Employer Strategies in a Changing Slow-Growth Economy; Dealing with Organized Labor: 
*The Boeing Blueprint*

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Introduction

How are U.S. employers approaching the economic “recovery” from the recession and what strategies are being employed by them, particularly in relation to unionized workforces?

Boeing Company’s recent – and successful – manipulation of bargaining table “leverage politics” presents at least a partial answer as well as a fascinating case study. The company’s negotiations with its local Puget Sound, Washington-based District 751 of the International Association of Machinists (“IAM”) and the District’s International parent signal a present-day shift in collective bargaining strategies and tactics from both sides of the table. This shift, at least in Boeing’s case, is based upon a number of key factors. These include:

- The perceived snail’s pace of economic recovery from the 2007-09 U.S. recession;
- The resulting job security issues extant with the U.S. workforce in general and Boeing workers in particular;
- The age-composition of Boeing’s production workforce (almost evenly divided between those both under and over the age of 50);
- Market-share competitive issues with its chief global rival, European-based Airbus Industries;
- Boeing’s overarching desire to achieve a smooth (and strike-free) launch and entry into service (“EIS”) of its new-technology 777X – the aircraft on which purportedly rests Boeing’s future success for decades to come; and last but by no means least,
- The reversal of what Boeing arguably views as a decades-long string of frustrating disappointments in collective bargaining with its militant, strike-prone Puget Sound local union.

Accordingly, and although in the midst of recent and quite favorable production and stock market successes, Boeing – in examining both its past and its future – took a counterintuitive approach in negotiating strategies with its 2013 IAM “re-opener” negotiations involving the future production of the 777X.

In examining these issues, first and paramount are the U.S. economy and the slow growth rate of its recovery. According to a recent Bloomberg BNA report, the employment outlook for the first quarter of 2014 – or net difference between employers expecting to increase staffing and those expecting a decrease – held steady at 13% seasonally adjusted. After rising a slight 1% in each of the prior two quarters, the net employment outlook reflected “stable” hiring and layoff plans in the first quarter. That represents improvement from the recent low of -2% in the 3rd quarter of 2009, following the 2007–09 recession, but that still lags far behind the 20–21% range that existed in 2005-06.

The report goes on to state that 17% of employers (non-seasonally adjusted) anticipate payroll increases next quarter, the same as the 1st quarter of 2013, while 7% of those surveyed project staffing reductions. i

Following a strong pace of production in the 1st quarter of 2013, production in the manufacturing sector slumped in the 2nd quarter, but should show accelerated growth throughout the balance
of 2013 and into 2014, according to the Manufacturers Alliance for Productivity and Innovation ("MAPI").

The outlook for both 2014 and 2015, per MAPI, calls for an approximate 1% improvement in the growth rate for U.S. manufacturing generally. Following its forecast of a manufacturing production increase of 2.1% in 2013 (over 2012), production will be up 3.2% in 2014 and 4.1% in 2015. “Traditional” (non-high-tech) manufacturing lags a bit behind, with growth of 2.1% in 2013, 3.1% in 2014 and 4.0% in 2015.

In Aerospace Production, a focus of this article, the MAPI projections are a bit more robust going forward; while production was up by 1% in 2013, MAPI projects a 7% increase in 2014 and an impressive 12% growth rate in 2015. MAPI states, for instance, that Boeing reported 200 net orders for commercial airliners in the third quarter of 2013 and delivered 170 (an increase of 14% from 2012). The September 2013 MAPI report noted that Boeing had 481 net orders in the second quarter of 2013 and delivered 170. Boeing delivered a total of 601 commercial aircraft in 2012 and 648 in 2013, a 7.7% year-over-year increase. It expects its 2014 deliveries to total 725.

However, Boeing is staking its growth over the next several decades on its new 777X, a variant of the current 777, designed to compete with the Airbus 350 (which is currently undergoing flight tests and has an expected EIS of mid-2014). Boeing hopes to commence production of the 777X in 2017 and to begin delivering the aircraft by the end of the decade. The twin-aisle aircraft will retain the current metal fuselage, but will carry up to 400 passengers (compared to a capacity of approximately 350 for the current 777 model), will have larger, more fuel-efficient engines and new lightweight composite wings. According to Boeing, the 777X will be the largest and most efficient twin-engine jet in the world, with 12% lower fuel consumption and 10% lower operating costs than the competition. The General Electric GE9X engine will be greater than 5% more efficient than anything in its class. The 777-8X, competing directly with Airbus’ A350-1000, will seat 350 passengers with a range of 9,300 nautical miles (17,220 km). The 777-9X, which Boeing states is in a class by itself, will seat more than 400 passengers with a range of more than 8,200 nautical miles (15,185 km). It will have the lowest operating cost per seat of any commercial airplane. At the recent November 2013 Dubai Airshow, Boeing received 259 commitments from four different airlines (primarily Emirates) worth a total of approximately $95 billion U.S. for the 777X.

Despite dominating the Dubai Airshow with sales commitments for the 777X, Boeing lags well behind Airbus in sales of the latest generation of single-aisle commercial airplanes – the best-selling aircraft for both companies.

Several months ago, Boeing Commercial Airplanes CEO Ray Conner launched an internal campaign refocusing the company’s strategy regarding sales and urging Boeing staff to fight for every sale following a series of defeats at the hands of rival Airbus.

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1 MAPI provides quarterly and annual economic forecasts and analyses for U.S. manufacturing, focusing on 27 different sectors, including Aerospace Products and Parts. The most recent such Report is as of December 16, 2013, and may be found at [www.mapi.net/research/publications/us-industrial-outlook-December-2013](http://www.mapi.net/research/publications/us-industrial-outlook-December-2013).
According to the Airbus website, that company had total orders for 13,626 aircraft, total deliveries of 8192 aircraft and 7555 aircraft in operation as of November 2013. By the end of November, Airbus had a cumulative total of 2,523 orders for its A320neo, or 61% of the market, compared with 1639 for Boeing’s 737MAX, its nearest competitor. By putting sales at the heart of company culture and conducting frank postmortems on losses like Japan Airlines (“JAL”), Boeing’s Conner has shifted its commercial airplane division towards market share results and away from the engineering-driven focus of his predecessors. According to Boeing’s John Wojick, Senior Vice President for Global Commercial Airplane Sales, “there are 23,000 single-aisle airplanes forecast to be delivered in the next 20 years, and so far, we and Airbus have sold just 4000 of those.” In addition to future production of the 777X and the 737MAX, Boeing has been conducting a “New Airplane Study” regarding a replacement aircraft for its 757 since at least March 2012; the replacement’s EIS date is purportedly 2025, which would mean a production launch of the aircraft in or around 2018, at about the time that the 777X makes its maiden flight.

