THE STATE OF WORKING ALABAMA

A Wheel in the Ditch:

A Closer Look at Alabama's Big Bet on on the Auto Manufacturing Industry

NOVEMBER 2023

ALABAMA Arise

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About Alabama Arise

Alabama Arise is a statewide, member-led nonprofit organization advancing public policies to improve the lives of Alabamians who are marginalized by poverty. Arise's membership includes faith-based, community, nonprofit and civic groups, grassroots leaders and individuals from across Alabama. To learn more about Arise, visit alarise.org.

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SECTION 1:

Introduction

THE STATE OF WORKING ALABAMA

Since the 1990s, Alabama has bet big on the auto industry. It has been a high-stakes effort to rebuild the state's economy around high-wage manufacturing, raise the wages of Alabama's workers and reduce the economic distress so prevalent across the state. A quarter-century after the first M-Class rolled off the Mercedes-Benz assembly line in Vance, subsidized by millions of dollars in taxpayer incentives, now is the time to evaluate how that bet turned out – who benefited and by how much.

A wheel in the ditch: Auto industry pay, conditions decline despite economic impact

Over the past decades, Alabama's auto industry has grown rapidly and played a critical role as an engine in the state's economic transformation. The industry employs thousands of workers and has generated glowing headlines about the ever-mounting number of cars built, sold and exported. The positive impacts on the state's economy cannot be doubted.

Yet below the surface of rosy sales numbers and flattering media stories, Alabama's auto industry is asleep at the wheel in one crucial arena: equitably compensating the workers employed in the state's auto plants and suppliers. Despite record sales and profits, the state's auto employers' policies and practices are falling short regarding their workers – and Alabama more broadly – in the following ways:

- **Pay has declined across the board, despite significant profits in most years.** Alabama's autoworkers are earning significantly lower pay (when adjusted for inflation) than they did 20 years ago. Their pay is also below the current national average for autoworkers across the country. Meanwhile, the state's auto plants are earning billions of dollars in profits that aren't being adequately shared with workers every year.
- **Shocking gaps in pay persist across race and gender lines.** Black and Hispanic workers are earning significantly less than white workers, and women are earning less than men. This is mostly due to women and workers of color being siloed into and working disproportionately in lower-wage occupations (also known as occupational segregation).
- **The ripple effects from these pay gaps and declining wages are costing Alabama's overall economy** thousands of jobs and hundreds of millions of dollars in labor income and economic growth each year.
- **Working conditions on many shop floors are deteriorating.** Interviews[1] with Alabamians employed at auto plants confirm recent media stories about unsafe working conditions and child labor. Interviewees also described arbitrary and unfair disciplinary practices and a tiered wage system that is holding down wages for many autoworkers.

1 In-person and phone interviews were conducted by report co-author Dev Wakeley.

Based on these results, it's clear that Alabama's big bet on auto manufacturing has only partly paid off. The industry has a wheel in the ditch as wages fall and working conditions worsen.

These problems come at a time when the auto industry's stakes are higher than ever for Alabama's workers, families and economy. Despite all the industry's economic successes, Alabama's residents continue to struggle with elevated poverty,[2] below-average household incomes[3 4 5] and sluggish (and often racially segregated) social mobility.[6] These shortcomings result in part from policy choices that often prioritize corporate profit and control of the workforce above workers' well-being. Declining wages and racial and gender pay gaps starve Alabama's autoworkers of the money they need to climb out of poverty, support local business growth and achieve upward mobility. This is doubly true for workers of color and their families, who historically have encountered barriers to participation in various societal institutions. These workers often suffer from significantly lower household incomes, lower educational attainment and lower life expectancy than their white counterparts. Better wages for workers of color would make a large difference in erasing the troubling racial gaps in economic outcomes.

Alabama's auto industry plays an outsized role in how global businesses, investors and policymakers perceive the state. In addition, the industry's sheer economic strength – in terms of employees, suppliers, sales and especially wages – gives the industry a powerful capacity to help address these economic challenges and reshape Alabama's overall economy so that prosperity is more widely shared with working people.

Given the massive amount of public subsidies that Alabama's state and local governments have given these companies since Mercedes came to town in 1993, the auto industry also has an obligation to use its power – not just to increase its own profits, but also to benefit the state more broadly. This is especially true when doing so by raising wages and improving working conditions is directly within the industry's control. In turn, policymakers have an obligation to constituents to ensure the state's big bet pays off for the broadest possible number of Alabama families, taxpayers and workers.

This paper aims to provide both factual background and policy suggestions to empower manufacturers and officials to address the areas where they fall short, and to contribute more fully to the prosperity and economic well-being of the people who live in Alabama and work in auto plants.

2 J. Wayne Flynt, "Poverty in Alabama," Encyclopedia of Alabama (last updated April 26, 2023), https://encyclopediaofalabama.org/article/poverty-in-alabama (stating that based on 2019 U.S. Census data, Alabama is the seventh poorest state in the nation and contains five of the nation's 100 poorest counties).

3 Encyclopædia Britannica, "Economy of Alabama," https://www.britananica.com/place/Alabama-state/Economy.

4 U.S. Census Bureau, Income and Poverty in the United States: 2021, https://www.census.gov/library/publications/2022/demo/p60-276.html.

5 U.S. Census Bureau, QuickFacts: Alabama, https://www.census.gov/quickfacts/fact/table/AL/BZA210221. Among all 50 states, Alabama's median family income has long remained below the national average. For example, in 2021, the national annual median household income was approximately $71,000. But in Alabama, it was just under $55,000.

6 Pew Charitable Trusts, "Economic Mobility of the States" (April 2, 2012), https://www.pewtrusts.org/en/research-and-analysis/reports/0001/01/01/economic-mobility-of-the-states.

What can be done

Together with Alabama's policymakers and organized labor (often known as unions), auto employers can ensure the state's corporate subsidies provide a return on investment in ways that chart a better course for their workers and the entire state. Specifically:

- **Employers must address three major areas where they are falling short: declining wages, pay gaps and working conditions.** Employers should pay their workers at least the same as they did 20 years ago (when adjusted for inflation). They should eliminate pay disparities between men and women, as well as between white workers and workers of color. They should use targeted training and hiring programs to break down the occupational segregation that is driving many pay gaps. And they should improve safety and fairness on the shop floor.

- **Policymakers must fix Alabama's low-road economic development model.** The state's prevalent economic development model has included massive corporate giveaways from tax revenue. These incentives often lack any accountability mechanism to claw back tax expenditures given to companies that fail to meet benchmarks. Moreover, data reporting and accountability mechanisms have been inadequate to monitor the companies' claims of job quality and worker impact. In a positive move, the state recently has begun implementing data accessibility requirements on economic development incentives.[7] This trend should continue and include further clawback mechanisms for companies that fail to perform as they promised. These accountability mechanisms should include provisions rendering companies ineligible for incentives when they violate labor law, including but not limited to use of child labor. Further, the state should prohibit companies that use the current prison labor system, which operates much like "convict leasing" programs the state historically used to extract labor from incarcerated Alabamians, from eligibility for tax incentives. The state also should disallow the use of prison labor to benefit private companies.

- **Employers and policymakers must recognize organized labor as a key partner.** Organized labor plays a central role in bargaining for better wages and working conditions for workers in the industry. That would be a critical step in addressing the industry's glaring problems with declining pay and wage gaps. Perhaps most importantly, auto employers should voluntarily recognize the United Auto Workers in representing and collectively bargaining with their employees. Organized labor in 21st-century American auto plants adds massive value to employers in addition to workers and communities. Unions bring expertise to "discussions of quality, safety, predictive and preventative maintenance, workforce development, [and] team-based operations"[8] – all of which help improve the productivity and ultimately profit margins of America's auto manufacturing companies. The auto industry receives huge subsidies, especially during the nascent large-scale transition to electric vehicle manufacturing. As recipients of massive public expenditures, manufacturers should operate in good faith with workers, in the form of their chosen unions, to hold up the companies' end of the deal: creating good jobs with strong worker protections to benefit the people of Alabama.

7 Patricia Todd & Kasia Tarczynska, "Alabama's new transparency law is a step in the right direction, but more needs to be done," Alabama Reflector (June 9, 2023), https://alabamareflector.com/2023/06/09/alabamas-new-transparency-law-is-a-step-in-the-right-direction-but-more-needs-to-be-done.

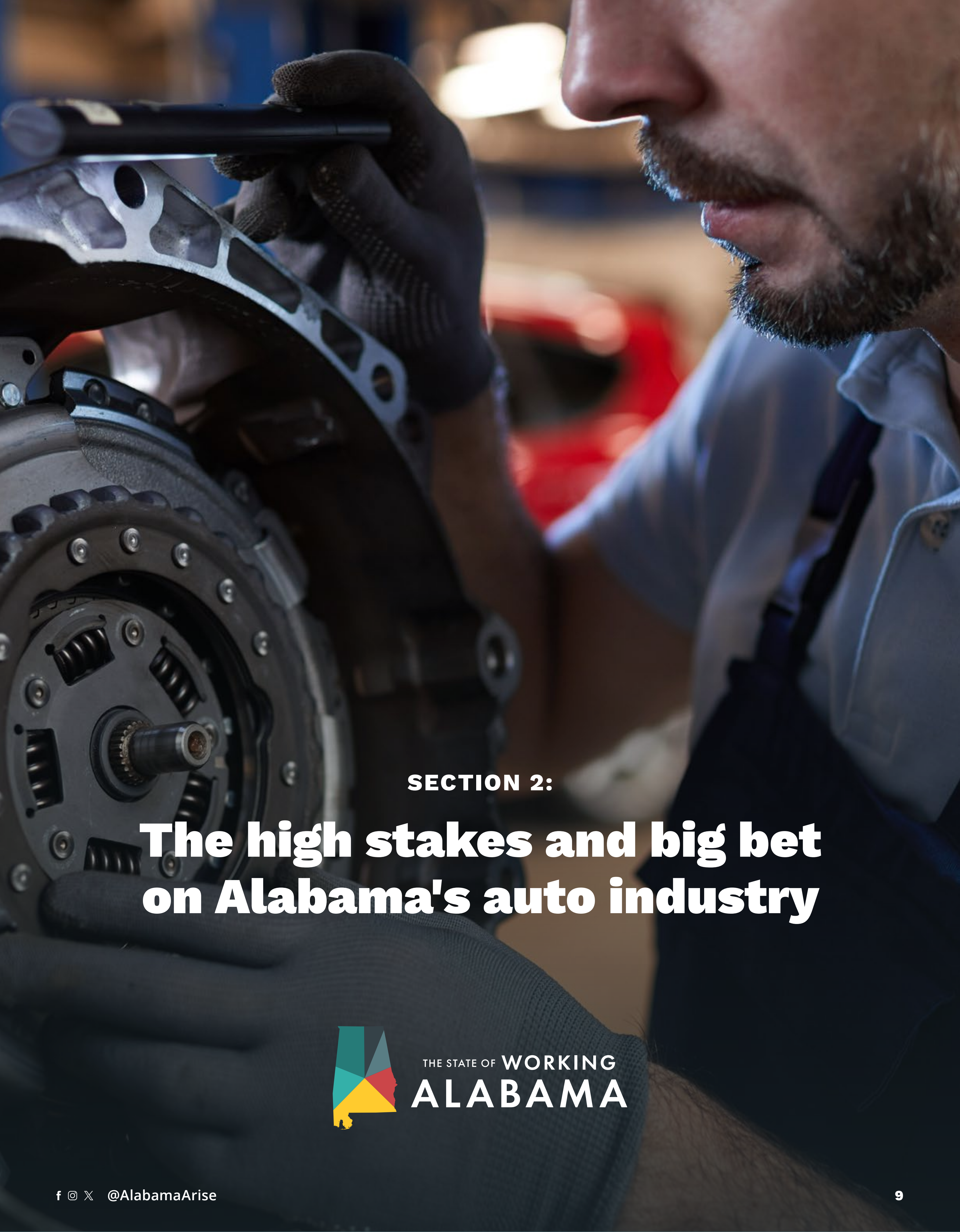
8 Joseph B. Atkins, *Covering for the Bosses: Labor and the Southern Press*, University Press of Mississippi: Oxford (2008), https://books.google.com/books?id=o6AfWT79t2MC&printsec=frontcover (stating that though the textile industry invested heavily in the South following World War II, globalization eventually led to many textile industries leaving the South and the country for cheaper labor elsewhere).

How this paper is organized

This paper is organized as follows: Section 2 lays out the stakes and why it matters for Alabama's economy that many of the state's auto plants fall short when it comes to worker pay and working conditions. It also outlines the promise that the auto industry offered when Mercedes first came to town three decades ago. Section 3 shows the many ways the industry has lived up to the hopes of 1993 and benefited the entire state.

In the following four sections, we look at the ways the industry has fallen short: declining worker pay (Section 4), racial and gender pay gaps and occupational segregation (Section 5), the economic impacts of these pay gaps on Alabama's GDP and labor income (Section 6), and working conditions on the shop floor (Section 7). Many of these failings can be laid at the doorstep of policymakers, as the state's broken economic development model encourages weaker labor protections and lack of accountability from corporate employers (Section 8).

In Section 9, we explore the ways auto employers, policymakers and labor unions can partner to address these challenges around pay, working conditions and labor protections. For those interested in the technical aspects of the study, we provide an extensive description of our data sources, analytical approach and methodology in the Appendix. All earnings values in the report are presented in 2021 constant dollars.



SECTION 2:

The high stakes and big bet on Alabama's auto industry

THE STATE OF WORKING ALABAMA

Since the early 1990s, Alabama has bet big on the auto industry, and the stakes have always been high. At the time the state succeeded in recruiting Mercedes in 1993, Alabama's economy was headed in the wrong direction. Alabama was lagging because policymakers failed to modernize state laws by shifting away from centuries of persistently anti-worker policies. State residents faced poverty rates higher than the national average, median household incomes below the national average, and significant gaps in economic outcomes between white and Black residents.[9]

Unfortunately, Alabamians still face these problems today. Alabama has been one of the nation's poorest states ever since the Civil War.[10] This is due in large part to the state's history of racial discrimination and a long-term skepticism of using public power and tax revenues to support broadly shared prosperity.[11]

Alabama's approach to economic development from the Civil War through to the 1980s practically guaranteed the persistence of poverty, economic distress and racial inequality. State leaders focused centrally on "desperate attempts to attract low-skill, low-wage industries ... with tax exemptions coupled with government repression of unions that could have pushed for higher wages."[12] To a large extent, these same flawed practices are still in use today. Researchers of Alabama's economy have long found that this "low-road" approach contributes heavily to the state's elevated poverty rate.[13] By the late 1980s, Alabama's economic development model was noticeably failing, with steep declines in the state's textile, coal, steel and paper industries due to globalization.[14]

Housing conditions on the outskirts of a steel mill. Ensley, Alabama. Image via Library of Congress by Arthur Rothstein. 1937.

9 U.S. Census Bureau, 2021 American Community Survey: Poverty Status in the Past 12 Months, Alabama and United States, https://data.census.gov/table?q=alabama+poverty&g=010XX00US&tid=ACSST1Y2021.S1701.

10 Flynt, *supra* note 2.

11 *Ibid*.

12 *Ibid*.

13 *Ibid*.

14 Atkins, *supra* note 8.

The promise of Alabama's auto industry

Alabama's development officials viewed the auto industry as an important way to replace the thousands of jobs lost in these declining industries with new good-paying jobs.[15] In fact, Americans have long perceived manufacturing jobs as being "good jobs." As recently as 2014, "[n]ine out of ten Americans believe[d] that a strong manufacturing base is very important to our country's standard of living."[16] For decades, "[p]oliticians, economists, and other promoters [have] tout[ed] increased investment by manufacturers" when emphasis on "the benefits of direct and 'value added' industry cluster jobs flowing from manufacturing plants, and the overall economic boost that manufacturing jobs bring to local economies."[17]

When the news broke that Mercedes was coming to Alabama in the early 1990s, "[t]he Vance plant [wa]s expected to create more than 10,000 jobs, most of which w[ould] come from support industries supplying parts, transportation, construction materials and services."[18] In addition, in 1993, supporters touted Mercedes as having the potential over the next decade (by 2003) to increase jobs in the state by 15,000 to 17,000.[19] And the expectation was that by 2013, Alabama would witness "the creation of 4,375 jobs in manufacturing by Mercedes-Benz and its suppliers."[20]

Within the manufacturing industry, motor vehicle and supply manufacturing historically has been the largest manufacturing sector, making up a significant portion of the nation's economy.[21] In addition, the average salary of auto industry workers historically has "far outpaced other private-sector jobs."[22] For example, during the mid-20th century, "the industry-wide average wage was roughly 30 percent higher than the average for the private-sector as a whole. It then rose relative to the private-sector average in the 1970s, peaking in the mid-1980s at more than 150 percent of the average private-sector wage."[23]

Thus, when the opportunity arose for Alabama to go above and beyond other states in an attempt to woo auto manufacturers to the state in the 1990s, it is no surprise that "[e]xpectations [we]re high on the part of the state, local governments, and communities about employment, income, and revenue generation" that would follow if auto manufacturers came to our state.[24] In fact, in 1993, when Mercedes announced its decision to build a facility in Alabama, "[t]he average annual wage in the industry for hourly production workers [wa]s about $34,000."[25] Put in context, the average annual pay in the United States in 1993 was only $26,361, and it was only $22,786 in Alabama.[26]

15 *Ibid*.

16 Catherine Ruckelshaus & Sarah Leberstein, "Manufacturing Low Pay: Declining Wages in the Jobs that Built America's Middle Class," National Employment Law Project (Nov. 2014), https://s27147.pcdn.co/wp-content/uploads/2015/03/Manufacturing-Low-Pay-Declining-Wages-Jobs-Built-Middle-Class.pdf.

17 *Ibid*.

18 Lisa Rukeyser, "Potential suppliers scramble for work," *Montgomery Advertiser* (Oct. 1, 1993), 15.

19 *Ibid*.

20 *Ibid*.

21 Ruckelshaus & Leberstein, *supra* note 16.

22 *Ibid*.

23 *Ibid*.

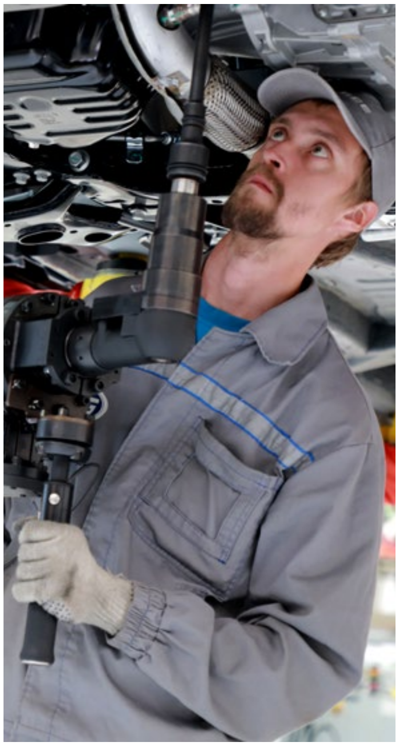
24 Ellene Kebede & Mudiayi Sylvain Ngandu, "The Economic Impact of the Mercedes Benz Investment on the State of Alabama," *Journal of Agricultural and Applied Economics* (Aug. 1999), https://ageconsearch.umn.edu/record/15385.

25 Rukeyser, *supra* note 18.

26 U.S. Bureau of Labor Statistics, "Average Annual Pay By State and Industry, 1994," https://www.bls.gov/news.release/history/annpay_091995.txt.

In August 1994, as thousands of Alabama residents began competing to fill available jobs at the Mercedes plant, "[u]p for grabs [we]re 1,500 jobs paying an estimated $12 to $18 an hour,"[27] or the equivalent of $24,960 to $37,440 annually. That same year, the average annual pay nationwide was $26,939, and in Alabama, it was only $23,616.[28] It is thus safe to assume that the people of Alabama expected that Mercedes jobs would be good-paying jobs that would help lift tens of thousands of Alabamians into the middle class.

