

What kind of union do we want to be?

DECISIONS



After the Boeing Company sold its commercial aircraft operations in Wichita, KS in 2004, innovative negotiations, the ability to enlist political support and determined Local 839 members won a contract that preserved jobs and generated a \$246 million payment to nearly 4,000 IAM-represented employees at the new Spirit AeroSystems.

What kind of union do we want to be? That's the question delegates at the upcoming Grand Lodge Convention in Orlando, FL, will have to answer when the discussion turns to the IAM's 32-year-old

dues structure.

Do we want to remain a full-service, first-class union capable of standing up to global corporations and their political allies? Or, will we become "the union formerly known as the Fighting Machinists?"

The current formula for calculating dues was approved back in 1976 when Walter Cronkite still read the news each night, a gallon of regular gas cost 62 cents and the average price of a new home in the U.S. was \$54,000.

In 1976, the IAM had near-

ly 900,000 members, 1,804 local lodges and 8,700 contracts with companies across North America.

Times Have changed

Manufacturing jobs, once the foundation of the post-war economy and the financial backbone of many IAM local lodges, disappeared in waves as companies moved more and more work overseas.

Overall IAM membership, which peaked at more than one million in 1969, declined by more than fifty percent to slightly more than 400,000 today.

The crisis worsened after September 11, with airlines shedding nearly 75,000 IAM jobs.

Despite aggressive cost-saving measures at every level of the union, overall expenses exceeded income every year since 2001.

The annual losses have ranged from \$700,000 to over nine million, with the average annual loss for the seven years at just over \$5.7 million.

Any additional loss to our core financial strength would leave the union and its members dangerously exposed to forces all too ready to take advantage.

While jobs vanished and the revenue from membership dues declined, the cost of oper-

Do we want to remain a full-service, first-class union capable of standing up to global corporations and their political allies?

ating a union with a wide range of programs and benefits has not.

In the airline sector alone, the IAM spent more than \$10 million fighting

carriers that were determined to use bankruptcy as a means to shred contracts, pensions and health care for an entire generation of airline workers.

Similar stories can be found in every sector where the IAM represents workers.

At Boeing in 2005, IAM members refused to accept a substandard contract, and with the backing of the entire union, pulled off the most successful U.S. strike in decades.

In Dothan, AL, hundreds of workers at Pemco World Air Services endured a 59-day lockout in 2005 and returned to work with their contract,

Preserving Pensions



AP/Wide World Photo

When airlines turned to bankruptcy court to jettison pension obligations and shred contracts, the IAM poured in more than \$10 million in legal and other resources to fight back. IAM-represented employees at UAL, NWA and US Airways are now the only airline employees to come out of bankruptcy with a defined benefit pension – the IAM National Fund.



Photo by Michael Campbell, Page One

"Enough is Enough!" The IAM put the fight for good jobs on the national agenda with the "Day of Action," the largest labor rally in the nation's capitol in more than sixteen years, to demand action for America's working families.

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their pension and their self-respect stronger than ever.

In Washington, D.C., the IAM joined forces with other unions in a costly and complicated legal battle to defeat the National Security Personnel System, a bid by the Bush administration to eliminate collective bargaining rights for 750,000 government employees.

The outcome in each fight would have been far different without the

resources of the entire organization, from a healthy strike fund to local leaders trained in sophisticated bargaining tactics, to experienced advocates lobbying in Congress where so many of our battles are fought.

There is no shortage of examples from unions that are less equipped to take up such fights on behalf of their members. The debacle at Northwest Airlines, where aircraft mechanics were led out on a disastrous strike, should be the last word in any debate over

the value of a financially secure union.

Hard Hit Unions Battle Back

For the past decade, the labor movement in the U.S. has been battered by a steady succession of political, social and economic storms. From the trade deals that wiped out millions of manufacturing jobs, to an unprecedented wave of airline bankruptcies, the IAM was among U.S. unions hardest hit by forces that continue to rock the country.

In addition, unions everywhere battled an openly hostile political administration that used its enormous power to restrict collective bargaining, limit organizing rights and exhaust the financial resources of workers and their union representatives.