Significantly, Conner’s posture also highlighted another burning topic: to regain market share and fund Boeing’s future growth, the company first needs to put itself in a position to win by improving service and lowering costs, including the cost of its union labor, as exemplified by the current dispute with the Puget Sound IAM District Lodge 751 over production of the 777X. However, Boeing’s future battles with Airbus for market share are by no means limited to competition over production and sales of the twin-aisled jumbos. Also involved is a shifting of Boeing’s corporate philosophy, its ability to avoid production delays and to deliver its aircraft on time, at budget. The fight with Puget Sound’s IAM over future production of the 777X, the 737MAX and a replacement for the 757 is merely the opening move in Boeing’s long-term strategy.

**Boeing History and its IAM Labor Relations**

Boeing touts itself as the world’s largest aerospace company and leading manufacturer of commercial jetliners and defense, space and security systems. Boeing products and tailored services include commercial and military aircraft, satellites, weapons, electronic and defense systems, and performance-based logistics and training, which support airlines as well as U.S. and allied government customers in 150 countries.

With corporate offices now located in Chicago, Illinois (since 2001, when it relocated from Seattle, Washington), Boeing employs more than 170,000 employees across the United States and in 70 countries.

Boeing is organized into two business units: Boeing Commercial Airplanes and Boeing Defense, Space & Security. The company states that it now has nearly 12,000 commercial jetliners in service worldwide, or approximately 75% of the world’s commercial airliner fleet. Its commercial aircraft include the 737, 747, 757, 767 and 777 “families” of aircraft as well as the Boeing Business Jet. New product development efforts, according to the company, include the 787 Dreamliner, the 747-8 and the 777X.
With its Defense, Space & Security business unit, Boeing focuses on end-to-end services for large-scale systems that enhance air-, land- sea- and space-based platforms for global military, government and commercial customers. These include the design and manufacture of fighter planes, bombers, transports, rotorcraft, aerial refuelers, missiles, munitions and spacecraft for military, civil and commercial use.

Boeing envisions the manufacture of its 777X to set the foundation for the company’s growth over the next 20–30 years, and views as essential smooth (read, “strike-free”) production of the aircraft to enable it to more effectively compete with Airbus in the global passenger aircraft market for the foreseeable future.

Standing in its way, at least as the apparent thinking goes in the Boeing board room, is the rocky, strike-prone relationship with the Puget Sound IAM District Lodge 751 that Boeing has weathered for more than 50 years at its primary production facilities in Everett, Washington (the Puget Sound region of the Seattle, Washington geographic area). The current iteration of the 777 has been manufactured here since the early 1990s, which alone involves nearly 20,000 IAM-represented Boeing employees. The 777X is expected to be Boeing’s last major aircraft development effort until at least the mid-2020’s. Boeing has used its decision on where to manufacture the aircraft and its new-technology composite wings as leverage in seeking collective bargaining agreement (“CBA”) concessions it has been unable to achieve in the past and perhaps may not be in a position to seek again for many years to come.

For both Boeing and its Puget Sound workforce, the stakes surrounding the manufacture of the 777X are enormous, representing, among other things, approximately 8700 new Boeing jobs.

**Boeing’s Culture and the Poisonous Prolouge**

According to Boeing, its “vision” of corporate values includes integrity, quality, safety, diversity and inclusion, trust and respect, corporate citizenship and stakeholder success. Boeing’s website, in reference to “diversity and inclusion,” states that the company values “the skills, strengths and perspectives of our diverse team (and we) foster a collaborative workplace that engages all employees in finding solutions for our customers that advance our common business objectives.” The IAM’s view of Boeing’s culture, at least with respect to a “collaborative workplace” somewhat differs, particularly noting the frequent and bitter strike history that has characterized the relationship between the Puget Sound IAM and Boeing in the past and current centuries.

The current CBA between Boeing and IAM District Lodge 751 expires in 2016. Like most U.S. union contracts, the Boeing CBA contains a “No Strike” provision, which effectively prevents covered employees from engaging in strike activities during the contract term. The current contract was executed effective November 2, 2008, following a 57 day strike by the IAM over

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3 The “Puget Sound” CBA also includes IAM-represented employees in Portland, Oregon (represented by IAM District Lodge W24) and in Wichita, Kansas (represented by IAM District Lodge 70); both IAM Lodges W24 and 70 are signatories to the Puget Sound CBA, along with IAM District Lodge 751, which represents Boeing’s Washington state-based employee workforce.
job security issues related to outsourcing\textsuperscript{3}, retiree health care issues and elimination of its traditional defined benefit (“DB”) pension plan and its replacement with a 401(k)-type retirement plan instead (a defined contribution or “DC” plan)\textsuperscript{4}. The IAM-Boeing DB plan has been a key feature of the union’s contracts with Boeing since 1955.\textsuperscript{xii}

The extended 2008 IAM strike against Boeing was only the most recent in the Boeing-IAM history dating back to 1935; Boeing signed its first IAM CBA the following year.\textsuperscript{xiii} There have been seven strikes by the IAM against Boeing since World War II; these occurred in:

- 1948 (140 days over elimination of plant-wide seniority rules, as well as a challenge to its representative status by the Teamsters union)\textsuperscript{5};
- 1965 (19 days over seniority and medical coverage issues);
- 1977 (44 days over retiree pension and benefits);
- 1989 (48 days over overtime issues);
- 1995 (69 days over pension and job security issues);
- 2005 (28 days over DB pension plan contributions, when Boeing attempted to introduce new and substantial contributions to employee 401(k) retirement benefits)\textsuperscript{6}; and
- 2008 (57 days over job security, health care and retiree benefits).\textsuperscript{xiv}

Boeing has thus endured a total of 405 days of lost production due to strikes by the Puget Sound IAM workforce in the post-World War II era; 198 of those days involved strikes (in 1977, 1995, 2005 and 2008) which, at least in part, involved disputes over the IAM contract’s DB pension provisions.

