

# THE WALL STREET JOURNAL

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## Don't Walk

### Why Labor Unions Have Grown Reluctant To Use the 'S' Word

### Global, High-Tech Economy Makes Striking Riskier As Membership Declines

### A Sense of Shared Purpose

First, a bunch of union activists make a lot of noise at the World Trade Organization meeting in Seattle. Then, Wall Street tycoons and media bigwigs cringe in anticipation of a strike by New York City transit workers.

Is this the dawn of a new era of labor militancy in the U.S.?

Not necessarily.

As long as there are unions, there will be strikes. And certainly, labor unions haven't stopped fighting for — and winning — higher wages, safer working conditions and sweeter pensions during this time of prosperity. But increasingly, as the tentative settlement of the New York transit labor crisis early yesterday morning shows, union leaders and members are reluctant to launch labor's ultimate weapon, despite a tight labor market and a booming economy.

"We're living in a different world," says Stephen P. Yokich, president of the

*By Wall Street Journal staff reporters Jeffrey Ball, Glenn Burkins and Gregory L. White.*

United Auto Workers union. "We don't have to go out there and rattle our swords. We have to be professional about it."

After all, Mr. Yokich adds, "what do you get out of a threat? If you start rattling that sword, you've got to be prepared to do it."

## What's News—

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### Business and Finance

**MAJOR MUSIC COMPANIES** have talked with federal antitrust enforcers about settling allegations that they acted illegally to discourage retail discounting of compact disks, industry lawyers said. The FTC investigation marks a second antitrust probe of music-industry practices and apparently has delayed the agency's approval of the CDNow-Columbia House merger. In a separate inquiry, the Justice Department is looking into MTV and its dominance of music videos.

(Articles on Pages A3 and B1)

**Exxon Mobil plans to cut its work force by 12%, or 14,000 employees, and gain \$3.8 billion in annual pretax savings, far more than original figures.**

(Article on Page A3)

**Industrial production rose 0.3% in November, aided by gains in manufacturing, and is up 4.3% for the year. The increased output, however, isn't being stockpiled in anticipation of Y2K.**

(Article on Page A2)

**Federal authorities in California arrested two men for allegedly manipulating a small stock by posting false rumors on Internet message boards.**

(Article on Page C1)

**Sony Pictures is banking on the success of "Stuart Little," a \$103 million "event" film, to halt the studio's two-year slump at the box office.**

(Article on Page B1)

**Makers of satellite phones are getting a rare boost in sales as anxiety about the year-2000 bug has companies**

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### World-Wide

**ISRAEL AND SYRIA OPENED peace talks under U.S. auspices in Washington.**

There was no handshake between Israeli Prime Minister Barak and Farouk al-Sharaa, the Syrian foreign minister, who accused Israel of uprooting a half-million Syrians after taking the Golan Heights in 1967. He went on to say the world has ignored Arab suffering stemming from the creation of the Jewish state. Despite that, he said, President Assad seriously desires peace.

*The White House made no claims of progress or any changes in position since talks between the two nations failed 3½ years ago. Negotiations resume today.*

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**CHECHEN REBELS REPULSED a Russian armored assault on their capital.**

The defeat of the push into Grozny, which reportedly left a number of Russian soldiers dead and vehicles burned, heartened rebels after Moscow earlier predicted the city would fall within days. Rebels also claim to have beaten back six other attacks. There was no comment from the Russian side. Shelling of the city is now continuous. Only a few civilians made it out over the weekend.

*Chechnya's president said in a TV interview from Grozny that only outside mediation could force Russia into a peace deal. Moscow rejects all such pressure.*

\* \* \*

**The U.S. and China reached an accord on compensation for the May 8 NATO bombing of Beijing's embassy in Serbia and the subsequent mob attack on Washington's in Beijing. China will get \$28 million; the U.S. receives \$2.9 million. (Article on Page A2)**

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**Venezuelans overwhelmingly endorsed a constitution that vastly increases President Chavez's powers and allows him to rule for many more years. Businessmen and economists dislike the charter. Voting took place amid heavy rains that killed at least 37.**

\* \* \*

**Jordan arrested 13 suspected terrorists**

## Inside Today's Journal

### AMERICAN OPINION

In next year's elections, voters will be looking to the question of leadership as well as the issues, and weighing the two in the balance.

● The electorate prizes leadership over partisanship and gives Gore high negatives.

● The GOP has a lot of catching up to do when it comes to education, health care and the like.