The government's policy toward labor unions for the last eight years was summed up by unofficial Bush administration spokesperson Grover Norquist, who declared bluntly, "We're going to crush labor as a political entity."

While labor's most vitriolic opponents have not prevailed, the cost of fighting back has been steep.

The results, however, are undeniable. A cursory examination of the initial proposals sought by bankrupt airlines reveals hundreds of millions in concessions, including terminated pensions, eviscerated

The IAM waged a successful battle against the National Security Personnel System to stop the Bush administration from eliminating the rights of 750,000 government employees.

health care plans and the end of long-standing due-process rights, including seniority, severance pay and retirement benefits.

Unlike unrepresented airline employees, union membership proved to be an essential factor, not in who won and who lost, but in who suffered less and who suffered most.

At United Airlines, 15,000 IAM members were the only employees to emerge from the longest and most costly bankruptcy in airline history with the IAM's defined benefit pension plan.

Airline employees were not alone in facing the corporate and political barrage that defined the past eight years. Railroad workers saw their contracts frozen for years until sustained political pressure by unions and their mem-

bers finally produced contracts with full retroactivity.

Aerospace employees also experienced seismic changes in their industry and equally-dramatic challenges to their contracts. What was once a relatively secure career despite cyclical gyrations became one of the most unstable occupations in America as aircraft companies sold entire divisions and moved more and more manufacturing jobs overseas.

Nearly 3,000 employees at Boeing's assembly plant in Wichita, KS, watched as their plant was sold and their decades-old contract came up for renewal with an employer who was under no obligation to honor or



The IAM is a strong advocate for stopping the senseless offshoring of jobs and technology, such as the recent Air Force decision to award a multi-billion dollar tanker contract to Europe's Airbus.

extend existing terms.

In an historic agreement, IAM negotiators not only preserved nearly all jobs at the facility, but also negotiated profit-sharing language that would reward employees if the new company turned a profit.

Little more than one year after that agreement was signed, IAM members in Wichita divided more than \$240 million in cash and stock, the largest profit-sharing payout for union members in recent IAM history.

IAM members can be proud of what was accomplished and what was preserved during the past decade. But the corrosive impact of a steady loss in members must now be addressed if we are to continue as a viable force for current and future members.

While the IAM has long



The benefit of a strong union was plain to see during the Pemco lockout in Dothan, AL.

We had support from every level of the IAM, and it paid off. I doubt that a union with fewer resources could have protected our jobs, our pensions and our contract.

Sandy Shinn

27-year member

Local 2003

Daleville, AL

held an enviable reputation as a fiscally-sound and conservatively-managed enterprise, the financial reserves upon which that reputation is based are suffering from the loss of nearly 100,000 members.

Despite efforts to recruit new members and significant

cost-cutting measures in every territory, the cost of operating the union and maintaining its essential services has pushed the union dangerously close to a tipping point.

At the current rate of deficit spending and barring any change in the existing dues formula, the IAM would quickly be forced to undertake a drastic restructuring to bring income in line with expenses.

To address this crisis and to provide the means for the IAM to maintain essential services well into the future, the IAM Executive Council will propose a change to the current method of calculating members' dues.

The Two Percent Solution

Under a proposal that will be presented to delegates at the next Grand Lodge Convention, the multiple methods of calculating monthly dues will be replaced with a single method based on a percentage of an individual's gross straight-time wages per month.

After an extensive review of the union's current financial condition and based on conservative projections of future investments and membership numbers, the IAM Executive Council will propose two percent as the figure to be used for calculating dues.

The new formula pro-

Negotiating Contracts



The IAM negotiates thousands of agreements that pay dividends in better wages, benefits and fair treatment on the job. IAM representatives, right, hammer out a first contract with Eagle Group management after employees at Fort Stewart, GA, voted for IAM representation.

Fight for America's Middle Class



AP/World Wide Photo

In 2005, IAM members at Boeing held the line for wages, pensions, health care and job security, a victory that set the standard for the aerospace industry and beyond.

vides for a vastly simplified method of calculating and collecting dues. Dues will be based on a member's gross straight-time wages on a monthly basis and will not include variables such as overtime pay, bonus pay, skill or license pay.

