Concessions Bargaining at the Crossroads: Givebacks in a Deepening Crisis

By Jack Rasmus

WHAT CAN BE called the latest phase of "concession bargaining" emerging in the past year — politically imposed concessions taking back working people's "social wage" — is historic.

Call it "grand scale concession bargaining:" Not content with union concessions in money and benefits at the shop-floor level in the private sector, not even content with extending that in intensified form today to the public worker sector, corporate interests now demand concession bargaining over social wages at the political level.

What's especially onerous about the new concession bargaining is that politicians are making the decisions. Workers don't even have the option of voting on the concessions, or striking in opposition, as they might in cases of earlier concession bargaining. They now have virtually no say in the process short of taking to the streets to have their voices heard — which appears increasingly as the only alternative.

Moreover, the dollar value of the concessions being, and about to be, imposed are now also immensely greater. As the recent debt ceiling debate illustrates clearly, the coming attack on Medicare represents social wage concessions approaching half a trillion dollars. Concessions involving Social Security soon to follow in 2012 will amount to a like amount, at minimum, with even more Medicare cuts.

Within a few years, these cuts may amount to several times the value of total givebacks in union-bargained concessions in wages and benefits since 1979. This is a massive transfer and shift of income from working- and middle-class America to the wealthiest households and their corporations. Only now instead of directing their managers at the bargaining table, the corporations direct their political managers by means of their immense, and growing, campaign contributions and billion dollar lobbying efforts.

Occasionally an example slips through the veil of confusion about who's behind it all, revealing the "Wizards of Oz" pulling the levers and the curtains. Witness the notorious relationship between Wisconsin governor Scott Walker and the billionaire Koch brothers. But there are "Koch brothers" equivalents lurking everywhere behind the veil.

To explain why I call this a new stage of "concession bargaining," this article will put the current situation in historical context.

The history of collective bargaining since the Second World War has consisted of several stages. The first was roughly from 1947 to 1979, during which collective bargaining was expanded in both its scope and its magnitude.

"Scope" refers to new areas of bargaining such as cost of living adjustments, supplemental unemployment benefits, pensions and health care benefits, union and worker rights, etc. "Magnitude" refers to increasing the dollar value of wages and benefits. Up to 1979 both expanded.

In contrast, from the mid-1970s to 2007, concession bargaining became the growing practice. But this bargaining focused on giving back "magnitude" gains of the previous decades, not necessarily the scope of bargaining. Workers in the private sector gave ground on wages and benefits in a decades-long attempt to protect their jobs.

Concession Bargaining: First Stages

Among the first to feel the effects were workers in the construction sector, starting in the 1970s. Employers formed early in the decade the Construction Industry Users Roundtable. Its strategy was to undermine the then powerful building trades unions by a new tactic called the "double breasted operation." Simply put, this was a way to undermine the construction unions by setting up parallel, non-union companies.

The unions ignored the threat more or less, since the double-breasted operations were set up in the suburbs and outlying regions. The urban bastion of unionization in construction wasn't immediately impacted. Employers progressively then moved jobs and work to the non-union operations.

The loss of jobs in the unionized operations eventually forced workers and unions to start granting concessions in an attempt to prevent their work shifting to the non-union companies. Concessions soon expanded. Saving jobs in exchange for givebacks on wages and benefits eventually became the norm.

In the late 1970s the strategy of forcing workers to give up wage and benefit gains to keep their jobs leap-frogged into the manufacturing sector. The pilot and defining event was the Chrysler bailout of 1979. It worked so well that the model was planned for application to manufacturing in general.

By then the Construction Industry Users Roundtable had expanded into what is now known as perhaps the most formidable and effective Big Business organization today — the Business Roundtable. Big manufacturing and service companies joined with the construction employers. The construction industry's union-busting model was transported to other sectors of the economy.

The tactic of double-breasted operations took on a new form. Alternative union-free operations were set up — not across town, as in construction, but now across borders. The manufacturing analog of the double-breasted operation was the runaway shop, as manufacturers moved operations offshore. In this they were aided by the most pro-business president since Coolidge, Ronald Reagan, and a compliant Congress.

Manufacturers were provided generous economic incentives to set up offshore. Tax incentives were generously granted. Deregulation was introduced. Then in 1988 and 1993 "free trade" agreements were established with Canada and Mexico to facilitate the movement of U.S. capital to those countries to set up operations. What's called "free trade" is not just about export-import of goods and services; it is even more about negotiating favorable conditions for U.S. foreign direct investment in those countries.

Tax incentives for investing offshore plus free trade plus deregulation devastated jobs in the U.S. economy beginning in the early 1980s, and continuing ever since. Under pressure of losing jobs, workers in manufacturing began the long, dead-end road toward concession bargaining in an attempt to save their jobs. But it didn't work. More than 10

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million jobs have been offshored ever since.