The Beat Goes On: Creating the 77X and 2013 IAM Negotiations

As noted above, the current IAM CBA, with its No Strike provisions, remains in effect through 2016. In or around October of last year, with the 2017 launch of 777X production clearly in mind, Boeing officials first proposed an 8-year extension of the current IAM CBA through 2024. The length of the extension had three major goals: first, to ensure the strike-free launch of the 777X; second, to engage in early negotiations with the IAM during a period when the CBA’s No Strike provisions remained in effect, thus stripping the IAM of its most potent negotiating

\textsuperscript{3} Outsourcing provisions at issue were a carry-over from the 2002 CBA.
\textsuperscript{4} The term “401(k)” refers to the Section of the U.S. Internal Revenue Code (“IRC”) which authorized the creation of these DC-type plans, which are discussed in detail below.
\textsuperscript{5} A secret ballot election conducted by the National Labor Relations Board (“NLRB”) on November 1, 1949 resulted in IAM District Lodge 751 retaining its representational rights for Boeing employees; the vote was 8107 for the IAM and 4127 votes for Teamsters Local 451 (“No Union” received a scant 401 votes).
\textsuperscript{6} In its 2005 IAM negotiations, Boeing attempted with its proposals to drive a wedge between younger and older workers over pension contribution issues, a strategy arguably again on the table in 2013 negotiations (see below). During the 2005 negotiations, perhaps concisely summing up the entire history of Boeing-IAM labor relations, an alleged exchange occurred between Boeing negotiator Jerry Calhoun and IAM District 751 President Mark Blodin. According to Blodin, he recalls stating to Calhoun, “I don’t understand why you always fight us.” According to Blodin, Calhoun responded, “You just don’t get it. We represent Corporate America. You represent labor. We are always going to be adversaries.” According to Boeing at the time, Blodin’s account of this exchange was “taken out of context”.

\textsuperscript{xii} The IAM-Boeing DB plan has been a key feature of the union’s contracts with Boeing since 1955.
\textsuperscript{xiii} There have been seven strikes by the IAM against Boeing since World War II.
\textsuperscript{xiv} Boeing has thus endured a total of 405 days of lost production due to strikes by the Puget Sound IAM workforce in the post-World War II era; 198 of those days involved strikes (in 1977, 1995, 2005 and 2008) which, at least in part, involved disputes over the IAM contract’s DB pension provisions.
weapon – the ability to strike; and third, to exercise perhaps the strongest leverage in its history of IAM negotiations to achieve the long-standing holy grail on its wish-list of contract negotiations demands: elimination of the IAM DB pension plan by replacing it with a 401(k) DC plan. This provision was accompanied by additional wish list demands that Boeing wanted to achieve. Boeing’s first “last and final” offer to the IAM in November contained the following proposals: a $10,000 U.S. contract signing bonus; a “de-acceleration” of the advancement time to the top of pay scales (referred to as “ZOOM” in the CBA) from the current 6 years to 16 years; increased health and welfare payment contributions by employees over the life of the extension (estimated by the IAM to reflect a tripling of employee premium payments); wage increases averaging 0.5% between 2016–2024 with an entry-level pay freeze until 2024; and elimination of the current DB pension plan. This last proposal would freeze the current DB plan in 2016, substituting it at that time with a DC 401(k) plan with employer contributions amounting to 10% of employee wages in 2016 and 2017, 6% in 2018 and 4% in each of the following years of the extension. Boeing’s pension proposal contained a “sweetener” for older, more senior employees, who would now receive $95 per month for each year of service for any employee over 58 years of age. According to the IAM, approximately half (49%) of eligible voters are 50 years of age or older.

According to press reports, Boeing had announced that the future of 777X production in the Seattle area hinged on two prongs – one guaranteeing tax relief by the state of Washington and the second being the ratification of its contract offer by the IAM membership. The state of Washington immediately jumped aboard the bandwagon. According to the Seattle Times, in a week-long legislative special session in November, Washington state Governor Jay Inslee asked the state Legislature to pass a package of bills that included granting Boeing state tax savings amounting to $8.7 billion U.S., widely reported to be the largest corporate tax subsidy in U.S. history.

Inslee stated that if these two things happened (IAM members ratifying the contract and the tax relief package being passed), “we’re going to get the largest aerospace expansion project of my lifetime. These jobs are ours, if we act now.” As noted above, about 20,000 Boeing employees work directly or indirectly on the 777 program today. Inslee said that counting support and service jobs, some 56,000 people in the state of Washington depend on that jet. State officials said later that the 777X project will produce fiscal benefits to the state from now through 2040 of $17.8 billion U.S. Production of the new 777X and its carbon fiber reinforced plastic composite wing will likely create 8700 new jobs as well as creating a carbon fiber manufacturing industry for future aircraft.

Prior to the Union ratification vote and following negotiations, District 751 President Tom Wroblewski said the deal was “a piece of crap” in a union meeting held on November 7. With his comment, Wroblewski did something of an about face on the deal he was responsible for negotiating. Two days earlier, Wroblewski appeared at a hastily arranged press conference with Boeing’s Conner and Gov. Inslee shortly after the state legislature had passed the Boeing tax-relief package. Inslee spoke propitiously about the prospects of keeping the 777X work in the Puget Sound area. Hours earlier, Wroblewski was quoted as stating “(o)nly a project as significant as the 777X and the jobs it will bring to this region warrants consideration of the terms contained in Boeing’s proposal. While not all will agree with the proposal’s merits, we believe this is a debate and a decision that ultimately belongs to the members themselves.” As discussed below, Wroblewski’s attitudes in this regard changed dramatically over the next two months. The Seattle Times, “Boeing Machinists
Shortly thereafter, Boeing released a statement saying, “We chose to engage in Puget Sound first, but without full acceptance by the union and (Washington state) Legislature, we will be left with no choice but to open up the process competitively and pursue other options for locating the 777X work. If this is not ratified per the scheduled union vote on November 13, we will begin taking the next steps.”

As reported on the IAM District 751 website, the Puget Sound workers overwhelmingly rejected this proposal on November 13 by a 2–1 margin.

Boeing previously had announced that both the state tax package and union approval of its contract offer were necessary to ensure that 777X and carbon-fiber wing production would remain in the state of Washington. Following the contract rejection, Boeing’s Connor said in a statement: “…without the terms of this contract extension, we’re left with no choice but to open the process competitively and pursue all options for the 777X.” In the aftermath of the vote, many union members who opposed the contract extension saw Boeing’s threat to look outside of Puget Sound for other 777X production locations as nothing more than a bluff. Jim Levitt, a 34-year old Puget Sound machinist said that following the vote, “nobody here knows what’s going to happen. It’s like we’re playing chicken with a driver who is not rational.” The key question thus appeared, at least to the local IAM membership, “Is Boeing bluffing?”

