

## Unions Grow Militant Over Health Care Costs

By John Tuason

*Summary: Union strike threats increasingly focus on rising health care costs. What's causing the spike in spending? Unions might look to their own actions for some answers.*

Tense union negotiations and major strikes against U.S. employers characterized 2003 and the first half of 2004. In California almost 60,000 grocery workers went on strike for nearly five months. General Electric employees across the country walked off the job for two days, and striking union members shut down Los Angeles' transit system. Threatened strikes also forced concessions from Verizon, DaimlerChrysler, Ford and General Motors.

In every case, union militancy was brought on by a larger dilemma facing employers and employees nationwide: the rapid escalation of health care costs. The double-digit increases in insurance premiums that have hurt business and helped prolong high unemployment now affect labor-management contract negotiations. Instead of bargaining over wages and working conditions—traditional objectives that labor finds increasingly diffi-



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**With rising health care costs, America's workers are understandably concerned about cutbacks in medical benefits and higher insurance premiums. But do labor unions help matters by forcing employers to bear most of the burden, or are unions exacerbating the problem?**

cult to achieve and that often are unjustified in today's economy—union leaders now dig in to preserve health care benefits.

Almost every labor union has negotiated health benefit-related issues in recent years, and discussions of insurance premiums and deductibles are commonplace at union conventions. The AFL-CIO sponsors regional conferences to educate

union representatives on health care policy and employer options. Jobs With Justice (JWJ), a nonprofit with ties to several national unions, advocates bypassing employers altogether and expanding Medicare to insure all Americans. JWJ and the Service Employees International Union sponsored last month's rally "Bridge the Gap for Health Care for All," which featured union activists marching

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across major bridges throughout the U.S.

“Rising health care costs mean that health care benefits and who should pay for the increases are going to be an issue in almost every set of negotiations until those increases disappear,” said Rick Banks, AFL-CIO director of collective bargaining, to *The Washington Post*. “And that’s not going to happen anytime soon.”

But although union leaders and members share a concern about rising health care costs, they often disagree on solutions. Union militancy is common, but some union leaders prefer to negotiate more constructive arrangements with employers. Others (like JWJ) call for government programs that would make employer-sponsored plans unnecessary. Some argue that the solution lies within unions themselves: just like employer-sponsored insurance plans, union-sponsored plans also can saddle workers with large premium increases. Ironically, the wage and benefit demands of unionized health care workers themselves increase industry costs—thereby contributing to rising insurance premiums for all Americans.

### California’s Grocery Strike

Late last year three southern California grocery chains—Albertson’s, Kroger and Ralph’s—were in a tough spot. To meet their rising costs and be able to compete adequately with large non-union retailers like Wal-Mart, the chains wanted their employees to begin paying a portion of their medical insurance premiums. Although employee contributions to medi-

cal plans are common at many workplaces and the grocers’ proposal ensured that employees would continue to receive generous insurance coverage, the United Food and Commercial Workers (UFCW) balked. The union wanted the grocers to give employees a say in choosing insurance plans and to cover unexpected cost increases in exchange for employee contributions.

A 59,000-worker strike lasted nearly five

months before the UFCW agreed in February to a contract not much different from the one offered by the California grocers the previous October. Most current employees were promised free health insurance for another two years, but the heavy burden of increased costs was shifted to new hires. New employees now receive lower wages and must wait one year before becoming eligible for medical insurance. New employees’ families are cov-

## Members of Jobs With Justice

American Federation of Labor - Congress of Industrial Organizations (AFL-CIO)

American Federation of State, County and Municipal Employees (AFSCME)

American Postal Workers Union

American Public Health Association

Bread for the World

Coalition of Labor Union Women

Communications Workers of America (CWA)

50 Years is Enough Network

Free Time/Free People Project

Gray Panthers

Hotel Employees and Restaurant Employees International Union (HERE)

Laborers’ International Union of North America (LIUNA)

International Association of Machinists and Aerospace Workers

International Brotherhood of Teamsters

International Union of Electrical, Salaried, Machine and Furniture Workers

National Council of Senior Citizens

National Education Association (NEA)

National Family Farm Coalition

9 to 5, National Association of Working Women

Organizing Institute of the AFL-CIO

Paper, Allied-Industrial, Chemical & Energy Workers International Union

Pride at Work

Service Employees International Union (SEIU)

Union of Needletrades, Industrial and Textile Employees (UNITE)

United Auto Workers (UAW)

United Church of Christ

United Electrical Workers

United Food and Commercial Workers International Union

United Mine Workers of America

United Paperworkers International Union

United States Students Against Sweatshops

United States Student Association (USSA)

United Steel Workers of America

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**Labor Watch** is published by Capital Research Center, a non-partisan education and research organization classified by the IRS as a 501(c)(3) public charity. Reprints are available for \$2.50 prepaid to Capital Research Center.

ered only after 30 months.