Alabama bets big on the auto industry



To achieve these development goals and address the state's broader economic challenges, Alabama's policymakers – from Gov. Jim Folsom Jr. in 1993 to Gov. Kay Ivey today – have bet big on the auto industry with expensive economic development incentive packages and major expenditures of public funds.[29] For example, the state's final bid to win Mercedes in 1993 included an estimated $253 million for total initial buildout, which also included "$8.7 million in waived sales and use tax revenues, a $600,000 fire station, $11 million worth of water and sewer improvements, $90 million in training costs and $50 million worth of highway work."[30] This came to $293,000 for each projected job,[31] the largest package in Alabama history. A worker earning the state household median income would take more than five years to earn that amount. In 2000, the state offered Mercedes another round of incentives, worth $119 million, to support a $600 million expansion of the Vance plant.[32]

Beyond Mercedes, the state has invested a considerable amount in recruiting and expanding auto plants over the past 20 years.[33] Hyundai incentives for initial buildout were $90,000 per job in 2021 dollars.[34] Toyota's initial incentives were $121,000 per job, and incentives for the 2021 plant totaled $700 million.[35] [36] Honda's initial incentives were $106,000 per job.[37]

27 David Rynecki, "Thousands vie for Mercedes jobs," *Birmingham Post-Herald* (Aug. 16, 1994).

28 U.S. Bureau of Labor Statistics, *supra* note 26.

29 Peter Calcagno & Frank L. Hefner, "Economic Development Tax Incentives: A Review of the Perverse, Ineffective, and Unintended Consequences" (Jan. 3, 2018), https://ssrn.com/abstract=3173791. Excerpt from Adam J. Hoffer & Todd Nesbit, eds., *For Your Own Good: Taxes, Paternalism, and Fiscal Discrimination in the Twenty-First Century* (2018).

30 Wayne Grayson, "Incentives package caused early controversy," *Tuscaloosa News* (Sept. 21, 2003), https://www.tuscaloosanews.com/story/news/2003/09/21/incentives-package-caused-early-controversy/27848187007.

31 Calcagno & Hefner, *supra* note 29.

32 William Thornton, "As Alabama tries to lure Toyota-Mazda, suppliers will be key," AL.com (Aug. 17, 2017), https://www.al.com/business/2017/08/as_alabama_tries_to_lure_toyot.html.

33 Calcagno & Hefner, *supra* note 29.

34 *Ibid*. at 233, citing University of South Carolina Division of Research, adjusted to 2021 dollars.

35 Associated Press, "Alabama incentives for Toyota-mazda factory top $700 million" (April 20, 2021), https://apnews.com/article/e55cef4b83314f38af801840d5106a54.

36 Calcagno & Hefner, *supra* note 29.

37 Wayne Grayson, "Honda deal is state's cheapest incentive package ever," *Tuscaloosa News* (July 11, 2002), https://www.tuscaloosanews.com/story/news/2002/07/11/honda-deal-is-states-cheapest-incentive-package-ever/27825333007.

As the major auto plants expanded, they received additional incentives. For example, in 2002, the Hyundai plant received $234.6 million in state and local incentives for the original plant location in Montgomery County.[38] And after the Montgomery plant was operational, the state granted an additional $59 million to Hyundai for a plant expansion.[39]

Over the years, the total incentive amounts for auto manufacturing plants have been well above $1.5 billion, as seen in Figure 2.1.

Figure 2.1. Alabama automotive plant incentives, 1993-2018.

Auto manufacturer	Incentive amount
Hyundai	$312 million
Toyota	$700 million
Honda	$248 million
Mercedes	$372 million
Total buildout and expansion incentives	**$1.632 billion**

Sources: Wayne Grayson, "Incentives package caused early controversy," *Tuscaloosa News* (Sept. 21, 2003); William Thornton, "As Alabama tries to lure Toyota-Mazda, suppliers will be key," AL.com (Aug. 17, 2017); Associated Press, "Alabama incentives for Toyota-Mazda factory top $700 million" (April 20, 2021); Wayne Grayson, "Honda deal is state's cheapest incentive package ever," *Tuscaloosa News* (July 11, 2002); Dana Beyerle, "Incentive package entices Hyundai," *Tuscaloosa News* (April 5, 2002).

38 Dana Beyerle, "Incentive package entices Hyundai," *Tuscaloosa News* (April 5, 2002), https://www.tuscaloosanews.com/story/news/2002/04/05/incentive-package-entices-hyundai/27820998007.

39 William Thornton, "State offered $59 million incentive package to Hyundai," AL.com (June 1, 2018), https://www.al.com/business/2018/06/state_offered_59_million_in_in.html.

The stakes remain high

Providing such large incentives was a big bet, and 30 years later, the stakes for Alabama are still high. Despite the influx of auto manufacturing jobs that have come to our state, Alabama remains a poor state.[40] Based on 2019 U.S. Census data, Alabama is the seventh poorest state in the nation and contains five of the nation's 100 poorest counties.[41] The Alabama median family income also has long remained below the national average.[42] In 2021, the national annual median household income was approximately $71,000,[43] but in Alabama, it was just under $55,000.[44] More than 16% of Alabamians lived below the federal poverty line that year,[45] compared to 12% of the population nationwide.[46] Similarly, Alabama lags behind most other states in terms of overall health outcomes,[47] education quality and attainment,[48] child well-being[49] and overall equality.[50]

Given the stakes, how is the big bet on the auto industry paying off? Who in Alabama is benefiting most from the industry's growth and strength? Workers? Or corporations?

40 Emily Erickson, *Are Good Jobs Possible in the Deep South?*, Alabama A&M University (March 2021), https://www.aamu.edu/academics/colleges/agricultural-life-natural-sciences/departments/community-regional-planning/_documents/are-good-jobs-possible-in-the-deep-south-erickson-march-2021.pdf.

41 Flynt, *supra* note 2.

42 Encyclopædia Britannica, supra note 3.

43 U.S. Census Bureau, *supra* note 4.

44 U.S. Census Bureau, QuickFacts Alabama, https://www.census.gov/quickfacts/fact/table/AL/BZA210221.

45 Statista, "Poverty Rate in Alabama," https://www.statista.com/statistics/205388/poverty-rate-in-alabama.

46 U.S. Census Bureau, "Poverty Awareness Month," https://www.census.gov/newsroom/stories/poverty-awareness-month.html.

47 UnitedHealthcare, "The greatest health strengths and challenges in Alabama" (Jan. 3, 2023), https://www.uhc.com/agents-brokers/employer-sponsored-plans/local-markets/alabama/alabama-health-rankings.

48 World Population Review, "Least Educated States" (updated June 2023), https://worldpopulationreview.com/state-rankings/least-educated-states (stating "Alabama is the country's fifth-least educated state. Alabama's Education Attainment rank is 45, and its Quality of Education rank is 38.").

49 Equal Justice Initiative, "Alabama Ranks Among Nation's Lowest in Child Well-Being, Life Expectancy" (April 14, 2022), https://eji.org/news/alabama-ranks-among-nations-lowest-in-child-well-being-life-expectancy.

50 *U.S. News & World Report*, "Rankings: Equality - Best States," https://www.usnews.com/news/best-states/rankings/opportunity/equality?region=AL.

SECTION 3:

The ways the bet on auto benefited Alabama

THE STATE OF WORKING ALABAMA

The auto industry plays a crucial role in Alabama's economy. In many stakeholders' views, the industry has benefited the state in the 30 years since Mercedes moved to town. State media outlets routinely report glowing headlines like:

> **Alabama's modern auto industry becomes state's top export 25 years after its birth.**[51]

> **Alabama's auto industry looks to add more than 3,000 new jobs in wake of COVID.**[52]

> **The great Alabama automobile success story.**[53]

Beyond the headlines, the auto industry's enormous benefit to the state's economy is clear. Today, Alabama is one of the top five states for auto manufacturing, producing 1.3 million cars and light trucks in 2022. That same year, Toyota, Honda and Hyundai combined to produce 1.5 million auto engines. As a result, auto vehicles are now Alabama's top export, with sales to more than 70 nations totaling $9 billion to $10 billion.[54 55] In 2018 alone, Honda and its direct Tier 1 suppliers by themselves generated more than $1 billion in earnings to Alabama households, accounted for $12 billion in annual economic impact and contributed 5.4% of Alabama's entire GDP.[56]

Moreover, the industry continues to grow its footprint in Alabama. In 2021, the governor's office reported 42 new auto industrial development projects, which promised to create 1,426 new jobs and $536,255,265 in new capital investment.[57] In addition, the Alabama Department of Commerce recently boasted that the state's growing automotive supplier network, which now includes 150 major companies, created around 26,000 vehicles in 2021.[58 59]

51 Stephen Quinn, "Alabama's modern auto industry becomes state's top export 25 years after its birth," ABC 33/40 (Feb. 15, 2023), https://abc3340.com/news/local/alabamas-modern-auto-industry-becomes-states-top-export-25-years-after-its-birth.

52 William Thornton, "Alabama's auto industry looks to add more than 3,000 new jobs in wake of COVID," AL.com (June 2, 2021), https://www.al.com/business/2021/06/alabamas-auto-industry-looks-to-add-more-than-3000-new-jobs-in-wake-of-covid.html.

53 *Clanton Advertiser*, "The great Alabama automobile success story," *Clanton Advertiser* (Dec. 7, 2009), https://www.clantonadvertiser.com/2009/12/07/the-great-alabama-automobile-success-story.

54 "Automotive," Made in Alabama, https://www.madeinalabama.com/industries/industry/automotive.

55 Autos Drive America & American International Automobile Dealers Association, *International Automakers and Dealers in America: Economic Impact Report* 2022, https://www.autosdriveamerica.org/economic-impact/2022/ADA_2022_8.5X11_national.pdf.

56 Honda Manufacturing of Alabama, "Honda Economic Impact Study," https://www.hondaalabama.com/img/mediahub/files/Honda-Economic-Impact-Study.pdf.

57 "New & Expanding Industry Announcements, 2021 Report," Made in Alabama (2022), https://governor.alabama.gov/assets/2022/05/2021-New-Expanding-Industry-Report.pdf.

58 "Automotive," *supra* note 54.

59 Dawn Azok, "Job training programs fuel growth of Alabama auto industry," Made in Alabama (Oct. 5, 2017), https://www.madeinalabama.com/2017/10/job-training-programs-fuel-growth-of-alabama-auto-industry.

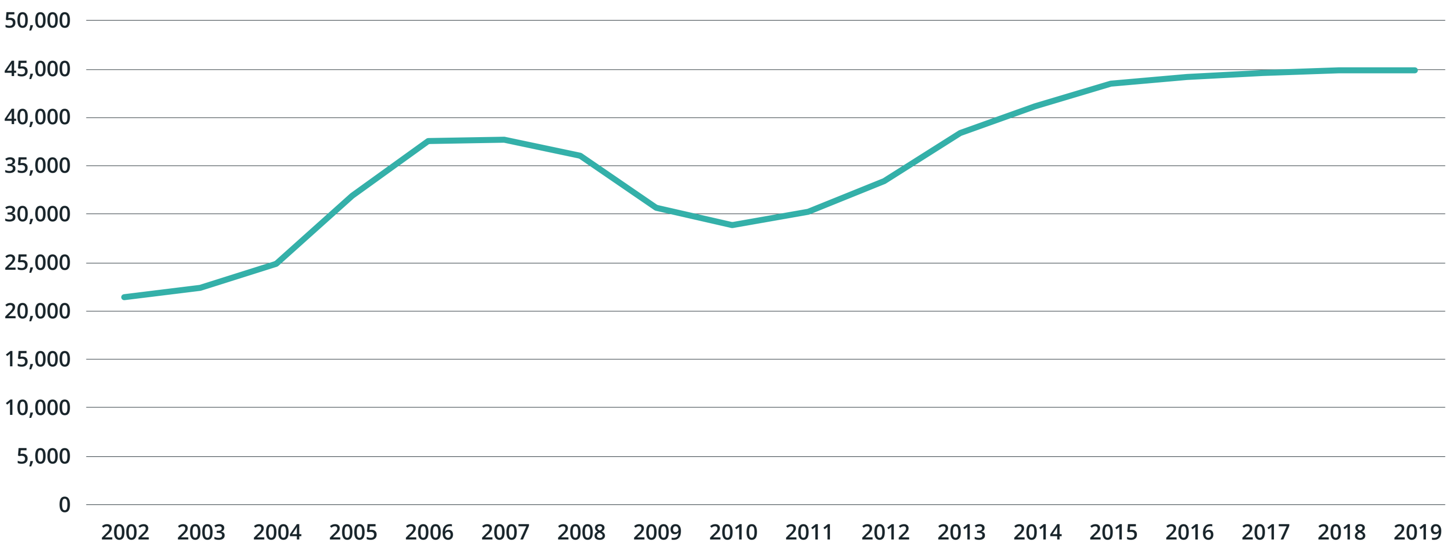
Alabama's auto industry also has become a major employer. By the numbers, the auto industry is among Alabama's five largest employers, with 44,904 workers on payroll in 2019. That means about one in every six Alabamians working in the manufacturing sector are employed in the auto industry. (See Figure 3.1.) Even more importantly, the auto industry has seen exceptional growth over the past 20 years, more than doubling the number of employees between 2002 and 2019. This occurred despite the economic damage wrought by the Great Recession, which significantly reduced demand for cars and trucks. (See Figure 3.2.) As Figure 3.1 shows, Mercedes locating in Alabama more than fulfilled the expectations of leaders and community members in 1993. The goal of reaching 15,000 to 17,000 jobs by 2003 was met early.

Figure 3.1. Alabama's auto industry employment has doubled since 2002.

Category	2002	2019
Number of auto employees	21,370	44,904
Number of all employees	1,492,068	1,617,938
Number of manufacturing employees	311,764	271,122
Auto percent of all employees	1%	3%
Auto percent of manufacturing employees	7%	17%
Percent change in auto employment, 2002-2019		**110%**

Source: Author analysis of U.S. Census Bureau American Community Survey (ACS) data.

Figure 3.2. Alabama's auto manufacturing employment doubled from 2002-2019.



Source: Author analysis of U.S. Census Bureau American Community Survey (ACS) data.

Alabama's auto industry also has a more demographically diverse workforce than the state's manufacturing sector as a whole. As seen in Figure 3.3, Black workers account for 41% of those employed in the auto industry, compared to a little more than a quarter of all manufacturing employees. In addition, women make up 31% of the auto industry workforce, compared to only 28% in the manufacturing sector overall.

Moreover, these trends are improving, thanks to targeted hiring and training efforts across Alabama's auto industry. Examples include customized programs spearheaded by Alabama Industrial Development Training (AIDT), Alabama's workforce training agency;[60] the creation of Apprenticeship Alabama (designed to provide classroom instruction and on-the-job training);[61] [62] the creation of AlabamaWorks (a workforce development partner);[63] [64] and the creation of the Alabama Robotics Technology Park (a facility that trains auto manufacturing and other industry workers).[65] [66] In a sign of this improvement, Black employment in the auto industry has quadrupled in size since 2002. That is a 305% growth rate, compared to the 50% increase in white auto employment. Over the same period, Hispanic auto employment has grown by 575%, and the number of women in the auto workforce has grown by 123%. (See Figure 3.3.)

Figure 3.3. Demographic characteristics of Alabama's autoworkers.

Demographic category of employee	2002	2019	Share of autoworkers, 2019	Share of all manufacturing workers, 2019	Percent change in auto employment, 2002-2019
All autoworkers	21,370	44,904	100%	100%	110%
White	16,311	24,434	54%	68%	50%
Black	4,508	18,235	41%	28%	305%
Asian, Pacific Islander, Native American	551	2,235	5%	4%	306%
Hispanic	247	1,668	4%	7%	575%
Male	15,203	31,134	69%	72%	105%
Female	6,166	13,770	31%	28%	123%

Source: Author analysis of U.S. Census Bureau Quarterly Census of Employment and Wages (QCEW) data.

60 *Ibid*.

61 Dawn Azok, "Apprenticeship Alabama aims to invest in workers," Made in Alabama (Oct. 20, 2016), https://www.madeinalabama.com/2016/10/apprenticeship-alabama.

62 Azok, *supra* note 59.

63 Jerry Underwood, "State debuts unified workforce system, AlabamaWorks," Made in Alabama (Nov. 16, 2016), " https://www.madeinalabama.com/2016/11/alabama-works.

64 Azok, *supra* note 59.

65 Jerry Underwood, "Alabama Robotics Park Phase 3 center readies for training," Made in Alabama (April 11, 2016), https://www.madeinalabama.com/2016/04/alabama-robotics-park-phase-3.

66 Azok, *supra* note 59.

Not only does Alabama's auto industry provide a large number of jobs for state residents, it also generally provides *good-paying* jobs (though this is becoming less true over time; see Section 4). As seen in Figure 3.4, Alabama's auto industry pays more than jobs in both the broader state economy and in the state's manufacturing sector. The average autoworker in Alabama earns 25% more than the state's average worker and 4% more than the average manufacturing worker.

Bottom line: As anticipated when they were first recruited to locate in Alabama, the auto industry pays Alabama workers better wages than they could earn in other parts of the economy. These wages are a significant contributor to a rise in state manufacturing wages over the past 20 years.[67]

Figure 3.4. Alabama's autoworkers earn more pay than the average worker in manufacturing and the entire economy.

Industry	Earnings	Difference from auto earnings	Auto employee earnings as percentage of these earnings
Auto employee earnings	$64,682	-	100%
All employee earnings	$51,818	($12,864)	125%
Manufacturing employee wages	$62,069	($2,612)	104%

Source: Author analysis of U.S. Census Bureau Quarterly Workforce Indicators (QWI) and Quarterly Census of Employment and Wages (QCEW).

66 Analysis of Bureau of Labor Statistics QCEW data, available at https://www.bls.gov/cew/downloadable-data-files.htm.

The auto industry anchored Alabama's economic transformation

Aside from these direct benefits, the auto industry also has played a crucial role in galvanizing Alabama's long-term economic transformation. In the 1970s and 1980s, Alabama's core industrial sectors – mostly steel, textiles, coal mining and paper manufacturing – entered long-term decline, with several important regional employers shuttering their facilities and moving their jobs to lower-cost locations in developing nations.

This shift was particularly noticeable considering western Jefferson and eastern Tuscaloosa counties' economic reliance on mining in multiple communities.[68] Throughout the 1980s and 1990s, the mining industry was drastically reducing manpower nationally. Mining companies reduced the industry's workforce by more than 25% in the 1980s, with coal mining losing 46% of workers.[69] Communities throughout Alabama felt the pain of sector-wide economic contraction, and officials sought substitute industries that could soften the blow and prevent population decline and consequent community damage. Passage of the North American Free Trade Agreement (NAFTA) in 1994 accelerated these trends, especially for steel and textiles.

When Mercedes announced it was considering Alabama for its first North American auto facility in 1993, state economic development officials hoped to use the German car manufacturer as an anchor to transition Alabama's economy toward more advanced manufacturing – and the higher-wage, higher-skilled jobs that come with it. They also hoped to revitalize struggling coal and textile communities in Jefferson and Tuscaloosa counties.

