

APPENDIX

MOCK NEGOTIATION PROBLEM

The purpose of this problem is to familiarize students with the negotiation of a labor contract. The problem is strictly a hypothetical one and does not pertain to any actual management or union. It is designed to test in a practical way the student's understanding of the issues of collective bargaining studied during the semester and the strategy of the bargaining process. The strategy and techniques of negotiations are treated in Chapter 5, and the issues of collective bargaining are dealt with primarily in Chapters 7 through 10. Before the actual mock negotiation, the student should carefully reread those chapters.

PROCEDURE AND GROUND RULES

1. Class will be divided into labor and management negotiation teams. Each team will elect a chairperson at the first meeting of the team.
2. Teams will meet in a sufficient number of planning sessions to be ready for the negotiations. Each participant will be required to engage in necessary research for the negotiation.
3. In light of the following problem, each team will establish *not more* than eight items *nor fewer* than six that it will demand. *All demands must be based on the problem. No team will be permitted to make a demand that is not so based.* For purposes of this problem, a union wage demand and all fringe issues, if demanded, will be considered as only *one* demand.
4. Each team should strive to negotiate demands that it believes to be most important. This requires the weighing of the alternatives in light of respective needs of the group the team is representing.
5. Compromises, counterproposals, trading, and the dropping of demands to secure a contract will be permitted in light of the give and take of the actual negotiations.
6. Each team should strive sincerely and honestly in the role playing to do the best job possible for the group it represents. This is a *learning situation*, and to learn one must have a sincere dedication to the job ahead.
7. Absolutely no consultation with any of the other teams, regardless of whether management or union, will be permitted. Each team must depend entirely upon its own resources.
8. Chairpersons should coordinate the planning of each team, decide on the time and place for planning sessions, and assign work to be done to members of the team. Chairpersons, however, are not to do all the talking in the actual negotiations. To maximize the learning situation, each member of the team should positively participate in the negotiations.
9. There must either be a settlement of all issues in the negotiation or a work stoppage. *No extension of the existing contract will be permitted.*
10. Someone on each team should keep track of the settlements. Do not write out the actual contractual clauses agreed to. It will suffice only to jot down the substance of agreements.
11. There will be a general discussion of the case after the negotiation. Each team chairperson will make a brief statement to the entire class as to the final outcome.

The following constitutes the case on which the demands will be based and which provides the framework for the negotiations. *Read it very carefully to size up the situation. Base your demands only on the facts given here.*

Representatives of the Auto Products Corporation of Indianapolis, Indiana, and Local 5000, United Metal Workers of America, are in the process of negotiating their collective bargaining contract. The current contract expires at the close of today's negotiations. (*Instructor should set the date of the mock negotiation, and the exact clock time that the contract expires.*) The negotiations cover the Indianapolis plant.* Auto Products also owns a

*The location of the plant may be shifted to your own area to provide more local relevance.

plant in Little Rock, Arkansas, but the southern plant is not organized and is not a part of the current negotiations. The current contract, which covers only the Indianapolis plant, was negotiated for a 3-year period. *The time of the negotiation is the present, and, accordingly, the parties are conditioned by current economic trends, patterns of collective bargaining, and labor relations law.*

The Indianapolis plant has been in business for 53 years and has steadily expanded. At present, 3,800 production and maintenance employees are in the bargaining unit of the plant.

The financial structure of the firm has been relatively good. Here are some financial data from the Indianapolis plant for the fiscal year preceding these negotiations:

In the past, the practice has been to distribute about 65 percent of net profits in dividends and to hold 35 percent as retained earnings. Last year the company borrowed \$6.3 million from

Net sales	\$200,825,900
Material costs	79,250,000
Direct labor costs (includes fringe benefits and reflects layoffs in previous fiscal year)	72,635,000
Other variable costs	13,265,000
Fixed costs	5,500,000
Total expenses	170,650,000
Income before taxes	30,175,000
Net income after taxes (federal, state, county, municipal)	14,200,000

the Hoosier National Bank. The rate of interest on the loan was 6.9 percent. The proceeds of the loan were used to expand the Little Rock plant. The loan is scheduled for liquidation in 10 years.

