Research, Experts and Building Solidarity

by Marty Urra

The message read, "Be in Atlanta for emergency meeting of unions with Eastern" and was signed by Charlie Bryan. The contract we had won with Eastern now had to be defended against the banks to whom Eastern owed so much money.

In Atlanta we listened to a very somber Frank Borman describe how the banks, led by Chase Manhattan and Citibank, were refusing to roll over loans that were coming due. The bankers insisted that Borman win "concessions" from us by June 21 or Eastern would be thrown into "technical default."

Although the message was very similar to the doom-and-gloom that he had performed so well over the previous seven years, "Colonel" Borman seemed different. My first impression was that the "boy who cried wolf" many times before had a powerful set of jaws truly clamped to his behind. Something else was different. His willingness to listen, to request our advice, to try something different. He suggested the formation of a "Labor Council" similar to Pan Am's, made up of representatives of all the unions, to make suggestions and come up with a program "to handle the present crisis *and beyond*." We, the union leaders, pointed out that non-contract employees should be represented in the "Labor Council."

A couple of meetings of the newly formed council took place over the next four or five days, and we then scheduled a meeting with the "lead-lenders" in New York. Anticipation, research, preparation and presentation were our strong points in negotiations, and we

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handled this meeting in the same way. Locker-Abrecht Associates, our corporate finance consultants, were contacted. They were to do some "digging into Chase Manhattan and Citibank" and accompany us to the meeting.

The lenders' position was presented by Michael Crews, who represents Chase Manhattan. In his cold, monotone, German-accented style he proceeded to match Orson Wells' doom-and- gloom in the classic *War of the Worlds*. He explained how the banks had backed Eastern in the past, but "now that one or more players in the team had refused to continue cooperating" the additional *risks* made it impossible for them to put additional money into this company.

"Risk" was the key word and to those of us who must make similar decisions on our credit union board, it exposed the weakness of their argument. We knew that bankers increase interest rates when risky clients attempt to renegotiate debts, but they never force a default unless everything is hopeless. Eastern's line of credit was only on "prime rate" while other truly weak airlines were on "prime plus 1%" or "prime plus 2%."

Our anticipated research was right on cue, however. Charlie Bryan shuffled through a file put together by Mike Locker and Steve Abrecht just hours earlier. He explained to Mr. Crews that it would be a shame if we had to get down to such tactics, but that we might have to go public with potentially embarassing information about the banks—interjecting that everyone present was well aware of our past success in utilizing the media.

Bryan questioned Chase's ability to handle additional losses in the event bankers forced EAL to default. He pointed out that Chase had recently lost:

- $117 million due to the failure of Drysdale Government Securities.
- $75 million on loans acquired from Penn Square Bank after the latter was declared insolvent.
- At least $45 milllion when Lombard-Wall, Inc. collapsed.
- $61 million in real estate activities in Puerto Rico.
- And a total of $1.4 billion in non-performing loans at year-end 1982.

Bryan questioned how the average Chase stockholder or depositor would feel about Chase Manhattan causing the Number 1 passenger carrier in the U.S. to go out of business due to unwillingness to take extra *risks* when our files show that recently Chase had increased their risk by rolling over loans to Argentina, Brazil and Mexico.

Finally, Charlie pointed out that if Eastern went bankrupt, Boeing would lose a bundle in lost orders and its entire program for the new 757 plane would be placed in jeopardy. Boeing might in fact be pushed into default also, and Charlie didn't think the banks wanted that. Our research showed that Eastern and Boeing shared the same "lead-lenders." How many millions of dollars in bad loans were Chase and Citibank willing to "write off"?

Michael Crews smiled for the first time and explained almost nervously that Chase was not in question. He added that simply put, the presentation made by management was unacceptable; but since we had presented additional facts, the lenders would be willing to re-assess their position. He concluded that if after meeting with us, management should present them a "different scenario," they would review it for recommendation to the other banks participating in the agreement. A small change in the tone of his voice. . .a big change in attitude.

In the following weeks the IAM responded with a positive alternative (to a pay cut) that would address the "cash shortage" issue yet maintain the integrity of our recently negotiated contract. The IAM encouraged individual members to *voluntarily lend* a portion of their wages to Eastern at a ten per cent rate of interest.