Thirty years after the first M-Class rolled off the assembly lines in Vance, it's clear that these hopes have become reality. For years, Alabama has been able to refer to itself as the "center of the Southeast's auto industry" and the "Detroit of the South."[70] Just a few years after Mercedes opened its first plant in the state, Honda followed suit (2001), followed by Hyundai (2005), as well as many auto parts manufacturers, including Toyota.[71] As a result of the state's industrial transformation, companies in the broader manufacturing sector have been able to count on availability of a trained and capable workforce in advanced manufacturing, including the aerospace sector. For example, certainty of the state's workforce availability was a motivating factor in Airbus' choice of Mobile for a major plant investment: "We never had a doubt we'd find the skilled workforce we need to produce our aircraft."[72]

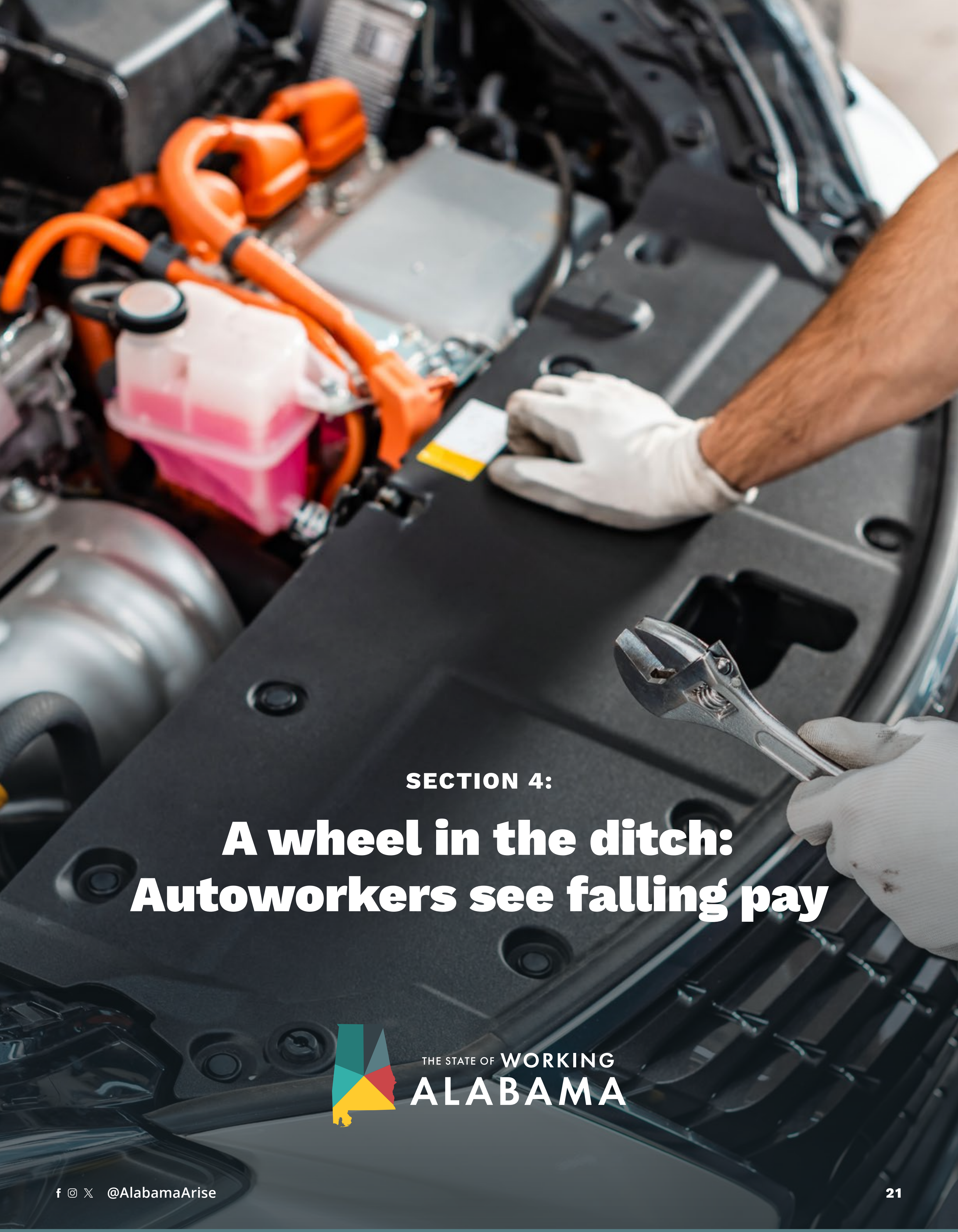
68 Alabama Department of Labor, *Alabama Mine Map Repository: Directory of Underground Mine Maps* (2013), https://www.labor.alabama.gov/Inspections/Mining/Directory_of_Mine_Maps_2013.pdf (listing more than 500 mine sites in Jefferson and Tuscaloosa counties).

69 Lois M. Plunkett, "The 1980s: A Decade of Job Growth and Industry Shifts," *Monthly Labor Review*, Bureau of Labor Statistics (Jan. 1990), 6, https://www.bls.gov/opub/mlr/1990/09/Art1full.pdf.

70 Ruckelshaus & Leberstein, *supra* note 16.

71 *Ibid*.

72 Mark Arend, "Alabama Airbus Project Adds Lift to Mobile's Aerospace Sector," *Site Selection* (Jan. 2017), https://siteselection.com/issues/2017/jan/alabama-airbus-project-adds-lift-to-mobiles-aerospace-sector.cfm.



SECTION 4:

A wheel in the ditch: Autoworkers see falling pay

THE STATE OF WORKING ALABAMA

Auto plants in Alabama have made a significant contribution to the state's economy. But the big bet and significant investment in the form of corporate subsidies has only partly paid off. This is in part because the state's weak worker protections have not mandated employment standards that would ensure better work conditions and equitable pay for workers despite gender or race. Below the surface of rosy sales and profit figures and flattering media profiles about the industry, Alabama's autoworkers have lived through a long-term decline in wages and earnings, stunning gaps in pay across racial and gender lines, and deteriorating conditions on some shop floors. Taken together, the ways the auto industry has failed to live up fully to the hopes and promises of 1993 have cost Alabama's workers and the overall state economy tangibly and measurably.

Autoworkers get paid less today than 20 years ago

Most critically, Alabama's autoworkers have lived through a significant and long-term decline in pay and earnings over the past 20 years. To be precise, autoworkers' real wages (when adjusted for inflation) have fallen by $7,700 since 2002 – an 11% drop. (See Figures 4.1 and 4.2.) Despite rising profits for the auto companies and robust economic growth in the years following the Great Recession, Alabama's autoworkers are earning less than they did a generation ago, while the cost of living and inflation have continued to rise.

Figure 4.1. Alabama auto industry wages have fallen compared to those of other workers, 2002-2019.

Industry	2002	2019	Change	Percent change
All employee earnings	$47,618	$51,818	$4,200	9%
Manufacturing employee earnings	$55,319	$62,069	$6,750	12%
Auto employee earnings	$72,452	$64,682	($7,770)	-11%

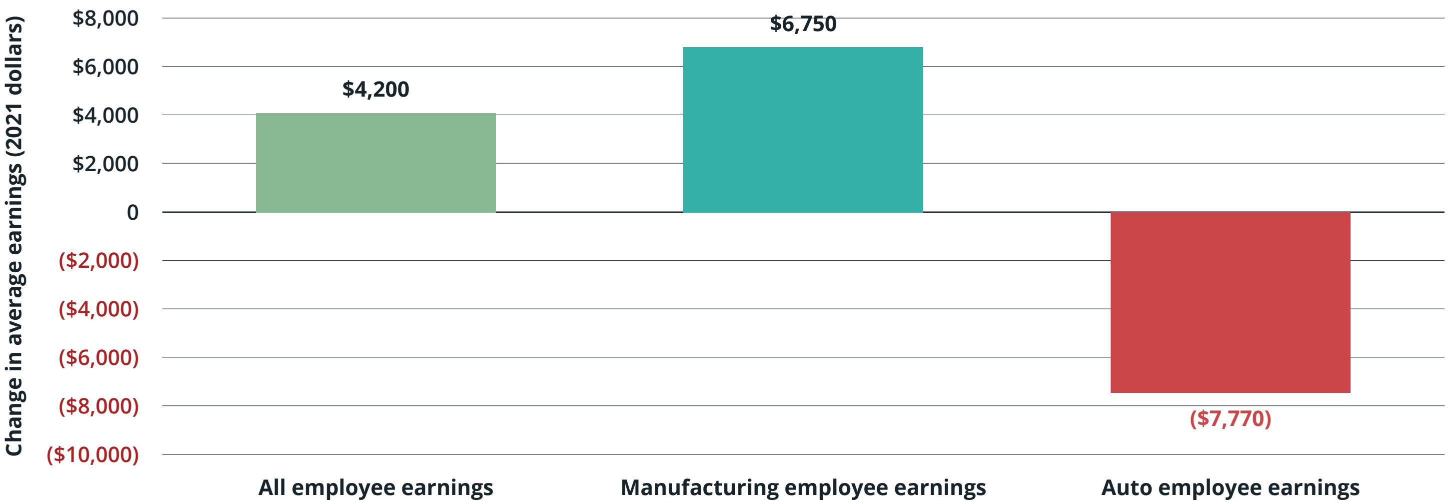
Source: Author analysis of U.S. Census Bureau Quarterly Workforce Indicators (QWI) and Quarterly Census of Employment and Wages (QCEW) data.

This precipitous drop in auto wages is especially stark compared to the wage growth seen by workers in the rest of Alabama's economy. While the auto industry indeed still pays its workers a higher wage than they can earn in the rest of the economy, other industries – especially manufacturing – are catching up, thanks in large part to the drop in autoworker pay over the past 20 years. (See Figures 4.2 and 4.3.) At the same time as auto wages fell by $7,700, Alabama workers in the overall economy saw their wages rise by $4,200, and those employed in the broader manufacturing sector saw them rise by $6,750.

In the early years, the auto industry paid its workers a significant wage premium compared to the rest of the economy. For example, the average Alabama autoworker earned $72,452 in 2002 – about $25,000 more than what the average worker earned in the state economy that year ($47,618) and $17,000 more than what the average manufacturing worker earned ($55,319).

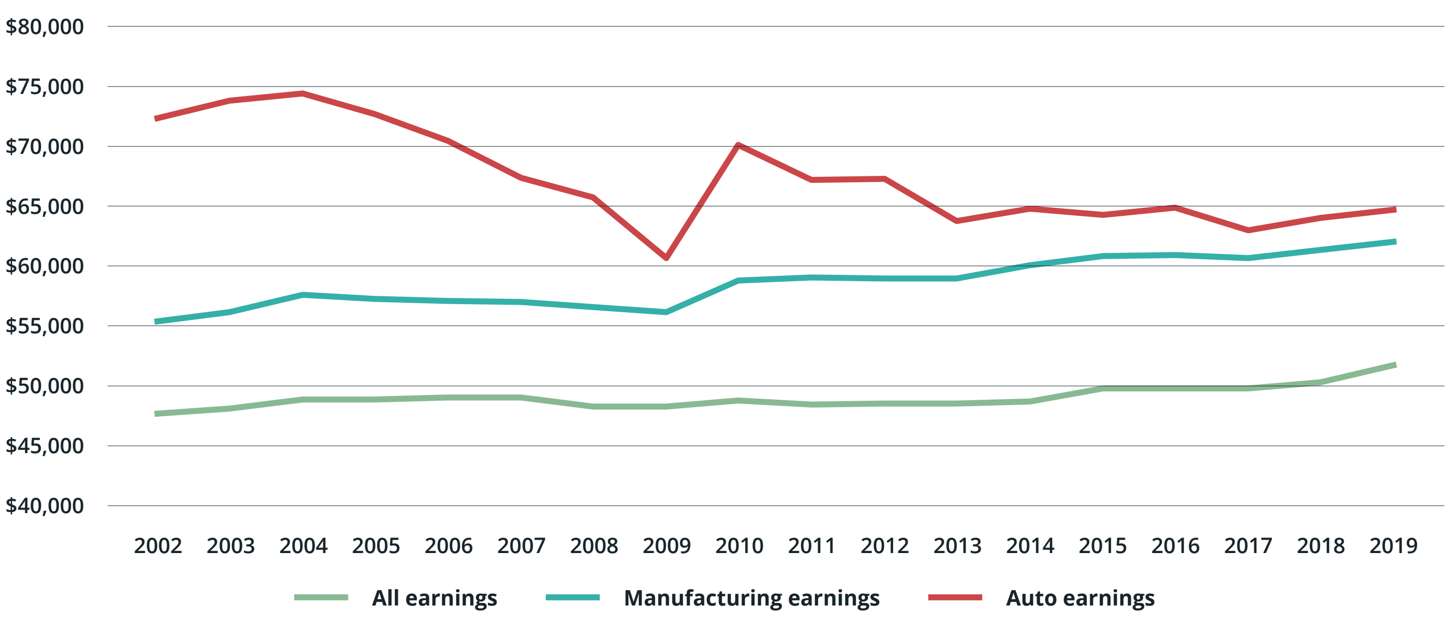
Yet by 2019, the autoworker wage premium shriveled, as the auto industry's wages declined and other industries began to pay more. In 2019, Alabama's autoworkers earned $64,682 – just $2,600 more than the average manufacturing worker in the state.

Figure 4.2. Alabama's autoworkers saw falling earnings, while other manufacturing workers and the overall economy saw robust wage growth, 2002-2019.



Source: Author analysis of U.S. Census Bureau Quarterly Workforce Indicators (QWI) and Quarterly Census of Employment and Wages (QCEW) data.

Figure 4.3. Alabama's autoworkers were paid less in 2019 than they were in 2002.

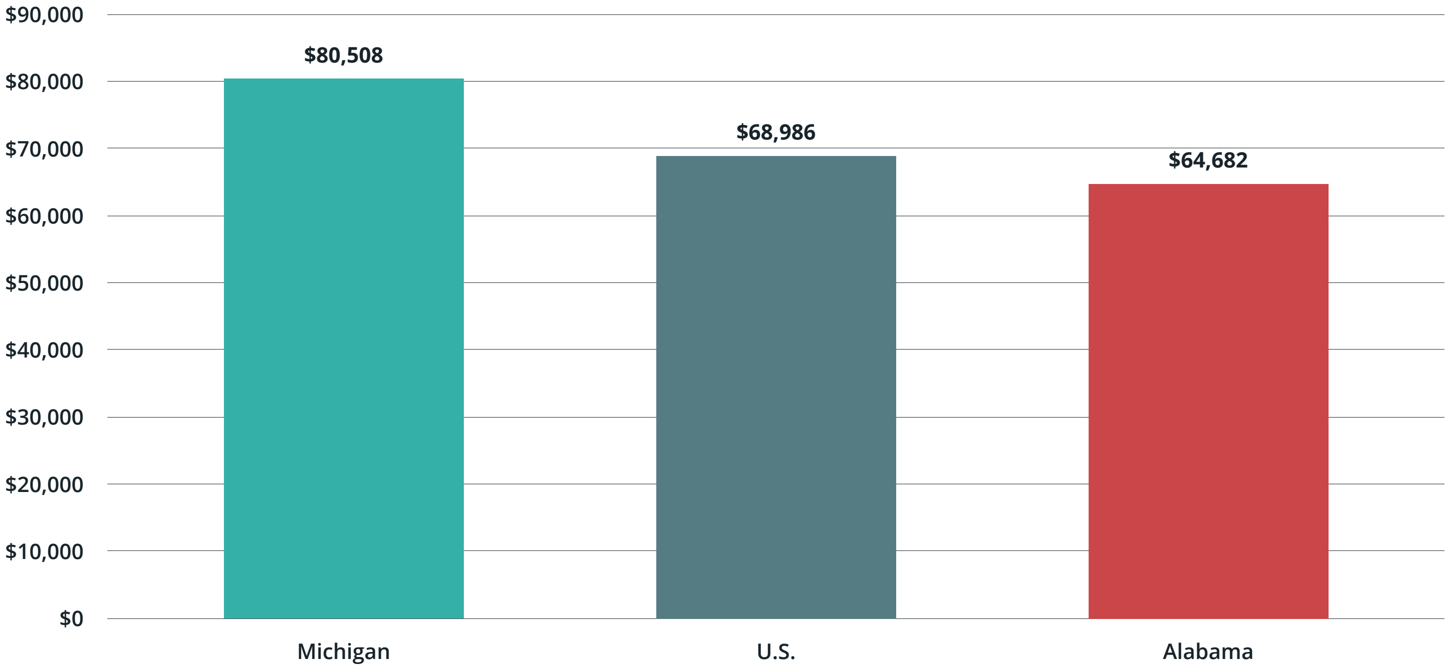


Source: Author analysis of U.S. Census Bureau Quarterly Workforce Indicators (QWI) and Quarterly Census of Employment and Wages (QCEW) data.

Autoworkers get paid less in Alabama than in the nation as a whole

Not only are Alabama's autoworkers getting paid less than they did 20 years ago, but they also continue to earn less than other autoworkers across the rest of the country. In 2019, Alabama's auto plants paid their employees about $4,200 less in annual wages for the year than the national average of $68,896 – an earnings gap that's remained largely consistent over the past 20 years. Compared to the traditional auto manufacturing heartland of Michigan, the pay gap looks even more glaring. Alabama's autoworkers earned nearly $16,000 less in 2019 than those in Michigan. (See Figure 4.4.)

Figure 4.4. The auto industry paid Alabama workers less than the national average in 2019.

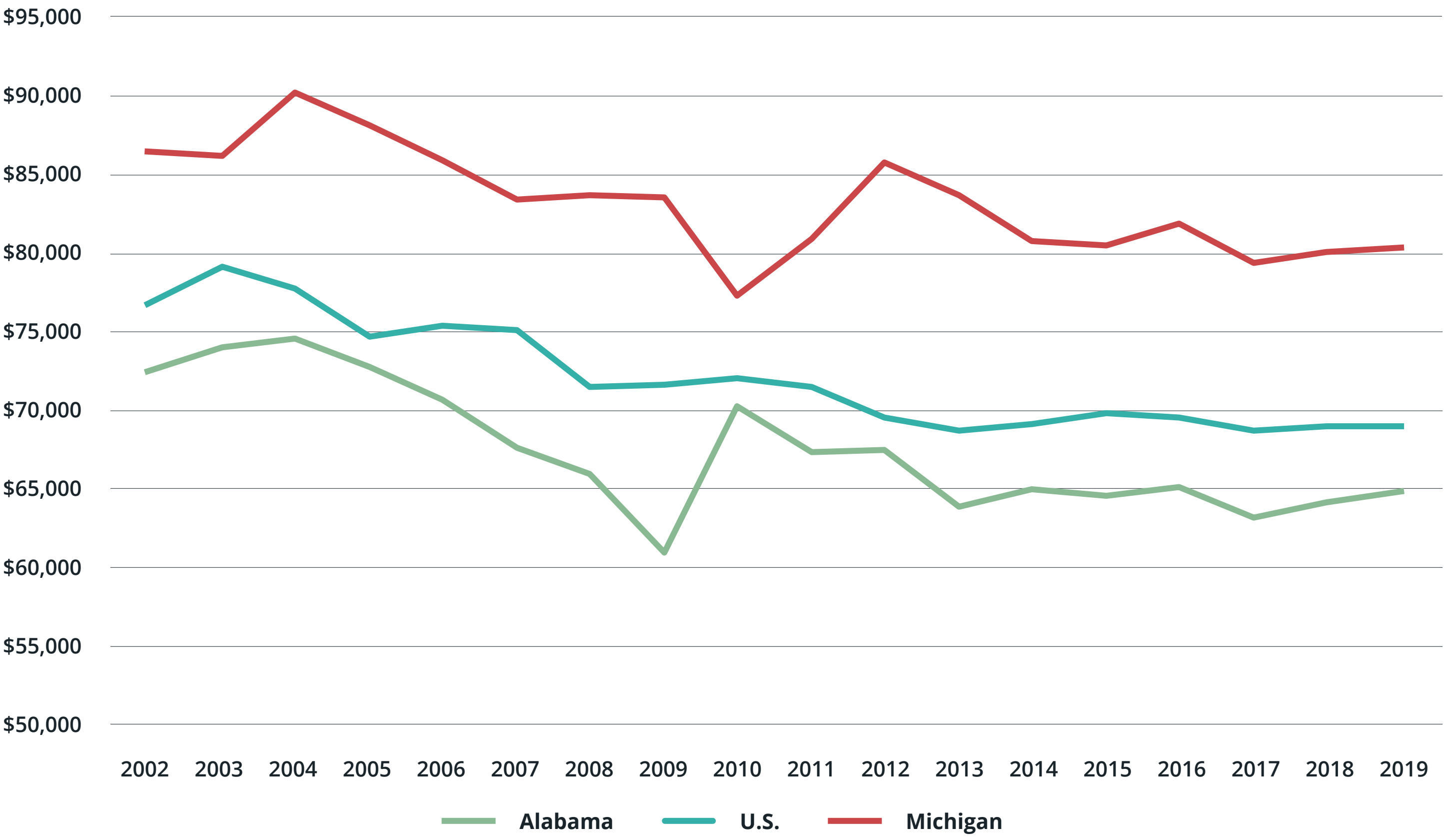


Sources: U.S. Census Bureau Quarterly Workforce Indicators (QWI) and Quarterly Census of Employment and Wages (QCEW).

