2011 Leadership Conference, Seattle Airport Hilton

Comments to the SPEEA Council

A new way to negotiate contracts with Boeing

Ray Goforth, Executive Director
SPEEA – IFPTE Local 2001


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While not every SPEEA member works for The Boeing Company in the Puget Sound, every SPEEA member is impacted by the negotiations that happen here. When we negotiate on behalf of 20,000 SPEEA members here, the effects are felt throughout the aerospace supply chain.

Because of that, with your indulgence, I'd like to briefly talk about 2012 negotiations with Boeing and sketch out a process improvement idea that I believe is worth considering. To do so, I need to start by gesturing back at the 2008 negotiations.

In 2008, Boeing was heading in the wrong direction. The 787 program was a disaster. The 747-8 program was headed towards disaster and the executive ranks at the company were in complete denial. At that time, Boeing Commercial Airplanes (BCA) in particular was engaged in management by magical thinking. There was an official truth that was decoupled from reality. Employees were rewarded for validating this official truth and punished for challenging this official truth. The subjective veracity of any particular assessment was almost irrelevant.

We all know the outsourcing disaster story so I won't belabor it.

In response to this management irrationality, SPEEA engaged in a series of rather aggressive and creative actions designed to give voice to the concerns of the SPEEA membership. Dissent may have been filtered out within the corporate bureaucracy, but SPEEA used a multifaceted strategy to force the company executives to take your concerns seriously whether they wanted to or not. These creative approaches rolled directly into the strategy for the 2008 negotiations.

SPEEA members are logical and rational people. Our preference is to solve problems through the application of facts and data. SPEEA members are problem solvers by inclination and by profession. However, when confronted by a management culture that is deliberately immune to facts and data as Boeing's was in 2008, we adopted a different problem-solving approach in negotiations. That approach was an uncomfortable departure for many SPEEA members. It was even more uncomfortable for Boeing. In point of fact, Boeing reacted by pressuring SPEEA leaders to terminate me - in a remarkable parallel to how Boeing silenced internal critics that wouldn't yield to their management by magical thinking.

Despite, or perhaps because of the discomfort caused by our strategy, we completed 2008 negotiations with the richest contract SPEEA members had ever seen. At a time when the rest of the world was tumbling into the Great Recession, SPEEA members in the Prof and Tech contracts secured 5% wage pools, promotional wage pools, benefits expansions and increased funding for the career enhancement services provided by Ed Wells. At the same time, we used the media attention on those negotiations to keep the spotlight securely on the outsourcing problems plaguing the company. There wasn't a single time when a microphone or camera was put in my face that I didn't give voice to your outsourcing concerns.

That was then. This is now. 2012 is not 2008.

In the interim since 2008, many things have changed at the company. Boeing has embraced a return to engineering excellence. The company has admitted its outsourcing mistakes and is actively reversing many of them. The company has built upon the original SPEEA-sponsored crosstalks to start fostering a culture that surfaces problems early. BCA President Albaugh has brought a different management style….one that recognizes that labor unions can be used by management as an early warning system to identify problems.

Although there have been some disappointments, there always will be in any long-term relationship. I've been married for 22 years, and I'm sure that I've given my wife cause more than once to question the wisdom of her decision to marry me.

Similarly, SPEEA and Boeing have had a collective bargaining relationship since 1946. There are times when that relationship is collegial. There are times when that relationship is combative. However, all of us are custodians of that relationship. We have a responsibility to those that built the relationship and to those that will inherit it, to treat that relationship with respect and reciprocity.

Although on any given issue, we may not think that The Company is going far enough, or fast enough, or landing on the perfect position, we should give them credit for at least heading in the right direction - and we can keep up the pressure to make sure they keep heading in the right direction.

2012 is not 2008. I believe that we have an opportunity under the current circumstances to approach 2012 negotiations in a fundamentally different way. If you'll indulge me, I will explain.

Strikes and lockouts are the traditional way for unions and employers to resolve disputes that they can't solve at the bargaining table. This is how the law is structured and it was done that way deliberately. Before the various laws that legalized labor unions, employer-employee disputes were often resolved through the application of power and violence. People were murdered. Property was destroyed. Lives were ruined. If we use that as our reference point, then strikes and lockouts don't look that bad. The dispute is at least channeled into a process that is likely to avoid the more catastrophic social costs.

Now, just because strikes and lockouts are an improvement over vigilante justice, doesn't mean that we cannot improve the problem solving process even further. I believe that SPEEA and Boeing are uniquely situated to embark upon a different model for collective bargaining. I believe that we can pursue a model that would take strikes and lockouts off the table.

