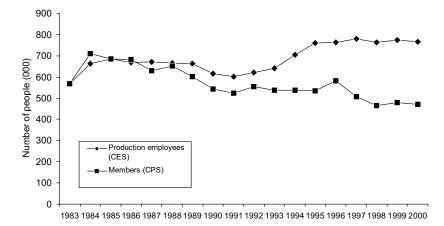
1980. Overall, Lansing facilities employment has been reduced primarily due to corporate reorganizations that will be discussed below, as well as by a 1995 decision to move to Detroit engineering and marketing personnel who had been in Lansing. At the end of 2000, the employment level in the four Lansing divisions in which Local 652 represents was approximately 8,600 skilled and nonskilled workers and 2,500 salaried workers. In 2000, the average age of the workforce was 46, indicating little turnover, which is to be expected in a high-wage industry.

Each year the Lansing divisions hire between 200 and 300 workers (many of which are interplant transfers from other GM facilities). External candidates are hired based on the recommendations of current GM employees. It was estimated that about half of the employees in the Lansing divisions were hired through family referrals or have family working for GM.

The decline in production worker employment in Lansing has tracked the general drop in unionized auto employment in the United States since the early 1980s and GM's declining market share. Figures 6.1 and 6.2 demonstrate this trend. Figure 6.1 graphs overall production employment and unionized employment in the motor vehicle and equipment industry from 1983–2000. The production employment and unionized data are from different sources. The production employment data are from establishment data collected by the Current Employment Statistics, and union membership data are from individual data collected by the Current Population Survey.

Despite the unmatched data, the results are interesting. In 1983, the number of production workers and the number of union members was almost identical—568,000. Between 1984 and 1986, the number of union members exceeded the number of production workers. This is most likely because many unionized workers on layoff as a result of the economic slowdown in the industry reported themselves as union members, although part of this could be due to data differences. By 1987, however, the trend that would persist throughout 1990s had begun: a long-term increase in the number of production workers in the industry, and a long-term decrease in the number of union members. This was the result of foreign-owned firms (Toyota, Nissan, BMW, Daimler Benz) opening non-union facilities in the United States, as well as the increase in non-union auto parts suppliers (Cutcher-Gersh-



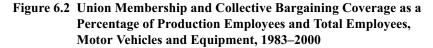


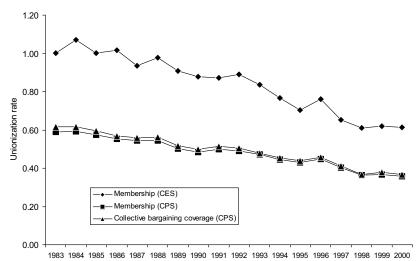
NOTE: CES = data came from Current Employment Statistics; CPS = data came from Current Population Survey.

SOURCE: Hirsch and McPherson (1994); U.S. Bureau of Labor Statistics, Current Employment Statistics, National Employment and Hours Earnings, Motor Vehicles and Equipment.

enfeld and McHugh 1994). These results are supported by unionization estimates displayed in Figure 6.2, which shows unionization in motor vehicles and equipment declining as a percentage of all employees and as a percentage of production employees.

In addition to these overall industry trends, GM–Lansing and Local 652 were affected by trends in GM's market share. General Motors saw its share of the U.S. motor vehicle market decline from 46 percent in 1978 to approximately 29 percent in 2000 (Fox 1996; Flint 1998; *Automotive News* 2001a,b; Henry 2001).





NOTE: CES = data came from Current Employment Statistics; CPS = data came from-

Current Population Survey.

SOURCE: Hirsch and McPherson (1994); U.S. Bureau of Labor Statistics, Current Employment Statistics, National Employment and Hours Earnings, Motor Vehicles and Equipment.

#### HISTORY AND BACKGROUND OF COLLECTIVE BARGAINING AT GM-LANSING

Local 652 was originally chartered circa 1937, when GM recognized the UAW as the collective bargaining representative of the production employees in its plants. Two groups of workers have severed from the local, one when the parts division was established and one when the Craft Centre was established.

Since the late 1930s, GM and the UAW have negotiated a master agreement for all GM plants. That agreement and supporting documents provide the basic terms and conditions of employment for all GM hourly employees. The national agreement establishes such corporate-wide provisions as guidelines for wage levels and wage increases, by wage range, benefits, interplant transfer rights, and specified employment rights of covered employees. GM–Lansing and Local 652, as with all GM facilities, negotiates a local agreement to determine which classifications are in specified wage ranges and to address such plant-level issues as seniority, job transfer, shift preference, and work practices.