Taking a historical view, Alabama's autoworkers have been living with these geographic pay gaps for 20 years. They've never earned the national average or close to heartland wages for their work in Alabama's auto plants. (See Figure 4.5.) Magnifying the challenge, the auto industry has cut worker wages across the country as part of long-term disinvestment in labor over the past 20 years, trapping Alabama's autoworkers in this national trend of labor disinvestment and declining pay. A range of factors have contributed to this industry-wide wage decline, including restructuring of the American auto industry after 2009, shifts in overall compensation packages (especially health insurance), and collective bargaining agreements that changed the entry-level wage for new auto employees.[73]

73 Joel Cutcher-Gershenfeld, Dan Brooks & Martin Mulloy, "The Decline and Resurgence of the U.S. Auto Industry," Economic Policy Institute (May 6, 2015), https://www.epi.org/publication/the-decline-and-resurgence-of-the-u-s-auto-industry.

Figure 4.5. Alabama's autoworkers consistently are paid less than the national average, 2002-2019.



Sources: U.S. Census Bureau Quarterly Workforce Indicators (QWI) and Quarterly Census of Employment and Wages (QCEW).

But the bottom line for Alabama's workers is clear: Their wages keep shrinking. And because Alabama's auto employees started out earning lower wages ($72,452 in 2002) than their average national counterparts ($76,785) or heartland autoworkers ($86,711), these earnings losses have hit Alabamians harder, leaving them with less money to cover the rising costs of living.

Auto wages fall while corporate profits rise

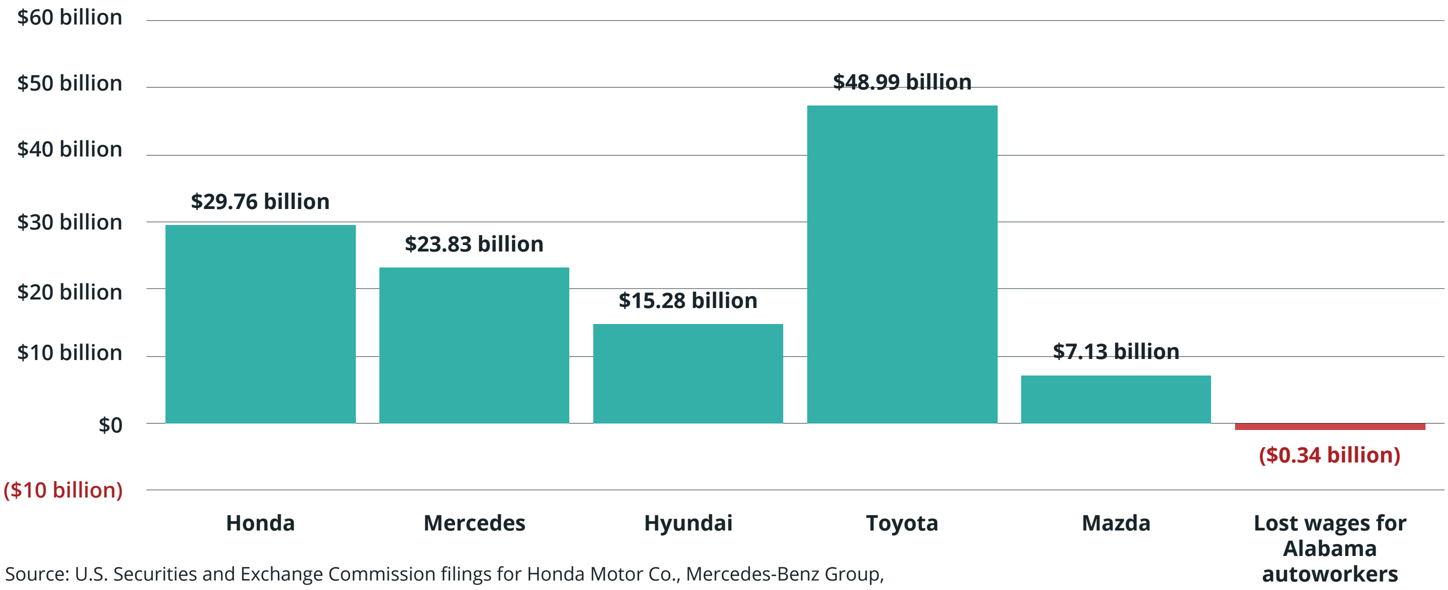
Alabama's autoworkers have seen 20 years of declining wages while, at the same time, auto companies are experiencing record profitability. In 2019, the average employee in an Alabama auto plant earned 11% ($7,700) less per year than in 2002. This disconnect between worker productivity and pay impacts every worker across Alabama's auto industry.

Adding together the average $7,700 in earnings lost by each of Alabama's 44,904 auto employees translates into a total of $349 million in missing wages in 2019 alone. These are wages that could have gone into the pockets of Alabama autoworkers and their families but instead were extracted from the state's economy.

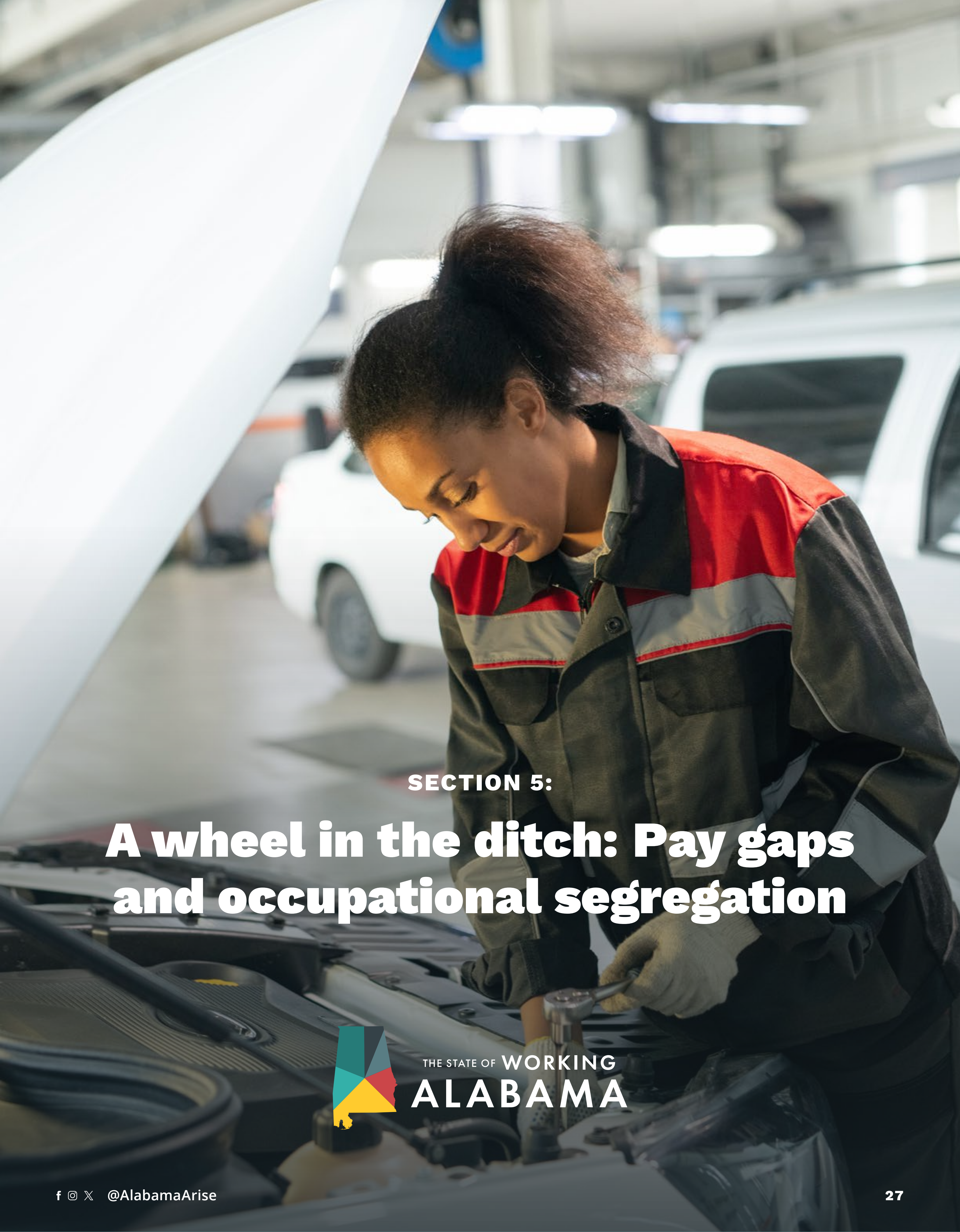
Even more troubling, these missing wages came at a time when Alabama's auto industry continued to experience record profitability. In 2019, Alabama's five biggest auto manufacturers – Honda, Mercedes, Hyundai, Toyota and Mazda – together earned more than $127 billion in profits globally. Given profits of this magnitude, it seems reasonable to ask why automakers didn't pay Alabama workers at least what they were making 20 years before. After all, $349 million in missing wages is a comparative drop in the bucket with profits like these. Paying Alabama's autoworkers the same rate they made in 2002 would have equated to less than 0.3% of these companies' profits.

Shortly before this report went to print, Honda, Hyundai and Toyota announced wage increases at their plants. This move came after the United Auto Workers negotiated substantial pay increases with Detroit automakers. These improvements are a good start and should serve as the foundation for further increases. These pay increases also show that wins for unionized workers help raise the standard for worker treatment across the sector.

Figure 4.6. Alabama autoworkers' wages fell short in 2019 while corporate profits soared.



Source: U.S. Securities and Exchange Commission filings for Honda Motor Co., Mercedes-Benz Group, Hyundai Motor Co., Toyota Motor Corp. & Mazda Motor Corp., available at https://www.sec.gov/edgar/search.



SECTION 5:

A wheel in the ditch: Pay gaps and occupational segregation

THE STATE OF WORKING ALABAMA

Alongside the 20-year decline in earnings paid to workers, Alabama's auto companies also are falling short by paying staggeringly unequal wages across race and gender lines. Men earn significantly more than women, and white workers earn significantly more than Black and Hispanic workers. These pay gaps are driven largely by occupational segregation: the fact that Black, Hispanic and female workers are disproportionately employed in lower-wage occupations within the auto industry than white workers and men, who tend to be over-concentrated in higher-wage occupations.

Men and white workers earn more than women and workers of color

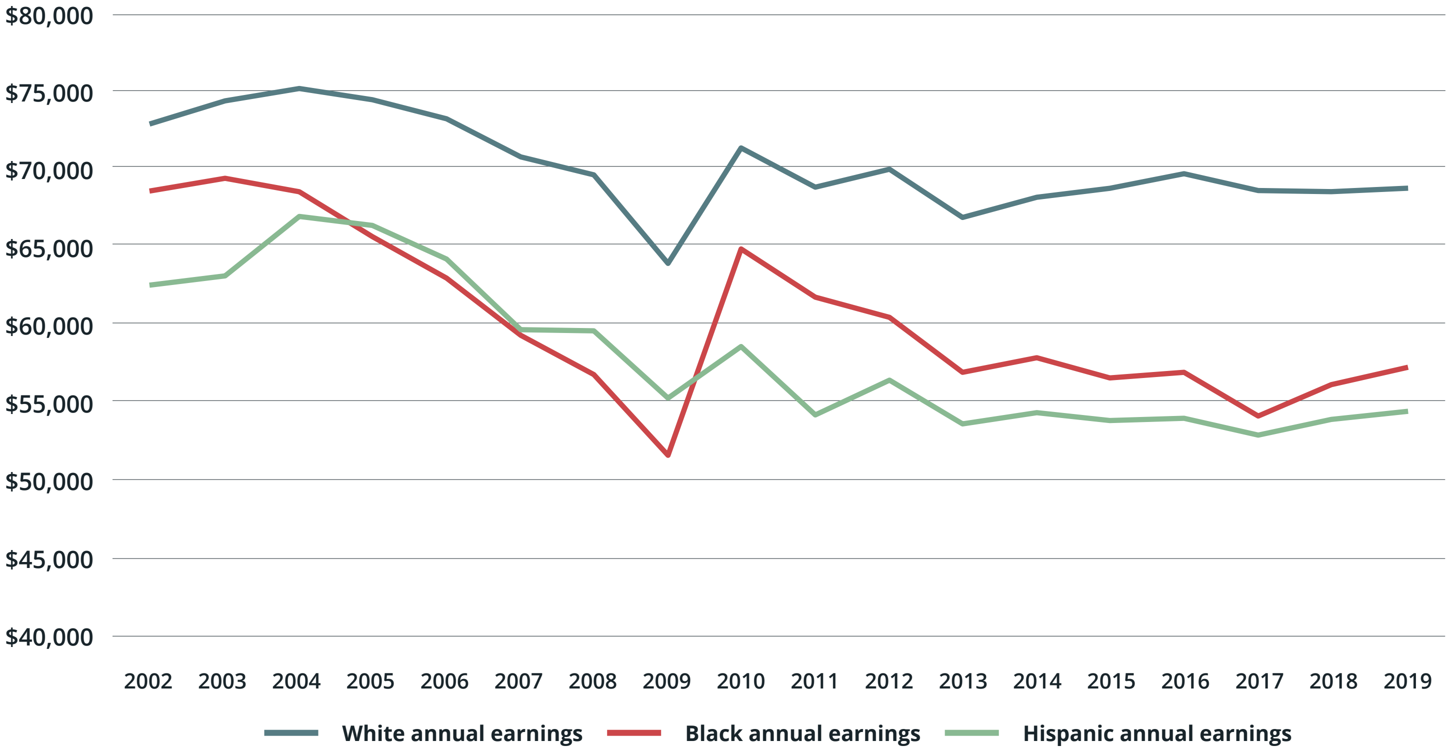
Alabama has stunning gaps in pay between white autoworkers and autoworkers of other races, as seen in Figure 5.1. In 2019, white autoworkers earned an average $68,595, almost $12,000 more than Black autoworkers and $15,000 more than Hispanic autoworkers. As a result, a Black autoworker earns on average 83 cents for every dollar earned by a white autoworker. For Hispanic autoworkers, it's 78 cents for every dollar earned by a white autoworker.

Figure 5.1. Men and white autoworkers are paid more than women and autoworkers of color in Alabama.

Demographic category of employee	2002	2019	Change in earnings, 2002-2019	Percent change
All autoworkers	$72,452	$64,682	($7,770)	-11%
White	$72,883	$68,595	($4,288)	-6%
Black	$68,451	$56,707	($11,745)	-17%
Asian, Pacific Islander, Native American	$77,863	$59,637	($18,225)	-23%
Hispanic	$62,200	$53,801	($8,398)	-14%
Male	$77,734	$70,564	($7,170)	-9%
Female	$59,871	$51,414	($8,457)	-14%

Source: Author analysis of Quarterly Workforce Indicators, Earnings by race and sex for NAICS 3361, 3362, 3363, in 2021 dollars.

Figure 5.2. Black and Hispanic autoworkers consistently have been paid less than white autoworkers in Alabama, 2002-2019.



Source: Author analysis of Quarterly Workforce Indicators, Earnings by race and sex for NAICS 3361, 3362, 3363, in 2021 dollars.

Even more troubling, wages for Black and Hispanic autoworkers have declined further and faster than wages for white autoworkers since 2002. While white workers earn $4,288 on average less today than they did 20 years ago (a 6% drop), Hispanic workers in the industry have seen their wages drop by an average of $8,398 (a 14% decline). Black autoworkers on average lost almost $12,000 in earnings since 2002 (a 17% decline). So not only do they earn less than white workers today, but these workers of color also have lost significantly more pay over the past 20 years than their white counterparts.[74]

The auto industry is paying men and women significantly different wages, too. In 2019, the state's auto companies paid men an average annual wage of $70,564 – almost $20,000 more than the $51,414 average annual wage they paid women. As a result, women earned just 73 cents for every dollar earned by men. Unfortunately, women's pay is also dropping faster than men's. In 2019, women earned on average $8,457 less than they did in 2002 – a 14% drop. By contrast, men's auto wages fell by 9% over the same period.

74 Wages for Asian autoworkers also have declined since 2002. This is likely because many executive and management positions in the early years of the industry's presence in Alabama were held by managers from the companies' countries of origin, such as Japan and South Korea. Over time, a larger share of those high-paying management jobs came to be held by U.S. residents of other races, particularly white managers, as the occupational siloing discussion later in this section explains.

Occupational segregation drives racial and gender pay gaps in the auto industry

As in Alabama's overall economy, the state's auto industry is highly segregated by race and sex. Occupational segregation occurs when workers in one racial or gender group are overrepresented or underrepresented in a particular occupation or job role compared to their share of the broader population of industry employees. When one group is persistently overrepresented in high-wage occupations, while another group is overrepresented in low-wage occupations and underrepresented in high-wage occupations, we can say there is a clear pattern of occupational segregation.

Unfortunately, Alabama's auto industry displays a pattern of deep and pervasive occupational segregation. White workers and men are generally overrepresented in the highest-wage occupations, while Black workers and women are more heavily concentrated in the industry's lowest-paying occupations. A stubborn legacy from the era of legalized discrimination and industrialization across the South, this pattern of occupational segregation among auto employees is likely still the driving force behind the pervasive unequal pay between white workers and Black workers and – to a lesser but still meaningful extent – between men and women in the industry.[75]

By the numbers, white workers dominate the highest-wage occupations in the auto industry, especially first-line supervisors, who earn on average $91,805 every year. While they account for barely half of workers in the industry, white employees make up 63% of higher-paid supervisors and executives. The welding and soldering occupation (which pays an average of $65,128 every year) tells a similar story. White workers account for 54% of these jobs.

