

# POTENTIAL IMPACT OF WABTEC WAGE REDUCTIONS ON ERIE COUNTY WORKERS AND THE PENNSYLVANIA ECONOMY



In 2017, Parker Philips quantified the economic impact of job transfers at the General Electric Transportation (GE) plant in Lawrence Park, Pennsylvania, at \$1.6 billion total economic output lost, and causing the loss of 4,095 direct, indirect, and induced jobs. The **report** looked at the history of the company town and how the job losses would impact the community, tax base, and local economy. U.E. Local 506 (UE 506) and GE Transportation have been an integral part of a manufacturing tradition in Erie County that plays a large part in fueling its economy.

## INTRODUCTION

In 2018, Wabtec (NYSE/WAB) a Pennsylvania manufacturing company located in Wilmerding, Pennsylvania acquired GE Transportation. According to Wabtec's website, its mission is *to be judged by its stakeholders as a world-class corporation focused on helping its global customers compete more effectively through higher levels of quality, safety and productivity.*

The finalization of the merger on February 25, 2019, has precipitated negotiations with UE 506, the bargaining agent at GE's Erie plant since 1937, currently representing 1,655 highly skilled laborers. According to its website, *"For over 75 years UE Local 506 has waged an aggressive struggle on behalf of its members, which has resulted in substantial progress in wages, benefits and conditions. Our mission is to continue that tradition of struggle, so that we and those who follow us are able to live and work in dignity and security".*

The current negotiations are based on a UE 506 proposal, rejected by Wabtec, requesting Wabtec honor an existing collective bargaining agreement through the continuation period (one-year from the date of the sale). If accepted, UE 506 asserted that it would have provided a healthy timeframe to get to know each other, to educate Wabtec on the complexity of the Lawrence Park site, and to work hand-in-hand to eventually negotiate a collective bargaining agreement that supports Wabtec's new business.

The resurgence of the manufacturing sector in the U.S. economy and the influential Erie County manufacturing sector is being destabilized by the reduction of wages to significantly lower levels. While the proposed reduction in wages is still being negotiated, for the purposes of this analysis we examined a potential dip below currently contracted wages at 30, 40, and 50% for new hires/rehires.

Parker Philips has been commissioned by UE 506 to analyze the potential economic impact of the current wage rates, working conditions, and policy changes as proposed by Wabtec.

**At the time of this report, negotiators were deadlocked in a labor dispute.**

### ***What is at stake?***

- **Current working conditions and policies established over the course of an 80 year labor/management relationship with GE.**
- **Wages for recalled laborers, and establishment of a working relationship with the leadership teams at Wabtec and UE 506.**
- **Economic sustainability and family sustaining jobs for highly-skilled manufacturing employees working in Erie County, Pennsylvania.**