The company manufactures a variety of auto accessories. These include auto heaters, oil pumps, fan belts, rear-view mirrors, and piston rings, and in the last year the company has also started production of auto air conditioners. About 65 percent of its sales are to the basic auto companies (General Motors, Ford, and Chrysler), 25 percent to auto-repair facilities, and the rest to government agencies. The plant operates on a two-shift basis. A \$1.10 per hour premium is paid to employees who work the second shift.

The employees of the company were unionized in 1949. In August of that year, the union was victorious in an NLRB election. As a result of the election, certification was awarded, on August 17, 1949, to Local 5000, since which time Local 5000 has represented the production and maintenance workers of the company. The first collective bargaining agreement between the company and Local 5000 was signed on November 14, 1949.

Only one contract strike has taken place since the union came into the picture. It occurred in 1959; the issues were the union's demands for a union shop, increased wages, and six paid holidays. The strike lasted 6 weeks. When it terminated, the union had obtained for its members a \$0.04 hourly wage increase (the union had demanded \$0.07) retroactive to the day of the strike, and four paid holidays. The union failed in its attempt to obtain any arrangement requiring membership in the union as a condition of employment. Also, the current contract does not include a checkoff. At the time of these negotiations, all except 400 workers in the bargaining unit are in the union.

The average hourly earnings for the production workers in the Indianapolis plant are \$15.09. Of the 3,800 employees, there are 175 skilled maintenance employees (electricians, plumbers, carpenters, mechanics, and tool and die makers), and their average hourly earnings are \$16.05. The existing contract contains an escalator (COLA) clause providing for the

adjustment of wages in accordance with changes in the consumer price index. There is no "cap" on the amount of the increase. It provides for a \$0.03 increase in wages for each 0.4-point increase in the CPI. The escalator arrangement is reviewed on a semiannual basis. The current hourly rates include the increases generated from the escalator clause and the annual improvement factor. During the term of the 3-year contract, workers received a \$0.75 increase in wages, including \$0.40 from the operation of the escalator clause and \$0.30 from the operation of the annual improvement factor (a \$0.15 increase on the anniversary date of the contract in each of the past 2 years).

The Little Rock plant was built 5 years ago. It started with a modest-sized labor force, but during the past 3 years the southern plant has expanded sharply, and it now employs about 1,500 production and maintenance workers. Efforts to organize the southern plant have so far been unsuccessful. The union lost an NLRB election last year by 300 votes. Of the 1,500 employees, 1,300 cast ballots, with 800 voting against the union and 500 voting for it. The average wage in the Little Rock plant is \$10.80 per hour. Currently, 450 employees in the Indianapolis plant are on lay-off. It is no secret that one reason for this has been the increase of output in the Little Rock plant. Another reason was the decrease in sales at the Indianapolis plant. In Little Rock, essentially the same products are made as in Indianapolis. Of the 450 on layoff, reduction in sales caused by the state of the automobile industry accounts for 300, and the remainder is attributable to the southern situation. There is talk in the plant that some laid-off employees will never be recalled to work. Of the 450 laid-off employees, 75 have exhausted their benefits under the Indiana Unemployment Compensation Act. The present contract does not provide for a supplementary unemployment benefit program.

In general, the relations between the management and the union have been satisfactory. There have, of course, been the usual disagreements, but all in all, relations have been quite harmonious. However, last month there was a wildcat strike, the first one since the union came into the picture. It occurred in the Oil Pump Department, and the alleged cause was the discharge of the steward of the department on the grounds that he shoved a supervisor while he was discussing a grievance with him. The union disclaimed all responsibility for the strike, and its officers stated that they did all they could to get the workers back to work. However, the employees in the Oil Pump Department picketed the plant, and the incident, which lasted 2 days, shut down all production in the plant for those 2 days. There is a no-strike clause in the contract that states:

There will be no strikes, slowdowns, or other interruptions of production because of labor disputes during the contract period. Employees who engage in such prohibited activity are subject to discharge.