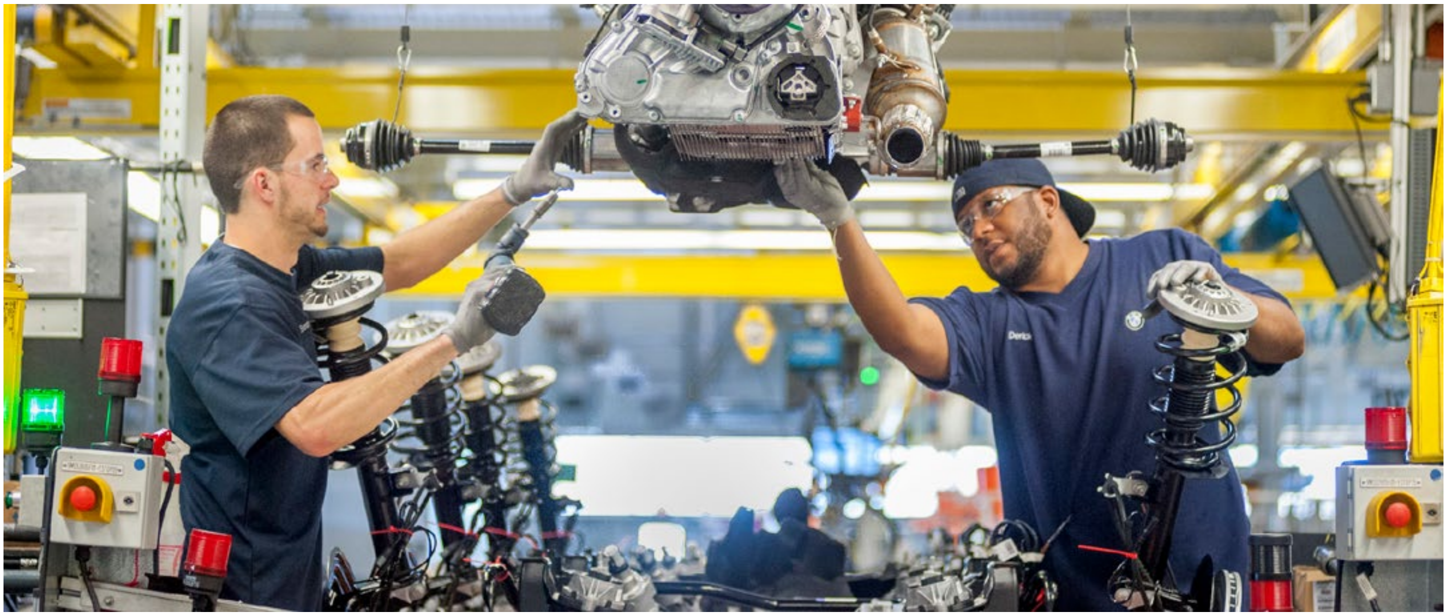


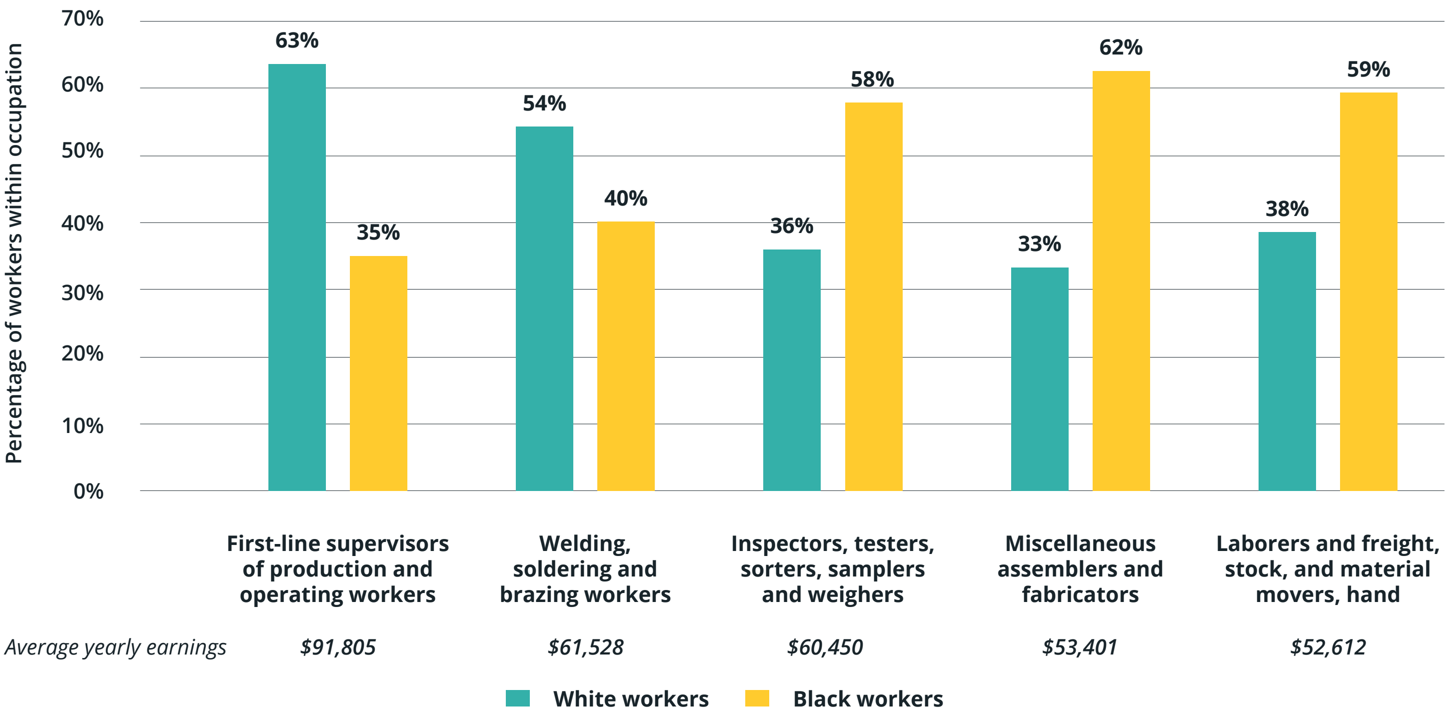
Image via Flickr by Automotive Rhythms

75 Washington Center for Equitable Growth, "Fact sheet: Occupational segregation in the United States" (Oct. 3, 2017), https://www.equitablegrowth.org/fact-sheet-occupational-segregation-in-the-united-states.

Black workers are significantly underrepresented in the better-paid supervisor occupation, making up 35% of those employees. In addition, as seen in Figure 5.3, they are also increasingly overrepresented in the lowest-paid occupations, which earn below the industry average ($64,682 a year). Black workers account for 41% of all autoworkers, but make up:

- 58% of inspectors and weighers, who earn on average $60,450 a year.
- 62% of miscellaneous assemblers and fabricators, who earn an average $53,401 a year.
- 59% of general laborers, who earn on average $52,612 a year.

Figure 5.3. Black workers are less represented in Alabama's highest-wage auto occupations.



Source: Author analysis of U.S. Census Bureau American Community Survey (ACS) and Quarterly Census of Employment and Wages (QCEW) data.

Women in the auto industry face a broadly similar challenge with occupational segregation. As seen in Figure 5.4, roughly one out of every three autoworkers in Alabama is a woman, yet women account for almost half of all employees in two occupations that pay below-average wages – inspectors and weighers; and miscellaneous assemblers – and more than 35% of general laborers, stock and material movers, the lowest-paid occupation in the auto industry. Complicating the picture slightly, women are overrepresented in the highest-wage occupation, first-line supervisors, which is a positive sign. But they are significantly underrepresented in the second highest-paying occupation, welding, where they account for just 18% of employees.

In short, women are clustered mostly in lower-wage occupations, but as the industry hires more women in the coming years, an opportunity exists to move them into higher-earning roles within each company. Certainly, the industry should view with concern the fact that female autoworkers earn just 73 cents for every dollar earned by a man in the industry.

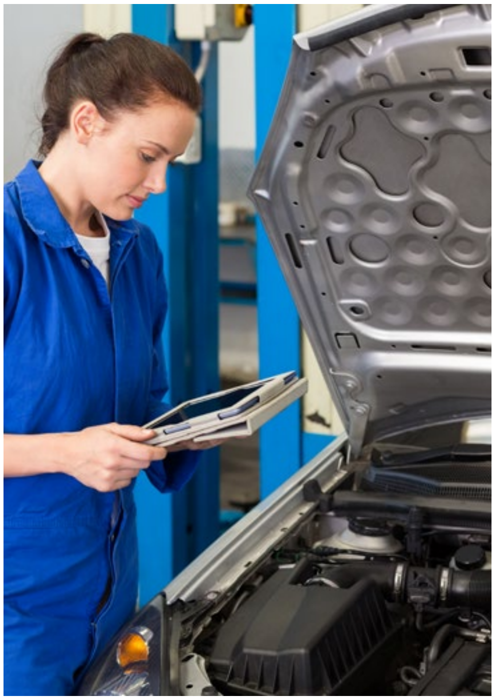
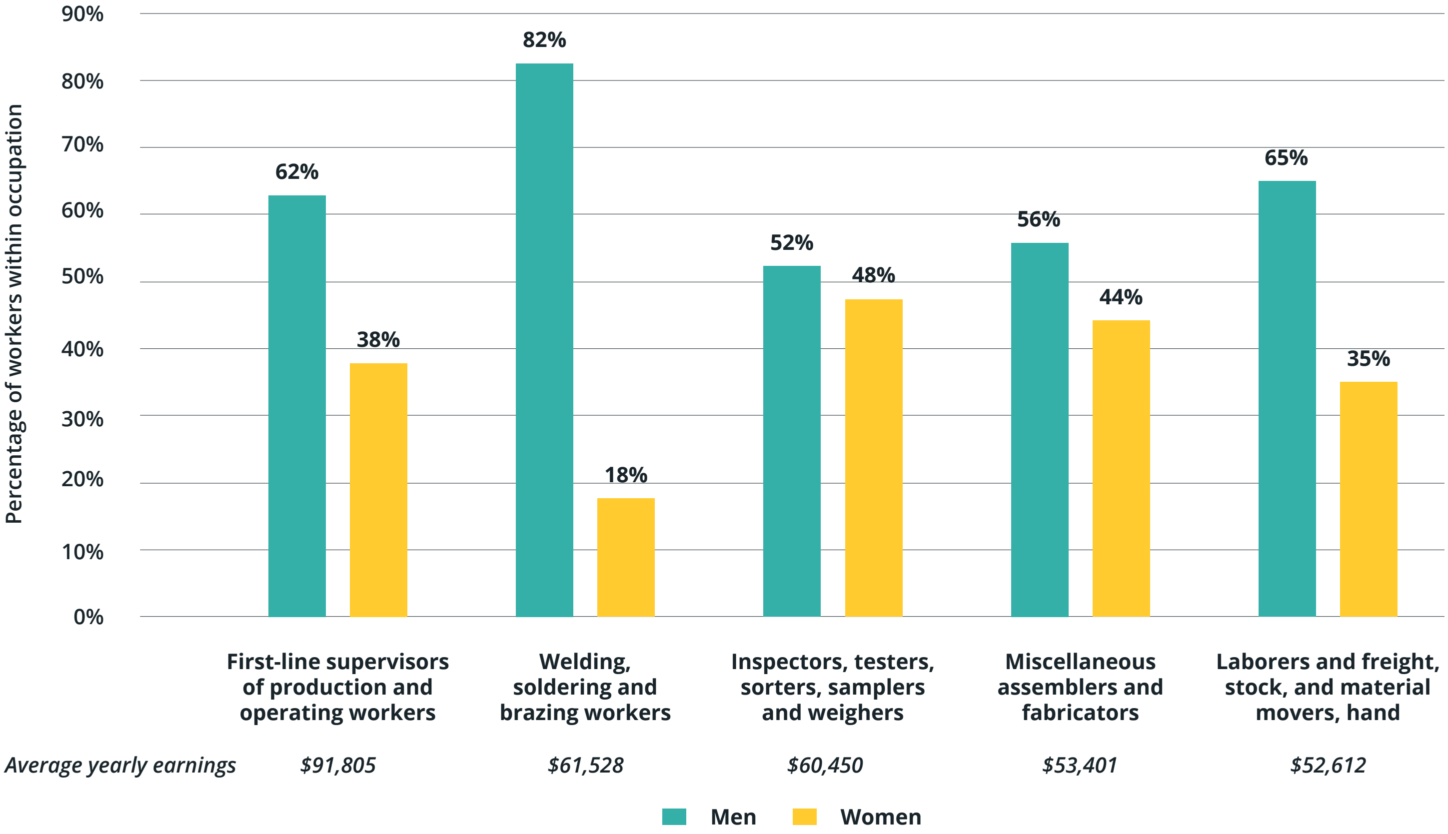


Figure 5.4. Women are less represented in the Alabama auto industry's highest-wage occupations.



Source: Author analysis of U.S. Census Bureau American Community Survey (ACS) and Quarterly Census of Employment and Wages (QCEW) data.

Historical origins of occupational segregation and the auto industry wage gap

Why are women and Black workers in Alabama's auto industry today living with this kind of occupational segregation when the era of legalized racial and gender discrimination ended half a century ago? Historically, the brutal, dehumanizing system of state-sanctioned slavery forced African Americans to work without pay in occupations like agriculture, general labor and domestic service and deemed them to be the "property" of white enslavers.[76] When slavery ended and Jim Crow-era segregation began, Black people were no longer considered property by law, but they often were forced to work in the same occupations as they had in the slavery era, barred by legally sanctioned (and sometimes legally mandated) discrimination from majority-white professions and occupations that paid better wages.[77]

Even as late as the 1950s, Alabama's economic development officials built their industrial recruitment efforts around the explicit goal of "creating jobs for white men" – good-paying jobs available for white workers coming off the farm as the mechanization of agriculture reduced the need for farm labor.[78] Though some African Americans succeeded in breaking into middle-class and professional occupations, legal and societal barriers forced most Black workers into sharecropping if they stayed on farms, or if they left, into the lowest-wage occupations on and off the factory floor.[79] In turn, this kept African Americans locked into low-wage jobs with little opportunity for advancement.[80]

Sharecropper's home. Macon County, Alabama. Image via Library of Congress by Arthur Rothstein

76 Gavin Wright, *Old South, New South: Revolutions in the Southern Economy since the Civil War*, Louisiana State University Press: Baton Rouge (1986).

77 C. Vann Woodward, *Origins of the New South, 1877–1913: A History of the South*, Louisiana State University Press: Baton Rouge (1981).

78 James C. Cobb, *The Selling of the South: The Southern Crusade for Industrial Development, 1935-1990*, University of Illinois Press: Urbana-Champaign (1993).

79 Wright, *supra* note 76.

80 Woodward, *supra* note 77.

Though the era of legalized discrimination ended in the 1960s, de facto occupational segregation – and the overrepresentation of Black workers in low-wage industries – did not simply end overnight because the laws changed. Black Alabamians continue to face a range of non-legal barriers to breaking into better-paying occupations long dominated by white people,[81] including those in the auto industry. The most critical barriers include:

- **Historical disinvestment in Black educational attainment, occupational training and skill building by Alabama's state government.** Since the 1970s, jobs in good-paying occupations mostly require broad educational attainment, and often specific technical skills development. Alabama historically has underfunded the public institutions that provide education and occupational training for all its residents. This in turn has disproportionately hurt African Americans, who often have fewer resources than white people do to attend college or obtain private education. All of these factors contribute to wage disparities.[82]

- **Cultural hiring practices that assume certain occupational workers are supposed to look a certain way.** Research suggests hiring managers often have an implicit bias that sees as white men as more appropriate for higher-skilled, higher-wage jobs (supervisors or certain technical occupations like welders), while viewing Black women as more appropriate for lower-skilled, lower-wage jobs like clerical or general labor positions.[83] In addition, Alabama's history of legalized occupational segregation means many Black workers have no family experience or social networks with other Black people in certain occupations, which can make it harder for African Americans to see those occupations as possible for them.[84]

- **Overt racial discrimination, where Black workers are paid less or given lower-paying jobs explicitly because they are Black.** Though overt discrimination is illegal, it still happens from time to time in businesses across Alabama. In the auto industry, Hyundai has faced multiple allegations of racial discrimination in worker lawsuits in recent years.[85] [86] The company responded that it "provides a workplace free of discrimination" and does not comment on specifics of pending litigation.[87]

81 Danyelle Solomon, Connor Maxwell & Abril Castro, "Systematic Inequality and Economic Opportunity," Center for American Progress (Aug. 7, 2019), https://www.americanprogress.org/article/systematic-inequality-economic-opportunity.

82 Ellen Gomory, "School choice in one of the most segregated, unequal systems in the country," Alabama Political Reporter (April 5, 2023), https://www.alreporter.com/2023/04/05/school-choice-in-one-of-the-most-segregated-unequal-systems-in-the-country.

83 Women's Foundation of Alabama, *Clearing the Path: Galvanizing the Economic Impact of Women* (2022), https://wfalabama.org/assets/2022/05/WFA_CTP_2022_PRESSREADY_Webshare.pdf.

84 Allan M. Freyer, Allison Forbes & Pamela Howze, "Making Youth Apprenticeships Equitable and Effective: Lessons from North Carolina," North Carolina Justice Center (June 28, 2019), https://www.ncjustice.org/publications/making-youth-apprenticeships-equitable-and-effective-lessons-from-north-carolina.

85 William Thornton, "Black men suing Montgomery Hyundai plant for racial discrimination: White manager was called 'master,'" AL.com (Nov. 17, 2022), https://www.al.com/business/2022/11/black-men-suing-montgomery-hyundai-plant-for-racial-discrimination-white-manager-was-called-master.html.

86 Nathan Prewett, "Montgomery Hyundai plant facing another discrimination lawsuit," *Selma Sun* (Nov. 21, 2022), https://selmasun.com/news/montgomery-hyundai-plant-facing-another-discrimination-lawsuit/article_25e871ae-69ce-11ed-a9c5-bf7d9e354695.html.

87 Thornton, *supra* note 85.

Though these kinds of challenges face Black workers across the economy, the broader history of the auto industry in the United States – especially in the Midwest – points to a better path, one not yet taken by Alabama's auto industry. Between 1914 and 1947, Ford CEO and founder Henry Ford instituted a universal commitment to pay every worker the same wage: $5 a day for all workers in his plants, a promise of equal pay that lasted well into the 1950s.[88] Current Alabama auto plant workforces mirror the state's longstanding economic inequities, with a higher-paid management structure made up heavily of white workers. These managers often are supervising line workers, who as a group are typically disproportionately Black workers.

In contrast to today's Alabama auto industry, Black workers were overrepresented in Ford plants. They made 20% of Ford's workforce in Michigan, compared to just 6% of the population.[89] Because they were overrepresented in an industry that paid equal wages, they slowly pushed up wages for all Black workers in the state, as other employers increased pay to compete with Ford. Recent research has suggested that Ford's equal pay policy cut the overall wage gap between white and Black workers in half for Michigan workers outside the auto industry.[90] Alabama's auto industry should make a similar commitment to equal pay, which should involve both proving equal pay for equal work within occupations and recruiting more Black workers into higher-wage occupations.

88 The Henry Ford, "Ford's Five-Dollar Day" (Jan. 3, 2014), https://www.thehenryford.org/explore/blog/fords-five-dollar-day.

89 Jonathan Lanning, "How Ford Motor Company's Equal Pay Policies Reduced Overall Labor Market Discrimination," Federal Reserve Bank of Chicago (Aug. 2021), https://www.chicagofed.org/publications/profitwise-news-and-views/2021/ford-motor-equal-pay-policies.

90 *Ibid*.

At the same time, women face a similar but specialized set of barriers to entering male-dominated occupations, rooted partly in the state's history and partly in the challenges of life today in Alabama's economy. Historically, occupations dominated by women paid less because harmful cultural norms perceived them as "women's work" and lower-status than jobs more associated with men.[91] [92] The pay gap between men and women in Alabama is one of the country's largest and has structural and systemic origins, as a recent report by the Alabama Workforce and Wage Gap Task Force found.[93] Before various waves of industrialization took off in the 1880s, women and men in Alabama (as in the nation at large) often took on more similar roles, such as working together on the family farm.[94]

Yet as Alabama industrialized over the early and mid-20th century, more men began working for pay outside of the household, leaving women to continue the unpaid work of caring for the home and family.[95] This significant shift in gender roles slowly fueled unfounded cultural assumptions that men's work was worthy of pay, while women's work, because it often was inside the household, was not.[96] When women began entering the workforce and working outside the home in greater numbers in the 1960s, they often earned less because of these pervasive cultural views on the role of women.[97]

Today, women still face significant structural barriers to entering higher-wage occupations and earning equal wages. These barriers include continuing overt discrimination (which is illegal under state law following the 2019 passage of the Clarke-Figures Equal Pay Act),[98] a "motherhood" penalty – where women earn lower wages because employers assume women will take time away from paid work for childbirth and raising child – and the lack of affordable child care. In addition, many women of color also are held back by the same challenges facing male workers of color, and often end up siloed into the lowest-wage and least-skilled occupations.[99]

91 Kathrin Leuze & Susanne Strauß, "Why do occupations dominated by women pay less? How 'female-typical' work tasks and working arrangements affect the gender wage gap among higher education graduates," *Work, Employment & Society*, vol. 30, no. 5, 802-820 (Oct. 2016), https://d-nb.info/1119707552/34.