# PROJECTED IMPACT OF WABTEC PROPOSED CHANGES TO CURRENT UE 506 CONTRACT



## 600 PROJECTED RETIREES OVER THE NEXT FIVE YEARS

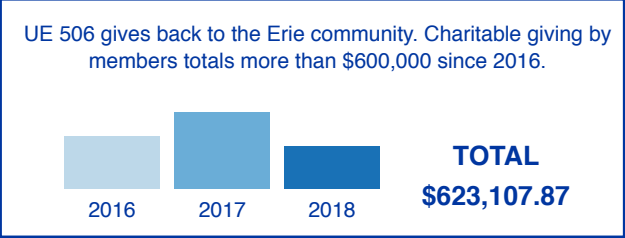
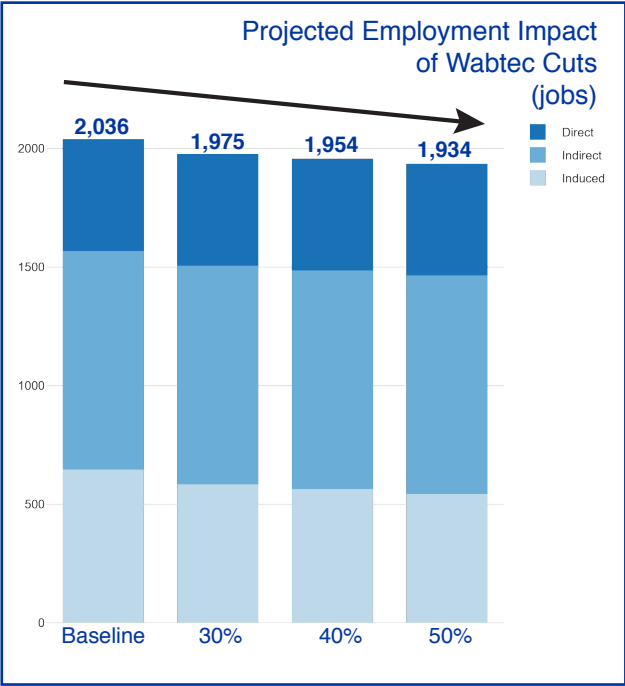
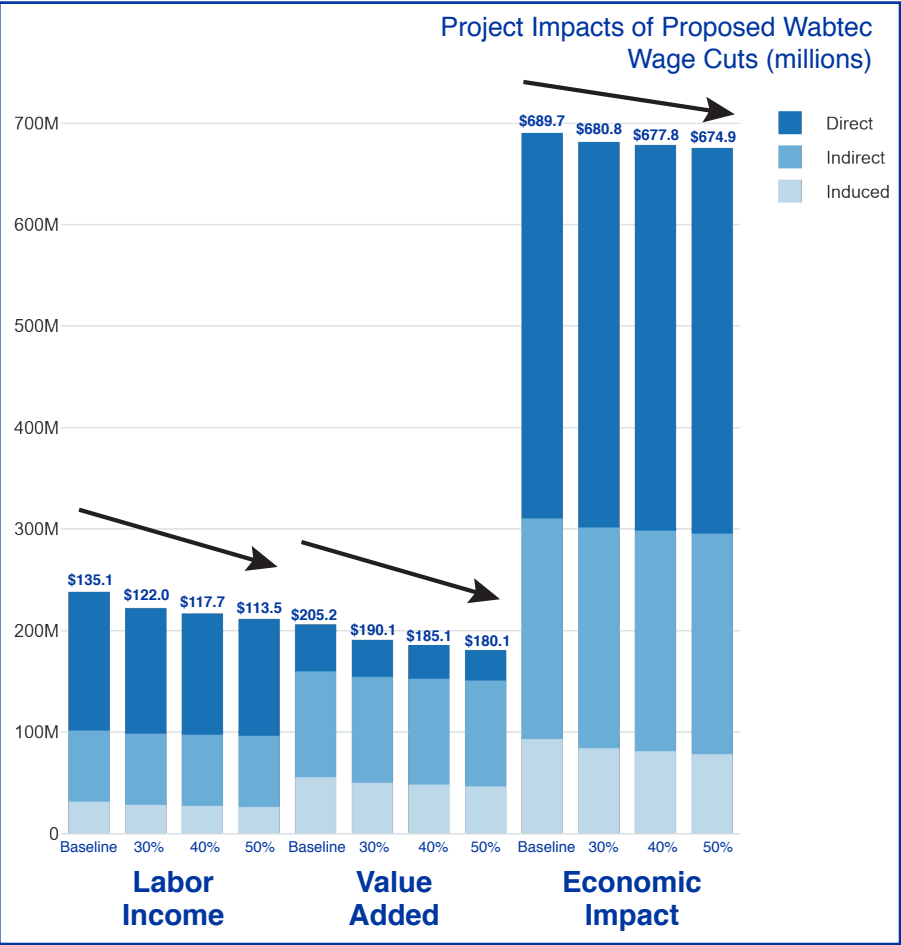
Based upon interviews with UE 506 leaders and members, union officials believe that the proposed work condition changes would precipitate retirements. The current projection is that 600 employees will retire during the next five years as a result of Wabtec's rules. At the time of publication, Parker Philips is unable to assume how many workers of retirement age will choose to retire as a result of Wabtec's proposed working conditions and policy changes over the next five years which include: mandatory overtime, subcontracting, temporary workers, reduction in paid time off, and severely diminished job security.

## 466 RECALLED/NEW HIRE EMPLOYEES

Parker Philips modeled four scenarios for comparison of rehire/new hire employees at the Erie Plant:

- 1) 466 employees at current wage rates Baseline
- 2) 466 employees at 30% wage reduction
- 3) 466 employees at 40% wage reduction
- 4) 466 employees at 50% wage reduction

***Analysis of the wage reductions clearly demonstrates that while the bottom line of economic output does not change dramatically for Wabtec, UE 506 workers and the businesses that they support will bear the brunt of the wage cutbacks.***





**466**  
**CALL BACKS**  
**FULL**  
**WAGE**

Labor Income Generated in the PA Economy Totals **\$135.1M**  
Generates an Employment Impact of **2,036 Jobs**  
Pennsylvania Gross State Product Generates **\$205.2M**  
**\$689.7M** in Economic Impact.

**30%**  
**WAGE REDUCTION**  
**IMPLICATIONS**

**LOSS OF \$13.1M** in direct and induced wages as a result of proposed WABTEC wage reductions.  
**61 JOBS LOST** in other sectors of the economy due to reductions in wages and decreased ability of workers to purchase goods and services from Pennsylvania companies.  
**\$15.1M LOSS** in Value Added to Pennsylvania Gross State Product.  
**\$8.9M LOSS** in Economic Impact.

**40%**  
**WAGE REDUCTION**  
**IMPLICATIONS**

**LOSS OF \$17.3M** in direct and induced wages as a result of proposed WABTEC wage reductions.  
**82 JOBS LOST** in other sectors of the economy due to reductions in wages and decreased ability of workers to purchase goods and services from Pennsylvania companies.  
**\$20.1M LOSS** in Value Added to Pennsylvania Gross State Product.  
**\$11.9M LOSS** in Economic Impact.

