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Model Struggle, Yes. Model Contract, No.

Lance Compa

Paul J. Baicich

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Abstract

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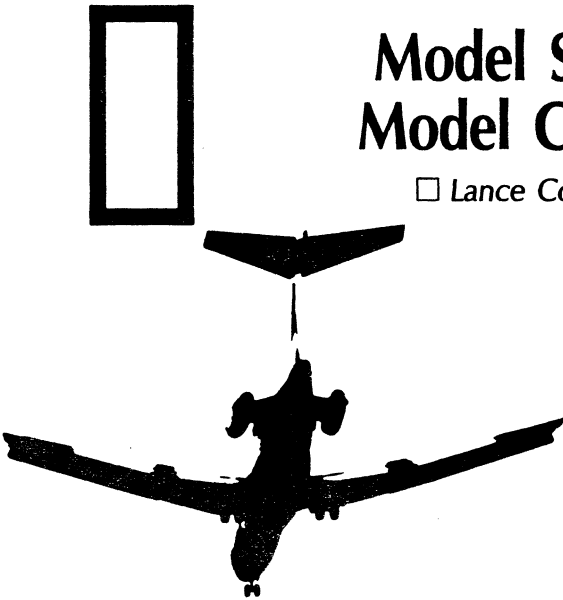
The IAM District 100-Eastern settlement cannot be all things to all people. While the agreement contains many positive features, we are skeptical of claims that it constitutes a "model" for the labor movement to emulate in other concession bargaining situations. Our criticisms are grounded, however, in partisan pro-labor beliefs and in an appreciation for the struggle and sacrifices made by the leaders and rank and file of IAM District 100.

Keywords

IAM, District 100, Eastern Airlines, negotiations, critique

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□ Lance Compa & Paul J. Baicich



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In These Times calls it the fruit of "militancy and imaginative bargaining"; *U.S. News & World Report* calls it "a quiet revolution in the way workers and their employers reach agreements." *The New Republic* sees the contract as an example of "constructive industrial bargains that simultaneously benefit labor, industry and the wider society" and asks, "Can labor move to this higher ground?" Felix Rohatyn lauds it on *Wall Street Week*, and IAM President William Winpisinger calls it a concessionless contract.

The IAM District 100-Eastern settlement cannot be all things to all people. While the agreement contains many positive features, we are skeptical of claims that it constitutes a "model" for the labor movement to emulate in other concession bargaining situations. Our criticisms are grounded, however, in partisan pro-labor beliefs and in an appreciation for the struggle and sacrifices made by the leaders

Lance Compa is on the staff of the United Electrical, Radio & Machine Workers of America (UE). Paul Baicich is a shop steward at IAM Local 796 at Washington International Airport.

and rank and file of IAM District 100.

IAM District 100 has displayed a tenacity and inventiveness all too rare in the labor movement. For three years leading up to the December 1983 settlement, determined leaders and a responsive rank and file repeatedly turned back Eastern Air Lines' concessions demands. The company's demands were accompanied by an unrelenting stream of anti-union threats, ultimatums and attempts to split the members from their officers. The union's resistance grew out of creative efforts by District leaders to educate and mobilize the members, a telling contrast to the confusion that surrounds many labor struggles.

In many ways the December agreement that is the subject of this exchange is a product of the District's exemplary struggle. While the settlement's "employee involvement" and "workplace democracy" innovations are the focus of most attention, many features are praiseworthy from a traditional bargaining point of view. Future scheduled pay raises for 1984 remained intact. The one-year term leaves the union a quick way out of the contract's uncharted territory if it turns out to be a mistake. There was no two-tier wage system installed, and the settlement contained no benefit cuts or health insurance cost-sharing—standard elements of other recent concessions contracts in the airline industry and elsewhere. No speed-up arrangements and no harsher absenteeism program were agreed to by the union; hard-won working conditions remained protected. And one of the innovations—the provision calling for EAL to give the most intimate business and financial information to the union—is probably the most advanced in the labor movement. These settlement terms are in contrast to Eastern Chairman Frank Borman's "October ultimatum," where he demanded straight pay and benefits cuts along with two-tier wages and health premium co-payments and threatened a Continental-style bankruptcy to get them.

All this is hugely to the union's credit. Our doubts arise, however, when we move off these basic trade union elements to the sexier "power-sharing" provisions of the agreement. Two comments by top Eastern management should give labor activists pause: Vice-President Jack Johnson's description of the agreement as "too good to be true," and Chairman Frank Borman's declaration, "We'd prefer to have gotten it all at once, but that's just not realistic. This is a first step."

We would summarize our objections to the proposition that the IAM-EAL settlement is a "model" for the labor movement as follows:

- 1) The wage concessions were too expensive for workers, and the stock ownership plan worked out in return for the wage cuts is unsound.