The relationship between then–Oldsmobile Division of GM and currently GM–Lansing and UAW Local 652 has long been traditional but peaceful. The accordant nature of the relationship between GM–Lansing and Local 652 is indicated by the fact that there has never been a local strike in Lansing. By contrast, for example, since 1996 GM has experienced local strikes in Flint, Michigan; Janesville, Wisconsin; and Dayton, Ohio (Bradsher 1996, 1998; Livingston 1996). Although there is an arbitration provision in the national agreement, there have been no arbitrations in Lansing since the 1970s.

#### **COMPETITIVE PRESSURES**

General Motors–Lansing and UAW Local 652 have been affected by two key environmental factors since the mid 1980s: the changing nature of the automobile market, and GM corporate reorganization. In addition, there are two factors that are specific to Lansing: the nature of the product, and the production process that affected the competitive situation. Each of these will be examined.

#### **Changing Nature of the Automobile Market**

The change in the U.S. automobile market has been so heavily documented in the business press that it is unnecessary to address it here in any detail. These changes had a severe effect on GM, especially the long-term decline in GM's share of the U.S. motor vehicle market. The parties were also affected by the closing of GM plants in California. The message was clear: the days in which GM dominated the U.S. automobile market had ended.

#### **General Motors Corporate Reorganization**

During the period 1983–1984, GM undertook one of the most extensive reorganizations in its corporate history. Since the 1920s, GM had been organized based on distinct divisions and nameplates, each of which designed, manufactured, and marketed its own vehicles. Although each of these vehicles was designed to capture a different price segment of the market (in order from lowest priced to highest priced: Chevrolet, Pontiac, Oldsmobile, Buick, Cadillac), there were overlapping models within brand names. Thus, there was some competition among brands. During this time, Oldsmobile was a full-line manufacturing division. As the "hometown" for Oldsmobile, Lansing would always produce Oldsmobiles.

The reorganization changed this. With the reorganization, the former design and manufacturing divisions would now become simply marketing divisions, promoting the vehicles GM produced. Although the vehicles would still be called Oldsmobiles, they could be manufactured anywhere within the GM system, including Lansing. Additionally, any other nameplate could also be manufactured anywhere in the GM system, including Lansing.

In other words, the manufacturing facilities in Lansing were decoupled from Oldsmobile and assigned to GM. Prior to the decoupling, as long as Oldsmobile was a full-line manufacturing division, Lansing would always have product to build because these were Oldsmobile manufacturing facilities. Once Oldsmobile became simply a marketing division, with manufacturing decisions made separately, Lansing would only obtain work that GM allocated to it. Lansing could lose Oldsmobile work, and it could gain non-Oldsmobile work. The Lansing facilities and other GM plants would hereafter depend on GM for product allocation.

This reorganization caused uncertainty for the GM–Lansing employees and UAW Local 652. General Motors products/models generally have a life cycle of five to six years. There would never be a guarantee of product after a vehicle line produced in Lansing was dropped. Because GM does not guarantee product allocations to plants, Lansing, like other GM manufacturing facilities, would be required to constantly compete for vehicles to assemble. Lansing was now required to compete for GM production work, rather than simply operate as the manufacturing arm of Oldsmobile.

#### The Nature of the Product

With the reorganization, GM chose to establish Lansing as a manufacturing site for small cars. In the mid 1980s, GM was unable to turn a profit on its small vehicles. General Motors continued to market and produce small vehicles, however, because of the requirement that the company maintain a high average corporate fuel economy (CAFE) standard. The small cars generated high mileage, raising GM's overall average and permitting the company to continue to market and produce larger, less fuel-efficient—but profitable—vehicles.

This product, then, placed pressure on GM–Lansing and Local 652 to reduce costs so that the vehicles produced in Lansing could be profitable. General Motors would likely continue to increase the efficiency of its larger vehicles and to pressure the government for relief from CAFE. To the extent it was successful in either or both of these endeavors, the need to produce unprofitable small cars in Lansing would be reduced; thus, the incentive for GM–Lansing and UAW Local 652 was to make small cars profitable for GM.

