

ACME MANUFACTURING CASE II BARGAINING THE CONTRACT

Following the election and certification of the UAW as the bargaining agent for Plant A the union notified Plant A management of intention to begin bargaining. A member of the UAW international staff in Detroit was appointed by the union to negotiate the contract. Five employees from the new unit were appointed by the union to make up the bargaining committee.

The local management requested assistance from the corporate office in Cleveland and the Director of Labor Relations, who had served as the chief negotiator in the Cleveland and Detroit contract negotiations was appointed as the negotiator for plant A. A local management team of the manager of manufacturing, the director of human resources and two general foreman joined the director of labor relations to form negotiating team.

At the first session the union negotiator presented Acme's team with 50 requests for information dealing with the structure of the organization, economics of the company, salaries of non bargaining unit managers and employees, their names, addresses and social security numbers, list of customers, dollar amounts of sales to those customers, a copy of the policy manual as well as a list of demands which included wage and benefit improvements and a long list of items to be incorporated into the first labor agreement, many of which were taken from the Cleveland/Detroit contract. He also emphasized that a major objective was to bring the wages and benefits in the Tennessee plant up to the standard of the Cleveland and Detroit contracts.

The management recessed to review the union demands and prepare their response.. Plant B was very much on their minds and how it could be affected by the contract, if it was actually negotiated. The director of labor relations remarked to the team that, " We must keep plant B in mind as we go forward. It is critical that they remain non union. You can bet the employees will be watching what we do here at the bargaining table.ö

Following several sessions in which the union's proposals were explored and a few tentative agreements were reached, Acme's complete contract proposal(non economics) was presented. It included four key areas: a comprehensive and detailed Management Rights Article, a Grievance Procedure which included a statement that the company cannot file grievances, an Arbitration Procedure incorporating statutory claims and an all inclusive No Strike clause.

The negotiations between the UAW and Acme Manufacturing continued for 10 months. During this period, the company, following each meeting, sent updates about bargaining to the employees. The issues which continued to remain unresolved were: the union's insistence that wages be increased to the level of those paid in Cleveland and Detroit(this had been a major commitment of the union during the organizing campaign), the company pay for employee health insurance, health insurance benefit for retirees, a dues check off, restriction on temporary job assignments and restrictions on sub contracting of sub assembly work. The union insisted that a neutrality agreement be part of the agreement incorporating a card check recognition for Plant B. When pressed for the reason for the card check recognition, the UAW negotiator stated

that an objective of the negotiations was to gain recognition at Plant B and sweep all operations at Acme under a master agreement including all 4 plants.

Acme pointed out that Plant A was built to not only take the overflow from Ford and Chrysler production, but to provide new customers with lower cost assemblies in a very competitive market. Given the successful penetration of the U.S. market by foreign car manufactures, survival as a prime subcontractor to Ford and Chrysler was vital. Plant B on the other hand was dedicated to the Mercedes Benz SUV and not interchangeable in product with Plant A. The organization of Plant B operations were geared to the philosophy of Daimler Benz in structure, manufacturing and quality assurance. Acme was firm in its position that Plant B was not a part of the bargaining at Plant A and early in the negotiations gave the union a firm NO on a neutrality agreement and card check recognition.

Acme and the union reached agreement on some of the non economic issues. Its approach to negotiations was to bargain hard in order to get a favorable "first time" contract. It was well aware of the erosion of management rights that had taken place over the years at the Cleveland and Detroit operations and it wanted to establish a strong control over the Plant A operation if it reached agreement with the union on a contract. A "final" contract offer was made to the union. The term of the contract was one year instead of the three years proposed by the union. There was reason for offering the one year contract. (1) Acme was not convinced that the union could retain support of the majority of the employees in the bargaining unit. It based this on the close union vote in the election (11 vote difference). This fit a strategy of possible decertification at the end of a year if no contract had been reached. (2) Acme was also concerned of the effect the union's proposals would have on Acme's competitive position in a tough market place if tied to a three year agreement, and (3) the effect a contract favorable to the union would have on the non-union employees at Plant B.

In its proposal Acme was not willing to adopt the northern rate structure. Acme refused to provide health insurance for retirees pointing out the workforce was relatively young and it would burden the plant with a significant future cost. Its position on employee sharing in health insurance premiums remained firm. It insisted on its position on sub contracting explaining that it must sub contract certain sub assemblies it doesn't make, since under its make or buy philosophy, it was cheaper to buy rather than gear up the plant to make the parts. The union asked Acme for financial data, customer lists, sales agreements and supplier agreements to prove its point on costs. Acme refused on the basis it did not have to furnish confidential financial information.

On the issue of temporary job assignments Acme was not willing to negotiate away "flexibility" since the Tennessee plants were team based operations and maximum flexibility in work force assignments was critical to quality, cost and employee morale. One of Acme's concerns on this demand was tied to the union's insistence that seniority be the basis for layoffs and job transfer. Acme explained that in a team based organization, seniority is disruptive to team continuity. However, Acme was willing to use seniority as the determinant if skill and ability were equal.

Acme maintained that the lead person classification was a supervisory position as clearly explained at the NLRB hearing. In summary Acme and the union had reached a tentative agreement on several Articles including vacation, jury duty, holidays and the job bidding procedure. Acme maintained that its 4% increase during the campaign already placed the wages in a favorable market position and demonstrated this through survey data. The union said the company "final" offer was unacceptable, but they would take it to the membership without recommendation.