Boeing wasn’t bluffing in 2009, when it demanded a 10 year no-strike deal to keep the second 787 Dreamliner production line at Everett. When rejected by the IAM, Boeing took its $1 billion U.S. investment to West Charleston, South Carolina, a “right to work” state. Boeing now manufacturers the 787 Dreamliner with non-union South Carolina workers, as well as in Puget Sound. Based upon unfair labor practice charges then filed against Boeing by the IAM, the NLRB issued a politically charged complaint alleging that Boeing had opened the South Carolina plant “in order to punish the (IAM)” for past strikes that shut down the aircraft maker’s production lines in the Seattle area. The NLRB later withdrew the complaint as a result of settlement between the IAM and Boeing. At the time, the NLRB complaint was a major political issue, with U.S. Republicans charging that the Democratic Obama administration, through the NLRB, was “more interested in pleasing unions than creating new jobs.

Following the contract’s November 2013 rejection, Boeing announced that it would not negotiate further with the IAM regarding a new labor CBA until contract expiration in 2016, and that it would instead begin a bid process to “find a home” for its 777X production line. However, Mr. Conner said that the 777X could still be built in the Seattle area, where Boeing makes most of its jets, but that the company would begin the process of looking at other sites, including one in

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Face Hard Choices to Secure 777X Jobs,” November 5, 2013;  
www.seattletimes.com/html/business/2022195247_Boeingiam777x.html

8 “Right to work” state laws (permitted by Section 14(b) of the National Labor Relations Act (“NLRA”)) prohibit the negotiation of “union security” clauses in CBAs. A “union security” clause essentially requires that employees join the union and pay union dues as a condition of their employment. At present, 24 states, primarily in the southern and western U.S., have “right to work” laws. Unions are considerably less represented in “right to work” states because union dues cannot be made a mandatory condition of employment. Washington — and 25 other states — does not have such laws, and the negotiation of “union security” clauses is permitted in these states.
Japan where wings are produced. The composite wing for the 787 Dreamliner is made in Japan.\textsuperscript{xxiii}

With the subsequent intervention of IAM International Union representatives, however, Boeing agreed to re-open negotiations with the IAM for a contract extension. In those negotiations, Boeing agreed to modify, or “sweeten” its previously rejected proposal in several respects. On top of the previous $10,000 U.S. signing bonus, employees would receive an additional $5000 ratification bonus, but not until 2020. The proposal would also keep in place the current ZOOM rate, where employees would continue to reach the top of pay grades in 6 years (as opposed to the previous offer of 16 years), and enhanced dental benefits. Its wage increase and pension proposals, however, remained unchanged. In its press statement regarding the revised offer, Boeing announced that acceptance by the Union would have the company commit to placing final assembly of the 777X, as well as fabrication and assembly of the airplane’s composite wing, at a Boeing location in the Puget Sound area. The company also stated that it would offer a separate agreement to continue assembly of the 737MAX at the current Renton, Washington site. However, and significantly, Boeing refused to modify its pension proposals.\textsuperscript{xxiv}

By the time of its “best and final counterproposal,” a bidding war had begun when Boeing, as promised, opened up competitive bidding from other states. By December 13, Boeing said that it was reviewing bids for the 777X production work from 54 cities in 22 different states, with some states proposing multiple venues. At that time, Boeing said that it would announce where it planned to build the 777X – as well as a site for the production of its carbon composite wing – early in 2014.\textsuperscript{xxv}

**Boeing Proposal Leads to Internecine Warfare Between Local and International IAM Union Representatives; Another “Wedge” is Driven**

When IAM District 751 failed to ratify its November proposal, Boeing was handed an unexpected gift: a rift between local union officials of District 751 and the International representatives of the IAM. Although quite adept at playing wedge politics in its collective bargaining, Boeing enjoyed a wedge it didn’t itself engineer being driven between the two union entities. On one side was a militant Local union that refused to concede hard-fought gains over the years regarding its DB pension plan. On the other side were International IAM representatives who took Boeing’s threat to move production more seriously, potentially taking thousands of jobs and with them, and substantially reducing or eliminating union dues payments estimated to be annually in excess of $25 million U.S. Although nearly half of the states in the U.S. had already submitted bids for 777X production rights, District 751’s President Wroblewski said that the revised Boeing proposal was “mostly unchanged” from the company’s November offer, and that “the price Boeing demanded was too high (and accordingly) (o)ur senior leadership team could not recommend Boeing’s counteroffer.” Boeing’s offer was purportedly contingent upon union leadership recommending acceptance, Wroblewski said, and “(t)his, we could not do.”
The International had a different, broader view. In a somewhat stiff, if muted, rebuke, IAM International official Rich Michalski, who represented national leadership in negotiations, stated: “Our members are very sophisticated and smart on this matter. Once we get the information on the offer to them, they will let us know. We need to hear from our members.” Michalski somewhat incredibly insisted that there was no difference of opinion between the national union leadership and local union leaders, although there clearly was.xxvi

Following Boeing’s presentation of its revised offer, relations between the Local and International Union went from bad to worse, as District 751 officials increasingly and publicly challenged its national leadership regarding the issue of submitting Boeing’s revised proposal to the membership for a re-vote. According to the Seattle Times, despite the vehement opposition of local union leaders, the national headquarters of the IAM ordered a vote on Boeing’s revised offer for a contract extension, “setting the stage for a divisive battle that could decide whether the company’s 777X plane is built (in the Seattle area).” The Times reported that officials of District 751, which had declined to put the revised offer to a membership vote, made clear that it would continue to oppose the new offer. “Because of the massive takeaways, the Union is adamantly recommending members reject this offer,” a message on the District 751 website said. The message also said that Washington, D.C.-based International IAM President Tom Buffenbarger “ordered this vote over objections of 751’s elected officials.” The re-vote was set by the International Union for January 3, 2014.

Quoted in the Times article, Gary Chaison, professor of industrial relations at Clark University in Massachusetts, stated that it is “extremely rare to have a local and a national union at loggerheads, particularly in a bargaining situation when unity is supposed to be shown.” Chaison went on to opine that the national union believed that its local was “out of control” and “jeopardizing jobs.” Nonetheless, he stated that such a display of disunity between union officials “can be interpreted by the company as a sign of weakness,” a theory which Boeing doubtless embraced.

