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Collective Bargaining Bulletin

A REVIEW OF CONTRACT NEGOTIATION AND ADMINISTRATION

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Highlights

In the Manual

Training Program
A program providing workers academic and on-the-job training is added at 11:5541.

Contract Settlements
Terms of settlements reported Jan. 20-Feb. 2 and weighted average, average, and median wage increases are in *Table of Contract Settlements* at 19:3841.

Four-Year Tyson Foods, UFCW Contract Ends 11-Month Strike, Includes Concessions

Putting an end to an 11-month strike at a Tyson Foods plant in Jefferson, Wis., members of the United Food and Commercial Workers Jan. 29 ratified a new four-year contract that the union called ''concessionary.''

Approximately 470 members walked out at the Tyson facility Feb. 28, 2003, citing regressive wage and benefit proposals from the company. Between 40 and 50 people have since left the unit, the union said.

A major motivation for union members to support the contract was the desire to end their economic strike prior to the one-year anniversary and avoid a potential decertification election in the event that replacement workers became permanent and thus eligible to vote, UFCW said.

The contract contains no base wage increases, but instead provides a $1,500 ratification bonus plus 2 percent lump-sum payments each year. It also introduces a two-tier wage structure, with the hourly pay rate for new employees dropping from $11.10 to $9.

Employees will remain in their current health plan, for which each worker contributes about $15 a week, through the end of 2004. They then will move into a health plan used at most other Tyson facilities and will have to contribute more toward their premiums. The company also will cease contributions to a defined benefit pension plan in 2005, and instead will match employee contributions to a 401(k) retirement plan of up to 4 percent of pay.

New employees will earn a maximum four weeks of vacation annually, versus a maximum six weeks for current employees, and the maximum length of sick leave that workers can accumulate is reduced from 26 weeks to 15 weeks.

Workers in New York City Buildings Gain Pay Hikes, Added Training Funds if Needed

Pay raises and increased employer benefit fund contributions are called for in a new three-year contract for about 6,000 skilled workers who operate and maintain the air conditioning, heating, and ventilation equipment and systems in hundreds of New York City commercial buildings. The agreement between the International Union of Operating Engineers and the New York Realty Advisory Board on Labor Relations was ratified Jan. 19.

Hourly wages for engineers increase 80 cents Jan. 1, 82 cents in the second year, and 84 cents in the third year, and hourly pay for helpers increases 62 cents initially, 64 cents in the second year, and 66 cents in the third year. With the first increases, an engineer earns $27.35 an hour, or $1,094 a week, and helpers earn $21.29 an hour, or $851.60 a week.

Following the terrorist attacks of Sept. 11, 2001, covered workers were recognized as ''first responders'' who must undertake significant training to assist tenants in the event of subsequent attacks. In acknowledgment of that fact, trustees may increase employer contributions to the training fund by up to 2 cents per hour on or after Jan. 1, 2005, and Jan. 1, 2006.

Hourly employer contributions to the health-benefit fund increase from $2.84 to $4 per employee over term, and in March the employer will make a

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one-time contribution of $300 on behalf of each worker. The hourly employer contribution to the pension fund increases 5 cents each year, rising to $2.50.

Five-Year Verizon Contracts Provide Cost, Labor Stability

International Brotherhood of Electrical Workers members in Illinois have ratified two five-year contracts with Verizon Communications Inc., the parties announced Jan. 16. Both the union and the company said they viewed the unprecedented length of the agreements—the first between the parties extending beyond three years—as a major benefit.

''These contracts address the concerns of our members and their families by providing necessary wage and benefit enhancements for an extended period of time,'' IBEW said.

Verizon said that ''in addition to fulfilling the company's commitment to provide quality wages and benefits to our employees, these agreements recognize the competitive realities of today's telecom market by addressing the operational and cost-containment requirements of the company and by providing long-term cost and labor stability.''

Basically the same terms are provided under two agreements—one covering about 750 service, construction, and supply workers and one covering about 60 employees at Verizon's retail markets facility.

The contracts, which take effect March 14, 2004, provide wage increases of 4 percent in each of the first three years and 3.25 percent in the fourth and fifth years.

