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## The Reindustrialization of the U.S.: Tonawanda Powertrain since the Great Recession

Evren Dincer

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## The Reindustrialization of the U.S.: Tonawanda Powertrain since the Great Recession

### Abstract

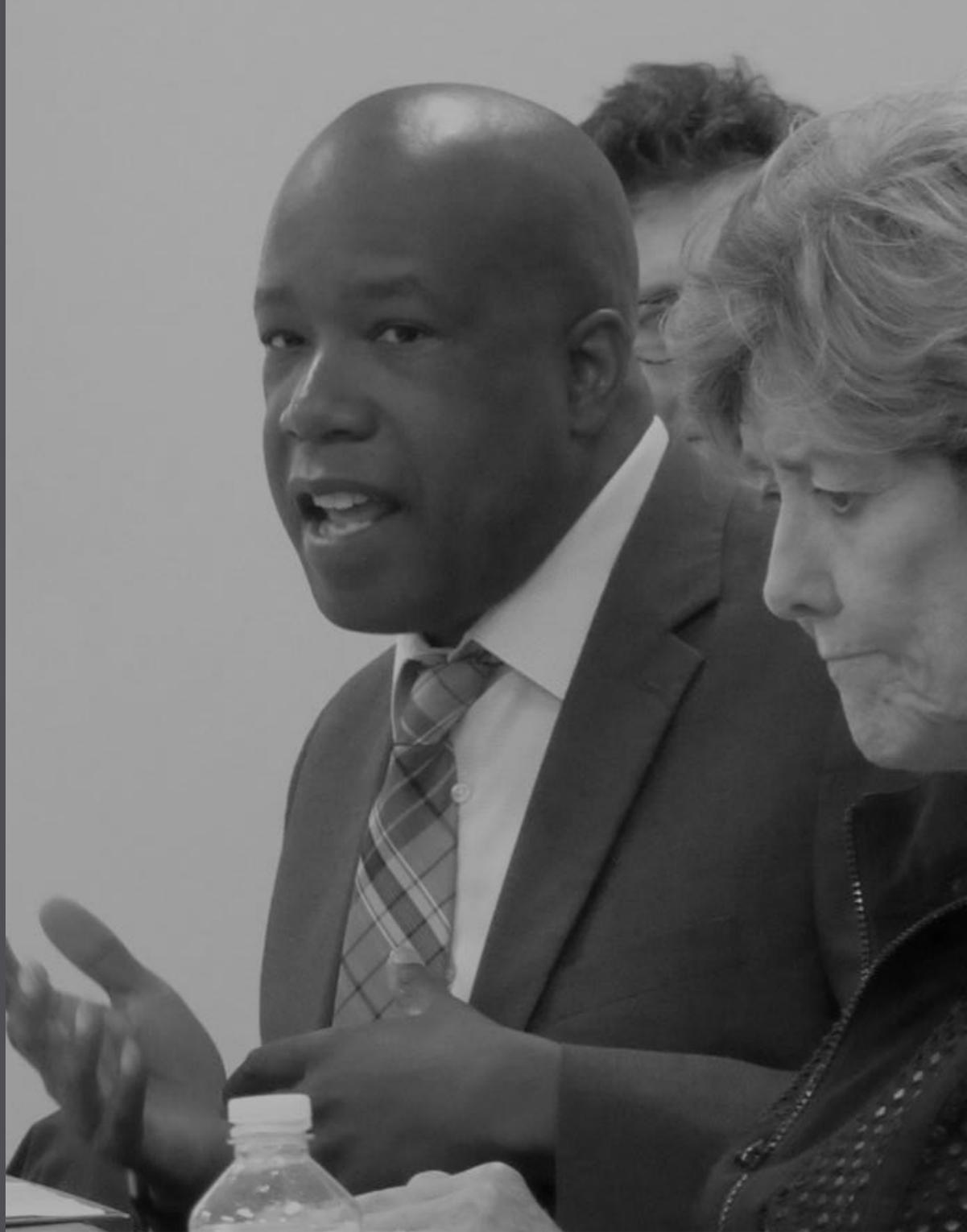
In August 2017, The Worker Institute convened high level leaders over the course of two days, around a discussion of Buffalo, NY Since the Great Recession. With presentations, panels, and a visit to the UAW Local 774, participants gained a deeper understanding of the economic restructuring that followed the Great Recession and where this large metropolitan area stands today. Here, you will find links to the resources that were presented during this two day convening.