Pages A9-A16

## The Last Full Moon Of the Millennium Must Be Momentous

\* \* \*

Big, Bright and Close to Earth,  
It Could Well Play Tricks  
Not Seen in Many a Moon

By DANIEL GOLDEN

Staff Reporter of THE WALL STREET JOURNAL Forget Y2K. Stephen Shusterman is worried about the super moon.

Every 29 days, the pediatric dentist says, his Needham, Mass., practice turns a trifle lunatic. Docile children bawl when he tries to fill cavities. Parents complain about waiting-room delays or the price of braces. And Dr. Shusterman and his hygienist nod knowingly at each other: Crankiness, he says, always ratchets up with the coming of the full moon.

Next Wednesday, because of celestial coincidences that haven't occurred in 133 years, the last full moon of the millennium will be unusually large and bright — so bright that weather permitting, night mo-

## Business Bulletin

### A Special Background Report On Trends in Industry And Finance

**BANKERS' HOURS** extend to Year's Day to ease any Y2K angst.

Plans call for cash machines to be stocked and some banks to be open for the holiday was Mellon Financial Corp., Pittsburgh. About 70% of offices will be open Jan. 1. Summit Bank, Princeton, N.J., also plans to have branches open on New Year's Day. Community First Bankshares, Fargo, leaves it up to each of its 160 banks to so far, about 100 plan to open Jan. 1, it

Awareness campaigns have already provided much reassurance. Keith J. president of Charter Bank, Bellevue, sent letters to or called almost all its depositors to assure them of account availability. Of course, not all banks will be customers. For the cash-hungry, FleetBoston Financial Corp. started adding \$50 bills to the \$20s in its cash machines.

*The American Bankers Association says several small community banks plan to hold New Year's Eve parties at their facilities.*

**AN E-READY EUROPE** is the goal of a new plan presented to the European Union.

The eEurope initiative is designed to bring more people online, foster e-business and improve consumers' access to the New Economy, say supporters of the 10-point plan, introduced at the recent summit in Helsinki, includes issues ranging from raising venture capital for e-business outfits to reducing Internet-access costs.

"Technologies and markets today are moving at a much faster pace than perhaps before in economic history," says Liikanen, the EU commissioner responsible for information-technology policies. "The effort has to be made now," he added. The initiative will be further developed at a special ministerial conference on the "Information Society" in Lisbon next year.

have to go out there and rattle our swords. We have to be professional about it."

After all, Mr. Yokich adds, "what do you get out of a threat? If you start rattling that sword, you've got to be prepared to do it."

And for many unions, using the sword can get a lot of people hurt — starting with union members. The calculus of labor relations is indeed different these days. Workers have become shareholders. Technology and globalization can put jobs at risk even when a union has "job security" written into its contract.

Ron Blackwell, the AFL-CIO's director of corporate affairs, says the threat of replacement workers is what's driving the decline in strikes. In 1982, the year after Ronald Reagan fired the striking air-traffic controllers, the number of major strikes dropped below 100 for the first time on record; the number hasn't recovered since. And the threat continues: Earlier this year, after major-league baseball umpires resigned en masse over disputes with management, 22 of them were replaced by minor-league umpires.

Even at the Big Three Detroit auto makers, where hiring replacements for striking workers is impractical for a variety of political and operational reasons, unionized workers still worry that they could jeopardize their jobs by repeated walkouts. They know that the companies could punish uncooperative union locals by shifting work to cheaper nonunion or overseas factories.