Employee out-of-pocket contributions for health care benefits remain the same, while the lifetime medical maximum is increased from $1 million to $2 million and benefits are extended to qualified domestic partners. Other provisions include a new Team Performance Award program and an added personal holiday.

Kroger Accords Equalize Pay Among Units, Across Regions

Two four-year agreements between the United Food and Commercial Workers and Kroger Co. that were ratified by union members in voting ended Jan. 31 equalize pay among units and across geographic regions.

The contracts cover approximately 6,500 workers at Kroger stores in Memphis, western Tennessee, and Mississippi. One contract covers clerks, while the other covers meat, seafood, and deli employees.

Wages increase an average $1.40 per hour over term, with individual increases ranging between $1.10 and $2 per hour. Top hourly rates by end of term will be $15.80 for department heads, $12.16 for full-time clerks, and $9.50 for part-time clerks. The top rate for meat department heads will be $17.77 an hour by end of term, Kroger said, adding that deli department heads will earn the same as their counterparts covered under the clerks' agreement.

The union said it has wanted to achieve wage parity throughout the two bargaining units in the last several rounds of negotiations, and the new agreements equalize pay rates for clerk and deli employees, as well as rates in the various geographic regions covered by the agreements.

Health care and pension plans are unchanged, and Kroger will increase contributions to funds. Eventually talks will be held to create a different health care plan for new hires.

News in Brief

Disclosure Regulations Upheld

The U.S. District Court for the District of Columbia Jan. 22 upheld the Labor Department's newly revised regulations requiring unions to file more detailed annual financial reports but ordered that the rules not take effect until July 1 at the earliest (*AFL-CIO v. Chao*, D.D.C., No. 1:03-cv-02464, 1/22/04). On Dec. 31, 2003, the same court had granted a preliminary injunction sought by AFL-CIO to delay implementation of the rules (9 COBB 3, 1/8/04). In its Jan. 22 ruling, the court held DOL had the authority to issue the rules and that they are ''reasonable, adequately explained, and not arbitrary or capricious.''

Union Membership Declines

The proportion of U.S. workers who belong to unions continued a 20-year decline in 2003 as union membership among wage and salary workers dropped to 12.9 percent from 13.3 percent in 2002, the Bureau of Labor Statistics reported Jan. 21. The number of workers belonging to unions in 2003 declined by 369,000 to 15.8 million. Union membership data are available at 18:8601 and 18:8701 and at www.bls.gov/news.release/pdf/union2.pdf.

Benefit Costs Up in 2002

Employee benefit costs averaged 42.3 percent of payroll in 2002, up from 39 percent in 2001, according to a U.S. Chamber of Commerce study released Jan. 21. Medical benefit costs showed the sharpest increase, rising from 11 percent of payroll in 2001 to 15.2 percent in 2002. Contact the Chamber at 800-638-6582.

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Facts & Figures

Wage Trend Indicator™

Pay Projections Hold Steady Through First Half of 2004

Persistently weak job growth and still-sluggish hiring plans will hold the lid on annual wage increases paid by private employers through at least the first half of 2004, according to the latest Wage Trend Indicator figures released Jan. 15 by BNA.

The lack of wage pressure as tracked by the WTI will translate into 12-month pay increases close to the current 3 percent rate well into the summer, predicted economist Kathryn Kobe, who worked with economist Joel Popkin in developing the WTI for BNA.

The WTI detects turning points in private wage increases six to nine months before they appear in the Bureau of Labor Statistics' employment cost index data series.

"There is no indication in the WTI figures of renewed wage pressures," Kobe said. The lack of evidence that wages will begin to climb faster even as the overall economic growth rate has quickened "supports the view that the Federal Reserve won't have anything to worry about" as policymakers watch for any acceleration of inflation, she added.

Final figures for the fourth quarter of 2003 put the WTI at 98.48, slightly below the third-quarter level of 98.65 (second quarter 1976=100). The final figures showed only small changes for each of the measure's seven components compared with the third quarter of 2003.

The index has been below 100 since the fourth quarter of 2001, and lost ground in 10 of the last 12 quarters since early that year when the U.S. economy entered the recession. The WTI's decline beginning in 2001 accurately signaled the falling rate of private industry wage increases.