92 Asaf Levanon, Paula England & Paul Allison, "Occupational Feminization and Pay: Assessing Causal Dynamics Using 1950-2000 U.S. Census Data," *Social Forces*, vol. 88, no. 2, pp. 865-891 (Dec. 1, 2009), https://academic.oup.com/sf/article-abstract/88/2/865/2235342.

93 Alabama Workforce and Wage Gap Task Force, "Key Findings and Recommendations of the Alabama Workforce and Wage Gap Task Force" (2023), https://wfalabama.org/assets/2023/02/Alabama-Workforce-and-Wage-Gap-Task-Force-Report-2023.pdf.

94 Tsongas Industrial History Center, "The Role of Women in the Industrial Revolution," University of Massachussetts Lowell, https://www.uml.edu/tsongas/barilla-taylor/women-industrial-revolution.aspx.

95 American Association of University Women, "Systemic Racism and the Gender Pay Gap" (2021), https://www.aauw.org/app/uploads/2021/07/SimpleTruth_4.0-1.pdf.

96 *Ibid*.

97 Alabama Workforce and Wage Gap Task Force, *supra* note 93.

98 Lloyd, Gray, Whitehead & Monroe, P.C., "Alabama Enacts New Equal Pay Act to Prevent Wage Disparity," https://www.lgwmlaw.com/news-media/ALABAMA-ENACTS-NEW-EQUAL-PAY-ACT-TO-PREVENT-WAGE-DISPARITY.

99 Alabama Workforce and Wage Gap Task Force, *supra* note 93.

SECTION 6:

A wheel in the ditch: Economic impact of falling wages and the pay gap

THE STATE OF WORKING ALABAMA

Alabama's autoworkers are living through a 20-year story of wage loss and unequal pay. This trend doesn't harm only the individual auto employee who earned less this year than last. It also impacts employees across the entire industry and holds back Alabama's overall economy.

Unequal pay and declining wages take money out of autoworkers' pockets that they otherwise would spend buying groceries, paying for housing, putting gas in their cars and buying all kinds of other goods and services from locally owned businesses. Lower wages mean lower sales at local businesses, and lower sales mean less revenue that businesses can invest in job creation, wages, capital investment and purchasing from key suppliers, which in turn lose revenue and profitability. In short, auto companies' unwillingness to pay Alabama workers as much as they did in 2002 – and failure to pay their workers the same across race and gender – has ripple effects across Alabama's economy, ultimately holding back job creation, household income and economic growth. In turn, this holds down tax revenues that otherwise could have funded important investments in public infrastructure and shared prosperity like roads, education and health care.

Given Alabama's ongoing struggles with elevated poverty rates, lower educational attainment and lower household incomes than the nation broadly, the state cannot afford to ignore the economic damage caused by the auto industry's missing wages and unequal pay or to allow it to continue at the expense of Alabamians.

Specifically, unequal pay and declining wages in the auto industry have hurt Alabama's economy in the following ways:[100]

- **Twenty years of wage loss in the auto industry.** Alabama's autoworkers earned $7,770 less on average in 2019 than they did in 2002. Added across all 44,904 autoworkers in the state, this combined wage loss equaled $348,926,144 in total labor income that Alabama's auto employees never saw and that never entered Alabama's economy. In turn, the ripple effects of just one year of these lost earnings subtracted 1,622 jobs, $418 million in additional labor income and $586 million in GDP from Alabama's overall economy.

- **The pay gap between white and Black autoworkers.** Alabama's Black autoworkers were paid $11,888 less on average in 2019 than white workers in the industry. Added up across all 18,235 Black workers in the industry, unequal pay cost them a combined $216,779,727 in lost earnings in 2019 alone. In turn, the ripple effects of these lost earnings subtracted 1,008 jobs, $260 million in additional labor income and $298 million in GDP from Alabama's overall economy.

- **The pay gap between white and Hispanic autoworkers.** Alabama's Hispanic autoworkers were paid $14,793 less on average in 2019 than white autoworkers. Added up across all 1,668 Hispanic employees in the industry, unequal pay cost them a combined $24,675,315 in lost earnings in 2019 alone. In turn, the ripple effects of these lost earnings subtracted 115 jobs, $34 million in additional labor income and $41.5 million in GDP from Alabama's overall economy.

- **The pay gap between men and women in the auto industry.** Women working in Alabama's auto industry were paid $19,150 less on average in 2019 than men. Taken together across all 13,770 female autoworkers, unequal pay cost them a combined $263,691,203 in lost earnings. In turn, the ripple effects of these lost earnings subtracted 1,226 jobs, $316 million in additional labor income and $443 million in GDP from Alabama's overall economy.

Until auto employers reverse course, pay their workers more and end these troubling racial and gender pay gaps, the people of Alabama will continue to suffer these kinds of negative impacts every year.

100 *See* Appendix for the complete IMPLAN analysis.

SECTION 7:

A wheel in the ditch: Working conditions worsen

THE STATE OF WORKING ALABAMA

Aside from declining wages and occupational segregation, some of Alabama's auto employers are falling short with conditions on the factory floor. Specifically, media coverage and interviews with autoworkers at numerous facilities revealed the following problems with working conditions in Alabama's auto plants:

- **The tiered wage system.** In an effort to reduce costs and increase profits, Alabama's auto employers at Mercedes and other plants have instituted a *tiered wage system*, interviews found. Under such systems, workers who were hired more recently earn lower hourly pay and face higher health insurance costs than those who were hired more than 15 years earlier. Moreover, interviewees at Mercedes noted that autoworkers in the second tier face caps on their yearly wages. These caps are such that their maximum hourly pay rate is roughly 80% of the top rate earned by workers hired before the multitier system's implementation. Even more troubling, temporary workers can earn less than half the hourly wage of a capped tier 1 worker, according to interviews. Because it ultimately holds down worker pay, the tiered wage system is likely a significant reason why auto industry pay has declined over the past 20 years.

  Auto employers across the entire sector have cut wages significantly through the tiered system, including at plants in other states and plants staffed by workers who are represented by unions. United Auto Workers (UAW) contracts began including a multitiered wage and benefit system in 2007. Because companies' motivations for cutting pay are so high, some autoworkers, including those at Mercedes, have been through multiple rounds of their employers offering five-figure payments to long-term workers to quit or retire, according to interviews. These moves have enabled employers to bring in lower-cost replacement workers and still save tens of thousands of dollars for each position replaced in the long run.

  In addition, a tiered system divides the workforce and reduces worker organizing ability. It removes more experienced workers, who have greater familiarity with previous benefits and procedures, and replaces them with workers who lack the experience to evaluate the diminished wage and benefit structure against prior better compensation packages, according to interviews.

- **Child labor.** In a recent series of abuses detailed by state and national media, SL Alabama, which at the time was a majority-owned subsidiary of Hyundai, contracted out labor in its Greenville auto parts plant and used children as young as 13 to manufacture car parts.[101] Victims of child labor trafficking are often immigrants, which places them at even further risk of workplace abuse, and this was generally the case with the Hyundai supplier's victims.[102][103] When these illegal activities came to light and resulted in international outrage, Hyundai divested its ownership interest in the subsidiary.[104] UAW's organizing director Oten Wyatt notes that the multitiered system allows this type of abuse to continue, in part because temporary workers have fewer protections than permanent employees.

101 Josh Moon, "As child labor scandal grows, Hyundai provides details of a crackdown on suppliers," Alabama Political Reporter (Feb. 14, 2023), https://www.alreporter.com/2023/02/14/as-child-labor-scandal-grows-hyundai-provides-details-of-a-crackdown-on-suppliers.

102 Mica Rosenberg, Joshua Schneyer & Kristina Cooke, "Special report: How A fake ID let Hyundai suppliers use child labor in Alabama," Reuters (April 27, 2023), https://www.reuters.com/world/us/how-fake-id-repeatedly-enabled-hyundai-suppliers-employ-child-labor-alabama-2023-04-27.

103 Tom Spiggle, "Why Workplace Abuse Plagues Undocumented Workers," *Forbes* (Dec. 10, 2021), https://www.forbes.com/sites/tomspiggle/2019/08/22/why-workplace-abuse-plagues-undocumented-workers.

104 United Auto Workers, "UAW condemns Hyundai's decision to sever ties with its Alabama suppliers" (Oct. 21, 2022), https://uaw.org/uaw-condemns-hyundais-decision-sever-ties-alabama-suppliers.

- **Unsafe working conditions and labor violations.** A number of Alabama auto manufacturing plants also have habitually violated federal safety regulations. In 2017, a Bloomberg article highlighted some of the atrocious yet preventable deaths and injuries that had occurred within auto manufacturing facilities throughout the state, including suppliers for Honda and Mercedes facilities.[105] In 2010 alone, "workers in Alabama parts plants had a 50 percent higher rate of illness and injury than the U.S. auto parts industry as a whole."[106] By 2015, "the chances of losing a finger or limb in an Alabama parts factory was double the amputation risk nationally for the industry, 65 percent higher than in Michigan and 33 percent above the rate in Ohio."[107] And in 2017, "the incidence of traumatic injuries in Alabama's auto parts plants remain[ed] 9 percent higher than in Michigan's and 8 percent higher than in Ohio's."[108]

- **Sudden, unexpected and arbitrary changes in pay rates.** Significant changes detrimental to employees recently have taken place at multiple Alabama auto manufacturing facilities. For example, workers at Mercedes reported having Saturday and Sunday pay rates, previously paid at double (Saturday) or triple (Sunday) the regular hourly rate, reduced to their straight hourly wage. Further, worker interviews noted that some facilities have instituted complete overtime bans within the past year, sometimes with less than a pay period's notice to workers who would experience declines in earnings because of these policy changes. Worker estimates of the financial impact of these changes state that they could cost up to $1,500 per pay period.

- **Unfair discipline and capricious or discriminatory hiring and promotional decisions.** Our interviews found that some workers have faced the use of much harsher discipline procedures, including potential dismissal for one-time, non-dangerous violations of uniform requirements. Workers also spoke about management punishing coworkers unfairly. In one instance, a high-performing assembler was written up to keep him from transferring to another team, with a higher-paying role, within the same facility to avoid a workflow slowdown on his then-current station. In other instances, interviewees said, supervisors gave conflicting or baseless rationales for promotional decisions that appeared to hold back Black workers and benefit specific white workers who were close to management and had less seniority, less training and more mistakes on the job.

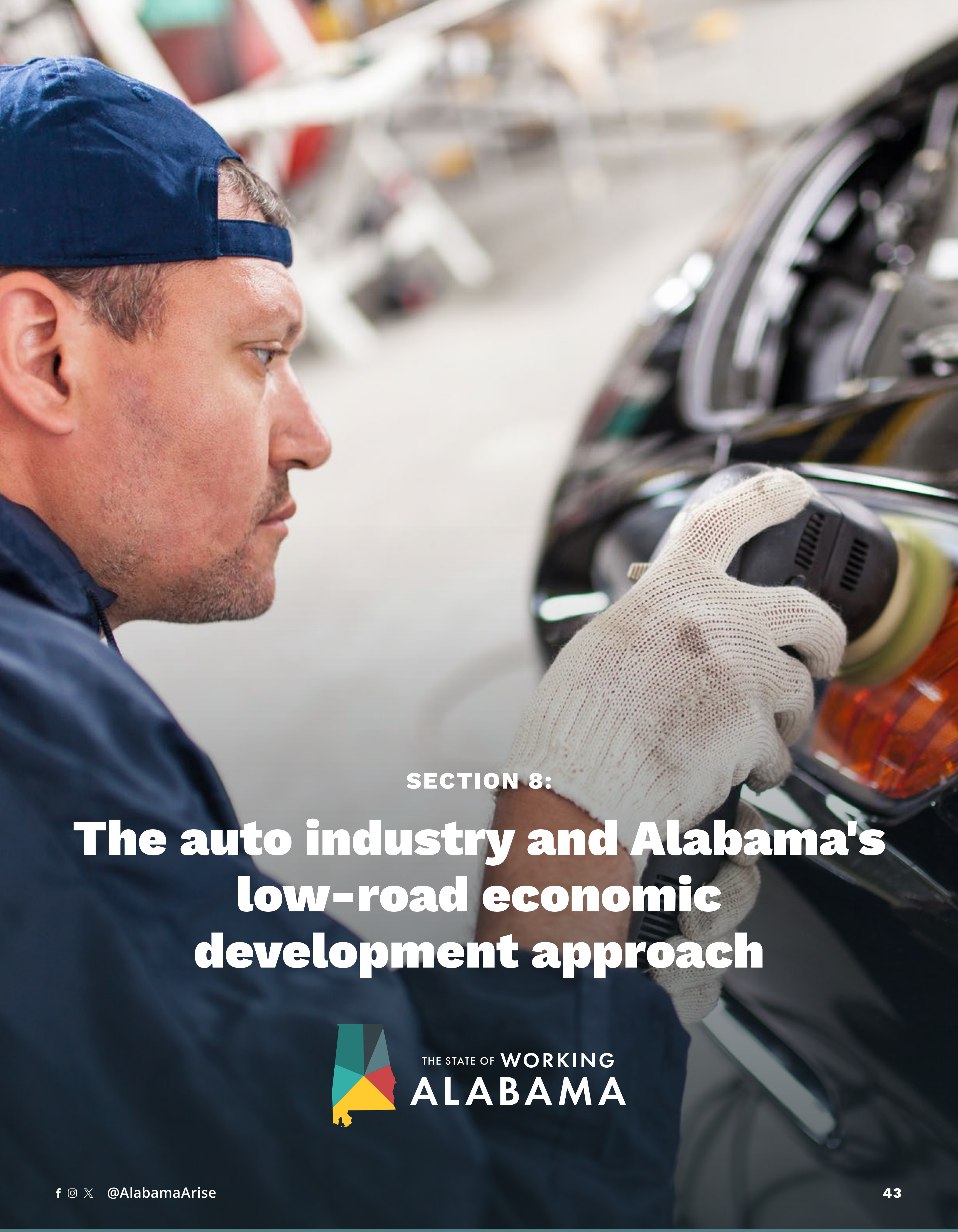
- **Missing appeals process for disciplinary action.** In some plants, discipline appeals processes have been eliminated for newer workers, our interviews found. Workers said the original appeals process included a panel review by other wage workers, rather than just salaried supervisors, but this process since has been eliminated. As a result, workers no longer have direct input into a process meant to prevent overly harsh or pretextual dismissals. These changes also have removed protections against targeted or otherwise unfair discipline for newer workers, interviewees said. This eliminates a key aspect of due process that can mean the difference between someone keeping or losing their job.

105 Peter Waldman, "Inside Alabama's Auto Jobs Boom: Cheap Wages, Little Training, Crushed Limbs," Bloomberg Businessweek (March 23, 2017), https://www.bloomberg.com/news/features/2017-03-23/inside-alabama-s-auto-jobs-boom-cheap-wages-little-training-crushed-limbs.

106 *Ibid.*

107 *Ibid*.

108 *Ibid.*



SECTION 8:

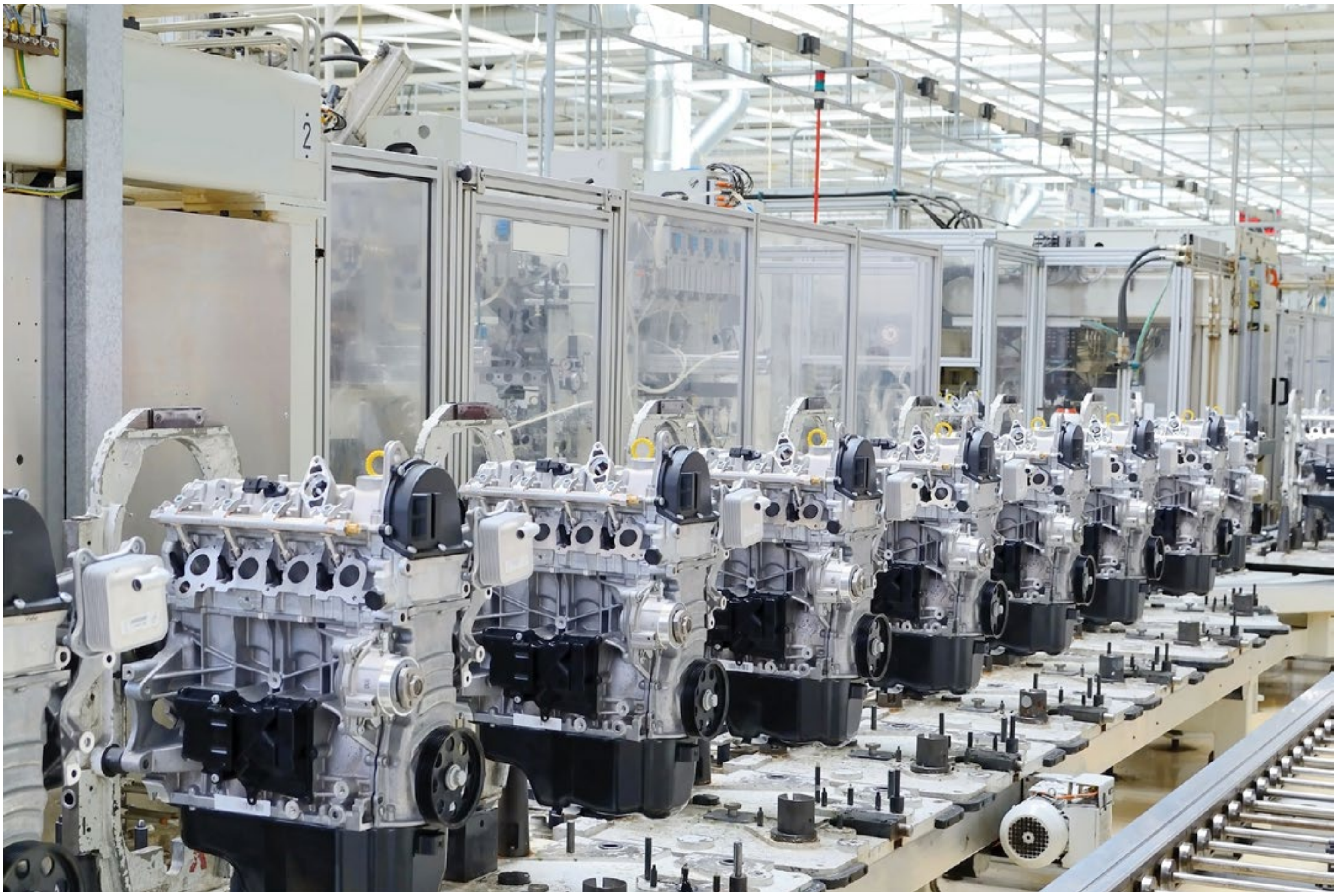
The auto industry and Alabama's low-road economic development approach

THE STATE OF WORKING
ALABAMA

Alabama's big bet on the auto industry has only partially paid off, as wages drop and working conditions deteriorate at some facilities. In contrast to the sunny stories told by auto industry boosters, the industry's shortcomings reveal broader shortcomings in the state's overall approach to economic development, which still often embodies the low-road mindset of a century ago.