However, economic takeaways were not the only challenge to the setting of the re-vote; District 751 officials further criticized the International over the timing of the vote. Wilson Ferguson, a District 751 official, noted that many Boeing workers, particularly the more senior among them, take extended vacation over the holidays and potentially would not be back by January 3. He estimated – perhaps prophetically – that between 25%-40% of the Local’s membership would not be back to work in time for the vote. “This is strategic,” Ferguson is quoted as saying, accusing the International of scheduling the vote at a time when it would be difficult “to get the word out of the recommendation of our leadership (to reject the contract offer).”xxvii

To counter this perceived communications difficulty, on December 23, District 751 posted on its website an open letter to its members, signed by the “IAM District 751 Leadership Team.” In it, the District stated its opposition to the Boeing offer in no uncertain terms, noting that “(d)ue to massive takeaways” local leadership was “united with a recommendation that (members) reject this proposal,” stating that voters should consider “the economic destruction you would have to live under for the next 11 years, without any opportunity to change any provisions of the contract. We are faced then with a choice to destroy everything that we have built over 78 years in order to save Boeing from making a decision that puts the future of the company, all it’s (sic) employees (Union and non-union alike) and the stockholders at risk. If the company chooses this path of destruction, then they are responsible for it.” The letter also announced
that the Local had gotten the International to agree to an electronic “absentee” balloting arrangement that would allow absent members to cast ballots. xxviii

International officials responded on December 26, taking a considerably different approach to the re-vote, telling voters that January 3 was their “final opportunity” to ensure that the 777X would be produced in Washington, warning that “the timeline for the Puget Sound area” was expiring. “I am duty-bound to inform the membership this vote will be the final vote on this proposed contract,” wrote International President Buffenbarger, who noted in his comments that the revised Boeing offer included $1 billion U.S. in improvements from the previous contract offer. Without specifically recommending a vote in favor of the offer, Buffenbarger went on to state: “I believe this represents a ‘significant’ improvement worthy of the membership’s consideration.” Despite District 751’s strong opposition to the re-vote, Buffenbarger stated, “I cannot conceive of a rationale for determining the membership doesn’t deserve a right to vote on a contract proposal,” firing yet another shot across the bow of its recalcitrant District Local’s ship. “In the IAM, the membership deserves the final say and it is incumbent upon IAM leadership at all levels, from Shop Stewards to District Officers, to assist and assure that it is the members who make the critical decisions in their Union.” His message cautioned that Boeing had received “serious offers and incentive packages” from other states. “Some may believe this is a ‘fake’ play by the company. Your union, based upon information that indicates otherwise, must take the threat seriously,’ he wrote.xxix

The views of “your union” did not, of course, run parallel to those of District 751’s leadership, which responded on three fronts the next day. First, on its own website, District 751 posted a message to its members stating that the International was “forcing” a vote on January 3. The message went on to state that “(d)espite objections from District 751 leadership, the International has insisted on a vote on January 3rd to ensure you spend your holidays studying and debating a concessionary proposal that is largely unchanged from the one you rejected by a 2-to-1 margin on Nov. 13.” The message again noted that due to the “massive takeaways”, the District “is adamantly recommending members reject this offer.xxx

Second, in the press, the Everett, Washington Daily Herald reported on its website that on December 28, District 751 members announced that they were planning a “Vote No” rally for January 2, the day before the vote. Organizers said that they hoped to get “a thousand workers” to turn out at the Seattle District 751 headquarters for the rally.

Third, a District 751 vice president, Robley Evans, filed unfair labor practice charges against the International IAM with the NLRB on December 23, seeking to block the January 3 vote by a “few days” alleging that the scheduling could disenfranchise the voting rights of members on vacation. The charge alleged that the vote was scheduled by the International just after the winter vacation period to “undercut (senior workforce) opposition to the contract.” In an interview with Bloomberg BNA, Evans stated that IAM President Buffenbarger’s imposition of a vote was a cynical attempt to shape the outcome of the election in favor of passage of the Boeing proposal. “We are disgusted by him and he ought to be thrown out of office,” Evans told Bloomberg BNA. “That is the feeling of a lot of us local lodge officers.” Evans went on to state that he would seek to have the January 3 vote re-done, “no matter which way the vote
goes….(t)here needs to be a point made that it is blatantly devious and that it not happen again.”

The too public struggle between District 751 and its International parent raises an interesting “wedge” question: just who is representing the interests of the membership? Many workers in the Puget Sound area believe that the International is more interested in retaining the annual dues income from its largest local union (District 751) than in assessing the relative merits of Boeing’s contract offer. The New York Times, in a January 1, 2014 article, reported that the International sees a threat in the possibility of losing a large manufacturing center and more than 10,000 union jobs to a “right to work” state where it would be difficult to win union representation.

According to a Bloomberg Businessweek article published on December 31, 2013 (and quoting the Seattle Times), Washington state IAM dues amounted to $25.5 million U.S. in the last year. The article goes on to state, however, that District 751’s leadership may be failing to recognize that the ongoing debate is fundamentally different from past contract negotiations with Boeing. In this negotiation, the company actually is ready, if not particularly eager, to move the lucrative 777X project to another state – particularly with non-union workers and lower labor costs – even if that may mean other higher costs associated with an inexperienced workforce. Moreover, Boeing’s migration from Puget Sound would potentially “ease the path” for it to move future aircraft manufacturing out of Washington state.

Histrionics End – Or Do They?

*District 751 members vote to accept Boeing’s offer by a razor-thin 51 – 49% vote*

The January 3 vote, perhaps not the final chapter in this on-going saga, produced a razor-thin approval by District 751’s membership. The 51-49% vote in favor of Boeing’s revised offer deserves a more detailed look. First, when the original Boeing offer was rejected by a 2-1 margin in November 2013, approximately 5000 out of approximate 31,000–32,000 eligible voters failed to cast a ballot. With the January 3, 2014 vote, 8000 members did not vote. Only about 600 votes separated the “yes” from the “no” votes. While younger workers purportedly were more concerned about job security issues and keeping the work in the Puget Sound area, older workers, more concerned with the pension plan’s elimination, were allegedly “dead set” against Boeing’s revised offer. As noted above, almost half of the Puget Sound workforce is over 50 years of age.

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9 According to Brian Sweeny, Deputy Regional Attorney for the NLRB’s Seattle’s Regional Office, the vote would not be delayed because the NLRB didn’t have “enough time to investigate” the charge before the scheduled vote. Numerous additional NLRB charges have since been filed challenging the legitimacy of the January 3 balloting.

10 At least three competing states, Missouri, South Carolina and California, have existing Boeing facilities with experienced aircraft manufacturing experience. The Boeing workforce in both Missouri (IAM) and California (United Auto Workers) are union-represented; South Carolina workers are non-union, as would presumably be the case in a number of states (e.g., Alabama and Utah, among others) which submitted bids for the 777X work to Boeing.
Joining these ranks is District 751’s President Wroblewski, who is 59 years old. On January 14, Wroblewski announced his retirement due to health concerns. Between the initial contract offer’s rejection and the re-vote on January 3, Wroblewski apparently was hospitalized on two occasions, suffering from an ulcer that required surgery. Wroblewski was quoted as saying that the “stressful experience” of the Boeing negotiations “changed my perspective on work-life balance…(y)our job should not destroy your health.” It appears that his may have done just that. Wroblewski’s last day will be January 31. He is a former quality inspector at Boeing, has served as 751’s President since 2007, and worked full time for the union since 1992. His current term expires in 2016.