- 2) The bargaining situation at Eastern was unique, so its results cannot serve as a model.

3) The "employee involvement" and "workplace democracy" provisions of the settlement are exaggerated; there is the appearance of power-sharing, but no substance.

4) Even if substantial power sharing could be attained, the concessions-for-participation trade-off is not a solution to labor's crisis; it just diverts workers from the real job in front of them.

1) The Wage Investment Program

Our criticisms of the Eastern settlement begin with the sheer scope of the 18% pay withholding for stock purchases. An average Ramp Serviceman at Eastern (a "baggage handler" at the midpoint of the hourly pay range—mechanics are paid more, cleaners less) is giving up over \$100 per week in gross pay to the Wage Investment Program, a substantial cut in the standard of living of EAL workers.* At the end of the 1984 program, the average IAM member will forego over \$5,000 of wages. About one-fourth of this sum will be diverted to buy shares in a common stock trust; the rest will go to purchase shares in a new preferred stock trust.

Eastern is issuing 12 million new shares of common stock for the Wage Investment Program, which will amount to 25% of total common. So to begin with, workers are getting watered stock. Assets and revenue that underpinned 36 million shares on January 1, 1984, will be supporting 48 million shares on January 1, 1985

If the common stock price holds up, employees could at least recover their income losses by selling their stock. But workers are blocked from selling their common stock until 1986, a painful delay for many anxious to recoup their lost wages. If a large number of workers sell when the shares are unblocked, the stock price will plummet. Workers who hold on to their shares will thus become victims of their co-workers who dumped out immediately, giving a new twist to the old problem of divisions in the working class.

The preferred stock trust arrangement is equally problematic. Most preferred stocks pay a fixed rate of return. For the security of a fixed rate, the investor foregoes a chance at windfall gains, but avoids the risk of sharp losses, while the company gets to keep the extra profits from superior results. Eastern currently has three series of such conventional preferred stock outstanding, worth nearly \$200 million.

The Eastern settlement provides no fixed rate of return on the employees' stock trust. It is really a profit-sharing plan, which will pay employees out of 20% of net profit *after* paying holders of senior preferred stock and other creditors. In its sales pitch to employees on the settlement, Eastern made much of the "liquidation preference that places employees' preferred stock holdings ahead of common

* An unfortunate by-product of this huge pay cut is the proliferation of "overtime junkies" at many stations and departments in the Eastern system.

stock in case of bankruptcy and liquidation of the company." But management's explanations failed to add that the workers' class of preferred stock comes *behind* secured creditors, suppliers and holders of conventional preferred stock in order of payment. As laden as Eastern is with debt to secured creditors, liquidation could leave workers holding a bag of worthless stock.

2) Unique Circumstances Preclude "Model"

The circumstances surrounding the Eastern settlement cannot be replicated in other collective bargaining situations—the first requirement for a model. There was an unusual balance of forces at work, where each side's bargaining advantage contained a downside risk if exercised. Eastern could try to make good on its bankruptcy threat, liquidate its assets and pay off its creditors. But would those same creditors, the banks that financed EAL's spending binge for new aircraft, allow it? They would hardly be pleased to see 278 aircraft dumped on the market—191 of them less than ten years old.

After all, Boeing, Lockheed and McDonnell-Douglas were into the banks for billions of dollars in loans; how would the loans be repaid if the manufacturers could not sell their planes coming off the production lines?

The company could test the Continental solution and seek to operate in spite of a strike, but it faced the possibility of an effective strike, especially at its Miami operations center where IAM Local 702 had done such a superb job educating and involving its membership. The union, on the other hand, risked a Continental outcome if it struck. There was no certainty that its picket lines would shut down EAL flights for long, with the industry in turmoil and many airline unions in a panic.

With all these uncertainties, normal collective bargaining was turned inside-out. Instead of a balance-of-power *blocking* concessions, the peculiar balance at work here *promoted* concessions from each party. In practically every other concession bargaining situation, employers enjoy a decided advantage. They can extract unilateral concessions by applying superior force. The Continental solution, like the disasters at Phelps-Dodge, McDonnell-Douglas and Greyhound, are testaments to this harsh reality. They, not the Eastern stalemate, are more typical of what unions face today. Those employers would scoff at union demands for "employee involvement" and "workplace democracy" in exchange for economic concessions. The labor movement would be better served devising "models" to address that kind of corporate power instead of promoting the anomalous Eastern settlement as a model.

3) Superficial "Power-Sharing"

Many labor activists argue that concessions can be a positive price worth paying for union participation in investment, pricing, plant location and other major management decisions, as well as for more say in the day-to-day running of the business. Here is the real breakthrough in the Eastern model: the "power-sharing" features of the agreement that give workers a voice in managing the company.

