

Looking Back at the Early Settlement between the Teamsters and UPS

by [Michael H. Cimini](#)

Bureau of Labor Statistics

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In a negotiations showdown that attracted national attention, UPS and the Teamsters reached a tentative settlement 2 weeks before their contract was set to expire on July 31, 2002; the settlement was described as the "richest" in the parties' bargaining history and set the stage for National Master Freight Agreement negotiations that began in October 2002.

The largest single-employer collective bargaining agreement--the United Parcel Service (UPS) and International Brotherhood of Teamsters (IBT) contract covering 230,000 drivers, package sorters, clerks, and other inside workers in the company's parcel and package operations in the United States and Puerto Rico--was set to expire on July 31, 2002. Besides being so large, the agreement was important because a strike at UPS, the world's largest global delivery service company, serving more than 200 countries, would have a significant impact on the U.S. economy, particularly in industries using "just in time" inventory schemes.

Negotiation Sessions

On January 3, 2002, UPS Senior Vice President for Transportation Chris Mahoney asked the Teamsters' Parcel and Small Package Division for an early start on contract talks to renegotiate the collective bargaining agreement then in effect, saying it was the "best way to protect UPS volume and preserve Teamster jobs."¹ UPS apparently wanted to allay its customers' fears of a possible strike, which might result in the diversion of business to competitors. Neither side wanted a repeat of the 2-week strike that hobbled UPS during the last round of negotiations in 1997.

Negotiators for UPS and the Teamsters' National UPS Negotiating Committee met on January 30 to exchange initial proposals on noneconomic issues. Before negotiations started, the parties agreed that noneconomic issues and local and regional supplemental agreements and addendums had to be resolved before economic issues could be discussed.²

Although news blackouts were instituted, it was known that the union's proposals focused on changes in work rules and working conditions, such as enhanced job security, more full-time jobs, and improved safety and health conditions. The union sought several changes in contract language to address its more prominent job security goals: Eliminating loopholes that allowed UPS supervisors to perform bargaining unit work, stopping outsourcing of bargaining unit work to outside companies and nonunion UPS companies, protecting against job loss due to new technology, limiting mandatory overtime work, and strengthening the union's role in UPS' air operations.³

The initial national (master) contract talks were held during the week of February 11, then recessed until the week of March 18. During these first two bargaining sessions, the parties reportedly focused on safety and health provisions, grievance procedures, mandatory overtime work, the number of full-time jobs, UPS' air operations, and penalties for UPS supervisors performing bargaining unit work.⁴ While the parties were conducting national agreement negotiations, they were also renegotiating 38 local and regional supplemental agreements and addendums.

Contract talks resumed during the week of April 15, and then recessed. Although negotiations moved slowly, progress reportedly was made on a handful of issues, including those dealing with UPS supervisors performing bargaining unit work, union stewards' rights under the agreement, discipline (especially the issue of assuming employees are innocent until proven guilty), funeral leave, and jury duty.⁵

During the week of May 14, the UPS National Negotiating Committee assisted local and regional negotiation committees in trying to resolve issues regarding outstanding supplemental agreements and addendums. The Committee also continued to meet with UPS for national talks on noneconomic issues.

With little progress being made in national contract negotiations, the union held a strike-authorization vote on May 18-19, in an attempt to accelerate the pace of negotiations. One day later, the union announced that the rank and file had overwhelmingly voted to strike if contract talks did not lead to a timely settlement. In addition, the union strengthened its bargaining position by ratifying a funding structure that created a new dedicated strike fund.