#### **The Production Process**

Although GM's investment modernized the assembly process in Lansing, the body plant is three miles from the main assembly facilities. As a result, GM must truck bodies from the body plant to the assembly plant. This placed (and continues to place) the Lansing assembly process at an inherent cost disadvantage vis-à-vis other plants inside and outside GM at which the body facility and the assembly plant are adjacent to one another.

# COLLECTIVE BARGAINING, COMPETITIVENESS, AND EMPLOYMENT PROTECTION/CREATION

#### **Contractual Structures**

As noted, GM and the international union, UAW, have negotiated a national agreement for all GM hourly workers, including employees represented by Local 652. The 1996 and 1999 national agreements included a Job Security (JOBS) Program. The JOBS program provides for Secured Employment Levels (SELs) for each bargaining unit equal to the number of active employees with at least one year of seniority and prohibits layoffs for any reason other than sales declines, acts of God or other reasons beyond the control of the corporation, sale of part of the business, if another employee is recalled or assigned to a temporary position, or if there is model change or plant rearrangement. As stated in an agreement between General Motors Corp. and UAW, November 2, 1996, the SEL is reduced by attrition, and employees whose jobs are eliminated may avail themselves of interplant transfer rights. The JOBS program provides for substantial job security for UAW Local 652-represented employees, and creates an incentive for the parties to make the most efficient use of employees as a generally fixed asset.

#### **Noncontractual Structures**

In order to fully understand the collective bargaining system in Lansing and the relationship between this system and competitiveness and employment protection/creation, one must understand the noncontractual structures the parties have created. In addition, one must understand the physical nature of GM production in Lansing.

#### Jointness

Noncontractual jointness permeates the relationship. Every possible function, such as health and safety, communications, and ergonomics has a plant management and union representative assigned to it. Each of the plant functional representatives reports to a local union official with local-wide responsibility for that function. These functional representatives, in turn, report to a joint activities chair through a monthly meeting. The joint activities chair reports to the chair of the bargaining committee. Through this structure, everything that affects Local 652–represented employees is jointly administered. There are very few employee-related decisions that management makes without union involvement.

This labor-management system creates consistency across the four divisions. Prior to the reorganization, all functions in Lansing reported to Oldsmobile. This local autonomy of Oldsmobile in Lansing helped to create consistency; everybody was building Oldsmobiles. When the corporation reorganized, each plant manager had different divisional reporting lines, e.g., Powertrain reported to corporate Powertrain, assembly reported to corporate small car assembly, and metal fabrication reported to corporate metal fabrication. But Local 652 and the GM-Lansing (formerly Oldsmobile) labor relations system remained unitary across all divisions.

This system is called the "star system" by the chair of the local bargaining committee. At the hub of the star sits Local 652 and GM–Lansing labor relations. Each point of the star represents a different function that union and management undertake jointly on a site-wide basis, such as outsourcing, health and safety, communications, and ergonomics. Although organizationally each of the four divisions in Lansing reports to different corporate heads, as noted, the labor relations function is unitary across all four divisions, reporting to GM– Lansing Labor Relations. All the hourly employees in each division are represented by Local 652, and there is one labor relations function across all four divisions. As the supervisor of labor relations for the site stated in the interview, "Nothing goes on in the plants that I don't know about."

#### Scale

A second key characteristic of the labor relations system in Lansing is size and scale. This scale provides the opportunity for employee movement across all four divisions depending on the needs of the division, and the unified labor relations systems across the four divisions provide the means for employee movement. If there are excess employees in one division because of short-term production variations, these employees can be easily shifted to another division because all divisions are represented by the same local, and the labor relations function for all divisions is unitary. In a sense, Lansing has created a small-scale Japanese-type system of affiliated corporations in which the affiliates help the main corporation by absorbing excess workers when needed, thereby maintaining employment.

#### Examples

This labor relations system serves to maintain the connection between the otherwise separate divisions and ensures consistency of labor relations across all the divisions. It also ensures that the independent plant managers who report to corporate stay firmly anchored in the Lansing collective bargaining system. Three examples illustrate how the system works toward competitiveness and employment protection/creation. First, because the parties worked together so well, since the mid 1990s, GM has turned a profit on each Lansing-built automobile it sells. This was accomplished by the parties working together to consistently take costs out of the vehicle. This was a major change for Lansing because, as noted, their position was precarious so long as GM was losing money on its small cars. There was no structure explicitly dedicated to making the vehicle profitable. All the parties realized the need and did what was necessary.