### Keywords

Buffalo, Economic Development, High Road Economic Development, Presentation, Other, PDF

# THE WORKER INSTITUTE

ADVANCING WORKER RIGHTS AND COLLECTIVE REPRESENTATION



## **BUFFALO, NY SINCE THE GREAT RECESSION** A WORKSHOP ON ECONOMIC RESTRUCTURING IN THE RUST BELT SINCE THE GREAT RECESSION

BY: DINCER AND WHEATON

AUGUST 14-15 2017  
CORNELL IN BUFFALO AND UAW LOCAL 774

# PROGRAM

## DAY 1, AUGUST 14, Cornell in Buffalo

Welcome, Arthur Wheaton, The Worker Institute, Cornell University  
09AM-09.10AM

Introduction: The Contours of Economic Development in the Rust Belt since the Great Recession  
Evren Dincer, Uludağ University  
09.10AM-09.30AM

### **Session I**

#### **Main Trends and Issues of Economic Development in Buffalo 09.30AM-12PM**

The Performance of the Buffalo Economy Since the Great Recession  
Jaison Abel, Federal Reserve Bank of New York

Healing Buffalo's Economy: The Buffalo Billion and Priorities for Economic Development  
John Slenker, New York State Department of Labor

General Trends in the Labor Market  
Cesar Cabrera, New York State Department of Labor

Labor Market and Challenges for Workforce Development  
Heather Gresham, Executive Director, Buffalo and Erie County Workforce Investment Board

Labor's Role in Economic Development and Organizing  
Richard Lipsitz Jr., Western New York Area Labor Federation

Economic Development from a Social Justice Perspective  
Franchelle C. Hart, Open Buffalo

### **Lunch Break: 12PM-1PM**

### **Session II**

#### **Placing Buffalo in its Geographical and Economic Context: Buffalo as part of New York State and the Rust Belt 1PM-2.45PM**

The Role of New York City in the Economy of New York State  
James Parrott, Center for New York City Affairs at The New School

Buffalo's Economic Relations with Albany  
Bruce Fisher, SUNY Buffalo State

The Role of Community Organizations in Buffalo's Economic Revitalization in a Comparative  
Perspective  
Ronald Applegate, Cornell University

Buffalo's Economic Development Compared: Buffalo as Part of the Rust Belt  
Evren Dincer, Uludağ University

### **Coffee Break, 2.45PM-3.00PM**

**Session III**  
**Sectors in Perspective I**  
**3PM-5PM**

Buffalo's Housing Market since the Great Recession  
Sam Magavern, Partnership for the Public Good

Buffalo's Agricultural Economy since the Great Recession  
Diane Held, Cornell University Cooperative Extension

The Finance Sector in Buffalo since the Great Recession  
Gary Keith, M&T Bank

Buffalo-Niagara Medical Corridor Experiment: Perspectives on a Project for Economic Revitalization  
David Scott, Buffalo Niagara Medical Campus (TBC)

The Energy Sector, Community Development and Sustainability in Buffalo since the Great Recession  
Rahwa Ghirmatzion, PUSH Buffalo

Concluding Remarks and Reflections on Day One  
Rosemary Batt, Cornell University

**DAY 2, AUGUST 15, UAW Local 774**

**Session IV, 09AM-12PM**  
**Sectors in Perspective II**  
**Manufacturing and the Auto Industry**

A Historical Review of the Auto Industry in the U.S. and Western New York  
Art Wheaton, The Worker Institute at Cornell University

