Which Road Will the Grocery Contract Talks Take?

DAVID WASHBURN | Posted: Thursday, June 30, 2011 8:20 am

The United Food and Commercial Workers, which represents more than 60,000 Southern California grocery workers, began this week to ramp up its efforts against the three major grocery chains as the two sides remain far apart at the bargaining table on the critical issue of sharing healthcare costs.

The situation is similar to the negotiations of 2003 and 2007, the last two contract years. But those years had very different outcomes.

In October 2003, the UFCW called a strike, and the chains — Vons, Albertsons and Ralphs — simultaneously locked out their workers. The ensuing 4½-month standoff is the longest grocery strike and one of the most significant labor disputes in recent decades.

In 2007, the two sides, still weary from the 2003 strike, had a new contract in place by the end of July.

So which road will be traveled in 2011?

Union leaders won't say a strike is imminent, but they say the current situation is more urgent than it was in 2007. The crucial reason is that the healthcare trust fund, which pays for union employee health benefits, is getting dangerously low, said Rick Eiden, executive vice president for UFCW 324, which represents Orange County grocery workers.

"Our reserves are being burned down by $11 million a month," Eiden said. "By the end of July [or] beginning of August, it will be difficult to pay for the medical bills of our members."

Eiden's pronouncement comes during a week in which hundreds of UFCW workers protested outside the Southern California headquarters of each chain. Union members are also meeting with local politicians and making door-to-door appeals in neighborhoods served by chain stores.

"Today there is not a feeling that we are getting this done," Eiden said of the negotiations. "They are painting us deeper and deeper into a corner."

Vons spokesman Daymond Rice said this week's actions are typical tactics by the union and that any discussion of a strike is "unnecessary and counterproductive."

"These rallies appear to be part of a playbook and have no bearing on the bargaining," Rice said. "I don't have a sense that [negotiations] are more contentious than before."

Rice also disputed Eiden's appraisal of the healthcare trust fund. "We do not believe the fund will be insolvent by the end of July," he said.

New Twists to an Old Sticking Point

In a statement released this week, the chains characterized healthcare premiums as the main sticking point in negotiations. The companies are proposing that single employees pay $9 per week toward their premiums and employees who want coverage for their families pay $23.

Employees hired after the 2004 strike settlement now pay $7 and $15 respectively, and employees hired before 2004 pay nothing. The chains note that the national average families pay toward their premiums is $76 per week.

The union made a counterproposal on Monday that Rice called "disappointing." He said it asked for improvements of health benefits, and "we think that in this economic environment that improvements to an already good plan are unrealistic."

UFCW leaders say they are not seeking an improvement in benefits; they just want workers to keep what they have. They are most concerned about the annual out-of-pocket maximum the chains are proposing that employees pay toward their health care.

Eiden said the chains want to increase this amount from $5,000 to $11,000. "This means that the average grocery store worker, who earns about $17,000 annually, could have to pay more than half his or her salary toward health costs," he said.

Ralph's spokeswoman Kendra Doyle acknowledged that the out-of-pocket maximum would go up under the company proposal but said the top amount would be $8,000 not $11,000.

Tapping the Healthcare Trust Fund

All of these factors are focusing attention on the amount the chains are contributing per employee to the healthcare trust fund. The roots of the current situation can be traced to the strike settlement of 2004.

That agreement created a two-tiered system for both wages and health benefits. New employees not only had to pay a share of their premiums but also had to wait as much as a year longer before they could put their families on the plan.

The new benefit plan had a tremendous impact on the number of grocery employees with health coverage.

A 2007 study by the Center for Labor Research and Education at UC Berkeley found that only 7 percent of grocery workers hired after 2004 had health coverage through the grocery chains. Half were uninsured, and the rest either received healthcare through a parent or spouse's employer or received government aid.

The percentage of UFCW workers with health coverage went from 94 percent before the 2003/2004 strike to 54 percent in 2007, according to the study.

This drop in participation was greater than expected, and payments from the trust fund were much lower than the chains' actuarial estimates. The result was a trust fund surplus of approximately $260 million by 2007, according to the union.

The chains were eager to spend the surplus by lowering their per-employee payments, which union officials say were between $3 and $4 per employee hour. This gave the UFCW a significant bargaining chip in the 2007 negotiations, because regardless of the surplus, the amount paid into the trust fund was specified in the contract.

In the end, the UFCW let the companies drop their trust fund contributions to between $2 and $3 per employee hour for the first three years of the contract, an underfunding that immediately began eating into the surplus.

In exchange, the companies agreed to scrap key provisions of the two-tiered health plan. Most importantly, the 2007 contract shortened the wait for putting newly hired workers' families on the company health plan and allowed them to graduate more quickly to better health plans.

The Recession Effect

These changes, along with the souring economy, led to a big spike in employee participation in the health plan.

The high turnover rates experienced by grocery stores in a normal economy have dropped during the recession. Correspondingly the number of employees signing up for the company health plan has jumped, according to the union.

"We've seen a spike in utilization as well as participation," Eiden said.

But the underfunding continued, say union officials, and was exacerbated by a recession-forced reduction in the number of hours worked.

Today, the once massive surplus is all but gone.

The UFCW now wants the companies to reset the rate to around $4 per employee hour, which they say is the actual cost of the current healthcare plan. But the companies, according to union leaders, want to keep underfunding the trust fund and have the employees make up the difference.

Doyle, the Ralph's spokeswoman, would not confirm the specific amounts cited by the UFCW but said that the chains are ready to significantly increase the amount they are paying into the fund. Their current proposal increases the chains' contributions by $113 million over the next three years.

The result is high-stakes negotiation for Southern California and beyond, said Kent Wong, director of the UCLA Center for Labor Education Research. He said there is significant pressure on the Southern California UFCW locals from the national level to get a contract that at least maintains current health benefits.

"This is something the national leadership of UFCW is taking very seriously," Wong said. "What happens here has impact across the country."

Please contact David Washburn directly at dwashburn@voiceofoc.org *and follow Voice of OC on Twitter:* twitter.com/voiceofoc. *And add your voice with* a letter to the editor.