I am sure the bankers looked at this IAM alternative as very bad tasting medicine since it put the employees in competition with them. But since it *did* address the cash shortage problem, turning it down would have been tantamount to saying that there was no cash problem.

It Started with a $15 Course

Our approach to research as a part of bargaining began back in 1977 when my predecessor as president of IAM Local 702, Steve Hrytzay, surveyed our membership in order to better define priorities in the 1978 contract negotiations.

We mailed out over 5,000 questionnaires and received approximately 3,500 responses. The results showed that members were most concerned about our pension plan. Older members were interested, of course, as retirement came near, but younger workers were interested as well since they saw the pension plan as a job security issue.

I was editor of the Local 702 Newsletter then, and decided to educate myself more about pensions so I could write some articles for the newsletter. Andy Banks, assistant director of Florida International University's Center for Labor Research and Studies, had put together a group of experts on the issue of retirement pensions. A $15 tuition fee for that course started the ball rolling towards a whole new approach in collective bargaining.

The training in that course turned out to be more than a source for a newsletter article. With the new knowledge of the availability of information through the 5500 forms, we went to work on how we fared within our own company in comparison with the eleven other employee groups. This new information pointed to our union's past misconception that 1) we had fared well within Eastern's work groups, and 2) that we were a high-cost pension group.

The administration in office in District 100 was offered all the information that the local had surveyed and researched. (Under our structure it's the district, not the local, that negotiates with Eastern.) But the "old school" administration ignored the survey and the pension research. We started looking for new leadership.

A New Candidate

Active members and elected representatives from all over the country came to a meeting in Local 702 Secretary-Treasurer Tom Loper's back yard. We were "nailing down" our candidate for the upcoming district election. Charles E. Bryan easily impressed everyone with his frank talk and obvious dedication to "reforming our district."

I asked for a couple of commitments: that he consider the training of the negotiating committee and the formation of a corporate research team before negotiations. It was then that I found Charles Bryan's flexibility and progressive thinking. It wasn't long before Charlie was fully prepared and was campaigning on such needs within the collective bargaining system. It was a campaign that answered the membership's longtime plea to "get a bunch of experts and lawyers to put up against the 'pros' from management."

While many union leaders hesitate to use outside consultants, it is my evaluation that they are making a mistake in anticipating their membership's perception of such a move. The feeling that the membership will look down on their ability is wrong. Most members today are very aware of the technical sophistication employed by corporations in all phases of labor relations. The admission that we (union representatives) need technical and specialized assistance from consultants is simply a recognition of the obvious. Our working contact with our members proved to us that such an approach was not only considered "common sense" and "the responsible thing to do" but, because of the fact that they have long clamored for such innovations, the technique proved a political asset.

There *is* some danger of "takeover" by consultants in the negotiating arena, but this is true more when consultants or experts are used by turning over the negotiations to them. Our approach was to utilize consultants for technical, statistical and research support. The most effective use of consultants, however, was developed through the assistance of Andrew Banks and his staff. Andy's concept of consultants doing developmental training in order to facilitate our continuing internal research was the most successful specific technique used in our project. This, of course, relaxes the dependency on consultants, and future use becomes more dependent on the desire than the need for information.

The Charlie Bryan "Team" swept the elections and swept me into the presidency of the district's largest local (Local Lodge 702 has over 6,000 members). Two major things were accomplished: 1) The

philosophy of the largest local and the district were for the first time one and the same. And 2) all internal strife disappeared and the company was the only and common opposition.

Soon President Bryan asked me to form a Contract Research Committee and to start preparing for contract negotiations that were yet two years ahead. He had decided that contract research would be an ongoing activity at District 100.

Eastern's management had subdued all the employees with continuous brow-beating emphasizing our main competitor, non-union Delta. Our members were sick of hearing about Delta and its advantages over us in workrules, productivity, profits, etc.

The first volley fired by the union in the statistical war that ensued was directed at Eastern *vs.* Delta, and it was so overwhelming in statistical advantage that it even surprised us.