Fear of repeating the California strike led officials of the Safeway and Giant grocery chains in the Washington, D.C., area to quickly negotiate a contract in March. Like the California contract, it protected current employees' health care benefits but cut new workers' salaries and benefits over the next six years. The grocers were pleased to compromise with a two-tiered system that met union leaders' short-sighted goals.

"As long as we got to the required economic outcome, we were not going to be bogged down by how we did it," the grocers' negotiator Harry Burton told *The Washington Post*.

The desperation of grocers—signaled by other concessions made to unions in New York, St. Louis and West Virginia—has union leaders feeling confident. Burt Flickinger III, managing director at New York-based Strategic Resource Group, told *Progressive Grocer* that he anticipates this year "a whole series of protracted strikes from the West Coast to the East Coast. ...The analogy would almost be like the United Steel Workers striking big steel between 1986 and 1987."

But the phenomenon is not limited to grocers. In January 2003, a two-day protest strike involving nearly 20,000 employees of General Electric shut down 48 manufacturing plants in 23 states. It was the first national strike at GE since a 104-day strike in 1969.

The unions' complaint? GE increased the share of medical costs that employees must pay by about 20 percent—a relatively small burden given the 45 percent increase in the company's health care costs from \$965 million in 1999 to \$1.4 billion in 2002. Although GE continues to offer one of the most generous employee benefits packages, the International Union of Electronic Workers-Communications Workers of America claimed that GE had "provoked a strike through its greed."

Last October and November, a 35-day strike by mechanics for Los Angeles County's transportation system stranded about 500,000 daily commuters. The Amalgamated Transit Union blamed the Metropolitan Transportation Authority (MTA) for the dire condition of the union-

controlled health fund. It demanded larger contributions from the MTA to cover rising medical costs. The MTA's annual \$17 million contribution to cover 2,000 employees and retirees had not increased in more than a decade, but the MTA cited an independent audit finding gross mismanagement at the union that caused the health fund's difficulties.

The strike resolved nothing. Both sides finally agreed to submit to a panel of arbitrators, who last month resolved the dispute by calling for a \$4 million increase in MTA contributions to the health fund. MTA would not be responsible again for rescuing the fund, as it did last year with a \$4.7 million special payment. As medical

called off the strike just hours before it was set to begin and returned to the negotiating table. A month later, negotiators forged an agreement that enables Verizon to shoulder increasing medical costs. Current employees and retirees continue to be exempt from paying insurance premiums but must pay higher co-payments and deductibles.

Also last year, United Auto Workers (UAW) president Ron Gettelfinger earned high marks when he successfully held the line on medical benefits in contract negotiations with the Big Three automakers—DaimlerChrysler, Ford and GM—without striking. The companies agreed to continue covering all medical insurance pre-

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insurance premiums increase, the union will now have to choose between cutting benefits and increasing employees' share of the premiums—the same plight faced by most employers.

### **A Healthier Approach**

Some union leaders have opted for a more cooperative approach that relies on collective bargaining to win concessions from employers on employee health benefits. Their success may influence other union leaders' decisions on whether or not to strike.

Last fall, 78,000 union employees and officials at Verizon, the Communications Workers of America and the International Brotherhood of Electrical Workers braced for a long strike. The day before the union contracts were set to expire, union members cleared their lockers and desks, and Verizon had 30,000 temporary workers and security guards on alert. Telephone customers throughout the Northeast and Mid-Atlantic anticipated repair and installation problems for the near future.

But despite their threats, union leaders

miams while also granting small wage increases. In return the unions agreed to measures aimed at improving productivity and pledged not to resist the closure of several plants.

Gettelfinger broke with tradition by giving advance notice that the UAW had no intention of striking. Typically the UAW chooses one of the Big Three as a "strike target" to motivate the other two companies to negotiate. But with the companies under pressure from Wall Street to cut costs and compete with foreign automakers, Gettelfinger rightly guessed that the Big Three would allow some concessions to achieve their long-term goals. He succeeded not only in protecting medical benefits, but also in securing company pledges to work more with unionized parts suppliers in the U.S.

"If we want to keep manufacturing jobs in the United States... then we can't be fighting management," UAW vice president Bob King told Wall Street investors, according to *Labor Notes*. "If we have an adversarial relationship, then we'll see more work go overseas."

## What Labor Unions Are Saying About Health Care

"Health care costs present a particular challenge to the manufacturing sector. Many older manufacturing firms, like the Big Three auto companies, have large numbers of retirees and older active workers. In contrast, newer firms, like the Japanese transplants, have few retirees and younger active workers. ...Because many... foreign countries have national health care systems, their health care costs are lower and are spread over the entire society, rather than a particular industry or employer. ...The combination of these competitive pressures is placing significant downward pressure on the wages and benefits of active and retired workers at older manufacturing companies."