Negotiations began to intensify during the week of May 20, when the parties resumed national agreement talks. Progress was made on some major issues, but the parties reportedly were still far apart on others, including converting part-time jobs to full-time jobs, union expansion into UPS' nonunion subsidiaries, and the length of the contract.⁶

Negotiations continued during the next 3 weeks. By the week of June 10, the parties focused on the union's job security proposals dealing with the following issues:⁷

- Preserving and expanding the number of full-time jobs
- Reclaiming inside work lost to outside contractors and nonunion operations over the previous decade
- Restricting the contracting out of bargaining unit work
- Limiting "excessive," mandatory overtime work

Clearly, both parties were beginning to feel upbeat about the negotiations. UPS representative Chris Mahoney said, "We are optimistic that we're going to close this thing out early. We're moving forward and getting closer to an agreement."⁸

Although some noneconomic issues and local and regional supplements were not resolved by June 13, the union presented UPS with its initial economic proposals, including increasing wages, narrowing wage differentials between full-time and part-time employees, and providing more full-time jobs. When UPS presented the union with its first economic proposals on wages and pension and health care benefits 5 days later, negotiations started to stall because the union was not happy with their terms. IBT president James Hoffa said, "The hardworking Teamsters at UPS deserve a company proposal that is responsive to the union's serious and well-conceived package. If we are to achieve a contract, UPS must present an offer that meets the needs of our members."⁹

On June 26, the union presented UPS with pension and health care proposals for the first time. Because the parties were far apart on these issues, they continued to meet and exchanged counter proposals on June 27 and July 2-3.

By the Fourth of July holiday break, the parties were still far apart on economic issues, and they recessed negotiations until July 8. On July 12, Hoffa joined the negotiations. His presence apparently sparked the contract talks; on July 15, after 9 weeks of intense bargaining sessions, the parties reached agreement on a tentative 6-year pact that both sides viewed as a "win-win" situation. Praising the pact, Hoffa said it was "the richest contract in UPS history. In an economic climate in which many workers are losing their retirement savings and having their health benefits slashed, this contract protects our UPS workers and their families and sets a new standard for American workers."¹⁰ UPS Chairman Michael Eskew called the settlement, "significant in our long history of labor negotiations, delivering on the promise of rewarding our people and maintaining the ability to grow the company in this very competitive industry."¹¹

Settlement Terms

The union won a very strong contract, which allowed it to achieve many of its bargaining goals. Although the union did not get the shorter contract it had wanted, union gains were very impressive and across the board. The increased wages and benefits under the new contract included the following:

- Annual wage increases that total \$5 an hour over the term of the contract for full-time employees
- A new cost-of-living adjustment formula that will be triggered if the BLS Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) exceeds 3 percent in any quarter
- A \$3.75-per-hour increase (per employee) over the life of the contract in the contributions made by UPS to the health and welfare and pension funds

- For the first time, a long-term disability plan, which pays employees on disability 60 percent of their regular salary or up to \$500 a week for 5 years

In addition, the contract included the following specific improvements in economic terms for part-time workers:

- Partially closing the gap in pay between full- and part-time workers through a catch-up for part timers of \$1 per hour, plus a general increase of \$5 per hour over the term of the agreement
- An increase in the starting rate of 50 cents after 90 days of employment
- For the first time, health insurance coverage for retirees
- Increased pension benefits

The new contract also provided for the preservation and expansion of Teamster jobs:

- Conversion of 10,000 part-time jobs to full-time jobs
- Conversion to Teamster's jobs of an additional 10,000 jobs that were being performed by nonunion UPS employees or employees of outside contractors
- An agreement not to create alternative package delivery systems or engage in other similar activity
- A pledge by the company to remain neutral in future representation elections and an agreement to recommend to employees in "right to work" States that they become and remain union members
- Contract language requiring that bargaining unit employees perform new or modified work that results from technological change that replaces, enhances, or modifies bargaining unit work

The new contract provided enhancements in several safety and health provisions:

- Prohibition of disciplinary action against employees who report on-the-job injuries
- Limitations on management's use of information obtained from an injury report in disciplinary cases
- Expansion of maternity and paternity leave and coverage under the Family and Medical Leave Act
- A requirement that company representatives get an injured worker's permission before accompanying that worker to a medical exam or visiting the worker at home
- Proper identification of packages weighing more than 70 pounds
- Exploration of ways to provide ventilation in package car (truck) compartments
- Replacement of older package car fleet, to make power steering and reduced step height more prevalent

Other significant terms of the settlement include the following:

- Prohibiting mandatory overtime
- Requiring that monetary awards in grievance cases be made within 10 business days after the company's receipt of a panel's written decision
- Protecting stewards and their alternates against disciplinary action when they are performing their duties within the scope of the agreement
- Guaranteeing that package car drivers working on holidays will receive pay for at least 8 hours
- Establishing a joint committee to review dues collection problems and make recommendations for corrections

In the 2002 round of negotiations between UPS and the International Brotherhood of Teamsters, what were the factors that mitigated against a strike? First, the parties opened contract talks and started intensive negotiations earlier than they did in 1997, when they endured a 2-week strike. Second, IBT President James Hoffa was credited as being more conciliatory than his predecessor, Ron Carey.¹² Third, a soft economy and a strike-wary customer base created pressures that made the parties more inclined to reach a peaceful settlement. Lastly, the aftermath of September 11 may also have created a more conciliatory negotiating atmosphere.

Michael H. Cimini
Economist, Division of Compensation Data Analysis and Planning, Bureau of Labor Statistics.
Telephone: 202-691-6275; E-mail: Cimini_M@bls.gov

Notes

- 1 "UPS, Teamsters to Start Talks," *Traffic World*, Jan. 14, 2002, on the Internet at <http://www.trafficworld.com/search/index.asp> (visited Aug. 27, 2002).
- 2 The regional and local supplements and addendums cover issues not covered by the national agreement. These include some aspects of seniority, bidding procedures, layoff provisions, and local grievance procedures, as well as other issues.
- 3 Teamsters, *Newsletter: Winter 2002*, "UPS Bargaining Survey: Higher Wages, Pensions Among Priorities," on the Internet at <http://www.teamsters.org/divisions/parcel/Newsletters/upsnewsWI02.htm> (visited Aug. 27, 2002).
- 4 Teamsters, *UPSDATE*, "Second Round of Negotiations Opens in Chicago," Mar. 19, 2002, on the Internet at <http://trakups.org/Messages/upsdate/UPSDATE3-19.pdf> (visited Aug. 27, 2002).
- 5 Teamsters, *UPSDATE*, "Contract Talks Move at Slow Pace," Apr. 23, 2002, on the Internet at <http://www.trakups.org/Messages/upsdate/UPSDATE4-23.pdf> (visited Aug. 27, 2002).
- 6 "UPS Workers Authorize Strike; Walkout Is Unlikely," *Wall Street Journal*, May 31, 2002, p. A 2.
- 7 Teamsters, *UPSDATE*, "The Fight to Preserve and Expand Good Teamsters Jobs," Jun. 11, 2002, on the Internet at <http://www.trakups.org/Messages/upsdate/UPSDATE6-11.pdf> (visited Aug. 27, 2002).
- 8 "UPS, Teamsters Expect Contract Soon," *Wall Street Journal*, Jun. 17, 2002, p. B5.
- 9 "4,000 Teamsters Rally in NY for Strong Contract at UPS," PR Newswire, Jun. 23, 2002, on the Internet at http://nrstg2p.djnr.com/cgi-bin/DJInteractive?cgi=WEB_MNS_STORY&GJANum=181069782 (visited Aug. 26, 2002).
- 10 Teamsters, *UPSDATE*, "Teamster Negotiators Approve Historic Tentative Contract," Jul. 16, 2002, on the Internet at <http://www.trakups.org/Messages/upsdate/UPSDATE7-16.pdf> (visited Aug. 27, 2002).
- 11 "UPS, Teamsters Agree to Tentative 6-year Pact," *Traffic World*, Jul. 16, 2002, on the Internet at http://ptg.djnr.com/ccroot/asp/publib/story_clean_cpy.asp?rndnum=396857 (visited Aug. 26, 2002).
- 12 "UPS and Teamsters Ready Themselves for Contract Brawl," *Wall Street Journal*, Jan. 28, 2002, on the Internet at http://ptg.djnr.com/ccroot/asp/publib/story_clean_cpy.asp?rndnum=728553 (visited Aug. 27, 2002).