High-wage members will pay the same two percent of gross monthly straight-time wages as lower-paid members. No longer will a bargaining unit with multiple pay scales in a single classification inadvertently require lower-paid members to bear an unfair burden.

Unique circumstances in the transportation and automotive sector, including book rates vs. actual rates and months not worked,

will be addressed and resolved by committees representing those members and those concerns.

Also under the new proposal, the erratic use of



Getting a good deal at the bargaining table has always been a matter of "strength in numbers" and

that's one reason I'm very concerned about the decline in IAM membership. We have to make sure the union retains the ability to stand up to corporations and anti-union politicians. We fought too hard for rights in the workplace to let it slip away.

Pat Elizondo
12-year member
Local 66
Milwaukee, WI

exemptions and dispensations will be eliminated, a move that will return about \$917,000 per month, or approximately \$11 million each year to the General Fund.

Overall, the new financial plan will provide a level of stability to the union's finances not seen in more than a decade. The General Fund balance, currently projected to drop below zero by the end of 2009, would be restored to a positive balance and be able to maintain the IAM's full range of services.

How would dues revenue be distributed? Of the two percent, one percent would go to the IAM General Fund and one percent would be remitted to the member's district and local lodge as

Melissa Haneline, Charleston Post & Courier



now governed by the IAM Constitution and in conformity with district and local lodge bylaws.

Traditional servicing expenses, including research, surveys, legal advice and half

the salary of district and local business representatives will continue to be borne by the IAM Grand Lodge.

What About My Dues?

Despite the scope and complexity of the financial challenge facing the IAM and nearly every union in the U.S. and Canada, individual members are justly concerned about how any change will impact their monthly dues.

Under the new formula, a member earning \$20 per hour, or \$3,466.67 in gross straight-time monthly wages, would pay two percent of this amount, or \$69.33 per month in dues.

According to the Labor Management Reporting and Disclosure Act (LMRDA), monthly dues for IAM mem-

Organizing victories, like the recent win at Vought Industries in South Carolina, mean better futures for new IAM members and help prevent employers from undercutting agreements at existing IAM-represented plants.

bers have increased at a slower rate than dues at more than a dozen other industrial trade unions.

Additionally, the widespread use of exemptions and dispensations has contributed to a lower average dues rate despite operating costs that have soared over the past three decades.

What is 'Plan B?'

While some members may pay less and some will pay more under the new dues formula, all will pay according to a more equitable formula that evenly spreads the cost of operating the union over the whole of the membership.

The debate over change is invariably discomfoting, despite the near certain prospect of far more drastic measures if no steps were taken. Some have asked, "What is Plan B if the new dues proposal is rejected at the Convention?"

It is important to note that the new dues proposal is Plan B.

Plan A was an effort launched in 2003 to increase the membership base via organizing 250 new members in each district per year. Plan A was to be augmented by staff cutbacks, local and



Airline employees have faced incredible challenges over the past 10 years and it's not over yet. Workers have endured massive layoffs, bankruptcies, pension terminations and now mergers. But IAM

members in Guam have fared better than non-union workers because of this union, its resources and experience.

Morna MacDonald-Rector

11-year member
Local 2339G
Tamuning, Guam

district consolidations, cost-saving territorial budgets and initiatives such as the Organizing Fund and the Centralized Accounting System (CAS), all of which will continue to go forward.

While nearly everything else has changed, the current dues structure has remained basically untouched for more than 30 years.

Delegates to the 1976 Grand Lodge Convention in Hollywood, Florida, approved the current method of calculating monthly dues; two times the hourly rate, calculated under five different methods.

That dues formula was a key component of the 'Program for Progress,' a financial plan based on a membership base of nearly 725,000.

It was projected that such a financial plan would sus-

tain the union so long as membership numbers did not fall below 650,000, a threshold that was crossed in 1982, more than 25 years ago.

But delegates will have a choice when they go to Orlando in September, and the proposal to modify dues will no doubt be debated extensively and enthusiastically, as it was in 1976.

Among the issues raised by delegates at the Convention in 1976 was concern that membership would fall as a result of any increase, with the ranks of dues objectors and non-members swelling in response.

