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Musings

#238: Musing
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You have to give it to the UAW for audacity. Their opening bid in their negotiation with Big 3 automakers was a 40% increase in wages over the life of the contract and to get paid full time for 32 hours of work. We are going the wrong way if we are looking for folks to only work 4 eight-hour days a week. According to WSJ, *"the total cost of the average UAW-organized assembly-line worker is $65 an hour, compared to $55 for non-unionized manufacturers such as Toyota, which now accounts for the majority of U.S. car sales, and just $45 for Tesla…..a Wells Fargo analyst estimated that if all UAW demands passed, the average hourly costs for the Detroit companies would soar to $136 per hour."* My guess is the union will actually get a big raise for their members because a strike is so costly but in the long-run, the result will be to diminish the competitive position of the Big 3 and watch more market share go to others.

I applaud the "innovative thinking" by the new UAW president. He is not just following historical practice but changing things — no handshake before negotiation, heavy use of social media, striking all three companies at once; not striking every plant but mixing it up and only striking some (where they make their most profitable SUVs). Time will see if this was good innovation but too many people just do things the way they have been done in past. He also nicely positioned the 40% raise request to the excessive compensation many executives receive. Jim Farley, the CEO of Ford that you have never heard of and has done nothing exciting that I am aware of, made $21 million in 2022 (mostly in stock awards).

UAW also looking for a better deal on healthcare. Healthcare costs continue to escalate for employers. The increasing costs of benefits (healthcare, PTO, 401(k), others) is part of the drive of many companies to use more free-lancers and the gig economy. Watch employers push more of the healthcare costs onto employees this open enrollment season. The average annual cost of insuring an employee is now $14,600 per employee and anticipated to grow 6.5%. Every employer makes its own decision on what percentage of that premium an employee should bear but watch for changes in "plan design" where the employer determines what is covered or not. While hospital costs are driving some of the inflation, I hear a lot of large claims from IVF and other fertility treatments as well as the new weight loss drugs. I expect more plans to carve those out, force use of generic drugs, impose spouse surcharges (if your spouse can get benefits from their employer but comes onto the company plan, you have to pay a charge) and raise deductibles. One new issue on the era of remote work is that employers' policy must comply with mandatory coverages as dictated by the headquarters where plan is issued. Another reason to move your corporate office out of Illinois.

Healthcare providers need to work with the various regulators and fix a downside of the introduction of EMRs (electronic medical records) with corresponding apps and webpages. Patients are now getting their test results from their app before a doctor can tell them what the result means. This is suboptimal at best as patients might misconstrue, have unnecessary anxiety or just get bad news in a vacuum. I know one hospital which is “embargoing” test results for a couple hours to try and let the doctor get to the patient first. I believe there is some “consumer right regulation” which is driving the early release of the results.

I am surprised that most companies have not gotten better with the measurement of turnover in this tough labor market. There are a set of best practices in measuring turnover. First, you must annualize the number. If you have 5 employees leave out of 100 in a month, your turnover for that month is 5% but best to annualize that and say the turnover rate is 60% to really understand it and deal with volatility which can occur month-to-month. It is also best to separate voluntary and involuntary turnover. You want a performance culture where folks are managed out involuntarily so that turnover is not necessarily bad. Personally, I would target 5-10% annualized involuntary turnover and then try to minimize voluntary turnover to something under 10% so your combined is 15% or so. Finally, if you have one area with really high turnover (like a call center), take that employee group out of the numbers and measure separately as they will skew the overall number.

Lots of Musk coverage and discussion lately with Walter Isaacson’s new biography. The most fascinating piece I heard relates to Musk power on the Russia/Ukraine war. With his Starlink business, Musk has the ability to delivery internet connectivity via satellite where fiberoptic cable does not exist like much of Ukraine. The Ukrainian army is heavily dependent on the free satellite-communications provided by Musk’s company. Apparently, Musk geofenced Crimea and thus Ukraine cold not launch an offensive. He did this out of fear of starting some kind of larger war. Amazing that a tech executive in Silicon Valley is materially impacting the war near Russia unilaterally. ukraine-rips-musk-disrupting-sneak-attack-russian-navy

I like the move in higher education to focus more on outcomes vs inputs. Historically, schools were rated by the size of their faculty or resources in the library. Now, more discussion about how many people graduate and how much money they make after school. While there are benefits to a college education beyond the economic mobility it creates, clearly there needs to be a decent economic ROI and tracking the employment success of college graduates is key. The government now published a “scorecard” where it shows graduation rate, average annual cost and median earnings of graduates. The average annual cost is especially insightful for private schools where the published tuition is meaningless as they discount that 50% on average. You can look up a school here: https://collegescorecard.ed.gov/

To show the absurdity of some of the “higher education game,” some companies are even offering employees a new job benefit – admissions counseling for their kids. That is right, we have a system that is so opaque and confusing that companies are going to pay for their employee parents to get help. the-newest-benefit-at-top-companies-private-college-admissions-counseling

Our primary school system is too often failing boys. Some describe it as a “feminine teaching method” where kids are asked to sit quietly and be “compliant.” This is harder for buys who have more testosterone leading to more energy leading them to get in trouble. school-is-a-hostile-environment-for-boys-cortisol-outcomes-stress-girls-education-marriage

Fixing our public schools in places like Chicago is not about giving them more money. From Crain’s Chicago: In 2013, CPS spent $13,200 per student. In 2023, CPS will spend $29,400 per student. The head of teachers union is sending her kid to private, catholic school. Wow. Primetime Deon Sanders has shown what good leadership, a culture of accountability and new talent can accomplish. The issue isn't funding.

Our teens are so focused on their screens that content producers are changing how they write. Young people are more interested in what's on YouTube, TikTok and Instagram than watching the movie on TV. As a result, studios increasingly want "visual Muzak"—shows that don't require consumers to look up from their phones. An Indiewire deconstruction of Netflix 's "Heart of Stone," with supermodel Gal Gadot, highlights the movie's reliance on clunky dialogue to alert viewers to plot twists while their eyes are elsewhere. What a world.

ESPN is dying. Down to 71 million households from over 100 million. It is a Barstool / Pat Mcafee / TKO world. Disney (owner of ESPN) suffers from all of the ailments of modern corporate, political, little innovation world. They have been living off the cable bundle like a trust fund kid and time is up with cord cutting and the demise of linear TV.

We need to stop the madness of throwing away food based on "expiration" labels. There is no government regulation on these labels and suppliers use them to get you to buy new stuff by saying "best if used by" etc. From WSJ: *"The dates originated as a coded system for manufacturers to communicate to retailers when to rotate stock. Consumers clamored for information on the freshness of food, and in the 1970s and 1980s consumer-facing dates became widespread, though never standardized."* In a world where people are starving, *"The U.S. Department of Agriculture has estimated that 31% of the available food supply goes uneaten: Retailers discard 43 billion pounds of food annually, consumers a further 90 billion. Every day, that's 387 billion calories of lost food, which the USDA says works out to 1,249 calories per American per day. (The Food and Drug Administration uses 2,000 calories a day as a general guideline for nutrition advice.)"*

Hotty Toddy

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