



Cornell University
ILR School

Labor Research Review

Volume 1 | Number 5
Fighting Shutdowns

Article 8

1984

The IAM 100 "Model": A Debate

Jack Metzgar

This Article is brought to you for free and open access by DigitalCommons@ILR. It has been accepted for inclusion in Labor Research Review by an authorized administrator of DigitalCommons@ILR. For more information, please contact catherwood-dig@cornell.edu.

© 1984 by Labor Research Review

The IAM 100 "Model": A Debate

Abstract

[Excerpt] The last issue of Labor Research Review was devoted to what we called "the IAM District 100 model" for fighting concessions. Six articles over more than 90 pages explained the complex and sophisticated campaign the Machinists waged at Eastern Airlines to win a 32% wage increase and to preserve existing work rules. Three times—in March, June and October of 1983—District 100 Machinists had turned back the demands and threats not only of Eastern, but of the banks to which Eastern owes millions—among them giants of finance like Chase Manhattan and Citibank.

But as the issue, which we called UP AGAINST THE GLOOM AND DOOM: Aggressive Unionism at Eastern Airlines, was ready to go to the printer, IAM 100 finally relented and gave up a concessions contract at the end of the year.

What we were about to present to our readers as a model of union struggle had just been defeated. After we digested the sick feelings in our stomachs, we decided to go with the issue the way it was. On reflection we still felt that the way IAM 100 conducted itself in an impossibly difficult bargaining situation was a beacon for the labor movement in these troubled times.

Keywords

IAM, District 100, Eastern Airlines, Chase Manhattan, Citibank

7

THE IAM 100 "MODEL" a Debate



INTRODUCTION

The last issue of *Labor Research Review* was devoted to what we called "the IAM District 100 model" for fighting concessions. Six articles over more than 90 pages explained the complex and sophisticated campaign the Machinists waged at Eastern Airlines to win a 32% wage increase and to preserve existing work rules. Three times—in March, June and October of 1983—District 100 Machinists had turned back the demands and threats not only of Eastern, but of the banks to which Eastern owes millions—among them giants of finance like Chase Manhattan and Citibank.

But as the issue, which we called *UP AGAINST THE GLOOM AND DOOM: Aggressive Unionism at Eastern Airlines*, was ready to go to the printer, IAM 100 finally relented and gave up a concessions contract at the end of the year.

What we were about to present to our readers as a model of union struggle had just been defeated. After we digested the sick feelings in our stomachs, we decided to go with the issue the way it was. On reflection we still felt that the way IAM 100 conducted itself in an impossibly difficult bargaining situation was a beacon for the labor movement in these troubled times.

The District 100 Machinists did their homework. Their contract research team studied the company and its problems in detail, forced

the company to give it every piece of information imaginable, and, in the end, understood the company as well or better than either Eastern management or its bankers. The leadership educated the district's 13,500 members in the subtleties of corporate finance in a way few International or local unions have ever even dreamed of, and then mobilized that membership around two successive strike threats which backed down and humiliated Eastern and its management. And, through it all, they exposed a series of company lies and distortions that destroyed Eastern's credibility and defanged an anti-union press and general public opinion.

The courage, creativity and solidarity displayed by the District 100 Machinists in the course of their struggle are as important a part of the historical record as their final defeat. And their struggle is no less a "model" of union strategy and tactics simply because in the end they did not succeed in protecting themselves from all harm.

But the IAM 100 model doesn't end with the three victories it achieved. It is present even in the defeat. The concessions contract the Machinists finally agreed to is itself distinctive and pathbreaking. It deserves more careful analysis, and labor leaders faced with similar situations should watch carefully how certain provisions in this contract work out over the next several years.

Without getting bogged down in the specific details, we think it is worthwhile to begin debating some of the general principles raised by that contract. To this end, *Labor Research Review* asked the authors of the following articles to express their views of these principles, pro and con. The contract summary below is given in order to help shape the debate around these principles.

1) *If a company is in danger of going bankrupt, should the union grant concessions?*

The easy answer to this is an obvious "yes." But what does "in danger of going bankrupt" mean? Eastern had used the threat of bankruptcy as a club against the Machinists since 1975, when an initial wage concession had been granted. The union's research showed that management had deliberately cultivated its negative financial condition through accounting tricks and through a high-debt, fast-track investment program. Time and again, the union's leadership countered Eastern's bankruptcy scenarios (what the Machinists came to call "the gloom and doom") with two points:

- a) Eastern had systematically exaggerated its negative financial condition.
- b) Insofar as Eastern was in financial trouble, it was not because of workers' wages but because of an irrational plane-buying spree which served the interests not of Eastern but of Boeing and of the bankers who were interlocked as lenders and

directors of both Eastern and Boeing.

As District 100 President Charles Bryan said in the fall of 1983, "There's no question that they have a financial problem. Our point is that it's one of their own creation and they must adjust the causes and not just keep coming to us to remove the effect or to subsidize the effect."

Few unions have developed as complete and sophisticated an understanding of their employer as IAM 100 has of Eastern and its bankers. In the end, based on unrestricted access to company documents and books, the union leadership concluded that Eastern was indeed in immediate danger of bankruptcy.

