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Prolonged UAW Strike Could Impact Site Selection Decisions

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It is early days for a United Auto Workers strike that has halted work at three facilities in Michigan, Ohio and Missouri, but a protracted stoppage could reveal implications of union-friendliness for site selection and corporate growth.

Depending on how long the strike lasts, it has the potential to impact long-term site selection in the auto industry, especially as carmakers transition to electric vehicle production, according to site selection experts.

“From a site selection perspective, this really puts an exclamation point on the attractiveness of right-to-work locations,” said John Boyd, a site selection specialist and principal of The Boyd Co.

“The center of gravity for the auto industry over the last 20 or 30 years has become the South, where there are fewer concerns about labor disruptions,” Boyd said, adding that as the industry converts to electric vehicle production, the cost of labor will be even more critical as a site selection criterion.

For the EV industry, one of the most pivotal objectives is to lower price points and make the vehicles more affordable, Boyd said. That will continue to be an important strategic goal for the industry and will drive location decisions.

Automakers have already announced about \$110B in EV-related investments in the U.S. since 2018, according to the nonprofit Center for Automotive Research. About half that total will be in the South, though the other half will mostly be in the Midwest.



Unsplash/Michael Satterfield

Strikes always involve uncertainty, but the UAW's novel strategy this time around adds to the unknowns. So far, the plants involved account for only about 9% of the production of the Big Three and don't represent a traditional labor action that shuts down production completely at a single company — the sort of sit-down strike against GM that helped the UAW win recognition and better pay and working conditions in the 1930s.

Rather, the walkouts this time will occur at times and places picked by the union and unknown to management. The UAW calls the strategy a “stand-up strike.”

“Instead of striking all plants all at once, select locals will be called on to 'Stand Up' and walk out on strike,” according to a webpage the union created specifically to outline its strategy.

“As time goes on, more locals may be called on to 'Stand Up' and join the strike,” the page says. “This gives us maximum leverage and maximum flexibility in our fight to win a fair contract at each of the Big Three automakers.”

By itself, a relatively short UAW strike might not impact site selection calculations in the near term, but the possibility of labor action will always be a consideration for the industry, Boyd said.

And the longer the strike is, the more that will continue to drive the industry toward nonunion locations, and not just for U.S. automakers.

“The issue really resonates with foreign-based companies,” Boyd said.

“What I worry about is if we had a substantially more intense strike that is more acrimonious, that drags on substantially longer, does that start to lead the automakers to rethink where they invest?” University of Michigan economist Gabe Ehrlich told NPR.

There are precedents for such a move by major manufacturers. After a long strike by machinists in the late 2000s, aircraft giant Boeing shifted a large part of its production to South Carolina in 2011, where it acquired a 1.2M SF site in North Charleston. South Carolina has a so-called right-to-work law that precludes any “agreement between employer and labor organization denying nonmembers right to work or requiring union membership.” Besides assembly, Boeing also operates research and development and engineering facilities at the site, employing more than 5,000 workers.

“It was a seismic change because it wasn’t just Boeing but also all the suppliers that moved here too,” Hossein Haj-Hariri, dean of the College of Engineering and Computing at the University of South Carolina, told Greenville Business Magazine last year.

Overall, the direct impact of the UAW strike, depending on its length and severity, could ripple through the economy. Ehrlich estimated \$440M worth of income would be lost nationally if all the UAW members strike for two weeks, mostly impacting the localities that are home to the shuttered factories.

Only about 13,000 workers are off the job for now, or about 8% of the union's total membership of 145,000.

The impact would be compounded the longer the strike lasts and the deeper it is, with layoffs possible among companies that supply parts to the Big Three as their business dries up and, for real estate interests, less demand for industrial space and reduced sales for local retail tenants.