As I mentioned before, the current Prof and Tech contracts are the result of 65 years of negotiations. Literally generations of Boeing employees wearing union and management hats have collectively created these contracts. We tinker with the wording now and again as circumstances change, but these contracts represent the consensus thinking of a lot of smart people over a very long period of time. At this point, we're unlikely to have any irresolvable conflicts over retention ratings or vacation schedules.

The real areas of potential conflict are wages and benefits.

I believe that disputes over wages and benefits can be rationally resolved if both sides will voluntarily subject such disputes to binding binary interest-arbitration. I'll define that in a moment.

Binding interest-arbitration is a dispute resolution tool used primarily by police, firefighters and mass transit workers because the social cost of a strike or lockout for these groups is too great for the society to withstand. Where they are legally prohibited from strikes and lockouts for public policy reasons, binding interest-arbitration is substituted.

Binding arbitration is a process where an employer and a union agree to submit their dispute to an arbitrator who acts like a judge. The arbitrator listens to the arguments and data of both sides and then renders a decision that both sides have to live with. The decision is final and binding.

For example, the union may want a large pay increase while the employer wants a small wage increase. Both sides would make their case to the arbitrator using facts and data about market comparisons and appropriate weighting factors. The arbitrator would decide the size of the wage increase.

Interest-arbitration isn't perfect, and it's not appropriate if either the union or the employer intend to use raw power to gain more at the bargaining table than they could otherwise justify to a neutral arbitrator. But if both sides intend to be reasonable and rational, interest arbitration is a way to solve fiscal disputes without the collateral damage that comes from a strike or lockout.

With that said, one of the downsides of traditional interest-arbitration is that it gives both the union and the employer the incentive to exaggerate their demands. Both parties know that the arbitrator is likely to pick something in the middle of the union and employer proposals, so both sides inflate their proposals to try and make the final number closer to their liking. However, since both sides do this, neither really gains an advantage.

Binary arbitration is different and gives different incentives. Under binary arbitration, the arbitrator must choose EITHER the union proposal OR the employer proposal. This approach creates the incentive for the union and the employer to be as reasonable as possible. If either side submits an unreasonable proposal to the arbitrator, then they are virtually guaranteeing that the arbitrator will choose the proposal from the other side.

Do you see how this process works? We construct the negotiating rules to maximize rational and reasonable behavior. These rules don't reward anything but facts, data and reasonableness. These rules in fact punish other conduct. There's no reason why SPEEA and Boeing couldn't mutually agree to a

common data set of market and weighting factors, and then use those to make their case to a neutral arbitrator.

I will note here that we already have binding arbitration as part of these collective bargaining agreements to solve most other disputes. We've just never tried applying it to the collective bargaining process.

I mentioned earlier that I believe SPEEA and Boeing are uniquely situated to try this experiment. The reasons I say that are few but critical. First, these are mature collective bargaining agreements. Our only real areas of tension are around wages and benefits. Second, both SPEEA and Boeing are sophisticated players. Both sides have their own benefits experts, economists and lawyers. We can meet each other as equals in arbitration. Third, both sides here can afford the small amount of risk inherent in any arbitration process. The world will not end if the arbitrator gets the decision wrong by 1% one way or the other.

Finally, and probably most importantly, we have the responsibility to show leadership. Our national polity is currently engaged in a series of heated debates about the rights of corporations versus organized labor. Our national economy is teetering on the edge of a double-dip recession. The national momentum points to conflict and chaos. Rather than get swept up in that momentum, I believe that we can charter a different model of dispute resolution that could have a national impact. Boeing is an aerospace leader. Boeing has the chance to partner with SPEEA to become a labor-relations leader.

Because 2012 is not 2008, we have a window of opportunity to try a different approach to negotiations that would be good for employees, shareholders, customers, our war fighters and the communities in which we live. We can channel any serious disputes into an arbitration process that rewards reasonableness but doesn't require either side to give up anything but the unreasonable application of raw power.

I hope that my comments have given you something to think about.

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Existing SPEEA contracts with Boeing expire Dec. 2, 2011 for 600 engineers in Wichita and Oct. 6, 2012 for 21,000 engineers and technical workers across the western United States.

Ray Goforth *is executive director of the Society of Professional Engineering Employees in Aerospace (SPEEA). A local of the International Federation of Professional and Technical Engineers (IFPTE), SPEEA represents 24,600 aerospace professionals at Boeing, Spirit AeroSystems in Kansas, Triumph Composite Systems, Inc., in Spokane, Wash., and BAE Systems, Inc., in Irving, Texas.*