

AT&T hopes to gain concessions from unions

March 13 2009, By PETER SVENSSON , AP Technology Writer

(AP) -- AT&T Inc., the largest employer of union labor in the country, is renegotiating contracts that cover 112,500 workers and looks set to take advantage of the recession to reduce its health care costs.

Five regional union contracts expire on April 4. A sixth that expires a few months later is being negotiated at the same time.

The last time this batch of contracts was up for negotiation, five years ago, there was a four-day strike that was seen as a minor victory for the Communications Workers of America. But this time, the economic meltdown has shifted the balance of power decidedly toward the employer.

"This is not the time to get involved in a strike. It's incredibly bad timing," said Gary Chaison, a professor of industrial relations at Clark University.

While the phone company's overall results are holding up well in the recession, the contracts cover AT&T's shrinking wired phone business, rather than the growing cell phone division.

Dallas-based AT&T wants concessions on health benefits, saying the wireline workers pay far fewer of their [health care](#) costs than employees on the mobile phone side. Retirees' health benefits are also likely to be affected.

After talking to management, UBS analyst John Hodulik wrote last week

that a strike is likely, but that the company would come out on top. Management employees have received extensive training to keep the company running if there is a strike, he said, and AT&T could reap large savings on its health [care costs](#). AT&T spends \$5.5 billion a year on health care; its 2008 revenue was \$124 billion.

At the Communications Workers of America, spokeswoman Candice Johnson said the analyst's report was "way premature" since talks have just started.

"We are focused on productive talks," she said. "We're not talking publicly about issues at this time, but AT&T is doing well financially, even in these economic times. AT&T should be a leader in maintaining quality jobs and quality benefits."

Chaison said the CWA has been attuned to the health of employers in the industry and is likely "realistic" about what it can get out of AT&T.

"It's a militant bargainer, but it also understands that you can't push too far. You could end up winning the battle but losing the war, very easily," he said.

Not only is the threat of job losses sharper in the current economy, said Sanford Bernstein analyst Craig Moffett, the union war chest is likely also badly depleted by the weak stock market. Unions in general also aren't very popular since they're getting some blame for the troubles of the auto industry.

Ford Motor Co. workers Monday approved concessions that will save the company \$500 million a year, with half of that coming from a direct cut of bonuses and benefits, and the rest from changes in health benefits and payments made to a trust for retiree benefits. General Motors Corp. and Chrysler LLC have also negotiated concessions from their unions.

At AT&T, the health care proposals have clearly touched a nerve among the union's members. The Web site of the Communications Workers' District 4, which covers the Midwest, said members showed up at work in scrubs, wearing Band-Aids, in wheelchairs and on crutches last week to show their displeasure.

"It's clear from their proposal, the company isn't really interested in fixing the health care problem. Their solution is massive cost-shifting to us," a bargaining update said.

Since the last contract negotiation, cable companies, with a largely nonunion work force, have grown into a formidable competitor for home phone customers. Comcast Corp. announced Wednesday that it was the third-largest provider of home phone service in the country, surpassing Qwest Communications International Inc.

AT&T spokesman Walt Sharp said the workers covered by the expiring contracts pay 8 percent of their yearly health care costs, compared to the national average of 34 percent. Their total health care costs are also higher because the benefits structure doesn't promote responsibility, he said. The company wants to phase in a deductible at a level determined by an employee's wages.

Meanwhile, AT&T employees are well paid, compared to the competition, Sharp said.

A 2007 survey by the Bureau of Labor Statistics puts the hourly wages of phone company line installers and repairers at \$26.80 per hour, compared to \$19.50 per hour at cable companies.

Sharp also emphasized that AT&T in general has a good relationship with its unions. Of its 300,000 employees, 160,000 are unionized. It's the only wireless carrier with a large union work force.

UBS's Hodulik cited the contract negotiations as one of the reasons he upgraded the stock to "Buy" last week, but did not give a specific figure for the potential cost savings.

AT&T shares were down 35 cents, 1.4 percent, to \$24 in midday trading Friday. The shares have traded between \$20.90 and \$40.70 in the past year.

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