"I opposed the 'Program for Progress,'" said Tony



I raised my family on union wages and lived a good life because of union contracts. The price of everything has gone up and I'm not sur-

prised it costs more to operate a union, either. We need to run a tight ship financially, but we must be prepared to step up and do more if we have to.

I don't want to pay any more in dues than I do right now. But I want delegates to go to the Convention with an open mind and listen to all sides of this debate. The big question is not just about union dues, it's about whether we'll still be around in a couple of years.

Rick Taylor

31-year member
Local 717T
Toronto, Ontario

Klinakis, a delegate at the 1976 Convention from Local 702 in Miami, FL. "I had issues and concerns that turned out to be groundless. The formula delegates approved at that Convention has served us well for 32 years, but it's obvious now that we need a change."

Aggressive Savings, Wise Investments

The 'Program for Progress' adopted at the 1976 Convention ushered in many of the programs and services

Union membership means a better life for workers and their families. Employees at the Patuxent Naval Air Station in Maryland fought hard for IAM representation and now have a contract with better wages and benefits.

Winning Better Wages and Benefits



Photo by Bill Burke, Page One Photography



Better training means better contracts. Members of the Local 2003 negotiating committee simulate contract costing in classes at the IAM's Winpisinger Education and Technology Center designed to prepare for real-world negotiations. The Winpisinger center offers college-accredited training in all aspects of union activism, from local lodge leadership to advanced arbitration, pension and contract negotiations.

today's IAM members have come to rely on. After adopting the new dues structure, delegates increased education programs, including more training for lodge safety and health committees; increased resources for coordinated bargaining to win better contracts; started a community service and employee assistance program and established the Organizing Department and the Civil Rights Department, which is part of today's Women's and Human Rights Department.

Since the onset of membership losses, and thanks only to a wide range of cost-saving measures, the IAM has been

able to maintain both services and solvency.

High among them was the sale of the IAM headquarters building in Washington, D.C. and construction of a new building in Upper Marlboro, MD. The sale and rebuilding was completed at a savings of more than \$10 million, which was returned to the IAM General Fund.

Additional cost-saving measures included reducing the number of local lodges from 1,860 in 1977 to 1,039 today.

Full-time IAM staff, including Grand Lodge-supported business representatives were also cut, from 925 at the end

of 2001, to 779 by the end of March 2008, a drop of 15.8 percent.

I belonged to another union before the Machinists.

I paid more in dues and got much less in service and support.

There's a big difference between having a union and not having one at work, but there's also a huge difference between a strong one and a weak one.



Joseph Swiatkowski

11-year member
Local 585
Buffalo, NY

The establishment of the Organizing Fund by delegates at the 2004 Grand Lodge Convention was another part of an investment strategy designed to sustain the union in difficult financial times.

Thirty million dollars from the Strike Fund was directed into a special account, a move that generated nearly \$10 million in interest income, which is used exclusively for organizing.

The Centralized Accounting System (CAS), also established by delegates at the 2004 Convention and now employed in every district lodge in the U.S. and Canada, is responsible for reducing monthly local lodge debt from over \$8 million to less than \$3 million per month.

Wise investments of existing assets in the IAM Strike Fund, General Fund, Scholarship Fund and Pension Fund also helped blunt the loss in revenue from reduced membership.

But looming on the horizon for local and district lodges is the government-mandated return of required contributions to the Pension Fund for full-time district and Grand Lodge staff.

Contributions to the fully-funded pension plan were suspended nine years ago, a move that saved locals and districts approximately \$22.5 million as of April 2008.

Recent changes in federal laws governing pension balances are likely to trigger a

return to annual contributions, even for fully-funded plans. The result will bring added financial pressure on IAM resources.

Despite interest income generated from investments and savings, the IAM continues to face rising costs and falling membership numbers.

What if...?

The debate over a new dues structure must also consider the impact of taking no action to change the current financial direction.

The most immediate impact would be no change to the monthly deficit currently being absorbed by the General Fund.