An example of employment protection is illustrated by an anecdote regarding sign fabrication. Several years ago, a fabrication divisional manufacturing manager decided to outsource the fabrication of signs to be used within the plant, as he wanted the signs in all corporate fabricating plants to be the same. The manager was informed by GM–Lansing labor relations and Local 652 that sign manufacture was not outsourced in Lansing, that skilled tradespeople built signs, and that Local 652–represented employees would be willing to make the signs to the divisional manager's specifications. In this case, the plant manager simply failed to consider the fact that a broader labor relations system existed in Lansing, and that his plant was part of the "hometown" system.

A third example involves the production of camshafts. GM–Powertrain wanted to put a camshaft line in Lansing. General Motors attempted to dictate how the line would be built and installed, but the Lansing plant said that it would be built by toolmakers, electricians, and machine repairpersons, because "this is the way it is done in Lansing." The camshafts were built to specification and at the target cost, but they were built and installed with the configuration of workers that was customary in Lansing, protecting the jobs of Lansing employees.

In January 2000, GM announced that it would build a \$558 million auto assembly plant in Lansing, at the site where the main assembly plant has been located. Called Lansing Grand River Assembly, the plant is GM's first new assembly plant in 15 years. Starting in late 2001, this plant, staffed by members of Local 652, will build the next generation of the Cadillac Catera, the Cadillac CTS, a GM vehicle for the entry-level luxury market. More important, however, this investment means it is likely that Local 652 will have work and jobs for years into the future. This means long-term job security for the Lansing workforce (Evanoff 2000; Vlasic 2000).<sup>1</sup>

#### CONCLUSIONS

The Lansing collective bargaining system is based on a unitary labor relations function across otherwise independent GM divisions, Local 652-representation of hourly employees in all four divisions, formal and deep jointness, and scale. By the only criterion that really matters for plant management and a local union, product allocation by GM, the Lansing system has been successful in both creating a competitive production system and protecting jobs in Lansing, and doing it within the limits of GM's long-term market share decline and the overall production employment decline in the U.S. unionized sector. Since the mid 1980s, GM has continued to allocate small car production to the Lansing site. More important for the future employment, however, GM has made substantial capital investment in Lansing, including its newest assembly plant, Lansing Grand River Assembly. Working with state-of-the-art capital and production systems is likely to make GM-Lansing extremely competitive in the future. GM-Lansing and Local 652 are likely to continue to be allocated product, thereby maximizing employment opportunities for Local 652 members. Given declining market share and declining employment, a local is successful in this system if it is able to minimize large employment losses by obtaining GM investment and product allocation. By this measure, the relationship has been successful with respect to both employment and competitiveness.

Equally important for GM–Lansing and Local 652 is the diversification of its product line. With the allocation of the Cadillac CTS to Lansing, GM–Lansing and Local 652 now assemble a product that is likely to generate higher margins than the small cars produced in Lansing in the 1980s and 1990s. Thus, the margins of the overall Lansing product mix should improve, further enhancing Lansing's standing in the GM hierarchy.

It appears that the long-term relationship between GM and UAW Local 652 was an essential element in a substantial GM investment in production capacity in Lansing. This indicates that GM believes it can competitively produce vehicles in Lansing. Equally important, it would confirm the success of GM–Lansing labor relations and UAW Local 652 in creating a system that is competitive for the corporation and maximizes employment opportunities for GM employees represented by UAW Local 652.

The collective bargaining system created by GM–Lansing and UAW Local 652 has been extremely successful in bargaining under the constraints of the U.S. collective bargaining and employment relations systems. The location of Lansing Grand River Assembly gives UAW Local 652 the opportunity to work with the newest manufacturing technology and the most productive capital stock in the GM system, thus maximizing the value created by Local 652 employees.

#### Notes

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Unless otherwise noted parenthetically in the text, the material in this chapter is based on Baker and Scheffler (1999).

1. The Cadillac CTS exceeded GM's expectations in sales (Hayes 2002). In 2004, GM will add a second high-margin vehicle to the Lansing Grand River Assembly

product line—the Cadillac SRX, a "cross-over" sedan/sport utility vehicle. This addition will result in 700 new jobs in Lansing (Hayes 2003).

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## **Bargaining for Competitiveness**

## Law, Research, and Case Studies

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