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## **HANDOUT 1**

# **Basic Bargaining Scenario**

### **Factual Fundamentals:**

**The Employer/Company is a medium sized (normally employing up to 500 employees) operation that is part of a global company. Just six years ago the formerly family owned and privately held company was sold to Money Machine (M&M) Inc., a multi- national company. The corporate profit targets have been met in only two of the ongoing six year periods since M&M first purchased the business. However, the operation has consistently met its production goals and contract obligations. The chief spokesperson at the bargaining table was brought on by M&M one year ago to “turn the operation around”. Corporate has given him absolute autonomy to determine bargaining strategy and outcome goals. Corporate’s only firm position is that the operation must meet mandated profit targets in each year of the new collective agreement.**

**The Union is led at the bargaining table by a relatively new and inexperienced International representative. Though new, he is very bright and can be creative in solving problems. However, he only engages in a problem solving approach after he is certain the Union has achieved maximum power leverage on the Employer.**



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## **Bargaining History:**

The workers employed by M & M have long been represented by the largest national union in the country. Historically, Takemon Associated Employees Union (TAEU) has generally been cooperative with the Employer on matters of business efficiency. The work force is senior, skilled and loyal to the business. However, TAEU also represents employees in multiple units in the industry, some of whom compete directly with M&M for business. While the TAEU has been cooperative on operational matters over the years, it has always insisted that wage and benefit settlements must conform to TAEU national industry standards. The bargaining relationship is nearly 30 years old and the last strike was 25 years ago. The Company has excellent relationships with the local employees and strong communication lines with the local Union leadership. However, the TAEU national representative and chief spokesperson is relatively new, aggressive, has given multiple public speeches condemning multi-national takeovers of local businesses. He is also reputed to have higher political aspirations with the Union. TAEU is very active in national politics and closely tied politically to one political party. This is an election year and national politics are highly polarized.

*What strategy will management employ to advance their objective?*

- a) Open with a proposal for an extension of current contract terms*
- b) Initiate informal talks with union*
- c) Propose a general wage reduction*
- d) Issue a preemptive take-it-or-leave-it offer*



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## **HANDOUT 2**

### **Bargaining Strategy:**

**The Company chief spokesperson and team have determined that the most certain and efficient way to consistently meet M&M targets for profitability is to reduce labor costs. While they would like to lower wage rates they realize such a proposal is not likely to be ratified by their employees. Regardless, in order to convince the aggressive new TAEU leader that they are serious, they open bargaining by insisting upon a 5% general wage reduction in the first year of the contract and tie wage adjustments in the remaining four years to the company's ability to meet profit targets in the outlying years. They also propose reductions in premium pay to the national norms which are lower than the industry standards that are part of the current bargaining agreement. Given production levels, the chief spokesperson has decided to forgo any contract language proposals affecting operations. Additionally, although they currently have health insurance and pension benefit reductions on the table, they have decided to leave benefits at their current levels. They realize the benefits are an emotional issue to their workforce and that wages are the most fruitful area for meeting profit targets.**

**Their plan is to be firm in their bargaining position regarding holding the line on wages. Everyone knows that TAEU has set a 4% per annum target nationally for general wage increases. The Company plan is to offer wage counterproposals indicating flexibility on the 5% reduction. Ultimately, the Company would be willing to settle on a general wage freeze in the first two**



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**years of the contract and cash bonus payments equivalent to TAEU's 4% general wage increase targets in the last 3 years of the contract. If the Company could achieve their general wage bargaining goal they would be willing to withdraw any and all proposals regarding premium pay. They would also go to status quo on benefits.**

*How did the TAEU respond to this opening move?*

- a) Proposed an increase of 10% a year and withdraw language proposals*
- b) Refused to counter until management makes a reasonable offer*
- c) Threw handfuls of peanuts across the table*
- d) Called a strike vote*



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## HANDOUT 3

**TAEU is publically outraged by the Company's opening proposals and insists there will be no counter proposals on wages until the Company withdraws their wage reduction proposals. They have multiple contract language proposals regarding changing layoff procedures as well as those impacting the assignment of eligibility to work overtime. The changes seek to eliminate the company's board authority to determine who will be laid off and who will be offered overtime. It is apparent that TAEU wants the Company to agree to Region wide seniority as the determining factor in both the layoff and assignment of overtime determinations. TAEU has not made a wage proposal since it's opening proposal of 6%. They have asked for pension increases and are seeking to maintain health insurance benefits at their current levels. Privately, the pension plan is in good shape and they would be willing to settle for status quo. While they would like to maintain their health insurance plan and benefits at no additional cost, they have agreed to multiple cost containment proposals (not absolute benefit reductions) in other contracts around the country. They would do so with M&M, if they could maintain the basic benefit structure. While they would like to see their national wage target met, they know that the Company's premium pay language puts their wages significantly ahead of their TAEU competitors nationally.**