Kobe said that the lack of solid job growth has persisted longer in the early stages of this recovery—which began in November 2001—than it did after the 1990-91 recession. "But we are starting with a lower unemployment rate this time compared with a decade ago, and that could mean we will see wages rebound more quickly" once job growth accelerates, she said, adding that it is too soon to tell if that will be the case.

Information on the WTI is available at www.wagetrendindicator.com.

Wage Trend Indicator™ Components, Fourth-Quarter 2003

Component	Wage Impact	Description	Source
Final WTI	⬇	98.48, down from 98.65 in 3rd quarter 2003. (4th quarter 2002 = 98.56)	
Expected Inflation	⇧	One-year forecast of GDP chain-price index	Philadelphia Federal Reserve Bank
Average Earnings	⬇	Annual change in average hourly earnings of private industry production and nonsupervisory workers	Bureau of Labor Statistics
Worker Scarcity	⬇	Percentage of employers reporting difficult-to-fill professional or technical job vacancies	BNA's Employment Outlook Survey
Production/Service Expansion	⬇	Four-quarter average of percentage of employers projecting production/service job growth	BNA's Employment Outlook Survey
Job Losers	⇧	Percentage of the civilian labor force who have lost their jobs (Declining rate of job losers correlates to increasing wages)	Bureau of Labor Statistics
Unemployment Rate	⬇	Civilian unemployment rate four quarters ago (Declining rate correlates to increasing wages)	Bureau of Labor Statistics
Industrial Production	⇧	Annual percentage change in production index for manufacturing, mining and utility industries four quarters ago	Federal Reserve Board

Source: Wage Trend Indicator Database

A BNA Graphic/cbn403g1

Facts & Figures
Employment Cost Index

Employment Costs Increase 4 Percent for 2003

Growth in wages and benefits for private industry workers slowed in fourth-quarter 2003, but compensation costs still were up 4 percent over a year earlier, the Bureau of Labor Statistics reported Jan. 29.

The year-over-year increase was up sharply over the 3.2 percent rise for the year ending in the fourth quarter of 2002, with benefits continuing to drive compensation costs higher, according to the data.

Wages grew 3 percent over the year, slightly more than the 2.7 percent increase a year ago, while benefit costs grew 6.4 percent, compared with 4.7 percent a year ago.

Maury Harris, chief U.S. economist with the financial services firm UBS in New York, indicated that the increase in wages and benefits may be a sign of a strengthening labor market, as BLS has reported employment gains in each of the last five months. The data suggest that "the net swing from net firing to net hiring in 2003 stemmed downward pressure on compensation costs," he said.

