

The Give Back: A Case of Union Busting

Three years ago, Local 974 of the United Tireworkers of America made significant contract concessions to the North American Tire plant in Bailey, Georgia. The union concessions were made for the company's economic survival and for the plant to remain open. Now, as the U.S. economy was struggling to recover from what some had called the worst recession since the Great Depression, North American Tire and its union was back at the bargaining table. While the U.S. economy had shown some signs of recovery, the union was not looking to give back again but to recover some of what was given up in previous negotiations. The union's position was that its previous concessions had facilitated North American Tire's survival and that it had already done its part to ensure the company's viability. However, the company had other goals for negotiations.

The company's initial proposals did not satisfy the union's negotiating team, a strike resulted, and both sides indicated their resolve was strong. While picket lines and demonstrations at the plant were rather uneventful, a war of words was fought in the media. On the one hand, full-page ads appeared in the local papers condemning the company for going back on their word to make up for the givebacks of the past. On the other hand, the company claimed it needed to maintain its competitive position in an industry undergoing a shakeout of underperforming competitors. North American Tire's parent company, Swiss Financial, of Alpsland, Switzerland, reported that operating profit rose 20 percent to \$68 million on sales of \$1.1 billion in the most recent quarter. North American's other nonunion plants were operating at capacity, and the company recently announced the purchase of Mexico's largest tire maker.

Negotiations broke down when the union rejected what management called its best offer. The company stated that the contract proposal was well above average for the Bailey, Georgia area. However, the union countered that it was well below industry standards. In addition, the union filed unfair labor practice charges with the National Labor Relations Board (NLRB). The union alleged that the strike was caused by unfair labor practices including the company's refusal to bargain over medical insurance or to bring its decision makers to the bargaining table.

Supervisors and clerical employees kept the North American Tire plant in Bailey operating at less than 30 percent of capacity, and plans were made by management to hire strike replacements. Striking employees were invited to return to work, but only a small percentage returned. The company began to advertise, interview, and hire strike replacements. Although the labor market was tight and Bailey's unemployment rate was less than 3 percent, there was no shortage of applicants. The company increased production at the Bailey plant, and production was also stepped up at its nonunion plants. While the union cried foul, the company continued to increase production. A federal mediator was appointed to get both sides back to the bargaining table to resume negotiations.

QUESTIONS

1. What are the pros and cons of North American Tire's strategy of hiring replacement workers? How ethical is the behavior of management?
2. Assuming that the firm's goal is to break Local 974 of United Tireworkers of America, what are the advantages and disadvantages of this strategy?
3. What standard should the firm use in setting wage rates (industry or geographic)?

Contributed by Gerald E. Calvasina, Southern Utah University and Joyce M. Beggs, University of North Carolina at Charlotte