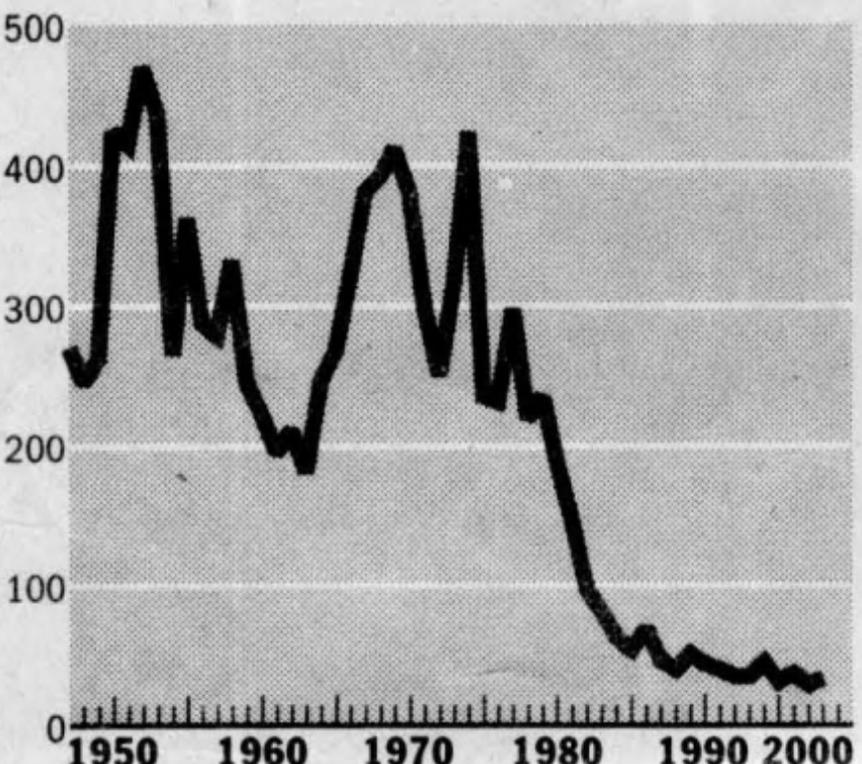
"It takes an incredibly courageous group of workers to go out on strike," Mr. Blackwell says.

As strikes have become more risky, union leaders have sought other options for

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## Slow to Strike

Number of work stoppages involving 1,000 workers or more



Source: Bureau of Labor Statistics

applying pressure on management. Today, a union is far more likely to wage a public-relations campaign against a wayward employer. Another strategy is to lobby the big money-management firms that invest union pensions.

Also pushing unions away from strikes is the fact that walkouts are bad for recruiting. This is no small matter to unions such as the UAW, whose active membership, despite rising in 1998 for the first time in a decade, to about 780,000, remains at less than half its 1970 level of 1.6 million. Many of the people the UAW wants to sign up are turned off by strikes: Witness the impact of the UAW's 54-day walkout at two critical General Motors Corp. factories in the summer of 1998. The strike cost the company \$2 billion and slashed GM-UAW workers' 1998 average profit sharing to just \$200 each, compared to \$6,600 for their counterparts at Ford Motor Co. and \$7,400 for employees of DaimlerChrysler AG's U.S. arm.

These days, Mr. Yokich tries to avoid casual use of the word strike. No longer does the UAW say that it is picking a "strike target" in its negotiations with Detroit's auto makers. Instead, UAW leaders talk about choosing a "lead" company.

This change in style and substance at

*Please Turn to Page A8, Column 1*

# Why Labor Unions Are Reluctant to Use the 'S' Word

*Continued From First Page*

the UAW reflects a broader reality in the U.S. labor movement. The number of strikes involving 1,000 workers or more has been declining for more than 50 years. Between 1947 and 1957, there were an average of 337 big strikes a year, including 470 in 1952 alone. During the 1960s, there were an average of 291 strikes a year. But between 1990 and 1998, the average number of big strikes each year was just 36, including 34 in 1998, according to the Bureau of Labor Statistics.

Of course, that trend coincides with the long-term decline in union membership among U.S. workers. Despite vigorous and much-publicized efforts to organize workers, the share of the U.S. work force represented by unions declined again in 1998 to 13.9% of wage and salary workers, down from 14.1% a year earlier and 20.1% in 1983. This decline has continued despite labor leaders' arguments that American workers need unions to protect them from exploitation in the global economy—and the fact that unionized workers have a median income of \$659 a week, compared to \$499 a week for nonunion employees.

Behind all these numbers are some bigger social and economic shifts that are pressing even hard-nosed union leaders such as the UAW's Mr. Yokich to reassess their tactics.

What has changed? For starters, the old lines between labor and capital are becoming blurred as more workers hold stock in their companies and get a cut of corporate profits.

Long before Silicon Valley made stock options a standard piece of an ordinary worker's compensation, the UAW was pushing to win factory workers a piece of the capitalist pie. During the late 1970s and early '80s, as Japanese cars were running over Detroit's Big Three, then-UAW President Douglas Fraser realized something big was happening.

"The world changed: globalization," he says. "And I think the workers realized that their fortunes were tied to the company's. They couldn't survive unless the company survived."