Thus, the union's decision to grant concessions was not based on a vague fear of "the danger of bankruptcy," and certainly not on any trust in the company's description of itself. It was based on a solid understanding of the company's condition and on a strategic assessment of the union's situation.

At that point, however, a union bargaining with a single company in an organized industry is not necessarily faced with an inevitable choice for concessions. It must ask itself what its concessions will do to industry standards, and whether there is any reason to think that allowing one's employer to go bankrupt would benefit union workers in the industry as a whole. Conversely, it must assess how a refusal to grant concessions which resulted in bankruptcy would affect other union and non-union workers both inside and outside the industry.

2) Is the way a wage cut is structured as important or even more important than the size of the cut?

The size of the pay cut the District 100 Machinists gave up—18%—is unusually large, even in the concessions environment of the last several years. But the union structured this pay cut in a way that maintained two important principles:

a) The existing wage rates, including scheduled increases, were preserved and thus the industry standard is intact. The 18% will be deducted from each worker's paycheck from January 1, 1984, to January 1, 1985. At the end of 1984, the deductions will end and each worker will begin being paid at a higher rate than when the deductions began.

b) Because the wage giveback is in the form of a cash deduction rather than a rate reduction, the pay cut is not a "labor cost savings" but a direct infusion of cash into the company. It clearly goes, in visible amounts, from employee to employer. Only a fool would give large amounts of money to a company without receiving something in return. IAM 100 is no fool. The Machinists will receive a total of \$21.6 million in common stock and \$65.7 million in a special form

of preferred stock. The stock will be allocated to individual workers based on their specific "investment" in the company; the stock is placed in a "blocked" trust until 1986 and 1987, when workers can either take possession of their allocated shares, sell them or leave them in the trust. District 100 will elect a trustee who will vote the IAM trust's stock at shareholders meetings.

IAM bargainers invented the special form of preferred stock which they call "non-cumulative, participating, convertible, preferred stock." This is a very complicated concoction, but the upshot of it is this: If Eastern eventually goes bankrupt, holders of this preferred stock will be paid before holders of common stock; thus, about two-thirds of the Machinists' investment is protected in case the worst happens. If, on the other hand, Eastern stays solvent, holders of this preferred stock are guaranteed to receive the full value of the stock if they hold it long enough.

It is worth noting that District 100 did not originally seek to become stockholders and to take an equity position in the company. Rather, the IAM bargainers wanted the pay deductions to be a loan, which would be paid back with 10% interest by a specified date. In either case, as either lender or stockholder, the Machinists arranged a very different kind of pay cut than the standard wage-rate reduction which has become common over the last several years and for which the union in most cases has received nothing in return.

3) Can the union win effective power over management as a trade-off for wage concessions? If it can, is management control (and responsibility) something that unions should be seeking?

The District 100 Machinists saw Eastern's financial problems as deriving from a faulty business plan and investment program. Thus as part of their new agreement with Eastern, they demanded and won the *right to veto*, on a one-time basis only, both Eastern's 1984 business plan and the financial restructuring program made possible by the union's wage concessions.

On a continuing basis, the union also won the following management rights:

- the right to review the company's business plans, major capital expenditures and expansions and "to participate in the company's decision-making process" in these areas.
- the right to appeal any company plan or decision directly to the board of directors.
- unlimited access to all company financial information.
- a right to participate in the design of new facilities and in the re-design of existing facilities.

- a seat on the board of directors.
- a requirement that the company disclose a full list of all the consultants it hires.

In addition to these direct management rights, the union agreed to set up several "joint review" committees which will look at "labor-management relations," "supervisory and lead roles and functions," "employee benefit plan administration" and "job security and reduction of contracting out work." The union preserved its previously won joint control of its pension fund (though Eastern still has a majority on the pension fund's board), and further committed itself to the implementation of an "employee involvement" program.

Most of these "joint review" committees are related to how the union handled management's now standard complaint that "inflexible" union work rules unduly restrict management in directing the work force and therefore reduce productivity. Unlike many other unions which have allowed extensive reorganization of job classifications and work tasks as part of concessions contracts, IAM 100 refused *any* changes in its existing work rules.

Instead, it *pledged* to management that it would help the company achieve a 5% increase in productivity. The union has an extensive file on inefficient management practices, including excessive supervision and irrational use of outside contractors. The membership knows how to increase productivity if management will just get off their backs and if they can be sure that productivity growth will not eliminate their jobs. The union hopes to use the joint review process on a day-to-day basis to trade productivity increases for reductions in contracting out and for the withdrawal of excessive supervision.

Thus, IAM 100 has involved itself in nearly all aspects of Eastern's management—from the shopfloor to the boardroom. The question is how effective this involvement will be in turning the company around—both its finances and its labor relations. And even if effective, should a union be this deeply involved in "running the company"? Over time will they become a "company union" in the sense that they concern themselves with company profits and "competitiveness" to such an extent that they lose solidarity with and ignore the interests of their union brothers and sisters at other companies?

More broadly, are the kinds of trade-offs IAM 100 won at Eastern what other unions in tough bargaining situations should be pursuing? Is the "IAM 100 model" a model for labor in the 1980s? *Labor Research Review* posed these questions to the authors of the following articles.

Jack Metzgar