Alabama's economic development approach has five main shortcomings, all underscored by the mixed results of the state's long-term bet on the auto industry:

1. Over-reliance on the use of incentives to attract industry to the state.
2. Lack of direct wage standards in incentive programs.
3. Absence of labor protections under state law.
4. The Alabama Jobs Act continues to fall short for Alabama workers.
5. Organized labor is a missing piece and essential partner.



Over-reliance on the use of incentives to attract industry to the state

Alabama has long relied on corporate incentives to attract industrial development, with subsidy programs dating back to the 1970s.[109] But the Mercedes deal represented a new, deeper state commitment to the use of corporate subsidies to attract outside industry. Since 1993, the state has invested nearly $4.5 billion in corporate subsidies and incentives,[110] with the auto manufacturing industry receiving more than a third of those incentives.[111] In many instances, these incentives included tax abatements, land improvements, job training and provision of transportation and reliable sources of raw materials.[112]

The state's development officials rightly can point to thousands of jobs and millions of dollars in investment created by economic development projects they facilitate each year. But it's worth repeating that all this important work has yet to bring Alabama's wages up to the national average.[113] It has yet to reduce statewide poverty or racial income gaps.[114] And it has yet to lift economic mobility for Black children up to par with that for white children.[115]

Similarly, while incentives certainly played an important role in attracting auto manufacturing plants to Alabama in the first place, two facts remain true. First, hundreds of millions of dollars in state subsidies have failed to keep auto pay from falling or working conditions from worsening. Second, Alabama's experience with incentives and the auto industry may be an outlier that is not easily transferable to other industries. Decades of scholarly and policy research tell a consistent story that incentives are usually not decisive in influencing corporate location decisions.[116]

If a business indeed decides to locate in Alabama, there is no guarantee it will stay, or even create the jobs it promises. Yet the state is always out the money that it spent or the tax revenue that it abated to create jobs that may never materialize. Though not an auto manufacturer, Shipt provided a recent illustration of this problem. Shipt, a Birmingham company acquired by Target in 2017 for $550 million, recently terminated its incentive agreement with the state after hiring hundreds fewer Alabamians than the 881 workers it had promised.[117] Local incentives also were curtailed.[118] But even with such a shortcoming, the company pocketed $2.8 million in incentives, and moreover, the decision to terminate the incentive agreement came from the company, not regulators,[119] illustrating the lack of external accountability safeguards.

109 Kebede & Ngandu, *supra* note 24.

110 Erickson, *supra* note 40.

111 See Figure 2.1.

112 Kebede & Ngandu, *supra* note 24.

113 U.S. Census Bureau, Median Household Income by State: 1984 to 2018, https://www.census.gov/quickfacts/fact/table/US/SEX255222.

114 Erickson, *supra* note 40.

115 *Ibid*.

116 Ann Markusen & Katherine Nesse, "Institutional and Political Determinants of Incentive Competition," Reining in the Competition for Capital, W.E. Upjohn Institute for Employment Research (2007), https://doi.org/10.17848/9781429492065.ch1.

117 Hannah Denham, "As Birmingham's Shipt fails to meet hiring goals, Alabama withholds millions in incentives," AL.com (Aug. 11, 2023), https://www.al.com/business/2023/08/as-birminghams-shipt-fails-to-meet-hiring-goals-alabama-withholds-millions-in-incentives.html.

118 *Ibid*.

119 *Ibid*.

In addition, Alabama's billions of dollars of incentive packages largely have come at the expense of the state's education budget.[120] This is the case despite the state historically underperforming many others on numerous education quality and attainment measures.[121] Paying for incentives in this way directly undermines the key factor that increasingly global and technology-dependent companies care about most when considering where to locate a new plant or headquarters: the skill and educational attainment of the workforce.[122] Paying for corporate incentives by diminishing education revenues undermines the investments in people that empower them to obtain the technical skills that companies prioritize most highly.

Lack of direct wage standards in incentive programs

The fact that Alabama's auto plants continued to receive incentives despite paying steadily lower wages highlights a glaring omission in the state's economic development efforts: There are few direct efforts to increase earnings for the state's workers. Specifically, Alabama has failed to include prevailing wage policies in its incentive packages. A prevailing wage is a minimum benefits and hourly wage standard that requires companies to offer compensation packages comparable to what workers employed in similar jobs throughout the industry receive.[123] Requiring auto manufacturers to base their wages on typical market salaries already received by workers in the industry would help prevent companies from shortchanging other workers and undermining standards that exist in other parts of the country.[124] The U.S. Congressional Black Caucus has noted that prevailing wage laws protect "workers against exploitation regardless of race, ethnicity, gender or union membership."[125]

While Alabama development officials targeted the auto industry because it paid above-average wages in 1993 (and still does today), there were no efforts to ensure auto plants actually paid those wages in exchange for massive public subsidies. In effect, the state relied on targeting a high-wage *sector* to raise wages indirectly – an approach that officials also have pursued with aerospace and other advanced manufacturing industries in the years since – rather than *directly* raising pay by using the legal authority of an economic development contract or community benefits agreements as leverage to compel specific employers to pay better wages. Such wage standards are a frequent practice in other states,[126] which refuse to offer incentives to companies that do not pay a prevailing or industry average wage.

120 Stephanie Hoops, "Incentives package caused early controversy," *Tuscaloosa News* (Sept. 21, 2003), https://www.tuscaloosanews.com/story/news/2003/09/21/incentives-package-caused-early-controversy/27848187007.

121 World Population Review, *supra* note 48.

122 *Site Selection Magazine*, 2022 Workforce Guide, https://siteselection.com/cc/workforce/2022 ("Workforce has been cited in Site Selection Magazine's annual survey of corporate consultants as the No. 1 factor in site selection decisions for several years in a row.").

123 Aurelia Glass, David Madland & Karla Walter, "Prevailing Wages Can Build Good Jobs Into America's Electric Vehicle Industry," Center for American Progress (July 6, 2022), https://www.americanprogress.org/article/prevailing-wages-can-build-good-jobs-into-americas-electric-vehicle-industry.

124 *Ibid*.

125 *Ibid*.

126 Markie Wall, David Madland & Karla Walter, "Prevailing Wages: Frequently Asked Questions," Center for American Progress (Dec. 22, 2020), https://www.americanprogress.org/article/prevailing-wages-frequently-asked-questions.

In many ways, this hearkens back to Alabama's traditional low-road approach, which tended to pursue the quantity of jobs rather than worry about their quality. In recent years, it appears as if manufacturing employers in the state have consistently been "taking the low road and creating many bad jobs and a few good jobs."[127] Figure 8.1 helps illustrate factors that distinguish high-quality or good jobs from low-quality or bad jobs. Many of the characteristics of low-quality jobs align with concerns Alabama auto manufacturing workers expressed in the interviews discussed in Section 7, though average auto wages are higher than the state's manufacturing average.

Figure 8.1. Factors that distinguish high-quality or good jobs from low-quality or bad jobs.

High-quality jobs	Low-quality jobs
Relatively high wages with growth potential	Low wages, lack of growth potential
Adequate benefits, such as health care and pensions	Lack of adequate fringe benefits
Workers have a degree of autonomy and control over their work	No worker autonomy or control of work
Workers have flexibility and input in scheduling	No flexibility or worker input into scheduling
Workers have some control over termination of a job	No worker control over the termination of a job

Source: Emily Erickson, *Are Good Jobs Possible in the Deep South?*, Alabama A&M University (March 2021), https://www.aamu.edu/academics/colleges/agricultural-life-natural-sciences/departments/community-regional-planning/_documents/are-good-jobs-possible-in-the-deep-south-erickson-march-2021.pdf.

127 Erickson, *supra* note 40.

Absence of labor protections under state law

Wage disparities persist in part because of the anti-worker structure of state government and the anti-worker attitudes of some state officials.[128 129] Alabama has longstanding practices of limiting worker protections. The regulatory structure at the state level is severely limited with regard to workers' rights, instead focusing on protecting companies.[130] For example, Alabama does not have a state-mandated minimum wage.[131] That means some of the most egregious wage- and hour-related worker exploitations are remediable solely through federal protections.

The lengths to which the state went to attract the auto manufacturing industry have demonstrated a lack of regulatory appetite for significant corporate accountability, even Alabama spends millions of dollars in public funds annually to attract corporations.[132 133] Even with the massive existing incentive programs, many state officials argue for more public expenditures favoring private companies and the removal of limitations on corporate giveaways. Weakness of state regulators effectively has perpetuated near-total corporate control over some areas of state policy. This upside-down reality of regulatory capture has emboldened bad actors to abuse workers, even to the point of a supplier using middle-school-aged children in automotive manufacturing work.[134]

Failure to regulate is not merely an oversight. The state also has taken affirmative steps to undercut worker protections enacted by local governments. When Birmingham passed an ordinance setting the city minimum wage at $10.10 per hour in 2016, the Legislature responded by immediately blocking localities from implementing minimum wages in their own borders.[135] The preemption of local authority goes significantly beyond wages. It also includes preventing cities from implementing efforts to remain competitive by responding to recent shifts in national standards on issues such as paid family medical leave and work-sharing.[136] The Legislature even preempted localities from mandating fair scheduling notice, an improvement for workers that would cost employers nothing at all.[137]

128 Alan Collins, "Alabama miners object to state troopers providing escort duty," WBRC Fox 6 News (Nov. 18, 2021), https://www.wbrc.com/2021/11/18/alabama-miners-object-state-troopers-providing-escort-duty.

129 Economic Policy Institute, "Unions help reduce disparities and strengthen our democracy" (April 23, 2021), https://www.epi.org/publication/unions-help-reduce-disparities-and-strengthen-our-democracy.

130 Ala. Code § 25-7-42, https://law.justia.com/codes/alabama/2018/title-25/chapter-7/article-2a/section-25-7-42.

131 U.S. Department of Labor, "State Minimum Wage Laws" (updated Sept. 30, 2023), https://www.dol.gov/agencies/whd/minimum-wage/state.

132 Patricia Todd, *The Hidden Costs of Alabama's Tax Incentives Secret Spending Amidst a Pandemic and Austerity*, Jobs to Move America (2021), https://www.alreporter.com/wp-content/uploads/2021/08/Alabama-Report_PROOF.pdf.

133 *See* Alabama Arise, "Alabama Arise testimony in opposition to corporate COVID-19 immunity bill" (Feb. 3, 2021), https://www.alarise.org/resources/alabama-arise-testimony-in-opposition-to-corporate-covid-19-immunity-bill (noting swift passage of corporate immunity bills at the expense of workers' remedies for negligence).

134 Moon, *supra* note 101.

135 Zachary Roth, "Birmingham raises minimum wage and Alabama takes it away," MSNBC (Feb. 26, 2016), https://www.msnbc.com/msnbc/birmingham-raises-minimum-wage-and-alabama-takes-it-away-msna803906.

136 Hunter Blair, David Cooper, Julia Wolfe & Jaimie Worker, "Preempting progress: State interference in local policymaking prevents people of color, women, and low-income workers from making ends meet in the South," Economic Policy Institute (Sept. 30, 2020), https://www.epi.org/publication/preemption-in-the-south.

137 Ala. Code § 25-7-41, https://alisondb.legislature.state.al.us/alison/codeofalabama/1975/25-7-41.htm.

The Alabama Jobs Act continues to fall short for workers

The Alabama Jobs Act, the state's primary corporate subsidy program, doubles down on the incentive game but continues to fall short for workers. This program provides tax rebates between 3-5% of gross payroll for employers with Alabama workers. The Jobs Act provides different reimbursement percentages, capital investment requirements and full-time equivalent employment minimums ranging from creating any jobs to a minimum of 50 for varying industrial categories and county locations. But the overall incentive mechanism of a tax rebate for payroll expenses is the same statewide.

In 2023, the Legislature vastly increased the total amount of subsidies available under the Jobs Act over a five-year span. The total amount of public money given to private companies through tax credits will rise by $25 million annually, from $350 million in 2022 to $475 million in 2027.[138] But key problems with the Jobs Act call into question its effectiveness for Alabama's workers and taxpayers.

The amended Jobs Act removed a provision restricting tax credits from being given to companies for projects that have long been underway. This is in contrast to the prior version, which restricted the availability of incentives to companies for projects that had substantially begun before 2015.[139] In addition, the Jobs Act does not include transparency or reporting requirements by project. This leaves taxpayers and lawmakers no way of measuring how individual projects are performing in terms of wages and jobs created, or of assessing the program's overall effectiveness at meeting its goals.

Some efforts to increase transparency in the incentive process have gained ground, but even those improvement efforts are notable for the obvious care with which they avoid providing sufficient information to evaluate actual performance versus the claims used to drum up support for the incentive in the first place. A bill to require public posting of incentive amounts and recipient companies became law in 2023.[140] However, its transparency improvements, including identification of companies and amounts of incentives given, fail to include any follow-up evaluation. Instead, the companies' statements of job estimates are simply treated uncritically as truth and published on a state website.[142] [143] The failure to include evaluation of companies' claims leaves these important increased transparency efforts susceptible to misuse and industry puffery instead of providing vital public accountability mechanisms.

138 HB 241 (2023), 30, https://legiscan.com/AL/text/HB241/id/2787294.

139 HB 241.

140 HB 240 (2023), https://legiscan.com/AL/bill/HB240/2023.

141 *Ibid*.

142 Ala. Code § 40-18-379, https://alisondb.legislature.state.al.us/alison/codeofalabama/1975/40-18-379.htm.

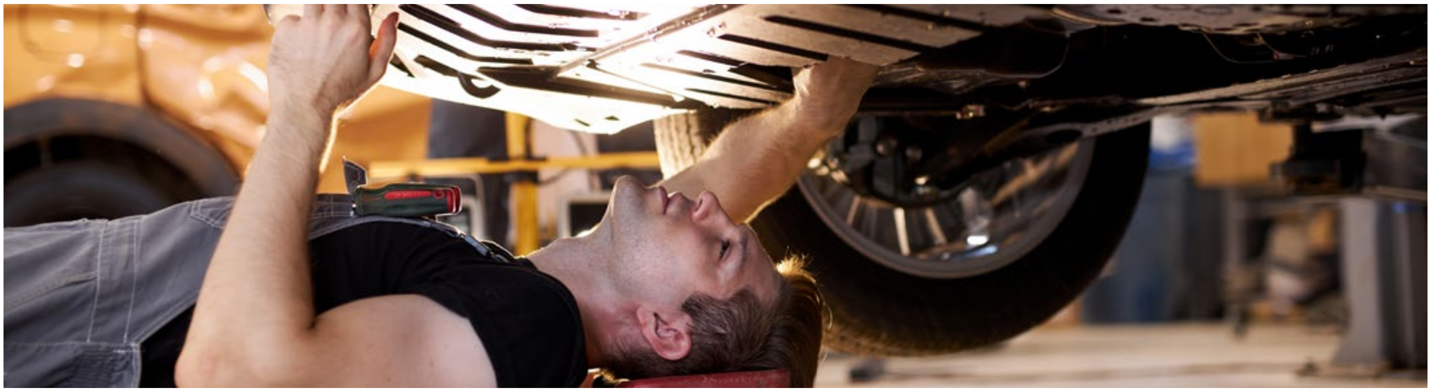
143 Acts of Alabama 2023-36, https://arc-sos.state.al.us/cgi/actdetail.mbr/detail?page=act&year=2023&act=36.

Organized labor is a missing piece and essential partner

Anti-worker policies naturally have included hostility to organized labor, because unionization is a reliable way for workers to build power.[144] Alabama is a so-called "right-to-work" state,[145] which means the state has banned agreements between employers and unions to employ solely union labor.[146] Laws prohibiting union-only shops serve to lower unionization rates,[147] enshrining structures that historically have impeded working Alabamians from building power to challenge the state's traditional business ownership interests.

The lower organized labor rate and consequent reduced power base of workers are significant factors that reduce working Alabamians' ability to hold state officials accountable for policy failures. Reduced unionization rates also often result in unsafe jobsite environments for Alabama's workers.[148] Though unions historically have maintained their power via the threat of withholding labor, unions also have added functionality and operational capacity to plants in ways that management has been unable to do.[149] "This is evident in the expertise the union now brings to discussions of quality, safety, predictive and preventative maintenance, workforce development, team-based operations, and other such topics."[150]

Because unions create safer, more productive employment environments for workers, low unionization rates are an indicator that Alabama's manufacturing sector is performing less efficiently than it could be, both in terms of economic output and of the well-being of the people performing the work. Auto companies should embrace the opportunity to implement solutions informed by the experienced workers on the shop floor. This would aid in avoiding unnecessary disruption to workflow because of companies' reluctance to cooperate with the people doing the work that makes their success possible.



144 Aurelia Glass & David Madland, "How unions are crucial for building working-class economic power," Center for American Progress (July 31, 2023), https://www.americanprogress.org/article/how-unions-are-crucial-for-building-working-class-economic-power.

145 Amendment 913, Constitution of Alabama (2016), https://alisondb.legislature.state.al.us/alison/codeofalabama/constitution/1901/CA-3099786.htm.

146 David Madland, Karla Walter & Ross Eisenbrey, "Right to Work 101," American Worker Project (2012), https://cdn.americanprogress.org/wp-content/uploads/issues/2012/02/pdf/right_to_work.pdf.

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148 Kenneth Quinnell, "Service + Solidarity Spotlight: Study Shows Unions Make Workplaces Safer," AFL-CIO (March 3, 2022), https://aflcio.org/2022/3/3/service-solidarity-spotlight-study-shows-unions-make-workplaces-safer.

149 Cutcher-Gershenfeld, et al., *supra* note 73.

150 *Ibid*.

SECTION 9:

What we should do next

THE STATE OF WORKING ALABAMA

Automakers, policymakers, community stakeholders, workers and unions all have critical roles to play in making sure the auto industry benefits its workers and the entire state to the greatest extent possible. Below are some recommendations that would strengthen Alabama's auto industry and help the state build a more prosperous economy that makes life better for every Alabamian.

Recommendations for auto employers

Employers must address the areas they are falling short in: declining wages, pay gaps and working conditions. Specifically, we recommend they do the following:

- **Reverse wage cuts and pay autoworkers at least as much as they earned in 2002.** The long-term decline in pay is holding back Alabama's economy and hurting workers' ability to support their families in the face of the rising cost of living. Given healthy industry profits over the past decade, auto employers should have sufficient revenues to support wage increases to 2002 levels, even if they need to phase it in over multiple years. In addition, employers should commit to bringing Alabama's autoworkers' pay up to the national average.

- **Close racial and gender pay gaps.** The gap in pay between male and female autoworkers – and between white workers and everyone else – is glaring, especially given Alabama's historical legacy of discrimination. Whether these pay gaps are the result of discrimination or occupational segregation, the industry must make progress by raising the wages of women and Black workers and ensuring companies are paying their workers the same for similar work, regardless of race or gender. Taking these steps would demonstrate commitment to advancing equal pay and race relations in Alabama and to addressing the income inequality that afflicts women and workers of color and ultimately drags down Alabama's economic growth.[151] Specifically, employers should focus on breaking down occupational segregation through targeted hiring and training programs such as apprenticeship programs that intentionally recruit underrepresented groups into high-wage, high-skill jobs.

- **End the tiered wage and benefit system for all auto employees.** The tiered system divides workers into classes: those hired before the system went into effect, who earn better wages and pay less for health insurance, and those hired after, who earn lower wages and pay more for health insurance. Further division of workers occurs when companies hire temporary workers hired through subcontracting agencies. Temporary workers lack benefits and protections other workers have. As the industry grows, more workers will fall into the lower tiers, ultimately kneecapping their long-term earning potential and diminishing their ability to close the gender and racial wage gap. Ending the tiered system is broadly popular among the auto employees we interviewed.