Recent Trends in Auto Manufacturing in Western New York  
Ian Greer, Cornell University

Canadian Auto Industry since the Great Recession: A Look at Buffalo from the other side of the  
Border  
Mathieu Dupuis, School of Industrial Relations, University of Montreal

The Reindustrialization of the U.S.: Tonawanda Powertrain since the Great Recession  
Evren Dincer, Uludağ University

Auto Manufacturing in Buffalo since the Great Recession: A Managerial Perspective  
Steve Finch, Plant Manager, GM Tonawanda Powertrain

Labor Management Relations and Restructuring in Manufacturing since the Great Recession:  
A Union Perspective  
Wenceslao Valentin III, President, UAW Local 774

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**EVREN DINCER  
DEPARTMENT OF  
SOCIOLOGY, ULUDAG  
UNIVERSITY**

# **THE REINDUSTRIALIZATION OF THE U.S.: TONAWANDA ENGINE PLANT SINCE THE GREAT RECESSION**

# GM TONAWANDA OVER TIME

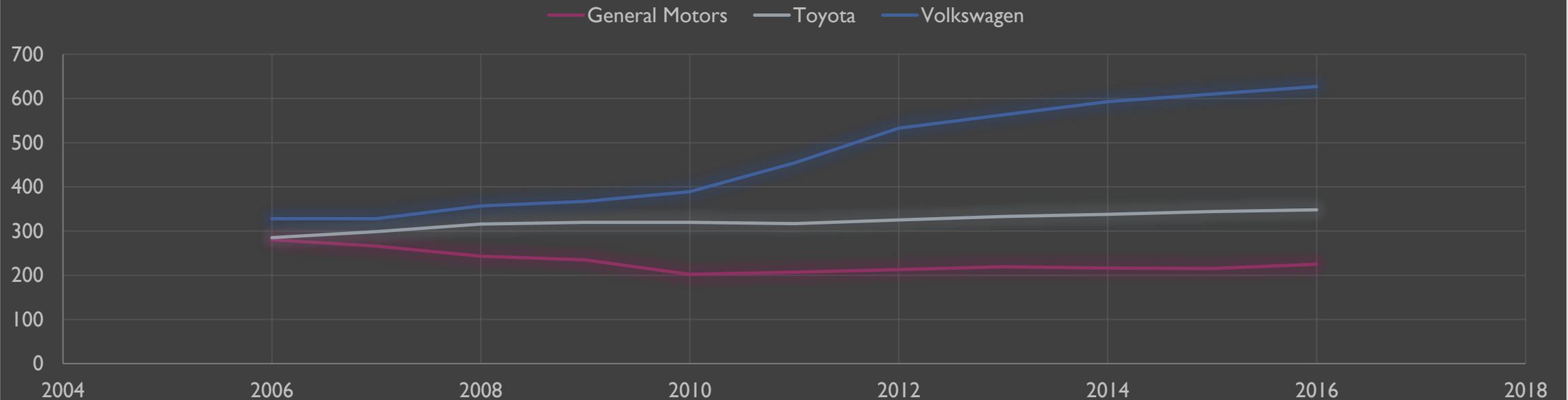
- Built in 1938
- Reorganized production to manufacture airplane engines in 1939
- Returned to automobile engine production in 1945
- Became a major plant in GM network & hit peak employment with around 10,000 workers in the late 1970s
- Escaped total shutdown in the early 1980s; lost employment consistently since; Tonawanda Forge and American Axle spun off
- In 2007, employment was around 1800 (hourly and salaried)
- In 2008, employment fell to 600
- In 2012, employment rose to 910 (738 hourly, 172 salaried)
- In September 2015, total employment was 1805 (1564 hourly 241 salaried) and reached the pre-recession level
- Then started falling again, current total: 1634 (1389 hourly, 245 salaried)