—United Auto Workers, *2004 UAW Community Action Program*

"Right now, the law leaves it up to employers to decide whether they'll pay their fair share of health coverage for employees—and whether they'll even offer any health coverage at all. Some employers do take the high road; but as long as health coverage is voluntary, all employers have an incentive to skimp on health coverage and shift as much of its cost as they can to employees. That's why one solution would be to require businesses to extend health coverage to their employees and their families and to set a maximum employee contribution at around 25 percent."

—AFL-CIO, "Curing America's Health Care," [www.aflcio.org](http://www.aflcio.org)

"Health insurance plans cover 75 percent of the union workforce compared to less than half of all non-union workers. Forty-million Americans are without health insurance. Millions more have inadequate coverage. As more jobs are destroyed or moved overseas, millions more are left without health insurance. This day of action is the first step in addressing the deplorable condition in which more and more working families find themselves. Health Care Action Day is challenging politicians to improve and expand health care coverage, with the ultimate goal of providing health care for all."

—James P. Hoffa, Teamsters President, at Washington, D.C., rally for health care reform on March 4, 2004

"Working families should not be forced into the streets to save their health benefits. Health care is a right. That's what John Kerry believes and that is why we are going to mobilize working families for his campaign."

—Doug Dority, International President, United Food & Commercial Workers, Feb. 13, 2004

"If profitable corporations like SBC and Safeway can get away with passing costs on to their employees, they have no incentive to begin working for meaningful reforms in the way that health care is paid for and provided. When workers stand up to management on this issue, they are taking a courageous stand for everyone that will help boost the movement for health care reform."

—Morton Bahr, President, Communications Workers of America, Feb. 17, 2004

Labor-management cooperation led to an innovative effort to reduce the automakers' health care costs, which were \$9.2 billion in 2002—more than the companies spent on steel. Prescription drug costs alone amounted to \$2.5 billion. The UAW agreed to a plan that requires employees and retirees to purchase certain drugs by mail-order rather than at local pharmacies, saving the automakers as much as 30 percent.

"This is a reduced cost that the union can live with politically, and financially the companies can predict their costs more accurately," said Richard Block, labor professor at Michigan State University in East Lansing, to the *Detroit News*. "It's becoming very common, especially among large companies. Even if you're talking about a few dollars per pill, spread across 300,000 workers, it adds up to an enormous potential in savings."

### Who's to Blame?

Aside from questions about the effectiveness of union militancy in addressing disputes over health care benefits, there is the question of whether employers are responsible for increased costs. Do employers have the power to control health care costs? Indeed, there are good reasons to believe union leaders contribute to rising costs:

- *Cost increases in union-sponsored plans:* Many union members rely on union-sponsored medical insurance plans. Like employers, unions are struggling to find alternatives to reducing coverage or increasing members' share of rising health care costs. These problems can be exacerbated by union corruption or mismanagement of health funds, as was alleged by the Los Angeles MTA during last year's transportation workers strike.

Member unrest over health care costs threatens the power of Teamsters president James P. Hoffa, Jr. Teamsters members are upset by cuts to retiree benefits announced last year by the Central States Pension Fund, a joint union- and employer-run pension fund with 400,000 participants in 22 states. The fund's trustees have said retirees can expect medical insurance premium increases of \$100 per month in 2004 and in every succeeding

year until further notice. Teamsters also face penalties for early retirement, undermining the union's much-touted "30-and-out" rule that promises employees of 30 years or more—regardless of age—a \$3,000-a-month pension and low-cost health insurance.

● *Short-sighted union tactics:* Recent union contracts with the California grocery chains and the Big Three automakers protected the health care benefits of current employees. But they established a two-tiered system that substantially reduced wages and benefits for new hires. In the long run, employers will no longer

the request was removed from contract considerations.

"We ask that our UAW bargaining committee remain focused on the more important issues... and refrain from issues that may polarize, fractionalize or compromise the integrity and morals of our great union," read one petition circulated among UAW members.

● *Wage demands compete with health care needs:* Unions traditionally have placed a priority on seeking increased wages and improved working conditions. But recently, preserving generous health care benefits has been a greater priority

benefits demanded by unionized health care workers. Union efforts to organize hospital employees, hospice nurses and other health care workers only add to the costs shouldered by working Americans.

During the GE workers' protest strike last year, union leaders complained that GE had a "conflict of interests in keeping health care costs down." GE Medical Systems, one of the largest manufacturers of medical equipment, had \$8 billion in sales in 2002. Ironically, GE workers' demands that the company absorb the increased costs of their medical insurance would, in turn, increase costs for the health care industry and thereby drive up medical insurance rates.