Local 702's newspaper bragged in its front-page headline, "Be Proud—We're No. 1." It provided fourteen hard facts that proved beyond any doubt that Eastern and its work force was outflying Delta not only in quantity but in quality. Most revealing, however, was that we were doing so with 24 fewer employees per aircraft. The question was then put. . ."If Delta's non-unionization and flexible work rules are so productive, why do they need 24 more employees per aircraft *to be No. 2* and in some statistics fifth, sixth and seventh?"

The information was positive, it made the membership feel good (everyone loves to be a winner), but most encompassing, it started the disintegration of management's credibility.

Informing the Membership

The pension plan was our most productive source of comparative data early in the campaign. I call it a *campaign* because we were in a battle to regain control of a membership that Frank Borman had personally "Pied Piper Style" drawn to his side with shop floor meetings, letters to the home and very astute use of the press.

Although pensions are a complicated subject, we reduced the statistics and facts to the lowest possible denominator. In the case of the cost in each pension plan, we reduced it to cents per hour so that everyone clearly could relate to how they fared. "Yes, the average Eastern employee's pension cost was $1.19 per hour in 1980. However, that's not our cost. Let's see the breakdown. . . Non-contract employees' cost was 84¢ per hour. . .Mechanics and Related (our group) was 71¢. . .the Flight Attendants' cost was 27¢ per hour. . .and last but certainly never least, the Pilots' was $4.86. . ."

Additionally we made wide use of charts and graphs to simplify the presentations, which by now had involved the membership other than just through the newsletter.

Management's strategy during the first Borman sales campaign of the Variable Earnings Program (1977) was to scare the employees in the bottom third of the seniority list with threats of "cutting back the airline," while offering improved retirement benefits that appealed to the top third of the seniority list. Since a hiring spree had been undertaken in 1979 and 1980, it was obvious to us that we had to prepare our junior members.

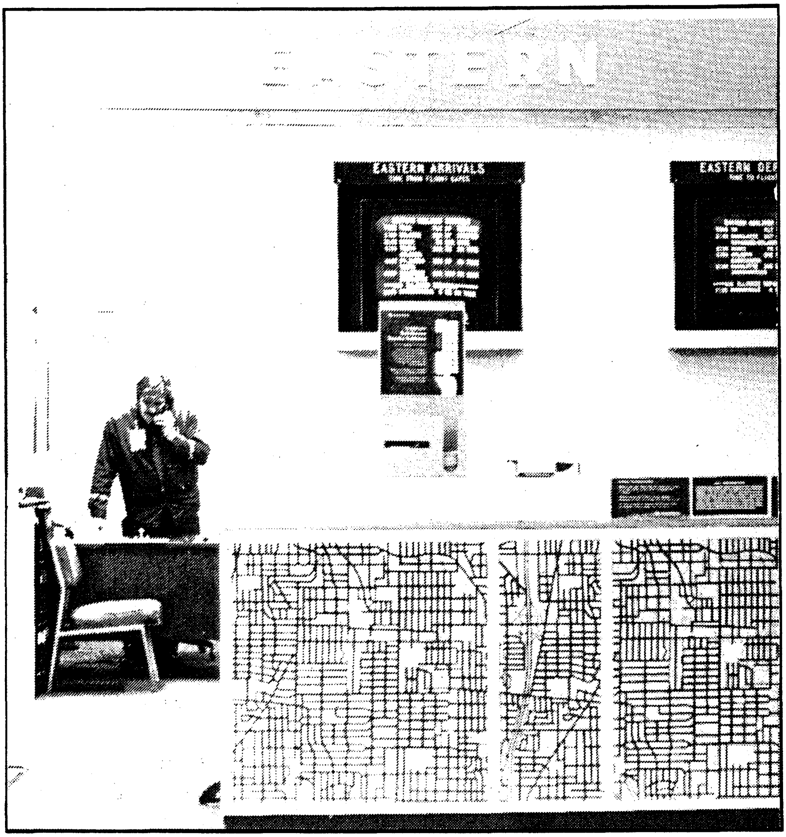
At my request, the Executive Board of Local 702 approved the expansion of the regular monthly membership meetings. Since Eastern runs a twenty-four hour, three-shift operation, "information meetings" were scheduled for 7:30 a.m. for the outgoing "graveyard shift" and 1 p.m. (before work) for the afternoon shift.