It will be interesting, and conceivably portentous, to observe how and with whom District 751 replaces Wroblewski. If the process yields leadership as, or perhaps more, militant, than Wroblewski’s, relations between the local union, its international parent and Boeing could deteriorate even further, casting an uncertain shadow on the company’s future production plans. Also in play are this year’s IAM International elections for President, General Secretary-Treasurer and eight General Vice Presidents. This election is being held as a result of the U.S. Department of Labor’s investigation into “irregularities” surrounding the International’s 2013 elections. These included allegations of failure to properly provide notice of the 2013 nomination process to its membership and misuse of union funds. Based upon an agreement reached in August 2013 between Mr. Buffenbarger and the Department of Labor, new elections were set for 2014. Nominations for these International office positions closed on January 25; an election supervised by the Department of Labor, if necessary, must be completed prior to July 2014. Thus, potential upheaval at both the local and international levels, with respect to Boeing and perhaps beyond, may yet resound for years to come.

What’s at Stake for the Stakeholders?

The Public

In a recent Los Angeles Times article, its Sacramento, California State Capitol correspondent, George Skelton, made several interesting observations regarding public perceptions of labor organizations in general and union contract pension plans in particular. Noting that even in heavily democratic California where Democrats dominate (more so than even in the state of Washington), organized labor is losing public popularity. Although a general statement, it is based upon nonpartisan polling. Specifically, according to Skelton, pollsters pinpoint “pension envy” of public employee unions as the source for general dissatisfaction with organized labor in general. This dissatisfaction would also certainly apply to the pension issues now facing Boeing and its IAM counterparts. Skelton notes that a Field poll released in mid-December 2013 reported that voter views of organized labor unions California-wide have taken a “decidedly negative turn over the past 21–22 years and that there has been a net 16-point swing in voter sentiment from the positive to negative side.” Voters were asked, according to Skelton, whether they thought labor unions do more harm than good, or vice-versa. The response was negative: 45% more harm; 40% more good. Skelton points out that in March 2011, the outcome was the opposite: 46% good; 35% harm. It appears that the vast majority of American employees, who have lost or never had DB pension plans, harbor resentment to those that retain them, who are union-organized North American workers. At the end of the day, however, the public will, in
one form or another, bear the ultimate tax burden of the Boeing-demanded incentives associated with production of the 777X. It remains to be seen whether the aircraft’s production results in positive economic gains for the “winners” of the Boeing lottery.

The State of Washington

The state of Washington offered the largest corporate tax subsidy in U.S. History – $8.7 billion U.S. – to keep Boeing’s 777X production in that state, viewing as viable the company’s threat to move its production elsewhere. Perhaps first and foremost, in losing the 777X work, the state would have faced a potential downgrade of its credit rating had Boeing moved production to another state as a result of failed negotiations with the IAM, potentially causing a substantial loss of jobs and tax revenue associated with the aircraft’s manufacture.

Boeing’s production line for the 777, the earlier version of the twin-engine model, is now in Everett, Washington, a Seattle suburb with a population of 105,000. With more than 30,000 workers at the plant, loss of the 777X would have had a material “ripple” effect, according to Pat McClain, Everett’s Executive Director for Governmental Affairs. According to a late November report by Moody’s Investors Service, if Boeing had selected a new location for production of the 777X, it would be a “credit negative” for Washington state; the regional economy would also “lose a potential engine of growth and the local and state government would forgo potential tax revenues.” Losing 777X production “will raise the cost of capital – could be several hundred million dollars,” according to James McIntire, Washington’s state treasurer, in a meeting of the Economic and Revenue Forecast Council meeting held in the state capitol, Olympia, Washington, on November 20, 2013.

In 2012, Boeing employed approximately 12,000 workers for the 777, and provided another estimated 7600 jobs connected to the aircraft’s production, according to a report on the state’s aerospace industry prepared by Community Attributes Inc., a Seattle, Washington-based research firm. The 777 program produced $133.1 million U.S. in tax revenues for the state in 2012.

Boeing is the single largest non-governmental private employer in Washington state, with 84,442 workers as of August 2013, according to the report. The state had a total of 94,200 aerospace employees in 2012, including the Boeing workforce, the report said. Boeing paid an estimated $7.2 billion U.S. in wages that year, according to the report.

Placing 777X production elsewhere could have jeopardized the very future of the Everett plant. “It’s not just losing one airplane’s production, it could be the start of a Boeing exodus”, according to J.C. Hall, chairman of the Redmond, Washington-based Pacific Northwest Aerospace Alliance, an industry group.
Boeing’s Washington Workforce

Job Security Issues – Not a Rosy Picture

The job security concerns, particularly of younger Boeing workers, were well founded. By accepting the Boeing contract offer, they assured themselves that Boeing would build its new 777X and its composite wings in the Seattle, Washington area, where Boeing has built aircraft for over 90 years with its preferred, highly skilled workforce. Had those workers (or approximately 600 more of their 8000 co-workers who didn’t vote) rejected Boeing’s offer, the company may well have moved the entire aircraft’s production elsewhere at the potential cost of many thousands of jobs. In advance of the January ratification vote, younger machinists voiced strong concern that failing to accept Boeing’s offer would cost them their jobs when Boeing moved the work elsewhere. Older workers, in contrast, had said that their pension benefits were “sacred” and were worth risking job loss.xxxviii

The younger worker concerns were also well grounded in recent statistics regarding the U.S. economy in general and its job growth figures in particular. According to the U.S. Department of Labor’s Bureau of Labor Statistics (“BLS”), the U.S. economy added only 74,000 jobs in December 2013, far below the 196,000 expected by Wall Street. Fully 74% of the December jobs created were in retail, likely due to the holiday season. Manufacturing jobs also increased, but represented only 12% of the total. For all of 2013, the average monthly jobs gain was 182,000, down from 183,000 (by 0.6%) in 2012 but higher (by 4.6%) than 2011’s 175,000 per month. Moreover, while the nation’s unemployment dropped to 6.7% from November’s 7% (the lowest since October 2008), it appears that this decline was due to a further drop in the labor force participation rate. That figure measures the proportion of the nation’s working-age population either in the labor force or looking for work. The participation rate fell to 62.8%, down 0.8% from 2012, and its lowest point since February 1978.xxxix