Ford, GM and the former Chrysler Corp. all have launched profit-sharing plans for their UAW workers. Those plans, particularly at Ford and the former Chrysler, have become major chunks of

workers' compensation. According to calculations by Mr. Fraser, who now teaches labor studies at Wayne State University in Detroit, the average hourly worker has earned \$37,541 in profit-sharing checks since the program started at Chrysler, \$32,975 at Ford, and \$4,342 at GM.

## Pride of Ownership

Auto workers now own substantial chunks of their employers' stocks. About 20% of Ford's common stock is employee-owned, a company spokesman says. At GM, employee ownership through company sponsored plans accounts for 10% of outstanding shares.

This means workers' personal fortunes are dependent on factors such as profits, market share and stock prices, not just what the union can get at the bargaining table. That in turn has led union members and leaders to think and act more like owners, and less like cogs in the machine.

UAW Local 659 shop chairman Norwood Jewell, who led his GM local out on the summer 1998 strike, says that since that bitter walkout, he and his members are learning more about the competitive pressures their metal-stamping plant faces, and how they must adapt to survive.

"It's no secret that GM's market share has declined," he says. "The better they do, the better we do as workers."

At Delphi Automotive Systems Corp., the auto-parts unit that GM spun off last spring, workers and managers are collaborating these days, after years of conflict that bred a series of strikes during the mid-1990s.

After years under GM's wing, Delphi plants now must compete in the open market against nonunion automotive suppliers and factories in Mexico and Asia. The pressure has made allies of former antagonists.

"A trade unionist can't operate as trade unionists have in the past," says Paul Schuh, president of UAW Local 1097, which represents workers at a Delphi plant in Rochester, N.Y., that makes engine parts. "The global economy has forced us to change."

## Working Together

Once management laid out the grim details of the plant's financial outlook, Mr. Schuh's local agreed to work with Delphi to introduce lean-production techniques to

boost productivity. Among the changes was the elimination of chairs on the shop floor as workers were forced to move from station to station instead of waiting for material to come to them. Union members, whose average age is 48, initially resisted, according to local officials, but ultimately recognized that efficiency is the key to survival.

After nearly two decades of downsizing at the plant under GM, local officials say Delphi's independence now opens the prospect of actually expanding the business.

"If we get to the point where more of our business is non-GM, then I believe the sky's the limit," he says. "I'm starting to sound like a businessman now, but a union leader has to understand business now more than any time before."

Delphi also is pushing to turn its employees into investors, giving them stock options and the chance to buy stock in an initial public offering earlier this year. Many union members bought shares, although they now are looking at paper losses, with Delphi stock currently trading below its \$17 initial offering price. In Big Board trading yesterday, Delphi closed at \$14.50, down 18.75 cents. Mr. Schuh says he heads off calls from disgruntled members to walk out over disputes. "The easy part is getting you guys out on the street," he says. "The hard part is getting you back without disruption and losing business."

## Easily Replaced

What the Delphi union leaders recognize is that technology and global markets make it easier than ever for big companies to displace highly paid but low-skilled workers—notwithstanding the overall labor shortage.

One reason for the drop in the UAW's membership is that much of the work traditionally done in auto makers' own factories has been shifted to suppliers' plants, which tend to be nonunion. While the number of production and skilled-trades jobs in U.S. auto-assembly plants has dropped by 90,000 in the past two decades, parts-making jobs have jumped by 40,000, according to the union.

Another threat is the advent of foreign-owned auto plants in the U.S., which, like the supplier factories, usually aren't unionized. And many of the products built at these foreign-owned, nonunion plants are gaining market share at the expense of UAW-built products.

That's why UAW members such as 32-year-old Dan Storm, who works in a Ypsilanti, Mich., plant that makes starters for Ford vehicles, are less optimistic than their elders about the union's power to stop management moves the union dislikes.

On a chilly night this October, as the clock ticked toward the midnight deadline when the UAW's existing contract with Ford would expire, Mr. Storm huddled at UAW Local 849's union hall with a dozen or so other members. They were awaiting word on whether UAW leaders would shut Ford down to block the company's anticipated spin off of its Visteon Automotive Systems parts-making unit, of which the Ypsilanti plant is a part. UAW members worried that a spinoff would cut union jobs and pay.

## Swapping Stories

Down the hall from the kitchen, which was stocked with trays of Danish to feed workers in the event they were called to picket, older members of the local traded stories of past walkouts and predicted they were in for another one.