At these meetings the information was meant to: 1) acquaint the members—especially the young ones—with the history of how their present wages and benefits were *fought for,* 2) build their management-scarred pride with comparison statistics that attested to their present success as a workforce, 3) warn them of any anticipated moves on the part of the company, including financial results that we could project *before* their release, 4) shock them with the comparison of our pension plan with that of the pilots, and 5) weaken management's credibility by exposing the company's tactic of emphasizing the negatives.

Our membership had created the political platform on which Charlie Bryan had been elected. Among their appeals was the almost frustrated plea that "we ought to hire a bunch of lawyers and take the company experts on in negotiations." At the membership meeting the membership was reminded of the plea that they had all heard or said themselves hundreds of times. It was "interpreted" that, of course, they meant "consultants and experts in the specific, very complicated issues of contract negotiations since lawyers alone would know little of corporate finances."

That having been said, we followed it with the dramatic announcement of our "retaining" Locker/Abrecht Associates, "a New York firm specializing in corporate financial investigations" and "Randy Barber of Washington, D.C., co-author of a book on pensions and respected labor advisor."

The key, of course, was that we had acted in agreement to their expectations of what was needed. It must be noted, however, that the announcement was preceded with information meetings full of



statistics produced by our own internal research capabilities. This helped to build confidence in our ability and to show favorable results from "our investment" in training our research committee.

Though the announcement was received with jubilation and an extended rowdy ovation, it was necessary for them to see results immediately, so particularly good or shocking news followed each announcement. Locker/Abrecht were credited with "exposing" that although Eastern had a lot of debt, "they neglected to tell us in their 'State-of-the-Company Meetings' that they ended the year *with $284*

[redacted]

million loaned out!"

Soon other locals of District 100 were requesting our seminar and we hit the road with our "dog and pony" show, involving the audience.

At times when facts and figures were "exposed," the "proof" was shown to someone in the front row. Much as a magician shows the empty hat to a volunteer from the audience, Eastern's yearly report was shown to someone as the "money loaned out" was pointed to under short-term investment and the financial entry was explained fully. Soon the "education" had paid off and in later meetings questions were replaced with contributions from the more curious who had bothered to dig up some positive statistics on their own.

Curiously, those attending would remember enough about the facts and figures to raise the interest of others back on the job but not enough to fully explain it. This caused a mushrooming effect on attendance at "information meetings" and our biggest problem became accommodating everyone in our meeting hall. Later in the critical stages of our negotiations, an auditorium sometimes had to be leased that would accomodate as many as the 3,500 that would show up from the combined day and graveyard shift.

Positive Alternatives and Psychological Jujitsu

We were not always on the offensive, as we found out when the company unilaterally set up a Quality Citcle program. Based on what little we already knew about such programs, it was obvious that they certainly could easily be used as a union-busting tool.

Again we were willing to admit our limitations and we requested professional assistance from the Florida International University Center for Labor Research and Studies. Andrew Banks had done extensive research on good and bad "Quality of Work Life" programs. His expertise was utilized to train a negotiating/steering commitee, and the stewards were given a seminar on the do's and don't's of the Japanese experience.

Through Andy's assistance we had reacted quickly enough to formulate an alternative program. . .with ground rules and guidelines that increased workplace democracy without replacing the union as spokesmen in the shops. The positive alternative (to company programs which had the appearance of answers to "our needs") proved to be a successful counter measure.

The union reaction of a positive counter program was meant to make sense to our membership, to other employee groups within the company that now could not tag the union as contrary, and to an outsider (the press) who usually only bothered to see the surface without checking "the small print."

This concept of redirecting the force of company formulated programs rather than taking a negative, obstructionist role was soon recognized as the perfect tool to fight the "concession fever" that by 1982 had become a corporate epidemic.

Labeled "Psychological Jujitsu" (Psy-Judo), the positive alternative concept was the perfect weapon to answer layoff threats, punitive attendance programs and pay-cut concession demands.

When Eastern announced a layoff that could be avoided if we accepted a 10% pay cut, we answered with a proposal for a leave of absence program and a retirement incentive program. Needless to say Eastern went through with the layoff but our members didn't blame the union. They blamed the "stubborn management that wouldn't accept the reasonable union program."