# GM EMPLOYMENT OVER TIME

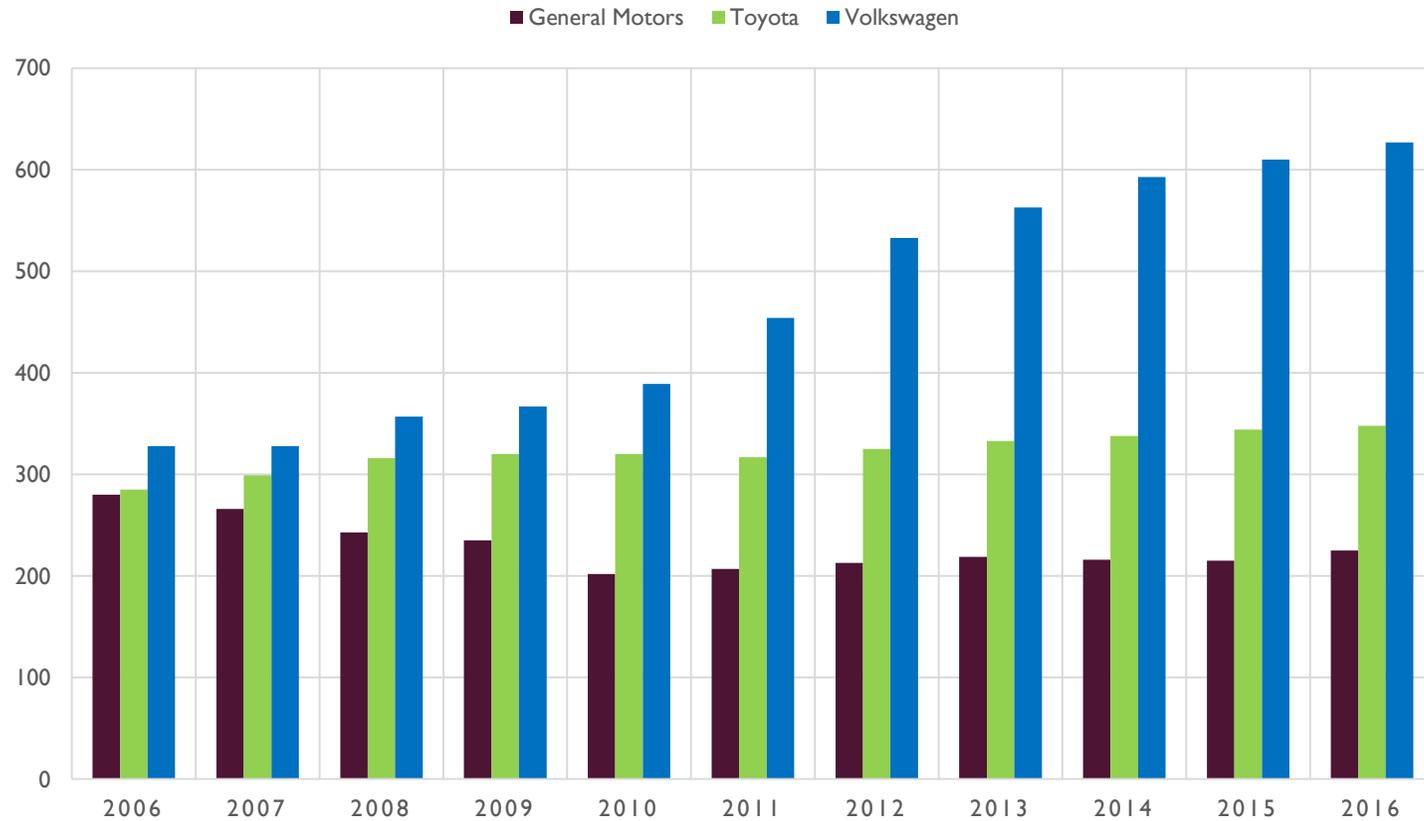
- GM's total employment (salaried and hourly) in the U.S. peaked in 1979 with 618,365
- It fell to 150,000 in 1999
- 125,000 in 2003
- As of 2016, total employment is 105,000 (55,000 hourly, 50,000 salaried)
- GM North America total employment is 124,000
- GM's total global employment as of 2015 225,000