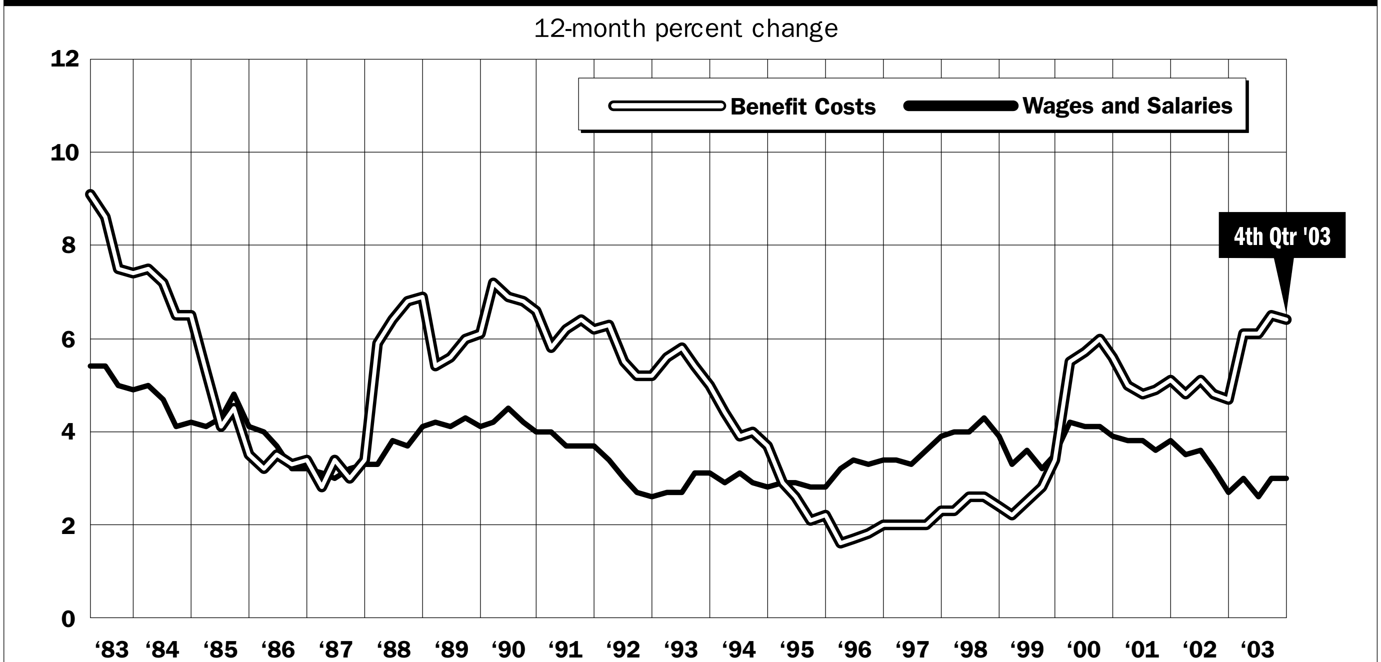
There were signs of moderation in the fourth quarter, however, as quarterly increases in wages, salaries, and benefits in the private sector were the smallest in a year. Total compensation rose 0.7 percent from the third quarter to the fourth quarter, wages and salaries increased 0.5 percent, and benefit costs rose 1.2 percent.

The wage and benefit costs are tracked as part of BLS's employment cost index (ECI) data series, the government's most comprehensive measure of pay, which is based on a quarterly survey of employers.

Total compensation costs for union-represented workers rose 4.6 percent for the year ended the fourth quarter, compared with 3.9 percent for nonunion workers. Wage increases were higher for nonunion workers (3.1 percent) than union workers (2.4 percent), but benefit cost increases were higher for union workers (8.3 percent) than for nonunion workers (6 percent).

The employment cost index report is available at http://www.bls.gov/news.release/pdf/eci.pdf.

Employment Cost Index, Fourth-Quarter 2003
Changes in wages and salaries and benefit costs, private industry, 1983-2003



Source: Bureau of Labor Statistics

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wage increases in the later years. Such a pay arrangement is one way to deal with health care costs, he said, with the employer ''eating'' a greater cost of health care and the union accepting less in wages.

Gary Chaisen, a professor of industrial relations at Clark University in Worcester, Mass., said he thinks there will be wage moderation in bargaining. Coming out of a recession you would expect to see a dramatic wage catchup, he said, but jobs are not being created. Rather, there is increased productivity among current employees and increased use of part-timers and temporary employees. Wage increases will be in the 2 percent to 3 percent range, he predicted.

Health Care Is Contentious Issue

With rising health care costs showing no sign of abating in 2004, health care will remain the most contentious issue in the coming year, according to labor and management officials and outside analysts interviewed by BNA. Unions will be seeking to maintain their current level of benefits, while employers will be trying to pass more costs on to employees.

A Dec. 8 survey from Mercer Human Resource Consulting projected that employer health benefit costs for active employees will increase an average of 13 percent in 2004 (8 COBB 147, 12/11/03). A similar Oct. 13 survey from the consulting firm Hewitt Associates projected that the average employee will pay $1,565 in health insurance premiums in 2004, which is estimated to represent 22 percent of the total premium cost. The Hewitt survey projected that employer health costs would increase 12.6 percent in 2004.

FMCS's Hurtgen predicted that health care will be the toughest issue in bargaining because it is the issue that is ''most intractable.'' Neither party at the bargaining table can control the dynamics of the issue, he said, and it ''will get worse before it gets better'' because of the escalating costs of health care.