As Eastern initiated a "Zone" attendance program meant to punish employees for poor attendance, we countered with a positive incentive program made up of options from other successful programs that we had researched. Employees and lower management easily sided with our concept.

The most successful and meaningful use of Psy-Judo was a year-long fight to eliminate Eastern's Variable Earnings Program. Since it was dependent on an unfair formula for return of money held back, the experience of its five-year life was a loss of over $100 million in wages to the Eastern employees.

Eastern management attempted to sell the need to continue the same program for an additional five years. They didn't even employ the communist bloc technique of changing the name of unsuccessful five-year programs.

Although we had successfully raised a question in everyone's minds as to any need for such help from the employees, District President Bryan soon publicized our intent to "give Eastern the help they needed—though not necessarily the help they want. . ."

The design of what was later called the Investment Bonus Agreement was simple to understand, easy to sell and a reasonable method for employee assistance. It was more than reasonable since the company's VEP called for holding back 3½% of each employee's wages and the IBA offered 5% of the employees' pay. The small print, however, read very different.

The IAM's program was a true investment vehicle where money was *loaned* to Eastern at a 10% annual rate and payable on a profit year or by a January 1987 definite payment date. The program still maintained the bonus provisions of the old VEP in case of a profit year, but deductions were to be made for only two years.

You can easily imagine the TV reporters with only two minutes to cover a story and twenty seconds to do a "wrap-up". They could not get into the "small print" or conditions of the program, yet they often ended their "wrap" with, "The Machinists certainly appear to have taken a reasonable approach to Eastern's request for employee assistance. They are offering 5% of their wages when the company's program only asked for 3½%."

By September 15, 1982, Eastern had *talked us down* from a 5% to a 3½% investment program. Yes, the 3½% figure was a face-saver meant to give the outside public an impression that the VEP had been extended "with some modification" and a different name. There lies the second plus to a positive alternative concept; it is a face-saving way out for a management that has already surrounded itself in official statements about the company's financial crisis, press releases about "must-have" issues, and other such doom-and-gloom publicity.

Immediately after the negotiations were concluded, Eastern's management issued a collection of unfortunate statements. The Senior Vice President of Labor Relations admitted that the "last offer" and the "let them strike" campaign had been "a big bluff". Board Chairman Frank Borman complained that the IAM Contract amounted to "blackmail" and that he felt he had been "raped".

Normally to a union leader such statements would almost amount to an award or trophy. To District 100, however, it was a poor description of the affair (no pun intended). It was our intent to use common sense arguments, fed by research and backed with consultants, in order to "seduce" an industry standard agreement out of the management committee.

The Pull Back Technique & the "Final Offer"

It was evident that Eastern's negotiating technique was meant to stall negotiations as much as possible. This was so that the cost increases would take place with the expected economic recovery. They could not, however, cause a situation where the federal mediator would declare a deadlock (due to lack of progress) and start the thirty-day strike countdown mandated under the Railway Labor Act.

Since Eastern could not afford a shutdown of operations through a strike, they had to resort to what I call the "pull back technique". This negotiating technique simply causes management to give in and give in until they narrow the gap with the union. When the union has compromised down from the usually inflated first proposal and reached an acceptable level—and what appears to be an agreement on the issue—then the pull back takes place and management puts that issue's acceptable union offer in their "back pocket" for later. This is done over and over again with each issue, giving an appearance of progress with no identifiable agreement. It does provide the potential for a very quick contract agreement, however, when during the "eleventh hour" the company can reach into the back pocket and agree to that acceptable last offer from the union on each issue where "pull back" was employed. It prevents wasting 18 months and taking a chance on running out of time to prevent a strike.

Our evaluation was that Eastern was using the pull back technique for additional purposes: 1) to attempt to wear down the union committee and the membership in general, 2) to time the potential strike dates so that the busy holiday seasons would be avoided and thereby soften our perception of the impact, 3) to give themselves the opportunity of trying to sneak by us a mediocre last offer.

Eastern was well aware of our constitutional requirement—and President Bryan's ethics—that assured a vote on any last minute offer that was substantially better than the offer "on the table" when the strike vote was taken. Management presented a last minute—statistically misleading—concessionary package.