The company threatened to sue the union for damages under the Taft-Hartley law, but management finally decided not to go to court after the employees returned to work. No employee was disciplined because of the strike; however, at present, the steward remains discharged, and the union has demanded that he be returned to his job. Under the contract, the company has the right to discharge for "just cause." The steward is 68 years old and was one of the leading union figures back in the 1980s. He is known affectionately by his fellow workers as "Old Joe."

The existing contract contains a standard grievance procedure and provides for arbitration for all disputes arising under the contract, except production standards, which management has the unilateral right to establish. During the last contractual period (3 years), 75 written grievances were filed by employees protesting "unreasonably" high production standards. As required by the contract, the company negotiated the production standard grievances, but the union did not have the right to appeal to arbitration or to strike over them. In three cases sparked by the production standard grievances, the company reduced the standards. In all other cases, the company denied the grievances.

The management rights clause states in effect that the company retains all rights except as limited by express provisions of the labor agreement.

Provided in the contract are a series of benefits: eight paid holidays; a pension plan similar to the one negotiated in the basic automobile industry; and a paid vacation program wherein employees receive 1 week's vacation for 1 year of service, 2 weeks for 5 years, and 3 weeks for 20 or more years of service.

A medical insurance program covers the entire bargaining unit. However, the program does not cover employees laid off for more than 30 consecutive days. Of the 450 employees on layoff, 80 percent have been laid off for more than 30 consecutive days. This program does cover physician and hospital services, including emergency room treatment. It provides "first dollar coverage"—no deductions are assessed against the employee before insurance kicks in. Reflecting national trends, the costs of the medical insurance program have been mounting: \$2,621 per employee in 1992 and \$6,899 per employee at the present time. The company pays the entire cost of the plan.

It is well known that the company wants relief from the burden of the medical insurance program. Rumors are that the company intends to demand from the union that workers pay a stiff deductible before an insurance plan kicks in. Also, there is reason to believe that the company will demand that treatment in the hospital's emergency room be eliminated from the insurance program. Another rumor is that the company will demand that employees be enrolled in a health maintenance organization to save money. The union has indicated that it will not permit any change whatsoever in the medical insurance program.

Under the corporate pension program, employees with 20 or more years of service may retire at age 65 and receive full benefits, though retirement is not required of anyone. The average age of the employees in the plant is 39. About 8 percent are over 65 years of age and have more than 20 years of service. The average pension for the last fiscal year was \$478 per month. The total cost of the pension program for the last fiscal year amounted to \$7.23 per hour.

The current seniority clause provides for promotions based on length of service and ability. That is, seniority governs when the senior employee has qualifications reasonably equal to those of junior employees who bid on the job. During the contract period, 21 grievances were filed by employees who protested against the company's filling jobs with junior service employees. The company's position in these grievances was that the junior employees had far more ability than the senior employees. Five of these grievances went to arbitration, the company winning four and the union winning only one. Promotions are bid for on a departmental basis.

The seniority area of the existing contract provides for plantwide application of seniority credits for layoffs and recalls, provided that the senior employee has the necessary qualifications to perform the available work. During the recent period in which layoffs occurred, the company, as required by the contract, laid off many junior employees rather than senior employees because of the plantwide system. Supervisors have complained to management that, in many cases, the junior employees who had been laid off were more efficient than the senior employees who had to be retained because of the plantwide system.

Also, the current contract provides that an employee whose job goes down, or whose job is preempted by a more senior employee, may bump any junior employee in the plant, provided that the preempting employee has the qualifications to fill the job. During layoff periods, the company became aware that this situation caused a great deal of expense because of an unreasonable amount of job displacement. Also, the current contract does not contain a temporary layoff clause. This means that displaced employees may exercise their bumping rights on the basis of their plantwide seniority regardless of the length of the layoff. Supervisors have complained to the management that employees should be laid off without regard to seniority when the layoff is for a short period of time.

