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Rail facts: Comparing rail employee wages to other industries

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As we've communicated before, the nation's freight railroads are currently in national bargaining with 13 labor unions representing 145,000 employees. The railroads seek to negotiate compensation and health benefits that reflect current economic conditions and to reform labor agreement rules to improve safety, customer service and employee utilization. ***As an update on the current status, please know that the rail industry will be in federal mediation with all three labor coalitions at the beginning of the year****. This article is part of a series related to aspects of the current bargaining round, including the economic factors Impacting the railroads during this round.*

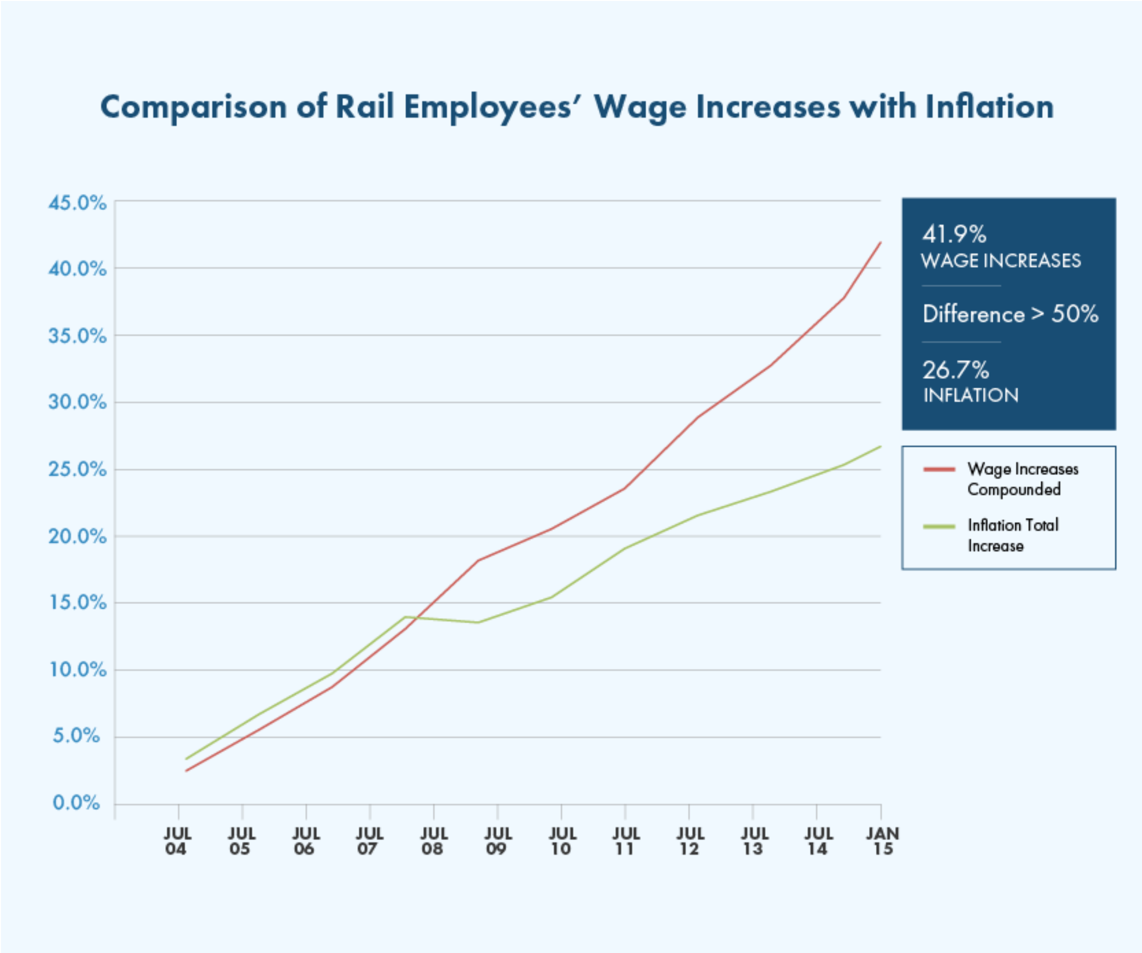
Employees in the freight rail industry are among the most highly compensated in the nation. According to the latest data from the U.S. Commerce Department, freight railroads offer long-term career opportunities with pay and benefits ranked in the top seven percent of American industries.

The average union-represented employee covered in this bargaining round •••

- Has spent 13 years employed in the railroad industry.
- Received total annual compensation (including the value of wages, health and retirement benefits) that was more than 50 percent higher than the average full-time U.S. employee.
- Received pay increases totaling 42 percent over the last decade.
- Received 3.5 percent annual wage increases (on average) over the last decade- outpacing inflation by 50 percent.
- Pays only $229 monthly for health care coverage premiums, regardless of family size.
- Enjoys 11 national holidays and three weeks of vacation each year.
- Are covered under the Railroad Retirement Act, and so are potentially eligible to receive significantly higher retirement benefits than employees covered under the Social Security Act.

At the same time, U.S. railroads are facing unprecedented economic challenges •••

This round's labor negotiations are happening against the backdrop of tremendous change. The U.S. rail industry has been impacted by a sustained industrial recession, due to low energy prices, the strong dollar, lower coal demand at utilities and high inventories across the supply chain. The recession has affected many commodities handled by freight railroads, particularly coal, which is expected to show continued declines. Consumer demand has also been tepid, impacting international intermodal volumes.



These factors will influence the railroads' decisions regarding compensation during the bargaining round. During strong economic times, the rail industry has provided commensurate wage increases. But that cannot continue indefinitely when economic performance is poor. Wage increases have been proposed this round, but railroads must consider the current significant economic challenges when determining the extent of these wage increases.

At BNSF, for instance, our volumes were down 7 percent through the third quarter 2016, compared with 2015. For that same period, our revenues declined 13 percent and operating income was down 15 percent. We must continue our focus on operating efficiently and managing costs, and remain agile in responding to an uncertain economy. Others in the rail industry are facing similar challenges.

BNSF and other U.S. railroads have had to make tough decisions to control costs, reduce headcount for salaried employees and furlough scheduled employees to match available work.

At the same time, even with lower volumes and revenues, railroading continues to be highly capital intensive. From 1980 through 2015, freight railroads reinvested $600 billion in the network, and billions more are invested each year. Railroads have also spent $6 billion on developing and installing positive train control (PTC) as of 2015, and expect to spend another **$4** billion over the next few years on PTC. It will cost hundreds of millions of additional dollars each year after that to maintain PTC systems.

With all of these pressures on the rail industry - lower volumes and revenues, the need for substantial ongoing investment in maintaining the safety and efficiency of the rail network, and the unfunded mandate for PTC - railroads continue to look for ways to control and reduce expenses. The railroads must consider these monumental changes and look to ensure the future health of the industry, while making measured decisions during the current bargaining round.

For more information, go to raillaborfacts.org.

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