### **Bargaining Outcomes:**

**Bargaining opens 30 days prior to the expiration of the old agreement. There is little progress in the first two weeks and TAEU does not offer any wage counterproposals. In fact, the Company is concerned that they are holding to their initial demand of a 6% wage increase in each year of the agreement.**

*How does the company respond to this lack of movement?*



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- a) Company walks out and tells the union to call when they are serious*
  - b) The company decides to indicate flexibility by modifying to a 1% wage reduction*
  - c) The President of the Company reaches out to the International union*
  - d) Company issues a take it or leave it ultimatum*



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## **HANDOUT 4**

**The Company decides to modify their wage demand to a 1% reduction in each year of the agreement. They are trying to send a signal of flexibility in the wage reduction and are hopeful TAEU will finally offer a counter proposal.**

*How does the union respond?*

- a) Union walks out of negotiations and tells Company to call when they are serious*
- b) Union modifies its proposal to 4% and holds to all language proposals*
- c) Union holds to 6% and withdraws language proposal*
- d) Union proposes mediation*



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## **HANDOUT 5**

Instead TAEU walks out of the bargaining session and tells the Company to call them when they are serious about negotiation. The third week passes without meetings. On the first day of the last week, M&M Corporate calls the chief spokesperson and indicates they have just received a massive financial information request from attorneys representing TEAU. The chief spokesperson next receives a call from the TEAU bargaining representative demanding a negotiation session later that afternoon.

The Company agrees to the session and later that day, TEAU offers a “take it or leave it” proposal demanding a 4% general wage increase and insisting on their layoff and overtime proposals. They withdraw all remaining proposals on their demand list, reject all of the Company’s proposals and announce that they will strike the facility at midnight Friday if their demands are not met. They ask if the Company has any questions regarding their proposal, tell them they look forward to the Company’s response (acceptance) and walk out of the room.

*How does the Company respond?*

- a) Terminates the employment of all union committee members*
- b) Proposes a bottom line offer and continues to insist on premium pay reductions*
- c) Threatens a lockout if its offer is not accepted*
- d) Heads to the bar!*



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## **HANDOUT 6**

**The Company decides, it is time to address their “bottom line” position in the form of a formal proposal and request a meeting for the next morning. At the meeting, the Company presents a proposal which goes to their bottom line except they “hold on their premium pay reduction proposals”. The Union asks for a caucus. Within ten minutes time they indicate they are ready to respond.**

**They reject all aspects of the Company proposal, renew their last offer, and walk out of the room. No negotiations are held or requested in the subsequent days.**

*What is the Company’s next move?*

- a) Call FMCS mediator*
- b) Modifies proposal to last best offer*
- c) Hires replacement workers to be on standby*
- d) Management committee members update their resumes*



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## HANDOUT 7

**On Thursday, the Company requests a meeting and modifies their previous proposal by withdrawing all proposals regarding premium pay reductions. They reject TAEU's proposed language changes and characterize this proposal as their "Last Best and Final Offer". Without a caucus, the TEAU rejects the proposal at the conclusion of the Company presentation. On Friday, in advance of the midnight deadline and in attempt to avert the strike, the Company contacts TEAU and offers to extend the terms of the current agreement for 30 days and bring in an FMCS mediator to the negotiations.**

*How does TEAU respond?*

- a) Agrees to 30 day extension and involvement of FMCS*
- b) No response – pickets set up and strike is on!*
- c) Clicks their heels together 3 times and repeats "I need a contract"*
- d) Counters with an acceptance of terms if Company will agree to a 1000 dollar ratification bonus*



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## HANDOUT 8

**TEAU does not respond to the extension offer. At midnight, pickets appear at the M&M work sites and bargaining unit employees exit the locations. The strike has begun.**

*How is the dispute resolved?*

- a) After FMCS intervention, strike is settled after 45 days with a 2% increase and \$500 ratification bonus with no language changes***
- b) Company closes facility***
- c) Company replaces all strikers and strike continues without an end in sight***
- d) Company sells facility to non-union competitor***



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## **HANDOUT 9**

**60 days following the onset of the strike, M & M Corporation announces the sale of the operations in the region to a non-union competitor. Two weeks later the new owner, after meeting with TEAU and the bargaining committee announce they are permanently ceasing operations at all former M&M contract locations in the Region**