The pressure to grant wage concessions intensified in the 1990s. In addition to the threat of job loss, now escalating double-digit annual increases in health care costs provided a second hammer. That ushered in what was called "maintenance of benefits bargaining." Now desperate to maintain their health care coverage, workers gave up more wages in exchange for keeping health benefits. But that too did not last long. Health care costs began accelerating after 2000.

To assist in paying for rising health care premiums and costs, the federal government permitted companies to drag surplus funds from workers' defined benefit pension plans to cover rising health costs. Up to 20% of health cost increases were subsidized in this manner. But that represented giving up wages — i.e. concessions — in order to maintain benefits as well. This time it was cuts in workers' "deferred wages" for their pension funds, instead of their immediate paychecks. But a wage is a wage, whether immediate or deferred. And concessions on nominal (immediate) and deferred wages became the increasing rule by the late 1990s.

This concession bargaining, evolving from the late 1970s into the last decade, represents the second phase of the history of collective bargaining in the United States. The first, as noted above, was the phase during which collective bargaining expanded both in terms of "scope" and "magnitude" —that is, in new areas of bargaining as well as in advances in wages and benefits.

Stage Two: "Scope" Concessions

Concession bargaining began to change for the worse in the past decade, shifting to a new stage during which unions have been forced to grant concessions not only in terms of magnitude or levels of wages and benefits, but now in terms of scope and entire areas of bargaining.

Defined benefit pensions were abandoned for 401(k) personal pension plans at an accelerating rate. Not only were pensions increasingly privatized, but the de-collectivization of health insurance plans also accelerated under George W. Bush with the introduction of what were called "health savings accounts" — the analog on the health benefits side to 401ks on the pensions side.

Employer-provided health insurance benefits were now dropped in growing numbers altogether. Or they were dumped onto the union, as in the auto industry, in the form of VEBAs (voluntary employment benefit agreements). Employers removed in effect any collective bargaining over companies paying for workers' health care.

In a similar fashion, once widespread Cost of Living Adjustment clauses in collective bargaining agreements were stripped from union contracts. Ditto for supplemental unemployment benefits (SUBs).

More and more companies unilaterally discontinued retirees' health care coverage from bargaining, aided now by court decisions that ruled such were not *bona fide* subjects of bargaining any longer. Union rights were increasingly circumscribed in agreements, as management rights clauses were expanded.

In other words, concession bargaining was no longer simply about magnitudes — i.e. how much wages or benefits would be reduced in order to keep jobs or the companies from moving offshore or from being outsourced and reduced to mere skeleton crews. Now entire key areas of union contracts were being "conceded" and thus wiped out, removed from the very subject of bargaining altogether.

Stage Three: Public Sector Hit

In the past two years this second phase of concession bargaining — i.e. cutting levels of wages and benefits and giving up entire areas of bargaining — is now being applied to public sector workers as well.

In a vicious attack now unfolding throughout the country. Politicians of both political parties, public sector employers, and wealthy billionaires and millionaires who pay for the elections of these same politicians, are in the process of imposing concession bargaining on public workers.

Furthermore, concession bargaining is occurring in an especially compressed form. Both magnitude and scope are occurring simultaneously and in a matter of just a few years, instead of the few decades in which it was deepened in the private sector. The process is effectively telescoped and is thus taking place in a particularly intense form.

In state after state, politicians are declaring bargaining over pensions and health care no longer will be the practice. They are unilaterally discontinuing defined benefit pensions and replacing them with 401k plans. They are moving to eliminate union and agency shop agreements with the open shop, placing "caps" on wage negotiations, and in general attempting to return to the days of "civil service" rules and regulations in lieu of good-faith collective bargaining.

Stage Four: "Social Wage" Slashing

Concession bargaining is morphing still further, however. The focus since the 2010 midterm elections in the United States is now moving from the level of taking back money wages and benefits at the individual workplace or company level — in both the private and public sectors — to the level of "social wage" concession bargaining. That brings us to the stage that is exploding in the present crisis.

The social wage is money wages that workers give up in exchange for pay they will receive at a later date.

Social wages are thus *deferred* wages. Most notable are Social Security and Medicare benefits, which are paid from wages through payroll taxes. The expectation is that these wages will be returned upon retirement as benefits.

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launched a wildcat strike and worked for weeks as a volunteer until we won that strike. I cut my teeth on picket lines and organizing drives. I learned from that experience that real union power comes from mobilized members.

My opponent says, "The Hoffa name means power." That's a campaign slogan, not a strategy.

