

Insourcing in the North American Auto Industry: Causes and Consequences

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Introduction and Context

The auto industry in North American, 1980-2008:

- Vertical disintegration of the firm.
- Lean in work organization.
- Concessions unequally distributed in the workforce (multi-tier workforce).
- Competitive dynamics between plants (whipsawing).
- Decentralization of collective bargaining.
- Local-level productivity coalitions.

The 2008-09 Crisis

- Massive plant closures. Capacities are reduced.
- “Re”-centralization of collective bargaining.
- Massive concessions. Labor costs are reduced.
- Bankruptcies, both in suppliers and assemblers. Opens window for reorganization: the Delphi example.
- Set the stage for in-sourcing.

Methodology

- Preliminary results of an on-going project.
- Exploratory interview-based design.
- Sample: Three types of plant, on the boundary of the OEM: 1. Spun-off, got reintegrated. 2. Spun-off, never been reintegrated. 3. Never been spun-off.
- US and Canadian plants related to FCA, GM, and Ford.
- Interviews: 30, managers, trade unionists.

Two Types of In-Sourcing

1. Bringing back an asset. Re-purchasing a plant: creating a new entity for former in-house suppliers.

GMCH, ACH, Guelph.

2. Bringing back a function: In-plant in-sourcing.

Ex: Buffalo Ford Stamping: Small stamping processes formerly done by suppliers. Skill trades can replace contractors for some maintenance work.

Why they are doing this?

- Control: “You set how the plant produces and how much it produces. Where it goes. You don't have to worry about supply issues. Quality problems.”
- Labor cost: Those plants “are far more competitive that they were in 1999.”
- Role of the union: minimum role, except in one case in Canada.

What about the union?

- This in-sourcing process is mostly management-driven: some role of the local management, but decisions are made at the corporation level.
- Local unions are not taking credit for investment or re-integration.
- One exception: A Canadian case.
- UAW= Passive. Unifor= Active.

Consequences

- Labor conditions:
 - Concessions that continue in the new corporate entity (GMCH, ACH). Direct concessions in the Guelph case.
 - Functional in-sourcing: so far, no example since these plants are under national agreements.
- Positive consequence: “A bigger elephant takes a lot longer to bleed out”. Prospect for new investments and new jobs in plants that were reintegrated.

Conclusions

1. In-sourcing is happening due to cost and control problems. Is it widespread in the industry?
2. Consequences are mixed, depending on the kind of in-sourcing - asset vs function.
3. No whipsawing or credit-claiming by local unions (at least, in the US). “Re”-centralization of bargaining?