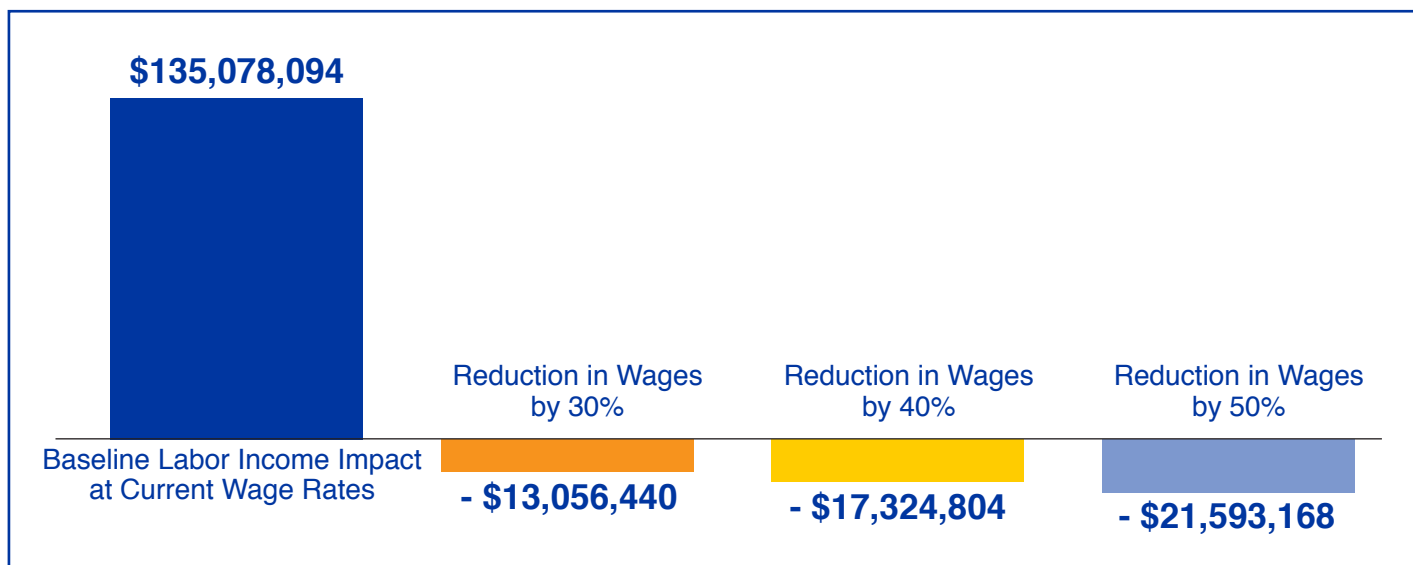
**50%**  
**WAGE REDUCTION**  
**IMPLICATIONS**

**LOSS OF \$21.6M** in direct and induced wages as a result of proposed WABTEC wage reductions.  
**102 JOBS LOST** in other sectors of the economy due to reductions in wages and decreased ability of workers to purchase goods and services from Pennsylvania companies.  
**\$25.1M LOSS** in Value Added to Pennsylvania Gross State Product.  
**\$14.8M LOSS** in Economic Impact.

Note: Seven jobs analyzed in the report are represented by UE Local 618



## TOTAL PROJECTED LOSS IN LABOR INCOME BY PROJECTED WAGE CUTS



## CONCLUSION

Analysis of the reduction in wages proposed by Wabtec for new hires and rehires to the Erie plant negatively impact the bottom line of household budgets of the local workforce, particularly small businesses. These proposed reductions in wages directly impact workers in Erie County and the local economy. It is impossible for an analysis to quantify the social and emotional toll that proposed wage cuts have, but studies show that there is a direct, negative correlation between lowering wages and employee morale and productivity.

## INDEPENDENCE AND METHODOLOGY

UE 506 commissioned an independent third party, Parker Philips, to conduct this economic impact analysis. The Parker Philips team has conducted more than 400 customized economic impact studies for major corporations, healthcare systems/hospitals, colleges and universities, and non-profit organizations.

To fully quantify the potential impact of the proposed wage reductions within the Pennsylvania and Erie County economy, Parker Philips established a comprehensive, yet conservative, methodology to estimate the net losses to workers based on 30, 40 and 50 percent wage reductions according to the Wabtec-proposed employee reclassifications Using IMPLAN (IMpact analysis for PLANning) data and software. For this study, Parker Philips completed a classic input-output analysis in combination with regional specific Social Accounting Matrices and Multiplier Models. UE 506 supplied the data used in this study. All impacts are presented in 2019 dollars.



*Parker Philips, Inc. is a women-owned, WBENC certified, boutique consulting firm based in Erie, PA, with employees working in Pennsylvania and Minnesota, specializing in economic impact and strategic communications. Principal Partner Nichole Parker has been completing economic impact studies since 1999 utilizing a multitude of methodologies including REMI, linear cash flow, RIMS II, and IMPLAN.*