It was extremely back-loaded, but with a high enough end-of-package pay scale that it allowed them to describe it as "a 32% pay increase over the life of the contract." This was a package that totally ignored most of the stated union goals and was far from "an agreement" by our committee.

Then came the onslaught of propaganda: letters to the home in order to scare the spouses of employees; the doom-and-gloom videotaped statements on company finances; repressive and punitive labor relations tactics on the shops and ramps, and irrelevant comparisons to the steel industry and to bankrupt Braniff Airlines.

Braniff's situation was also used as management ridiculously threatened to replace our members with the out-of-work Braniff employees. We didn't even have to point out to our now educated members that we had 13,000 IAM employees and Braniff only had 2,000 *if* they were still out there without jobs after more than a year. . .and after not one of them had replaced the IAM personnel on Northwest Airlines during their strike months earlier.

Did the membership weaken in spite of the thorough educational program that the union had undertaken for over two years? Yes, but we had anticipated that they would.

We anticipated that the membership would be softened by such practices, but we had also anticipated the company tactics and their last offer strategy. For weeks we prepared them for a "substandard" and "unacceptable" *first* offer at the last minute. We also prepared them for a "rejection meeting" that never entertained any possibility of ratification.

Most important, however, was the timing. During the countdown the strike deadline was set for March 12, 1983—perfect timing for a pre-Easter Holiday strike—but we informed the membership that the "rejection meeting" and the necessarily large auditorium had already been secured for March 18, "so that a new strike deadline could be set for March 25—*still* ahead of the Easter holiday."

The membership was then reassured that we were certain that the five-day interval provided plenty of time to finalize a *true* agreement, "one that would bring us back to industry standards."

It was the March 18th turn down meeting that became the "ace up our sleeve". First of all, it was to be *the last word* prior to the vote since we had changed our balloting procedure to avoid the past mistake of issuing a ballot at the door. This had in the past caused company-propagandized members to vote and leave without benefit of the union's point of view. Upon entry to the hall, members went through the slow process of checking in as per our roster and a stub was issued to be filled out—a stub that *after* our presentation could be exchanged for a ballot.

The most ironic thing to happen at this point was Frank Borman's request for "equal time" at our meeting after we had endured one week of one-sided letters, videotape lectures, and daily management scare bulletins. Needless to say he had spoken out of realization that our "ace" could expose his bluff.

It was at this meeting that the summary of the Locker-Abrecht report was released to the membership. The "hidden" millions were exposed and explained. The list of analysts optimistic about Eastern were detailed by the report, adding to its credibility and the disintegration of management's. The report had made the company's propaganda blitz sound like one entire week of crying "Wolf"!

After a tremendously supportive rejection of "the first offer"—that management had often labeled *their last offer*—the tone completely changed. Non-contract employees and mid and lower management were completely demoralized when the company statement about "resuming negotiations" and "certainty of reaching a mutually acceptable agreement before the new deadline" surprised them with the fact that there *was* a last, last offer.

Crystal Ball

At the noon news show on March 24, I was asked if I was optimistic about a tentative agreement being reached in time to avoid a strike at twelve midnight. Charlie Bryan's office had already communicated with me that they had met thoughout the night until 7:30 a.m. and had gone back together after a couple of hours rest. My response on live T.V. was that I expected that an agreement would be reported by the evening news.

The day was tense. A dozen reporters were at Local 702 all day and the 7 p.m. network news opened with an announcement from Washington by the Chief Mediator and President Bryan that a tentative agreement had been reached. The reporters wanted to know what "inside information" I had to predict an agreement, especially such an early settlement.

Yes, I had been in contact with Pension Consultant Randy Barber and was aware of the stages of negotiations during that afternoon, but before that—during the noon news—all I had was inside knowledge on the strategy and tactics of the chief negotiator. I knew Charles E. Bryan *and* I knew Russ McGarry, our Local 702 representative on the negotiating committee. Neither one would have talked through the night unless the company was contributing to progress. Besides, we knew management's back pockets were full of pull-back agreements on individual issues. Our committee knew it, our committee had prepared for it. The amateurs had graduated; they were now true professionals! □