These items contain some good reasons why labor unions need to look at their own practices and benefits before making unreasonable demands on employers to contain health care costs. Still, medical insurance premiums are expected to continue to increase rapidly, and unions can be expected to balk as employers push more strongly for cost-sharing and benefit cutbacks.

Will unions become increasingly militant to defend existing benefits? Or will they see the value of cooperating with employers who have little control over escalating costs? Employers and workers are both increasingly desperate for relief from the growing financial burden, and unions will be tested to determine whether they can find constructive solutions to the health care problem and escape labor's traditional us-against-them mentality.

But the strikes of 2003-2004 indicate that rationality and cooperation do not always prevail when labor meets management. Stay tuned for more turmoil on the health care front.

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need to commit themselves to the generous benefits enjoyed by current employees.

Union leaders also have gotten greedy with their demands on employers, insisting on extravagant concessions without emphasizing basic health care coverage. During last year's negotiations with the Big Three automakers, the UAW requested insurance coverage for elective abortions that are not medically necessary. Angry UAW members worried that the controversial item was part of a liberal social agenda being pushed by union leaders, as they had in 1999 when the UAW helped secure benefits for the partners of gay workers. Following protests,

for some unions. To the extent that wage concerns complicate labor negotiations, unions risk having to concede cutbacks in medical benefits or cost-sharing plans.

The stakes are high for union leaders, who must be careful to gauge the priorities of rank-and-file members. Ron Bird, chief economist with the Employment Policy Foundation, told the *Wall Street Journal* that union membership is declining in industries where union contracts have exacerbated rising health care costs.

● *Union demands increase health care costs:* Medical insurers blame rising premiums on the failure of the health care industry to control costs. But contributing to these costs are the high wages and

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# Labor Notes

## Union Activists Target Party Conventions

Unions in the midst of contract negotiations could interrupt both this year's Democratic and Republican party conventions. The Boston Police Patrolmen's Association has been accused of blocking access to the FleetCenter, where workers are preparing the arena for the Democratic convention which begins July 26. Last month, District Court Judge Joseph Tauro assigned federal marshals to oversee the hundreds of picketers outside the arena threatening "no convention" as long as they have "no contract." In New York City, child care workers represented by the American Federation of State, County and Municipal Employees and home-care workers represented by the Service Employees International Union held three-day strikes in June. Thousands of teachers, police and firefighters held rallies seeking higher wages. There are no current plans to picket the Republican convention, but Uniformed Firefighters Association president Stephen Cassidy told the *Washington Post*, "Someone should ask the White House if they have concerns of the heroes of 9/11 standing outside Madison Square Garden, protesting that they can't get a contract from a Republican mayor when the president is trying to get reelected."

## ULLICO Directors Plead the Fifth

Four of the six ULLICO directors to whom former CEO Robert Georgine allegedly sought to give large sums of money invoked their Fifth Amendment right against self-incrimination when asked about the gift by Senate Committee on Government Affairs staff. Those same directors refused ULLICO's request to return profits made by alleged insider stock trading while managing the private company owned by union pension funds. These and other findings from the Senate investigation are available at <http://www.nlpc.org/pdfs/ULLICO%20Report.pdf>.

## Teamsters Stand By Gephardt

James Hoffa, Jr., president of the International Brotherhood of Teamsters, has lobbied presidential candidate Sen. John Kerry to name Rep. Richard Gephardt as his running mate. The Teamsters had endorsed Gephardt for president and switched their endorsement to Kerry only after Gephardt and most other Democrats quit the race. Hoffa said that Gephardt's candidacy for vice president would "bring a comfort level with regards to organized labor."

## Union Pension Fund Targets CACI for Alleged Iraq Violations

Directors of the California Public Employees' Retirement System (CALPERS) are leveraging their large stake in CACI International Inc. to criticize the company for its alleged role in Iraqi prison abuses. A CACI interrogator has been implicated in an Army report on prisoner abuse, and a nonprofit legal center has sued CACI for alleged conspiracy to commit abuses. CALPERS has made excessive demands for internal information from CACI, including details on training for interrogators, dates when CACI became aware of abuses at Abu Ghraib prison, and information on CACI's management controls. The California State Teachers' Retirement System, which also holds a large amount of CACI stock, may get involved after it meets to discuss the situation this month.

## AFL-CIO Seeks Job Retraining Funds

New Labor Department rules forbid thinly populated states from bundling groups of unemployed workers from separate companies to meet the threshold of 50 employees per company, a requirement for receiving "emergency" federal funds for job retraining programs. AFL-CIO policy analyst Jane McDonald-Pines told the *Chattanooga Times Free Press* that President Bush's stated support for job training programs was suspect: "Even small layoffs can have a significant effect, especially in a small community." But the Labor Department notes that the new rules affect only "emergency" funds, and states should be covering most layoffs with federal appropriations to state work force agencies.