Health care costs will be an even greater issue this year than last year because the rising costs are ''nonsustainable,'' Potter said. Maintaining the status quo will not be an option for many companies, and without relief some employers may choose to drop health care coverage altogether.

Potter said he expects employers to continue to negotiate consumer-driven health plans. For example, he said, in a few contracts negotiated in 2003, the parties agreed to keep deductibles and employee cost-sharing at current levels for the first five times an employee uses the benefit. For the next five times, the employee would have to pay more of the costs. This provision makes employees look differently at how much they are spending, he said.

In some negotiations, employers are asking for higher cost-sharing from employees for ''Cadillac'' plans than for less comprehensive plans, Potter said. Employees are given the choice of deciding which plan to take and how much they will have to pay.

Bank said that labor will resist ''very strongly'' any efforts by employers to negotiate defined contribution health plans, which he described as those in which employers give an employee a specific amount of money to spend on health care each year. Once that money is spent, employees either have a huge deductible before further benefits kick in, or benefits are limited to catastrophic coverage. This type of plan could be a ''tragedy'' for older people with chronic conditions that require high maintenance or even for a young, healthy worker who might be injured in an accident, he said.

Gordon Pavy, AFL-CIO's collective bargaining coordinator, said that some unions are using the bargaining process to enlist employers in the quest for a legislative solution for controlling health care costs. For example, the International Union of Electronic Workers negotiated a provision in its contract with General Electric that calls for the company to join the National Coalition on Health Care, an organization that advocates for more affordable health care. He added that unions will be pushing for health care reform not only at the federal level, but also in every state where they have the power to push a state initiative.

Health care costs have become such a problem for employers that health care reform has to become a ''leading edge issue'' addressed by the next president, Potter said.

Retiree Benefits on the Table

Also at issue during upcoming bargaining will be health benefits and pensions for retirees.

Bank said he anticipates tough bargaining in companies that have an aging workforce, a large number of current retirees, a good health plan, and a defined benefit fund.

A recent survey by the Kaiser Family Foundation and the consulting firm Hewitt Associates showed that large employers are continuing to scale back retiree health benefits in response to rising costs, shifting demographics, global competition, and other pressures (9 COBB 11, 1/22/04).

In mid-January, United Airlines announced it would seek agreements with its employee groups to require retirees to pay a larger portion of the health care premiums. The carrier warned that if agreement could not be reached, it would ask the bankruptcy court to impose the cuts.

Longer Contracts to Continue

There has been a trend toward longer contracts over the last several years, and that is expected to continue in 2004.

According to Hurtgen, currently 20 percent of contracts are for more than three years, and that trend will continue. The problems in bargaining are ''so exacerbated'' that the parties ''realize they can't do this every three years'' and they need more stability.

Bank agreed that the trend toward longer contracts will continue. Companies usually seek longer agreements in exchange for increased pensions and job security for workers, he said. The trade-off is stability over a long time and knowing what labor costs will be in exchange for pension benefits. However, because of the long duration, some contracts include reopeners on various issues including wages, and that probably will continue too, he said.

Another trend expected to continue into 2004 is the inclusion in contracts of provisions that allow unions to organize workers at an employer's unorganized facilities with private elections or card checks and employer neutrality.

Bank noted that such provisions were negotiated last year by the United Auto Workers and Freightliner, UAW and Johnson Controls, and the Steelworkers and Goodyear Tire. ''There will be an escalation of that trend'' because there is a recognition on the part of unions that it is ''nearly impossible to get a fair shake to organize under current federal law,'' he added.

For a listing of employers and unions with contracts expiring in 2004, see CBNC chapter Calendar of Wage Negotiations *at 19:101.*

Special Report

Bargaining Will Remain Difficult Due to Economy, Health Costs

An economic recovery that persists as a ''jobless'' one and spiraling health care cost increases, expected to hover in the 12 percent range, threaten to complicate collective bargaining in 2004.

The number of expiring contracts in 2004 will be lighter than last year, when agreements in several major sectors, including automobiles, freight and auto transport, and telecommunications, were negotiated.