The UAW held a ratification meeting on a Sunday morning at 10:00AM. A strike vote was taken. Of the 350 in the bargaining unit, 135 had joined the union following the election outcome. 210 employees showed up at the Sunday meeting. Of the 210 employees 114 were union members. When the union announced it was taking a strike vote, it informed all in attendance that under the union constitution only union members could vote. The strike vote resulted in 80 voting for a strike and 34 voting for no strike.

Monday morning the company and union met to review the status of negotiations. Acme, sensing trouble, asked Federal Mediation and Conciliation to attend the meeting. A mediator did attend, reviewed the situation with each party and at the end of the day saw no common ground for an agreement and advised them to continue to try and work out an agreement. The union announced that it had a strike vote from the membership and unless there was movement from the company on issues like seniority for lay offs, restrictions on subcontracting, health insurance for retirees, company pay for health insurance, wage parity with the Cleveland and Detroit plants, dues checkoff, and redrafting of the Management Rights and No Strike Clauses, the union would have trouble convincing the employees to remain at work.

The union, however, stated that it was its firm desire to work out a contract and hoped negotiations could show more movement and pointed out that the union had dropped several of its demands in the interest of reaching an agreement. Acme told the union at this point that if it would accept the current company proposal it would grant dues check off as a major concession.

Acme stated that it had negotiated all issues in good faith and expressed great disappointment that the union did not understand nor appreciate the effect the union work rule demands would have on Plant A's ability to compete. At the close of the negotiating meeting on Monday, the union served notice that in its opinion the company was engaging in bad faith bargaining and claimed the company had not fully complied with the union's request for information on a number of items. It said it intended to file charges on refusal to furnish information and bad faith bargaining.

Acme told the union it had provided all the information that it was going to provide. The Company pointed out the union should not mistake hard bargaining for bad faith bargaining.

The company took the position that the union was unreasonable in the volume of information requested and further the Company considered the information sensitive given the union's relationship with competitive suppliers to Acme customers.

The union called a recess and upon returning stated, "In order for us to make any decisions on our position in these negotiations we need the balance of information we requested on the list of your customers along with the dollar amounts of sales to those customers, along with movement on the issues we have stressed as critical to getting a contract." Acme again refused to grant the information for reasons previously cited claiming the information was not directly relevant to the negotiations. Acme further stated that in view of the union's position on the other issues, the Company stood on its final offer to conclude negotiations.

At this point the union negotiator asked, "Are you telling me that we have your final, final offer and this is it?" The company's replied, "Yes, this is the last, best and final offer to settle the contract." The union negotiator said, "We are still willing to continue meeting as there is always a chance to reach agreement." The company negotiator replied, "If you are willing to reach an agreement on our final offer we are ready." The union replied, "We have a mandate from the membership, and we cannot accept your final offer as it stands. With that the union left the meeting. No further meetings were scheduled.

That Monday afternoon Acme mailed a letter to all employee's homes setting forth its position on the critical issues and explaining its final offer. In its letter Acme stated that Plant A would continue normal operations.

Following the last negotiation session, the union filed unfair labor practice charges claiming that Acme refused to supply relevant information critical to negotiations, bargained in bad faith by refusing to seriously discuss and bargain on wages, benefits and specific work rule issues such as application of seniority to layoffs and job transfers.

Acme continued to operate the plant on a normal schedule. After a few weeks production problems began to surface as employees started a "work to the rule" campaign. Along with this one day strikes in specific departments each over a different issue began to occur. It was clear that the union was employing tactics to bring Acme back to the bargaining table. The union wrote key board members of Acme Manufacturing complaining about the bad faith bargaining tactics of the management emphasizing that serious charges had been filed with the National Labor Relations Board. A few employees began picketing at the main gate to Plant A. Their picket signs read, "Acme Refuses To Bargain In Good Faith." Pickets also showed up at the Cleveland and Detroit operations with picket signs displaying "Unfair Bargaining Tactics Employed By Acme Manufacturing in Tennessee Negotiations."

The union contacted the company requesting to continue negotiations. The company replied it was willing to meet and answer questions about its last best and final offer. Federal Mediation contacted both parties encouraging them to continue negotiations.

No meetings were scheduled. Plant A continued to operate. The NLRB began investigating the charges filed by the union.

Questions to consider:

1. What are Acme's options given the open ended negotiations? How would you handle the one day strike situation? What do you think Acme's chances are in pursuing a decertification strategy? How would the ULP's affect this strategy? Of what significance is the fact that negotiations continued for 10 months from the certification?
2. Given the final position of the union what do you think the union's strategy is? Why do you think the union did not call a strike given the fact it had a strike vote and negotiations were at a stalemate? What about the union's claim of Acme engaging in unfair labor practices. What about the charge of bad faith bargaining? Refusal to furnish information? Explain.
3. What about the union's requests for information? Were they relevant and lawful?
4. What is a neutrality agreement? Why wouldn't Acme agree to a neutrality agreement? Is a neutrality agreement a permissive or mandatory subject of bargaining?
5. Tennessee is a right to work state. What is a right to work state? Why might this be a factor in Acme's overall strategy?
6. Is health insurance for retirees a permissive or mandatory subject of bargaining. Explain the difference between a mandatory subject and permissive subject of bargaining.
7. Does Acme have any basis for claiming the union did not bargain in "good faith"?
8. Do you think Acme's communications to employees during negotiations were lawful?
9. What impact do you think the outcome of the negotiations might have on the employees at Plant B?
10. Do you think Acme had an overall strategy for the negotiations? Explain. Why is it important to develop a strategy prior to beginning negotiations?
11. Do you think the union had an overall strategy for negotiations? Explain.
12. How can Acme take advantage of the low union membership and the fact that only 22% of the bargaining unit employees voted to strike?