In late 2013, unemployment rates actually dropped in 45 states and the District of Columbia (Washington, D.C.) for the month of November, according to the BLS and cited in a report issued by the National Conference of State Legislatures on December 20, 2013. Further, according to the report, unemployment rates remained steady in the remaining states and Puerto Rico, with Nevada and Rhode Island having the highest unemployment measured at 9.0% each, followed by Michigan and Illinois (both states with a significant manufacturing base) at 8.8% and 8.7% respectively. North Dakota (primarily a farm state) had the lowest unemployment rate, at 2.6%. Washington state’s unemployment rate was at 6.8%, while the rate in those states most involved in attempting to obtain the 777X production work (Alabama, 6.2%; California, 8.5%; Missouri, 6.1% and South Carolina, 7.1%) all could have benefitted greatly by luring Boeing manufacturing jobs out of Puget Sound.xl

As is apparent, the economic recovery from the 2007-09 recession appears to be steady, if somewhat rocky, and is hardly robust, at least not yet. The economic realities reflected by the foregoing statistics were no doubt paramount in the job security concerns of a younger Boeing workforce, which can now expect to have gainful employment – the best unemployment insurance available – for at least the next ten years and hopefully beyond.
The Significance of the Pension Issue

As noted above, Boeing has long sought to modify, if not completely eliminate, its DB pension obligations as set forth in its Puget Sound IAM CBA, and to replace it with instead with a DC-type plan. Essentially, DB CBA plans are those in which an employer guarantees a specific monthly retirement benefit payment to each employee-participant that is based upon an employee’s earnings, length of service and age at retirement. Actuarial formulas (analysis of projected benefits to be paid over retirees’ lifetimes) also come into play in determining the fiscal health of DB pension plans pursuant to the federal Employee Retirement Income Security Act of 1974 (“ERISA”) and its subsequent amendments.

With the commencement of the 2007 recession, underfunding of DB plans – particularly “multi-employer” plans in CBAs – has become an increasingly significant financial burden both on the plans themselves and their participating employers. Underfunding (measured on an annual basis) occurs when the actuarial valuation of a plan’s vested benefits exceeds assets held by the plan. Any unfunded benefits attributable to a withdrawing employer (again, based upon formulas sanctioned by ERISA) may be assessed at the time of withdrawal. Severe underfunding of a plan – “endangered” or “critical” status, as annually determined by the U.S. Department of Labor – may result in a plan being compelled to reduce benefits, increase contributions or a combination of both.

Because future benefit levels are set in DB plans, their costs may fluctuate radically, based upon current economic conditions. For instance, most plan assets are investment-based; retirement plans invest in the stock market, real estate, bond funds, etc., like any other institutional investor. These market conditions – particularly with the recession’s onset – have created grave uncertainty among those employers like Boeing, which have enormous DB pension plan obligations.

DB pension plans have steadily declined in preference and presence over the last three decades in the U.S. due to many factors, including societal trends, high funding requirements and the decline of the labor movement, which has historically promoted DB plans in CBAs nationwide. Present funding requirements are particularly burdensome because of historically low interest rates. According to an ABC News Report, fewer than 9% of private sector (non-governmental) employers currently offer DB pension plans to their workers; 88% of private sector employers instead offer 401(k), DC-type plans.

11 Boeing’s negotiations with the IAM were not the first 2013 negotiations where it raised this issue. In February and March 2013, Boeing successfully negotiated elimination of the DB plan for 23,000 engineering and technical employees represented by the Society of Professional Engineering Employees in Aerospace (“SPEEA”), Boeing’s second-largest union (after the IAM). While existing workers held on to their DB pension plan participation, new hires under the SPEEA CBAs will receive retirement benefits under 401(k)-type DC plans. The Puget Sound Business Journal, “SPEEA Techs Approve Boeing Contract,” March 18, 2013; www.bizjournals.com/seattle/news/2013/03/18/speea-techs-approve-contract.html?
Essentially, a DC plan is one in which an employer, employee or both may make regular contributions (subject to certain limitations, including employee annual contribution amounts, established by the Internal Revenue Code), typically on an annual basis. The ultimate retirement benefits provided by these plans depend upon the amount of contributions made by both the employer and employee and investment earnings. Only employer contributions are guaranteed by the terms of a DC plan and, unlike DB plans where benefits are set, future benefits from a DC plan will fluctuate based upon contributions and investment earnings over time.

With respect to DB plans, and according to a report by the Wall Street Journal, the gap in the United States between the amounts owed to retirees versus the amounts in hand to pay them was estimated to be $347 billion U.S. at the end of 2012 (quoting J.P. Morgan Asset Management). The worst deficits ever occurred in 2011 and 2012. At the close of 2012, U.S. companies held only $81 U.S for every $100 U.S. promised to pensioners, a 19% gap.

With particular respect to Boeing’s DB plan, and according to a report by Pensions & Investments, Boeing is even worse off than the U.S. average. Although it contributed $1.55 billion U.S. to its DB pension fund in 2012, this contribution achieved only an approximate funding level of 75%, with $51 billion U.S. in pension assets and $67.6 billion U.S. in pension liabilities, or $16.6 billion U.S. in “unfunded vested benefits.” For 2013, Boeing planned to contribute an additional $1.5 billion U.S. to its plan, according to the report, with its aggregate funding level slipping to approximately 74% – $56.1 billion U.S. in pension assets and $75.8 billion U.S. in pension liabilities (as of December 31, 2012). Moreover, although spared a sales downturn during the recession due to full production lines, Boeing’s pension liabilities remain a “substantial liability,” according to Peter Arment, managing director, aerospace and defense for the Birmingham, Alabama brokerage firm, Sterne Agee. “We think the higher pension expense that has been flowing through the income statement over the last three years due to interest rates is really masking Boeing’s solid operational performance,” he said, adding that the analyst’s consensus per-share performance for Boeing in 2013 – $5.00 per share – would be a full $2.00 (40%) higher were it not for pension obligations.

Needless to say, Boeing, together with all U.S. employers burdened by DB plans, presumably views its staggering DB pension plan liabilities, as well as its plan’s underfunding, as a key economic concern severely affecting both its present and future viability and prospects for growth in an increasingly competitive global marketplace.

**Boeing’s Other Bargaining Gains**

In a Reuters analysis following approval of the Boeing offer, its authors raised additional items of interest regarding the vote. Boeing not only achieved “labor peace” through 2024 with the ratification vote (although this likely remains to be seen), it avoided a potential “recruiting nightmare” which would be associated with a move of 777X production to another state.