We find it misleading to characterize Eastern's concessions to the union as power-sharing. One finds repeated reference in the settlement to the union's right to review, advise, participate and appeal, but little in the way of effective power. The four worker seats allotted to the IAM District 100, the Air Line Pilots Association (ALPA), Transport Workers Union (TWU) Local 553 and non-union salaried employees on the 20-member Board of Directors (28, counting advisory directors) do not reflect the 25% employee stock ownership. Furthermore, that salaried workers chose the president of a private investment firm and ALPA chose a prominent Washington corporate lobbyist as their representative to the Board only accents the illusion of worker "power" via board of director seats.

Eastern Air Lines' 1984 proxy statement warns that the two *bona fide* union representatives on the Board—IAM District 100 President Charles E. Bryan and TWU Local 553 President Robert V. Callahan—may have to withdraw from decisions involving labor-related matters "because of conflicting obligations." In effect, Bryan and Callahan may be precluded from casting their directors' votes in just those areas where their members have the most at stake. We do not want to be misunderstood on this point of criticism: there *is* a potential conflict, and a union leader's first obligation is to his or her union and its members, not to the corporation and all its stockholders. We think it is fine that Charlie Bryan sit on the Board, get a feel for its politics and give them a piece of his mind, but no one should see this as an exercise of worker power.

Management also maintains a 3-to-2 majority on the pension fund board of trustees, even though 100% of the fund is arguably deferred wages that workers should control totally. On key corporate issues such as Eastern's business plan, its financial restructuring and its capital expenditures, the union can review, comment and register disapproval, but the upshot of the union's disagreement is that "Board minutes shall reflect the specific dissent¹ position and rationale presented by the union." In the end, in other words, the union proposes—and the company still disposes.

4) The Fallacy of "Workplace Democracy"

It may be argued that the technicalities of the Wage Investment Program, the stock trusts, union participation in management and other nuts-and-bolts clauses of the Eastern settlement are really secondary issues. The important thing is the principle, the break with the sterile economism of "porkchop unionism" and the creative move toward workplace democracy and worker control. Like Frank Borman, a union advocate of the IAM-Eastern settlement and its concessions/participation trade-off can say it's just a first step.

Our doubts persist. The limited participation features of the Eastern settlement are seen as revolutionary precisely because they are as much as can possibly be gotten from a big company like Eastern. Workplace democracy and worker control are devoutly to be wished, but they are contradictions in terms in a capitalist society. They are as unattainable as full employment—another favored slogan of labor activists—without a fundamental restructuring of our economic system.

What passes for workplace democracy today boils down in practice to employee buyouts of aging, non-competitive firms on the periphery of the economy, quality circles and quality-of-work-life charades, labor-management productivity committees, profit-sharing and stock ownership plans, symbolic seats on boards of directors, a look at the company's books with a right to "review" and "advise," and like measures to promote the appearance of enlightened managers and empowered workers. All the while, real control stays firmly in management hands.

The big corporations are tightening their grip on the economy and proceeding apace with job-slashing, mergers, robotization, runaway shops, strikebreaking, wage-cutting and other steps to destroy the bargaining power of organized labor.*

The conflict between labor and management is not ended by employee-participation or workplace-democracy schemes. It just takes on different forms. Even in the most enlightened of these experiments, management's superior power has always reasserted itself. Linked to a labor movement *in the ascendant*—organizing new workers, winning new wage and benefit gains, exercising substantial

* There is nothing new in any of this, contrary to the claims of both labor and management proponents of such "innovations." In the 1920s, the "New Capitalism" was all the rage, with labor leaders and management calling for a new spirit of cooperation in the workplace that would make industrial conflict obsolete. Cooperation would guarantee productivity. Productivity would guarantee profits. Profits would guarantee jobs and rising wages. Workers would then buy stock in their companies, and the vulgar division of society into workers and capitalists would be replaced by one big family of owner-operators. Unions could help their members in this grand scheme, not by fomenting strife, but by making the success of the firm their paramount task. Those unions that stood in the way, stuck to the old adversarial attitude, were dinosaurs doomed to extinction. Sound familiar?

political and legislative power—there may well be a place for carefully developed programs of employee participation and workplace democracy. But when the corporations are running roughshod over workers and their unions, breaking organizing campaigns and strikes, cutting pay and benefits, winning anti-labor laws and court decisions, to raise the banner of employee involvement and workplace democracy is utopian and diversionary.

It is utopian because our economic system is based on management control of the workforce and the workplace. American management is not going to concede real power, least of all when it can extract cost-saving concessions by the exercise of superior bargaining strength, without any *quid pro quo*.