Major Agreement Up for Renewal

The largest group of employees affected by negotiations scheduled for this year will be the 175,000 U.S. Postal Service employees represented by the independent National Rural Letter Carriers and the National Postal Mail Handlers Union.

Bargaining between SBC Communications and the Communications Workers of America is expected to begin in mid-February for a contract to replace one expiring in April that covers nearly 102,000 employees. Also in the telecommunications industry, a contract between BellSouth Corp. and CWA, covering about 56,000 workers, expires in August.

Other major negotiations will occur in the entertainment industry, where producers of television and radio commercials will be bargaining with the American Federation of Musicians on a contract that covers 100,000 musicians, and in the maritime industry, where the International Longshore Association and the United States Maritime Alliance will negotiate a contract covering about 50,000 workers on East Coast docks.

A strike and lockout involving about 70,000 grocery workers in Southern California that continued into the new year could set the stage for further contentious bargaining over health care costs in the supermarket industry, where contracts covering more than 297,000 employees across the country are due to expire in 2004.

According to United Food and Commercial Workers spokesman Greg Denier, the Southern California grocery dispute, which entered its fourth month in mid-January, will ''set the tone for negotiations across the country, particularly in areas where Safeway is involved.'' Where Safeway is not involved, he said, ''it seems possible to reach an agreement.'' He noted that while health care was also the major issue in strikes last year against Kroger in West Virginia, Ohio, and Kentucky, and three supermarket chains in St. Louis, the union was able to protect current health care benefits in settling the walkouts.

Peter Hurtgen, director of the Federal Mediation and Conciliation Service, who has been involved in mediating the California grocery dispute, told BNA that whether there will be more work stoppages in the retail grocery industry this year will be determined primarily by local factors, as well as how things turn out at the California grocery chains.

Talks Not as 'Problematic'

In general, Hurtgen said he does not expect bargaining this year to be as ''problematic'' as it was in 2003, when there were major disputes at General Electric, Verizon, and the grocery chains, but he added that ''any given dispute can become difficult.'' No negotiations on this year's calendar have the ''breadth and scope of potential economic harm'' to the U.S. economy that was seen in 2003, he said.

Hurtgen said he does not expect the struggle that is taking place in the supermarket industry to be repeated in other industries. ''There could be sleepers, however, that could cause regional difficulties,'' he added.

''How tough bargaining [overall] will be has to do with a troubling dynamic that is evolving,'' according to Rick Bank, director of AFL-CIO's Center for Collective Bargaining. Because of pressure from Wall Street, employers are attempting to ''squeeze every last nickel out of costs,'' particularly labor costs, he said. ''There does not seem to be the same recognition that there used to be that treating employees fairly is part of good corporate governance.''

Ed Potter, president of the Employment Policy Foundation, a research and educational organization focusing on workplace trends and policies, said economic tensions will continue into 2004 bargaining as companies seek to reduce costs and at the same time increase productivity. Bargaining will be driven by the fact that corporate profits comprise a declining share of total business output, as well as price pressures from competition and rising health care costs that are out of control.

According to the Economic Policy Institute, in the current recovery, growth in labor compensation has accounted for 29 percent of total income growth, compared with an average of 61 percent in previous recoveries. In contrast, profits' share of total income growth has accounted for 46 percent in the current recovery, compared with an average of 26 percent in previous recoveries.

Wage Restraint Predicted

The weakness of the labor market has led to restraints on wage increases, and economists participating in BNA's annual economic outlook survey foresee little change in 2004 on the wage front. The economists on average predicted wage and salary increases of 3.1 percent from the fourth quarter of 2003 to the fourth quarter of 2004, with a range of 2.5 percent to 4 percent.

The analysts also anticipate that continued productivity gains will restrain unit labor costs, but they do expect those costs to increase, albeit by a modest 1 percent on average. Unit labor costs fell by 2.4 percent in 2002 and, on a year-over-year basis, declined in each of the first three quarters of 2003.

Hurtgen said he expects a wage pattern incorporated into several contracts in 2003 to be repeated in some contracts bargained this year. Last year, in both the auto negotiations and those at Verizon, the parties negotiated lump-sum payments in the early years of the agreements and

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