# GM VS COMPETITORS: TOYOTA AND VOLKSWAGEN 2006-2016

Big Three Total Employment Worldwide, 2006-2016  
thousand units



## BIG THREE TOTAL EMPLOYMENT WORLDWIDE, 2006-2016, THOUSAND UNITS



**GM VS  
COMPETITORS:  
TOYOTA AND  
VOLKSWAGEN  
2006-2016**

# GM'S GLOBAL FOOTPRINT

- Production in Mexico started in 1981 (Ramos Arizpe), expanded significantly since NAFTA. GM currently operates 3 plants in Mexico: Ramos Arizpe (assembly), Silao (assembly, engine, and transmission), and San Luis Potosi (assembly).
- Brazil and Argentina started in the mid-1990s, Brazil under significant pressure
- Major producer in South Korea, overhaul of Daewoo after its bankruptcy in 1997
- Started a JV in China in 1997, started production in 1999, one of the two major players in China with Volkswagen
- Sold Opel to PSA this year and quit production in Europe.
- Opened a plant in St. Petersburg, Russia in 2009, closed it in 2015
- Mexico, China and the U.S. are main manufacturing hubs, China and the U.S. are main markets

# THE GREAT RECESSION AND THE AUTO INDUSTRY IN THE U.S.: U.S. OWNED VS. FOREIGN OWNED COMPANIES

## U.S. Owned Companies

- GM, Ford, Chrysler (now part of FCA)
- Union
- Michigan cluster & some southern states
- Restructured in 2009
- Two-tier employment
- Limited temps (FCA and GM varies 5% to 10%, Ford less than 1%)
- Perm-temps, Tonawanda

## Transplants

- Toyota (Subaru), Honda, Nissan, Daimler, BMW, Hyundai (Kia), Volkswagen
- Non-union
- Southern, right to work states & mid-west
- No post-retirement benefits
- Embedded core vs non-core workforce categorization
- Temporary workforce can constitute as much as 40% of the workforce (Nissan)

Last contract as we know it!  
Gains mostly due to SUV boom in the 1990s despite occasional  
hiccups due to 9/11 & tech bust



First two-tier concession as it is today  
VEBA  
More symbolic than real

# NATIONAL CONTRACTS

VEBA transition rules changed (eliminated cash contributions)

COLA

JOBS Bank

“Flex” employees

Reorganizing skilled trades

2009

2011

Zero raise for pensions for the first time in history

Job security redefined

Temporary work added as a classification

NATIONAL CONTRACTS

**Pay increases and profit sharing**  
**No COLA or JOBS Bank**  
**No pension increase**  
**Phasing out two tier but creating more wage scales**  
**No traditional healthcare or defined pension for new hires**  
**Healthcare for temps**

**2015**

**2019**

**COLA**  
**Job Security**  
**Work Rules**  
**Pay Gap**

# NATIONAL CONTRACTS

# ON THE SHOP FLOOR: WHAT HAPPENED IN 2009

Implementation of the two-tier system (was first agreed in 2007 but put in place fully after the bailout in 2009, didn't go in practice in Tonawanda until new hires come in in 2012)

New hires vs old hires: generational shift and different expectations of work

Reorganization of labor process and major technological retooling

GM invested \$20 billion in 40 facilities across the states, Tonawanda is among the main beneficiaries

Dual effects of technology: more technology on the machine floor; less technology and more manual labor on the assembly line (Toyota and Daimler reduces technology in select parts of their production process as well)

Skilled trades reorganization, reduction of skill classifications, consolidation of skills, reduction of workforce

No two-tier in the trades department but different demographics

# GENERATIONAL TRANSITION: TWO-TIERS OR MORE

- *More tiers on the production side instead of two*
- *Tonawanda natives*
- *Transplants: before 1999, before and after 2008*
- *New hires*
- *Temps*