IAM members would likely see a rapid and dramatic reduction of services provided during strikes, organizing drives and contract negotia-



It is easy to criticize, it's much harder to listen and understand. As a new hire, I make \$14.48 an hour and work very hard for a living. I would have no problem paying more in dues if it is just-

ified. We are one union working for a common goal. We must be united - that is our strength and how we'll succeed as a union.

Paul Hayes

One-year member
Local 751-A
Seattle, WA

tions. Additional consolidations of local and district lodges would occur, along with staff reductions at every level of the organization.

More importantly, the union would be exposed to political attacks, or the equivalent of a hostile takeover by another union, with our choices dictated by our limited and dwindling resources.



Before going into negotiations with Raytheon, members of Local 933's Negotiating Committee went through the IAM Strategic Bargaining class at the Wimpinger Center, which included a simulated bargaining session with Center Director Chris Wagoner.



Photo by Bill Burke, Page One Photography

Adequate financial resources will allow the IAM to remain an effective voice for North American workers, fighting for fair wages, health care, a secure retirement and an end to the global race to the bottom caused by senseless trade deals like NAFTA and the proposed Free Trade Area of the Americas (FTAA).

This option could resonate with a unique irony. In addition to the loss of historic autonomy, IAM members could face a dues structure markedly higher than any now under consideration.

Additional and severe cost-saving measures would likely be called for, including the elimination of the 50 percent salary support for business representatives and layoffs throughout the organization.

Fundamental Question

Among the most draconian measures would be the sale of major assets, including the IAM's unique labor education facility at Placid

Harbor, Maryland.

Established in 1981, the William W. Winpisinger Education and Technology Center at Placid Harbor has served as a singular learning experience for more than 60,000 IAM members, growing from a little-known experiment offering a handful of classes, to a renowned facility with dozens of college-credit classes.

Thousands of rank-and-file IAM members attend the facility every year. The Winpisinger Center offers classes ranging from basic training for local lodge activists to advanced courses in preparing for negotiations, arbitration, pension

fundamentals, organizing and more.

The Winpisinger Center deserves serious consideration anytime the question is asked: "What has my union done for me lately?" Its loss would be difficult to measure in dollars.

Members must take into account all possible scenarios that could result from action, or inaction, on the dues debate. Delegates will arrive in Orlando with their views, their members' questions and an open mind, ready to engage and consider the historic question that is theirs to answer:

"What kind of union do we want to be?"

Q & A

About the Proposed Dues Structure

Why is the IAM considering a change to the dues structure?

Without a new dues structure, the IAM will have to drastically reduce programs and services and will not be able to meet the extraordinary challenges we face today. The current dues structure was approved by delegates at the 1976 Grand Lodge Convention when IAM membership was at 900,000. Since then, bad trade deals, anti-labor administrations, the 9/11 attacks and airline bankruptcies have put high demands on IAM resources while battering the membership base.

What will happen if the dues structure remains unchanged?

Without additional revenue, the IAM would be forced to undertake a significant restructuring; merging some local and district lodges and eliminating others. Programs, services and staff at every level of the union would also be cut.

What is the process for changing the current dues structure?

Delegates at the 2008 Grand Lodge Convention, who are elected by the members of their local lodges, will debate and vote on proposals to replace the existing formula of calculating members' dues.

How will dues be calculated under the new proposal?

Each member's monthly dues will be an amount equal to two percent of their gross, straight-time wages on a monthly basis. Overtime pay and other forms of premium pay, i.e. license pay, longevity pay, shift differential, skill pay, etc., will NOT be factored into the two percent calculation.

Will the two percent calculation be in addition to current dues?

NO! The two percent calculation would replace the current method of calculating dues.

How does the IAM dues formula compare to other unions?

The IAM currently has one of the lowest average dues of any industrial trade union in North America.

If the two percent formula is approved, how will it be divided?

If approved by delegates, one percent would go to the IAM General Fund and one percent would be remitted to the member's district and local lodge as now governed by the IAM Constitution and in conformity with district and local lodge bylaws.

How will local lodges benefit from the new dues structure?

Locals, districts and Grand Lodge will all receive increased revenue under the new dues proposal. Additionally, traditional services and programs, including Winpisinger Center classes and support for organizing campaigns, strikes and contract negotiations, will continue to be available.