Not Mr. Storm. "Yokich knows he can't stop a spinoff," Mr. Storm said. "He's flexing his muscle to show he's fighting for us, fighting for Visteon. But he can't stop it."

Mr. Storm was right. In the end, Mr. Yokich and Ford bargainers cut a creative deal that allows current Visteon employees to remain on the Ford payroll at full Ford wages and benefits. But new hires ultimately would belong to Visteon, and, if the industry's patterns hold, probably would earn less than their Ford counterparts in the long run.

The failure of union efforts to stop erosion of membership at companies such as Ford and GM has forced labor leaders to do something they haven't done much, or done well, in the past decade: Market themselves to prospective new members.

When John J. Sweeney took control of the AFL-CIO in 1995, he vowed to rejuvenate the labor movement, mainly through hard-nosed organizing, but also by making unions more palatable to modern workers. Since then, the labor federation has spent millions on splashy ads trying to cast off its image as a dinosaur once associated with rusting factories.

Last September, Mr. Sweeney surprised many observers by touring the New York Stock Exchange. He also has sought to foster stronger ties with his counterpart at the U.S. Chamber of Commerce.

## Some Successes

Unions have scored some organizing successes, and are reaching beyond their industrial base. In Seattle, the Communications Workers of America is trying to forge ties with part-time workers at Microsoft Corp. It also built an informal alliance with IBM workers who protested last summer when the company announced it was changing the workers' pension plan. The company backed off.

But so far, these initiatives haven't resulted in a convincing turnaround in overall union membership. And as UAW leaders have discovered, having a reputation for being strike-happy makes organizing all the more difficult.

When the UAW struck GM in 1998, the union got hammered in public opinion worse than GM did. The upshot: Now the UAW is finding it difficult to organize DaimlerChrysler's Mercedes-Benz sport-utility vehicle factory in Vance, Ala., even though Mr. Yokich is on the company's board and won management's promise to remain neutral in the union's organizing drive.

"The reality is, unorganized workers feel that the strike is a very negative thing," says Mr. Fraser, the former UAW president. "And one of the reasons they don't join unions is fear of strikes."

The UAW has opened an office near the factory and staffed it with organizers. But the union still hasn't called for the workers there to vote on whether to join the union. To Mr. Fraser, that means the union isn't confident about its chances for success.

Mr. Yokich declines to discuss the situation in Alabama. But he stresses that the union's desire to work more cooperatively with management hasn't made it soft at the bargaining table.

"Has it made us negotiate lesser contracts? Hell no," he says. "It's the same Steve Yokich. I am no different at the bargaining table than I was. It's just the method" that the union uses these days at the bargaining table that has changed. "You try to enter with the high card."

*Joseph B. White and Fara Warner contributed to this article.*

# New Pension's Promise Is Unmet

*Continued From First Page*

ing level for young, newly hired employees is just 1% of salary at NationsBank, increasing over time. At Aetna Inc., a 21-year-old starts at a 1.3% annual company contribution.

Some plans peg contributions to salary levels, too, kicking in a smaller percentage for the lower-paid. EDS Corp. and Tektronix Inc. are in this camp.

And some adjust their contribution for both salary and age, or for both salary and years of service. At Colgate-Palmolive Inc., for instance, employees with fewer than 10 years of service are credited with 2.5% of pay on their first \$18,150 of salary, and 3.75% of earnings above that amount.

The disparity is even wider at KeyCorp: 3% of pay up to \$36,300 and 6% of pay above that amount. But both figures are higher for those who've been there two decades or more. KeyCorp says the formula helps make up for the fact that Social Security replaces a smaller percentage of a higher-paid worker's salary.

This isn't to suggest that the older work-

search actuary, Thomas Edwalds.

The Erisa Industry Committee and AP-PWP say they stick to their conclusions even if the Society of Actuaries interprets its study differently.

## Recruitment Support

Employers often say they are switching to cash-balance plans partly to be better able to attract young talent. John Woyke, an attorney for Towers Perrin, an advocate of cash-balance plans, told the Senate hearing that employers adopt the plans in part "to support recruitment of employees with hot skills ... particularly among work-force segments that are in high demand and expected to be more mobile."

Technology companies have been active in adopting cash-balance plans, ostensibly to help attract younger workers. But Sherman Min, 29, is a pretty good example of how much weight would-be Silicon Sultans give to cash-balance plans, or any other retirement programs. "With the kinds of salaries people in this field are getting, you don't even think about the retirement plan," Mr. Min says. He left Sandia