## A SENIOR EMPLOYEE ON NEW HIRES

- *It's very simple. It's probably a complex issue but the jobs out there today... If you're looking for work, I have couple [kids] they have [higher degrees] but they can't find work. So the work is hard to come by in some places sometimes. So jobs are hard to come by. So a lot of people when they see \$14.50 or \$15 an hour they say: 'I'm gonna work for GM even though I know my father, my uncle or somebody else is making twice as much as me. I still want the healthcare, I still want the retirement as it is now, different than when I started. It's all worth working there to get that kind of \$15 an hour or maybe go up there to \$19 an hour at the end.' So if you look at that point, a lot of people are very thankful to have a job because they can't find any job even for \$10 an hour or 12 bucks an hour or whatever. This job pays decent, so it's either the street or working for \$14, \$15 an hour.*

# A SENIOR EMPLOYEE ON WORKING FOR GM: GM VS THE LABOR MARKET

- I was laid off for three years, actually three years to be exact. I went back to school. I started [my own] business. I went for computer programming training but I couldn't get a job because everybody knew when you're working for General Motors and make good money, you'd probably go back to General Motors when they called you back. So nobody wanted to hire you. You'd go back to GM anyways.

# TWO SENIOR EMPLOYEES ON THE JOB ITSELF

- *But what was good about it, if there is a good thing about it, once you got used to being on the line and used to performing the jobs you put yourself in a state of mind where you think of other things and you're capable of performing your job putting parts on it but you survive the line by thinking about other things or talking to the nearest worker. For that kind of money we're making back then, \$3.99 an hour, it was a lot of money in [the 1970s]. (...) I mean, I came off with a job where I was making a buck and a half, so over doubled what I was making. So [I said] I'm gonna survive, I'm gonna tough it up. I'm gonna make it work because it got benefits, health insurance and retirement and sooner or later I'm gonna have five years in and I'm gonna get a real good job, you know seniority wise. (...) If you had twenty years of seniority you could sit all day long.*
- *We were hired for our physical abilities. The job was very demanding. You have to perform a physical job 8 hours a day and have to leave the plant and still feel human. It was not easy, you have to be physically fit and mentally fit. Working indoors is not like working outside. It takes a toll on you, also not all workers are happy there. (...) [But] it was prestigious. If you worked at GM, people would just looked at you and walked around. They didn't even want to talk to you. They didn't know how. When I started here I was making twice as much money as my father in [the early 1970s] when I was 18.*

# A TIER ONE EMPLOYEE ON WORKING FOR GM AFTER RECESSION

- *Tier 1 people actually haven't had a raise in I don't know seven eight nine years maybe. (...) Some people complain, and I say: Where are you gonna work for \$28 an hour, where're you gonna get the same benefits or retirement that we have now if you want to start over some other place? You got five weeks of vacation. You work Monday through Friday, you don't have to work the weekends. If you want to start over somewhere else (...) you'll probably work in different shifts, you work weekends and holidays if you're a salesman, a car salesman you work evenings and weekends. So where are you gonna go? Am I happy, no! **But I understand the reality of the world.** \$28.50 is better than \$14.50, it's better than (...) I mean we are not happy, we lost our wages.*

# LOCKPORT TRANSPLANT AFTER RECESSION

- *I dropped from \$28.87 to \$14.50. That's what I started at in the [late 1980s]. So in [about 20 years] I went back to what exactly I started at! Gas was 75 cents then, in 2008 it was \$3.80. So my wage went backward to the 1980s wage. That's what I argued about with the supervision. I'm making 1980s wages yet I'm paying everything in 2008 dollars. Water, clothing, school taxes yet my wage dropped twenty years...*