The union quest for workplace democracy is also a diversion because it focuses attention and energy on the problems of one company, rather than the problems of all workers in the industry and elsewhere. The Eastern settlement fails to address the problems of unions in the airline industry—deregulation, union-busting, and the abuse of bankruptcy laws—let alone the problems of other American workers suffering under the ravages of Reaganomics.

An emphasis on "workplace democracy" or "worker control" in the single enterprise binds workers tighter to the process that causes their problems in the first place. Instead of being a member of a union, a worker in a trade, an employee in an industry or more broadly a working-class person with interests that unite him or her with other workers in our society, each worker becomes a tiny entrepreneur. Wrapped up in the narrow concerns of the business, employees will now be fretting over the price of their stock, the amount of the dividend, the need to cut costs, raise productivity, beat the competition. What role can such an inner-directed group of workers play in the broader social and political struggles of the IAM International in particular, and of the American labor movement in general.

Perhaps the biggest risk in positing the concessions/participation trade-off at Eastern as a model for the labor movement is that trade unionists, in their anxiety for innovative solutions to the wrenching problems that beset them, will abandon the basics: tough bargaining to protect and advance living standards, careful strike preparation and militant strike conduct, an effective steward system and grievance procedure to solve workplace problems, a healthy skepticism of management motives, a striving for industry-wide organization and contract settlements, and independent political action for legislative and electoral gains. There is a strong allure to a "new strategy" of trading concessions for power-sharing, as if it will somehow ease the pain.

None of this is meant as an indictment of IAM District 100. It

would not be fair to expect a single union, even a progressive, militant group like IAM District 100, to turn back the anti-labor assaults being mounted by the airline companies and the corporations generally. That task belongs to the labor movement and its allies in a political struggle for power in the whole of society. Unfortunately, with only 20% of the work force organized, with weak bargaining power, shaky political clout and little public support, the labor movement is in no condition to mount such a struggle.

That is the situation that needs turning around, *not* the substitution of "workplace democracy" for "porkchop unionism." In this effort, there is indeed an IAM District 100 model for the labor movement to emulate: its exercise of rank-and-file democracy, a leadership that stays close to the members and emphasizes membership education and mobilization, its no takeaway stance on industry standards and working conditions, the creative use of research and pro-union consultants, and the rest of its determined struggle of recent years. But the December agreement and its trade of wage concessions for stock ownership, profit-sharing, directors' seats and a say in running the business is not a model. As a basic strategy for labor, it falls into a management trap which seeks to make working people agents and partners in the economy's crisis. A better strategy is to copy the genuine IAM District 100 model and look for a way out.

Conclusion

An important prop of the IAM settlement with Eastern was the approval by the company's major lenders of the company/union arrangements through 1984. This one-year grace period dovetails nicely with the expiration of the IAM contract in December, 1984. We can reasonably expect that EAL management will be coming back to the workers to go through their pockets again; after all, as Frank Borman said, the latest contract was just a "first step."

Will the company be holding out additional management concessions as a *quid pro quo* for further pay reductions? We suspect that Eastern exhausted its supply of carrots in the form of employee involvement and stock ownership proposals. The company will more likely come in this time with the big stick: give us more money, or we'll go Chapter 11 and operate without you. Of course, the company will not have to take this position if the union succumbs to management assumptions and adopts management's viewpoint that labor costs are the root of the company's problems.

Eastern has no intention of sharing real power with its workers. The company wanted a fast \$300 million, and was willing to go through certain contortions to get it—issuing watered stock, opening up token labor seats on the board, permitting a business review process, etc. What the company really wants is to share the *problems*

created by its own mismanagement. By shifting the burden of management mistakes to the workers' shoulders, the company can press them to bail management out. The basic issue in the Eastern settlement, whose outcome is yet in the balance, is whether the union has boxed itself into a collusionist posture where it is constrained by management logic to bail the company out with concessions on *union* wages and conditions, or whether it can stay on the offensive to force the company into needed reforms of *management* practices, especially in the areas of equipment expenditures and sloppy management.*

Given the District's overall past record, it is not likely to fall into a management trap, and will resist further concession demands by Eastern. In the end, the December 1983 agreement heralded as a revolution in collective bargaining may only have postponed for a year an old-fashioned showdown between a militant union and an anti-labor management. In that case, what the union gained in 1984 was a year's time, not a solution to its members' problems. And that time was very expensive.

* A recent "best and worst" survey by *Fortune* magazine asked corporate executives, board members and financial analysts to rate 250 U.S. companies. It found that EAL ranks 231st in "innovativeness," 245th in "community and environmental responsibility," 247th in "quality of management," 247th in "ability to attract, develop and keep talented people," 249th in "use of corporate assets," 250th in "long-term investment value," and 249th overall. These are the views of Eastern management's peers, not union critics.