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12 2012 data represents the most currently available for pension plan information.
13 *Pensions & Investments* provides news, research and analysis to the international institutional investment market.
According to the report, Boeing would have faced intense competition for qualified workers, chiefly for machinists and engineers that have “crimped the U.S. aerospace and defense industry for years.” That shortfall was instrumental in Boeing’s decision to continue its negotiations with the IAM following the November, 2013 rejection of its first proposal, as it “courted other states” for 777X production work. According to the Reuters analysis, Airbus plans to open a new jet assembly in Alabama (one of the 22 states competing for the 777X work) in 2015, thus competing nationwide for the very same machinists that Boeing would need with the opening of any new production facilities, along with future suppliers. Reuters’ report goes on to note that the industry’s hiring pressure is expected to grow as the industry undergoes the retirement of its older, more experienced workers, given the “big bulge” in the over-50 age bracket. Moreover, many younger workers best trained for aerospace jobs are allegedly leaving or avoiding aerospace altogether, because although the industry’s salary levels are rising, they still “lag far below the tech industry.”

Obviously, the deep rifts between members of District 751 will not be healed any time soon; nor will those between the local and the international union, or perhaps those between the local union and Boeing. Nonetheless, barring an invalidation of the vote by the NLRB over the coming months, it appears that the 777X, its composite wings and future production of the 737MAX (as well as the potential replacement aircraft for the 757 family) will remain at home in the state of Washington.

The Final Chapter? – Not Likely

The Boeing/IAM bargaining scenario will doubtless be analyzed for years to come, but really boils down to the convergence of several significant factors – the “perfect storm” that presented itself during Boeing’s negotiations with its machinists’ union. In a masterful bit of bargaining strategy, Boeing took full advantage of the unparalleled leverage with which it found itself presented. First, the slow recovery from the ongoing recession made job security issues paramount for those younger workers most affected by the two-decade production of the 777X, as well as the ongoing and future production of other aircraft in the state of Washington (including the 737MAX and the 757 replacement).

Second, the company’s threat to leave the state of Washington was clearly taken seriously by Washington state lawmakers, who quickly put together and approved an extraordinary tax relief package worth $8.7 billion U.S. to keep Boeing in place. This was even prior to the bidding war which emerged shortly thereafter, involving 22 states and 54 cities all putting together their own incentive packages in order to lure Boeing out of Washington, putting enormous pressure on both the IAM local and International representatives to agree on a deal.

Leon Grunberg, a University of Puget Sound sociology professor and co-author of “Turbulence”, a book about the attitudes of Boeing workers towards the company, is quoted in a Seattle Times article analyzing the January 3rd contract ratification, which he termed unusual, even in an era of weakening organized labor. According to Professor Grunberg, North American unions have recently and repeatedly been forced to make concessions on wages and benefits issues, though usually when a company is facing a fiscal crisis. In Boeing’s case, the IAM was forced to give up their cherished pension rights even though Boeing’s economic fortunes are soaring.
Boeing’s ability to generate cash with sales of its existing aircraft has won over investors. Boeing’s share price was up 78% in the past year; on January 3, it closed at $137.62. A $10 billion U.S. stock buyback and a 51% dividend increase were announced on December 16, 2013, much to the chagrin of many Puget Sound union members and their local union leadership. “It’s unusual for a company that’s doing so well to push so hard,” said Grunberg. “If a local as strong as the Machinists (District 751) with a company as successful as Boeing has to agree to give up these things they’ve won, the trend (of a diminished labor movement) will definitely continue.”

The contract approved on January 3 was negotiated not with a company facing bankruptcy or even struggling to make ends meet, but a company that had delivered a record number of aircraft in the previous year and whose shares had recently hit all-time highs on the New York Stock Exchange. This appears to be part of a larger trend for organized labor in the U.S., which faces dramatic declines in membership strength, reduced bargaining power caused by companies that are willing and able to pick up stakes and move because of competition from “right to work” states, and hostile public opinion, among other factors.

The uncertainty surrounding its intention to relocate this production gave Boeing unmatched leverage to accomplish what appeared to be its long-term goals: 1) a strike-free launch, production and EIS of the 777X – the aircraft on which it rests its global marketing strategy for at least the next 20 years and perhaps beyond – in Boeing’s preferred location with its most highly skilled workforce; and 2) eliminating one of the most expensive, and therefore troubling, provisions of its existing CBA – the vastly underfunded DB pension plan. Having failed to control the plan’s escalating costs and deficits for almost 20 years, Boeing possessed unique, and perhaps one-time-only, bargaining leverage to actually accomplish yet another long sought after goal. Boeing’s leverage in this regard was enhanced by the gradual emergence of a younger workforce, less likely to support the “non-negotiable” position of its militant local with respect to pension benefits. In addition, the public feud between local and international union officials over the “merits” of the Boeing offer doubtless strengthened Boeing’s hand as it likewise achieved a quite favorable cap on further wage increases (0.5% on average through 2024) and a further cost-shifting of health and welfare benefits.

The hard-ball position taken in negotiations by Boeing will doubtless be studied and possibly copied by the 9% of U.S. companies that remain saddled with DB pension plans, their staggering unfunded liabilities and their unyielding union supporters. Pension plans aren’t the only serious issues that employers face in negotiations with their employee unions, however, and the Boeing negotiations model will likely be followed as the economy struggles to regain its pre-recession footing. In its article analyzing Boeing’s bargaining tactics, The Los Angeles Times quoted Professor Grunberg as stating, “The fact that Boeing is doing this is going to send a message to other companies – we can now put that on the table. Unions are in retreat and they are trying to slow the tide of concessions. It’s a defensive battle to slow things down.”

Thus, it clearly appears that rather than the final chapter, we may be looking at the preamble, as North American employers assess their own unparalleled leverage with respect to their unionized workforces, and the impact on that leverage presented by the economy’s slow and shaky emergence from the worst recessionary period since the stock market crash of 1929. Yet another “new norm” has doubtless presented itself as a viable and powerful force in North American employers’ labor relations strategy for the immediately foreseeable future.

xxiii Sources: Seattle, Washington KOMO News, “Boeing: No More Negotiating with Machinists Union 

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“Analysis/Comparison of Boeing Proposal 12/12/13 vs. Proposal Voted on 11/13/13”; www.iam751.org

xxv Source: Bloomberg Businessweek, "With Unrest in Seattle, Boeing Gets a Bidding War for the 777X," 
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bidding-war-for-the-777x

xxvi Source: Charleston, South Carolina Post and Courier, “Union Leaders Reject Boeing 777X 

xxvii Source: The Seattle Times, “Machinists To Vote Again on 777X Contract Jan. 3,” December 22, 

xxviii Source: IAM District 751 Website; www.iam751.org

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xxii Sources: The New York Times, “Vote on New Boeing Contract Highlights a Rift in the Machinists' 
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