# “THE REALITY OF THE WORLD:” NEW HIRES ON TWO TIER

- *New people like myself we all want that higher dollar amount; we all do the same work. Why aren't we getting what they're getting? As far as I understand, one of the issues that's gonna be negotiated in the next contract coming up is going to be the Tier 1 tier two pay scale. They wanna get everybody on the same page, pay everybody the same, and I'm okay with that. Who doesn't wanna make more money? But if it doesn't happen, it doesn't happen. We still get pay raises every year. The benefits are unbelievable. I'm gonna say this. I've had enough shitty jobs in my life. When something good like this comes along you don't bitch about it too much. A lot of people take it for granted that they have a great job, they don't realize what they actually have. I have a family, mortgage payment, I got bills I gotta pay and working here allows me to do all that. Health insurance coming in, that's great. That's awesome, I don't have to pay for health insurance. What other place can you go and they'll pay for your health insurance? There's not too many places. (...) To come here knowing that I'm gonna have a retirement plan, I'm gonna have all those other perks and all these other discounts that I can [benefit from.] It's just amazing, no other place I went to has that.*

## NEW HIRES ON BENEFITS

- *Once you're hired permanently, you have different time frames for different benefits kick in. So like say for instance our health insurance, it was supposed to be seven months after your permanent hire date. (...) It's tough. As a temp and then as a permanent for the first seven months you don't have health insurance. Fortunately my wife had health insurance through her company that she could put me on but that was out of pocket cost, so I had to pay for insurance under her. (...) [The] good thing about General Motors health insurance [is that] there's no fees involved. I mean outside of your doctor's visits... You don't have to pay a weekly fee for having health insurance. We had to contribute roughly \$600 a month to cover me under her healthcare plan (...) now we converted [to] over mine at General Motors. Now we're looking at no fees for both of us in General Motors. So we're saving \$600 a month. It was definitely a nice bonus for us. (...) You get good benefits. That's definitely a kinda job, that's why they wanna work for the automobile industry because of [benefits]. **Good future.***

# NEW HIRES ON WORKING FOR GM VS OTHERS IN BUFFALO TODAY

- *A lot of businesses are struggling in this area. That's not a secret. One time this was a place for manufacturing and shipping. Take a look at the waterfront there's old factories all over the place, they're just sitting there. So people who don't know how to do anything else, there's a lot of people who can build stuff, they're good with their hands, they can work hard they can do something. But when those jobs aren't there, what are they gonna do? They don't know what to do. The places that are hiring are hiring people that don't know how to do things and they're paying them very little. There's really no benefits. [J] jobs that I worked they didn't really have no benefits. I only had sick time and a paycheck.*
- *They don't know the market and wages out there. They do not know what's available. This job gives me the opportunity to buy a car, get a mortgage and be a homeowner. I couldn't do it with my previous job.*

TIER ONE  
WORKERS ON  
LIFE  
CONDITIONS  
OF NEW HIRES:  
CONTRASTS  
AND  
COMPARISONS

- *They're not going to Disneyland. They're not taking their kids to movies. They're not coming here for dinner tonight. They're worried about their goddam mortgage or rent? How are they gonna get gas for the car or how they are gonna pay for the car? (...) The corporation dictates it. The union is between a rock and a hard place. If you say no [to two-tier], the work goes away. Where does it go to? It goes to a community in America where there is two-tier wage, which is poverty level, or goes to a third world country; Turkey or Mexico. So the economy dictates that. (...) So next generation Americans coming up, they're gonna be living in poverty. (...) **You're fighting against the economy.***

# WHAT ABOUT TEMPS? A FORMER TEMP EMPLOYEE

- *There is no contract. You can be fired at any time. That is the biggest thing about being a temp. You don't have protection. (...) It was interesting and I hear it from other people too. (...) Some people fold you. But others, they would be nice to you on the line, and especially when you're working, but let's say you saw them on the hallway, they wouldn't even talk to you. See when you are union, people would be happy about bringing more union people because that bumps them up the list. You're union, you've been there for five years. I come in, I'm union, I'm brand new, well you're just bumped up the list because I came in. But [if] you're temporary you're taking work away from union people. So they're not happy about that.*