ATC: *Unions have typically given money to the Democratic Party, seeing it as responsive to the issues facing workers. Recently Richard Trumka has suggested this isn't a reasonable strategy. What do you think?*

SP: A month ago we had the Teamster International Convention. Five days of speeches and resolutions. The political resolutions were generally fine. But it was all just that, resolutions — not action plans. The message from Hoffa was that labor was doing fine politically until Governor Scott Walker and other Republican governors got elected.

They've been a disaster for working people, but they're not alone. I live in New York City. Look at what our Democratic governor Andrew Cuomo is doing. The war on workers didn't start with the Republicans in 2010. Corporate America has been waging a war on us for a long time.

As General President, I will stop writing blank checks to politicians and will put our political action funds to work mobilizing Teamster members and our allies to fight for our issues. I think we need to look at what our political opponents do sometimes. The Tea Party has had tremendous impact — they just forced giant cuts in social programs and jobs over the debt limit, and they started that in the streets, tapping people's frustrations.

The Teamsters, and labor as a whole, need to be more creative, more like a social movement, and more locally oriented. Labor needs a grassroots strategy to mobilize our political power — and we need a grassroots strategy to challenge corporate power in the workplace. §

Not content with concessions from current wages and benefits, Corporate America — the rulers behind the throne of Congress and the Presidency and Courts — now want reductions in the social wage as well.

Why? So they can maintain their historic tax cuts enacted over the past three decades and not have to pay the costs of the bailouts and economic crisis that they themselves caused. In the 1960s corporations paid 30% of total federal tax revenues; today they contribute 6.6%. In the 1960s the top income brackets paid 45% of total federal tax revenues; today the effective top bracket tax paid by the wealthiest individuals is only 16%.

Concession Bargaining's Empty Legacy

What concession bargaining has proven over the past three decades — whether at the political or the collective bargaining level — is that concessions only result in demands for more concessions.

Concessions in the private sector over the past three decades haven't saved jobs. What they have achieved is a stagnation and decline in the income for 100 million families that is choking off consumer spending and economic growth and therefore economic recovery.

Concession bargaining in the public sector will now add to this consumption decline. And the now emerging phase, expanding concession bargaining into social wages, about to begin with the direct attack on Social Security and Medicare, will not "save" those programs any more than concession bargaining in the past "saved jobs."

Concession bargaining will only result in a deepening crisis in those programs and inevitably lead to more demands by corporate interests for still further cuts (i.e. concessions) in those programs. Calls by politicians for "shared sacrifices" are really concession bargaining by another name: to reduce the social wage represented by Social Security and Medicare.

Nothing positive whatsoever has come from concession bargaining the past three decades in the private sector. Good jobs have continued to disappear by the tens of millions. Wages and earnings for the 100 million non-supervisory workers in the United States have stagnated and fallen. Giving up wages "in order to maintain health and retirement benefits" have fared no better. Pensions have nearly disappeared and employer-provided health care coverage and will not last out the current decade.

Nor will anything beneficial come from the intensification of concession bargaining now penetrating the public sector. Union leaders will give up wages and benefits, but that will not stop the slated millions for layoffs in the public sector (federal, state, municipal, postal workers) over the next few years —at minimum 500,000 in the year ahead alone! The extension of concession bargaining to the public sector, now accelerating at a pace far worse than that which previously occurred in the private sector, will produce the same results — telescoped into a much shorter time period.

The only way to stop concession bargaining in any of its forms, including the most virulent form now attacking the social wage, is to refuse any and all concessions.

Union leaders who cave in to employer demands for concessions should be thrown out and replaced with leaders who will refuse to do so and stand firm. So too any politician who agrees to Social Security and Medicare concessions should be thrown out — and not in the next election, but by immediate recall.

Finally, any political party that allows its elected members to agree to concessions in Social Security and Medicare, or whose elected members stand by silently while the fight to defend the social wage takes place, should be replaced by another political party whose members consider the social wage non-negotiable.

Unfortunately, it appears that the political party — the Democrats — who introduced and once championed social security and Medicare, are now becoming participants in its destruction. Not only President Obama, but Senate leader Harry Reid and House leader Nancy Pelosi have all publicly indicated this summer they are prepared to concede that and to cut Medicare before year end 2011 in some form. Next it will be social security retirement. And Medicare again.

If that happens and the leadership of the Democratic Party abandon Social Security and Medicare to concession bargaining, as it appears they will, the only answer to stopping concession bargaining is to create a new party of labor, every member of which must solemnly pledge to expand the social wage, to defend and expand social security and Medicare, and to stand firm on the question of concession bargaining.

There can be no "Bi-Partisan" compromise. It is time to raise the flag, with the motto boldly proclaiming across it: *No Concessions! No Retreat!* — August 7, 2011