151 Economic Policy Institute, *supra* note 130.

- **Provide child care to autoworkers.** Because child care is so expensive, lack of affordable day care acts as a major barrier for workers with children – especially women – to enter the labor force generally and seek employment in the auto industry in particular.[152] This barrier also increases the difficulty for workers already employed in the industry, especially given scheduling challenges discussed below. If auto employers increased child care availability, either through stipends or through provision of care on site, this likely would help narrow the earnings gap between men and women and improve shift scheduling for existing autoworkers. Mazda Toyota Manufacturing in north Alabama offers a heartening example of an auto manufacturing entity taking initial steps toward alleviating child care concerns for its workers.[153]

- **Provide consistent and advanced scheduling.** Adequate notice for scheduling, including for training and mandatory meetings, would help workers plan their lives better. This change would cost employers nothing in wages. Aside from highly unusual genuine emergencies, training and meetings could be scheduled several weeks in advance at a minimum. This would be an improvement on the current norm, where lack of communication can mean workers too often receive notice of required on-site meetings outside their normal schedules with less than a week's notice, according to our worker interviews. In addition, worker input on scheduling, through formalized feedback channels with anonymous options, would provide more information about workers' needs and preferences.

- **End child labor immediately in all Alabama auto plants.** The use of third-party subcontractors that hire temporary workers at plants has made abuses, including child labor violations and immigrant labor abuse, much more likely. The recent documented violations at Hyundai suppliers illustrate the dangers of allowing companies to shirk responsibility for implementing basic worker protections by contracting third parties to hire workers. A temp hiring model intentionally divides these workers from others performing the same work, diminishing the ability to ensure compliance with worker protection laws and hold companies accountable for violations. The short-term solution of punishing violations is vital, but it also should be accompanied by transitioning away from hiring practices that prevent transparency in the onboarding process. One long-term solution to this issue would be to shift away from the current hiring and training model and move to pre-apprenticeship and apprenticeship programs with input and oversight from labor advocates and the full body of plant workers. These programs can be implemented as part of community benefits agreements, as well as through collective bargaining agreements, providing multiple paths to create important worker oversight.

- **Enact industry-standard workplace protections to eliminate arbitrary and bad-faith discipline from supervisors.** This would provide fairness, improve morale and prevent workers from being illegally targeted based on protected characteristics or activities. In some facilities, the lack of procedural safeguards puts workers on what is effectively a six-month probationary period with no protection or recourse from unfair disciplinary procedures. This is unfair for workers and creates instability and turnover on the shop floor, ultimately increasing costs for the employer.

152 Alabama Workforce and Wage Gap Task Force, *supra* note 93.

153 Kellie Miller, "Mazda Toyota employees begin enrolling in new child care assistance program," WAFF 48 (April 3, 2022), https://www.waff.com/2022/04/03/mazda-toyota-partners-with-tootris-provides-child-care-assistance-employees.

- **Enter community benefits agreements (CBAs) with local community stakeholders in large-scale, transformative projects.** Community benefits agreements are agreements between employers and community organizations to provide certain specified benefits for both workers and the broader community where a facility is located. CBAs can be a useful tool for ensuring that recipients of some of the state's largest incentive packages commit to practices that benefit members of the community in which they are located. For example, CBAs can help ensure that auto manufacturers pay local living wages, fund educational services, hire local workers or benefit local communities in other ways negotiated by community labor representatives and industry. CBAs recently have been implemented in the South, including in vehicle manufacturing at the New Flyer electric bus plant in Anniston.[154] An employer benefits from signing a CBA because doing so shows willingness to meet enforceable, concrete standards of positive impact on the communities where they make their products and profits.

- **Respect workers' right to organize their workplaces.** Companies should refrain from interfering in organizing campaigns and maintain neutrality throughout unionization drives. Further, when a plant's workforce chooses to unionize, the company should come to the bargaining table in good faith, without delaying tactics or needless obstacles to negotiations.

Recommendations for policymakers

Policymakers also have a role to play in getting the most out of the auto industry for Alabama's workers and the state's economy. Most importantly, they must fix Alabama's broken, low-road and unaccountable economic development model, beginning by reforming the Alabama Jobs Act.[155] The auto industry has benefited heavily from the Jobs Act and other state subsidies, so ensuring the program delivers is essential to making sure the industry delivers for Alabama's workers. Recent updates have improved the program's fiscal responsibility, but lawmakers still need to take much bigger steps to ensure Jobs Act credits consistently deliver results for Alabama's workers. These steps include:

- **Performance standards, including wage and benefit requirements.** The Jobs Act already requires companies to state clearly the number of jobs they will create. But legislators should update the program to specify that these jobs must be full time, provide health insurance and pay prevailing wages. If companies are unwilling to meet these standards, they should not be eligible to receive Jobs Act incentives. This would ensure the state is using taxpayer dollars to subsidize the creation of quality jobs, rather than low-road jobs that promote poverty instead of broadly shared prosperity.

154 Paola Rodelas & Michael Troncoso, "Major electric vehicle manufacturer signs first multi-state agreement with community and civil rights group for equitable hiring and good jobs," Jobs to Move America (May 26, 2022), https://jobstomoveamerica.org/press-release/major-electric-vehicle-manufacturer-signs-first-multi-state-agreement-with-community-and-civil-rights-group-for-equitable-hiring-and-good-jobs.

155 Ala. Code Title 40, Chapter 18, Art. 16, https://casetext.com/statute/code-of-alabama/title-40-revenue-and-taxation/chapter-18-income-taxes/article-16-alabama-jobs-act.

- **Prevailing wage standards.** The prevailing wage is the average wage paid to workers performing similar work in a comparable geographical area. Laws incentivizing companies to pay workers the prevailing wage can help boost worker well-being and benefit the communities where facilities exist. In other states, "prevailing wage laws have been shown to support jobs offering good wages and benefits."[156] For example, prevailing wage laws "have offered construction workers a route to the middle class and increased wages and enrollment in health insurance for service workers such as janitors. They have also been shown to close racial pay gaps in both the construction and service sectors, as employers must pay all workers the same minimum rate, regardless of race, leading to especially large compensation gains for workers of color."[157] Adding prevailing wage provisions to the Alabama Jobs Act could help ensure that employers are neither taking advantage of nor shortchanging Alabama workers by offering non-competitive wages when compared to the industry overall. Such a provision also could help offset some of the wage disparities and occupational segregation trends identified in this report.

- **Accountability and clawback protections.** Companies promise to create jobs all the time in exchange for public subsidies. But as we saw with Shipt (referenced in Section 8 above), the Jobs Act provides taxpayers and legislators with no real way to hold companies to their promises – or even count how many jobs a company has created at all with these public dollars. Legislators should update the Jobs Act to take back the money expended on tax incentives if companies do not meet their job creation promises. Widely used in state economic development programs across the country, these "clawback" provisions give lawmakers the legal tools necessary to hold companies accountable for their promises and are considered a best practice to protect workers and taxpayers.[158] Clawback provisions can include both ineligibility for future tax expenditures and return of amounts already disbursed to companies. Clawbacks should be used in cases where employers receiving incentives don't create the jobs they promised, fail to pay the wages they promised or commit serious labor violations under federal or state rules.

- **Transparency and reporting requirements.** Under the current Jobs Act, no one is obligated to see whether companies are living up to their promises. Neither the Alabama Department of Commerce nor any other state agency is required to investigate companies' progress in job creation or investment. Monitoring and public transparency are key steps in holding these companies accountable for upholding their claims about what they are doing with public subsidies.

Beyond the Jobs Act, Alabama needs to shift its broader economic development approach away from its low-road past and toward a higher-road future that invests in workers and bolsters the state's ability to compete with Georgia, Texas and other states for high-tech jobs. Specific recommendations include:

- **Greater state funding and investment in K-12 and workforce development.** Global companies are increasingly looking for workers with the right technical skills, educational attainment and demonstrated ability to engage in innovative, adaptive work. Alabama cannot compete for these companies if it does not invest more in empowering workers to meet their full potential. This includes more investment in K-12 education, technical and vocational training, and occupation-specific training in key sectors. The greater the skill level of Alabama's workforce, the more competitive the state will be in the global economy, and the higher wages the state's workers can command.

156 Glass, et al., *supra* note 123.

157 *Ibid*.

158 Good Jobs First, "Key Reforms: Clawbacks," https://goodjobsfirst.org/key-reforms-clawbacks.

Finally, Alabama's policymakers should enact long-awaited statewide labor protections with a regulatory regime able to enforce them. These reforms should include:

- **Ending "right-to-work" laws** that disadvantage workers in disagreements with management.
- **Giving preference for state contracts** to go to companies with unionized workforces and/or employee ownership.
- **Repealing the law preempting localities** from setting worker protections that would make Alabama cities more competitive with similar cities in neighboring states.

Organized labor: a vital partner

State officials' reaction to union activity has been largely hostile throughout Alabama's history and often remains so in current practice. "[A]ntiunionism in the South is preserved and protected by measures that resemble the actions of antidemocratic governments in Asia and Latin America more than the ideal that America is the land of a free people."[159] Recently, that reactionary hostility has included using state law enforcement to help break strikes[160] and state courts to prevent workers from picketing.[161]

But this hostility to unionized workers is a bad fit for modern industrial practices and is counterproductive within the automotive sector. Labor unions help ensure the safe and efficient operation of plants. Unions can provide both training pathways and quantifiable process improvements, as a result of their role as trusted worker advocates, by gathering input from line workers. For example, "[t]he United Automobile Workers union (UAW)—which represents autoworkers at the Big Three U.S. car manufacturers (Ford, General Motors, and Stellantis [formerly Chrysler])—[wa]s a constructive partner in the U.S. auto industry's resurgence."[162] Also, within the auto sector, at Ford plants alone, 2006 UAW-negotiated process improvements were responsible for generating estimated efficiency improvements of more than $500 million).[163] Stated differently, "[t]he expertise the union now brings to discussions of quality, safety, predictive and preventative maintenance, workforce development, team-based operations, and other such topics" are clear reasons for the auto sector management to cooperate with workers to implement process improvements instead of engaging in needless conflict.[164]

The auto manufacturing sector's shortcomings in recent years, including overall wage declines and wildly unequal pay across demographics, can be made right with a participatory process that affords workers the input they deserve into the conditions under which they labor. And as a significant sector-wide shift toward electric vehicle (EV) manufacturing opens up new and large opportunities for innovation and manufacturing in Alabama, ensuring that the foundational aspects of worker-management relations are built on a sustainable, fair framework will set the correct course for the industry for decades to come.

159 Atkins, *supra* note 8, at xii.

160 Collins, *supra* note 129.

161 Associated Press, "Judge orders striking coal miners to stop picketing" (Oct. 29, 2021), https://apnews.com/article/business-alabama-tuscaloosa-strikes-united-mine workers-of-america-ae76d7d627cdbb90f8845c7a6ce29c9f.

162 Cutcher-Gershenfeld, et al., *supra* note 73.

163 *Ibid*.

164 *Ibid*.

Alabama policymakers should view workers and their unions as a vital partner in manufacturing, not as an enemy or source of wealth extraction. The ability to provide worker-focused insights that make factories safer and more efficient is an indispensable role uniquely suited to labor unions. The state should seek to expand that role, not limit it out of misguided, stubborn adherence to 19th-century economic views. Enacting policies to empower workers would position Alabama to reap even larger rewards from its big bet on the auto industry – and to build a more inclusive and prosperous future for every Alabamian.

APPENDIX:

Research design and methodology

THE STATE OF WORKING ALABAMA

How we define the 'auto industry'

In this study, we confined our definition of the auto industry to the three industries that conduct auto manufacturing (as opposed to other auto-related activities):

- NAICS 3361 – Motor Vehicle Manufacturing
- NAICS 3362 – Motor Vehicle Body and Trailer Manufacturing
- NAICS 3363 – Motor Vehicle Parts Manufacturing

Taken together, these three industries account for all aspects of vehicle and parts manufacturing, including core auto plants and their various suppliers (including everything from engines to seat covers). We do not include other related industries within the broader auto sector, including dealers, wholesalers, and maintenance and repair.

Data sources

We relied on two main sources of data for this analysis. First, our analyses of auto industry demographics, earnings and employment (Sections 4, 5 and 6) used Quarterly Workforce Indicators (QWI) from the Longitudinal Employer-Household Dynamics Survey, produced by the U.S. Census Bureau. We also cross-checked QWI earnings and employment with the Quarterly Census of Employment and Wages to ensure the values were broadly similar. Secondly, for our analysis of earnings and occupational segregation (Section 6), we relied on Economic Policy Institute sampling of five-year estimates of American Community Survey (ACS) microdata (2015-2019) to have sufficient sample size to conduct the analysis.

Study period

The study period for data analysis is 2002-2019. We chose 2002 as our starting point due to data limitations in QWI, which could not provide both employment and earnings data prior to that year. We chose 2019 as our end year because disruptions related to the COVID-19 pandemic disproportionately affected the auto industry. These disruptions artificially lowered employment and earnings in ways we felt were not representative of overall trends in the industry. Note that when we ran sensitivity analyses that included 2020 and 2021, these concerns proved valid. QWI data for 2022 and 2023 were not yet available at the time of the analysis in this report.

Earnings analysis

Using our QWI data, we estimated the average yearly earnings for the auto industry by taking a weighted average of the earnings across 3361, 3362 and 3663, weighting according to each industry's share of combined auto employment. We then adjusted each year of average earnings for inflation. All earnings values in the report are presented in 2021 constant dollars.

Occupational segregation analysis

We examined five occupations within the auto industry that had sufficient sample size to incorporate into our analysis. These included by Census Occupational Code:

- 7700 – First-Line Supervisors of Production and Operating Workers
- 8140 – Welding, Soldering, and Brazing Workers
- 8740 – Inspectors, Testers, Sorters, Samplers, and Weighers
- 7750 – Miscellaneous Assemblers and Fabricators
- 9620 – Laborers and Freight, Stock, and Material Movers

The QWI survey does not provide occupational earnings or employment by industry, race or sex, so we relied on the ACS microdata to provide us with the share each demographic group's employment comprises of each occupation. We then applied these shares to the employment counts in QWI to determine how many employees of a demographic work within each occupation. To calculate the average earnings in each occupation, we took the percentage of each occupation's earnings as a total of the average auto industry earnings (as presented in the ACS microdata) and applied that percentage to the QWI industry average earnings. This gave us estimated earnings levels for each occupation (and each demographic) consistent with and comparable to our overall earnings analysis using QWI data.

IMPLAN analysis

We used IMPLAN, a proprietary economic impact analysis software package, to estimate the economic impact of the key pay gaps discussed in Section 5.

IMPLAN is an input-output modeling program that permits researchers to estimate the projected effects of an exogenous change in demand – such as increase in overall labor income due to closing the pay gap between Black and white autoworkers – in a specified geographic region, such as Alabama. For our study, we used IMPLAN to model the implicit counterfactual of how much additional spending would have flowed into Alabama's economy if auto employers had paid their workers the same average amount in 2019 as they did in 2002, and paid men the same as women, and Black and Hispanic workers the same as white workers.

The software is typically used by economic developers looking to assess the impacts of new plant locations or tax changes. But it also has been used to model the impacts of minimum wage changes in other states and increased labor income resulting from greater female labor force participation in Alabama, and so is well suited to assessing changes in earnings like those we examine.

Specifically, we used IMPLAN to estimate the following four pay gaps:

- The difference between the inflation-adjusted average annual earnings by autoworkers in 2002 and in 2019 (in 2021 constant dollars).
- The difference between the average annual earnings of Black autoworkers and white autoworkers in 2019 (in 2021 constant dollars).
- The difference between the average annual earnings of Hispanic autoworkers and white autoworkers in 2019 (in 2021 constant dollars).
- The difference between the average annual earnings of male autoworkers and female autoworkers in 2019 (in 2021 constant dollars).

We ran four separate models, one for each pay gap. In each of these models, we used the pay gap amount as the input and then modeled each of them as an Industry Impact Analysis (Detailed – labor income change) event for the auto industry, specifying the year of impact as 2019 (to match our QWI data), using 2021 dollars. To check our work, we also ran all four models as a standard labor income event (with 100% of our earnings change assigned to employee compensation), and as expected generated identical results to the original Industry Impact Analysis.

In terms of results, for labor income changes like these, the software only reports "induced effects," which capture tail-end economic ripple effects of shifts in household spending resulting from the total change in earnings we're modeling (e.g., resulting from closing the pay gaps). But we needed to estimate the total impact on Alabama's economy, which includes the original amount of the new labor income that would flow to Alabama if these pay gaps were closed (e.g., $348,926,144 for the historical pay gap).

Though it is unusual to combine original and induced effects in this way for labor income changes in particular, staff economists at IMPLAN advised us it would be appropriate in this case. This is because the economic change is not associated with a separate Industry event (like a new plant facility opening), and we need to reflect the full range of an economic change that includes both new earnings (closing the pay gaps) and the induced effects (the ripple effects of the input) together.

Our results tables are reported here:

Model 1. Impact of autoworkers earning $7,700 less today than they did in 2002

Input:	$348,926,144			
Event Type:	Industry Impact Analysis (Detailed)			
Year of Impact:	2019 (2019 Industry Spending Pattern)			
Year of Dollars:	2021			
Impact	**Employment**	**Labor Income**	**Value Added**	**Output**
1 - Direct	0	$348,926,144.00	$348,926,144.00	$348,926,144.00
2 - Indirect	0	$0.00	$0.00	$0.00
3 - Induced	1,621.71	$69,310,031.17	$131,341,090.96	$237,220,301.41
TOTAL	**1,621.71**	**$418,236,175.17**	**$480,267,234.96**	**$586,146,445.41**

Model 2. Impact of Black autoworkers earning $11,888 less than white autoworkers in 2019

Input:	$216,779,727			
Event Type:	Industry Impact Analysis (Detailed)			
Year of Impact:	2019 (2019 Industry Spending Pattern)			
Year of Dollars:	2021			
Impact	**Employment**	**Labor Income**	**Value Added**	**Output**
1 - Direct	0	$216,779,727.00	$216,779,727.00	$216,779,727.00
2 - Indirect	0	$0.00	$0.00	$0.00
3 - Induced	1,007.53	$43,060,716.13	$81,599,176.02	$147,379,475.75
TOTAL	**1,007.53**	**$259,840,443.13**	**$298,378,903.02**	**$364,159,202.75**

Model 3. Impact of Hispanic autoworkers earning $14,793 less than white autoworkers in 2019

Input:	$24,675,315			
Event Type:	Industry Impact Analysis (Detailed)			
Year of Impact:	2019 (2019 Industry Spending Pattern)			
Year of Dollars:	2021			
Impact	**Employment**	**Labor Income**	**Value Added**	**Output**
1 - Direct	0	$24,675,315.00	$24,675,315.00	$24,675,315.00
2 - Indirect	0	$0.00	$0.00	$0.00
3 - Induced	114.68	$4,901,458.03	$9,288,162.69	$16,775,715.33
TOTAL	**114.68**	**$29,576,773.03**	**$33,963,477.69**	**$41,451,030.33**

Model 4. Impact of female autoworkers earning $19,150 less than male autoworkers in 2019

Input:	$263,691,203			
Event Type:	Industry Impact Analysis (Detailed)			
Year of Impact:	2019 (2019 Industry Spending Pattern)			
Year of Dollars:	2021			
Impact	**Employment**	**Labor Income**	**Value Added**	**Output**
1 - Direct	0	$263,691,203.00	$263,691,203.00	$263,691,203.00
2 - Indirect	0	$0.00	$0.00	$0.00
3 - Induced	1,225.56	$52,379,123.25	$99,257,366.85	$179,272,627.55
TOTAL	**1,225.56**	**$316,070,326.25**	**$362,948,569.85**	**$442,963,830.55**

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