The existing contract provides for superseniority for stewards and other union officials. This provision protects the stewards and union officials only from layoffs. There are 60 stewards in the plant.

Last year, stewards spent, on the average, about 10 hours each per week on grievance work, for which they were paid by the company. There are no limitations on stewards for grievance work. Supervisors have complained that some stewards are "goofing off," using "union business" as a pretext not to work. All the stewards deny this. In fact, the stewards claim that it is the unreasonable attitude of supervisors that provokes grievances and complaints. Also, the stewards claim that there cannot be a true measure of their time on the basis of the number of written grievances (a total of 450 grievances, including the production standard complaints, were filed during the last 3 years), since a good share of their time is spent discussing grievances with employees and supervisors before a written grievance is filed. There is no record to show how many of these oral discussions ended problems without written grievances being filed.

Last year, because of an unexpected order from the government, the plant worked Saturday and Sunday overtime for a period of two weekends. Under the existing contract, the company has the right to require overtime. About 200 employees did not want to work overtime but did so only because the company threatened to fire them if they refused. These 200 employees have been raising a lot of trouble in the union about this overtime affair. Also, the company has the right to select the employees to work overtime. Some employees have claimed that supervisors are not fair, giving their friends the opportunity to earn the extra money and discriminating against the other employees.

For many years, by custom, each skilled tradesperson has worked only within his or her trade. Five months ago, the company required a mechanic to do a job normally performed by a plumber. The employee and union filed a grievance, and the case went all the way to arbitration. The arbitrator sustained the position of the union on the basis of the "past practice" principle.

Some maintenance people have been affected by the current layoff, with 25 laid off. They charge that the company has been subcontracting out skilled work that could be done by them. Last year, for example, the company subcontracted out electrical work while three electricians were on layoff. The subcontract job lasted 6 days. Under the current contract, there is no restriction on the company's right to subcontract.

The present contract, as stated, was negotiated for a 3-year period. Both sides have indicated that in the future they may want to move away from this long-term arrangement for a variety of reasons. However, there is no assurance of whether this attitude indicates the parties' sincere position or is merely an expression of a possible bargaining position.

Technological change has been a problem in the company for several years. About 250 workers have been permanently separated because of it. Union and management meetings to deal with the problem during the past several years have proved fruitless. Previous discussions have centered on the rate of change, the problem of income for the displaced employees, and the training of employees for the jobs created by the new technology. All indications are that the next wave of automation will cost about 390 bargaining unit jobs. The 250 employees who have been permanently separated are in addition to the 450 employees who are currently on layoff because of the southern situation and the drop in sales.

There has been considerable controversy over the problem of temporary transfers. Under the existing contract, the company may not transfer an employee to a job not in his or her job classification.

There are also problems regarding other working rules. These now include a 15-minute rest period every 4 hours; a stipulation that no supervisor may perform bargaining unit work regardless of circumstances; paid lunch periods of 20-minute duration; and paid "wash-up" time for 10 minutes before quitting time. The company contends that these "working rules" are costing it a lot of money. Whenever this issue has been brought up in the past, the union has refused any change.

Company records show that 60 percent of the workers have seniority up to 10 years; 30 percent, between 10 and 20 years; and 10 percent, more than 20 years. About 20 percent of the bargaining unit are women, and 15 percent are blacks. Some black employees have complained that they have not

been given equal opportunity to get better jobs. Of the 175 employees in the skilled trades, only eight are black. They have threatened to file complaints against both the company and the union under Title VII of the Civil Rights Act and Taft-Hartley. They have retained an attorney for this purpose.

Two final issues appear to be involved in the current bargaining. First, a number of employees have told the union leadership that it is high time that at least one union representative was offered a seat on the nine-person company board of directors. These workers, who are particularly vocal ones as it happens, feel that this matter deserves considerable priority.

Second, the company's president tends to favor the imposition of a two-tier wage system, whereby all workers hired after the new labor agreement is signed would receive pay rates well below those of the current employees. He has publicly declared that "two-tiering could well be the salvation of this company."