

# Think **KTWICE!**

DECEMBER/JANUARY 2001 THE OFFICIAL PUBLICATION OF THE ALLIANCE@IBM/CWA

## First the Execs Used Our Pensions to Pad Their Pockets, Now It's Our Medical Benefits

LYNDA FRENCH, IBM RETIREE

**R**etirees and active employees have every reason to be suspicious of the changes in retirees' medical benefits that IBM Senior Vice President J. Randall MacDonald broadly hinted at in his October letter to retirees. The fact that he tells us that "most of our technology competitors" are not providing medical benefits to retirees should make us doubly suspicious. It is the same tune we heard when top management gave us our first hint of pension changes in May 1999.

The letter doesn't go into specifics over what our health care options will be, but it does state that "all retirees will begin sharing in the cost of health care premiums for certain plans, beginning in 2001." In the context of past history at IBM (our pen-

### IBM Retirees' Council

Join us in forming an IBM Retirees Council. We must band together to make our voices heard and assemble the power we need to preserve our benefits. If you are interested in joining with us, contact the Alliance@IBM/ CWA by calling Lee Conrad at 607-658-9285, or sign up on-line at [www.allianceibm.org](http://www.allianceibm.org).

**TO PRESERVE OUR BENEFITS, WE NEED TO BAND TOGETHER TO BUILD POWER SO THAT OUR VOICES WILL BE HEARD.**

sions and retirees' COLA payments) , I fear that retiree medical benefits are management's next target. These cutbacks are part of a scam designed to raise the value of top execs' stock options and beef up the company's bottom line.



Lynda French, IBM retiree

By making reductions in our pension plan (and now, possibly retirees' medical benefit plan), management is able to create "surpluses" in employee benefit programs. This entitles them to claim phantom earnings toward IBM's bottom line, aka "vapor profits." (See the "Vapor profits II" article.) Recent on-line articles at [www.plansponsor.com](http://www.plansponsor.com), address the questions we raise about the cutbacks to retiree medical benefits (see end of article for the addresses).

When, and where, will it stop? We cannot afford to sit and watch this erosion in our promised benefit programs continue. This is why I joined the

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## Boulder Alliance Activists Say Union is Needed

Earlier this year, eight Alliance@IBM activists from Boulder, Co. (John Coffey, Joe Cunningham, Helen Domeratz, Dave Finlay, George Lopez, Mike Reim, Greg Swanton and Paul Wick) were interviewed about their organizing campaign at IBM on the Labor Exchange, a Boulder, Colorado, radio program. Here are some excerpts from part one of the two part interview. Comments from additional activists in part two will appear in the next Think Twice.



Michael Reim, project manager

**MIKE REIM:** I never thought I would have to advocate getting a union, but I am. The more I delve into it, the more I'm positive that we need to form a union and get some contracts in place. Lou Gerstner has a contract.

**RADIO HOST, LYNN BAKER:** Is Lou Gerstner the CEO?

**MR. REIM:** That's correct. He hired a top negotiator to negotiate a contract with IBM. My feeling is, let's play fair. Let's begin to negotiate with management at the bargaining table.

**BAKER:** What really did it for you? Was it the pension issue?

**REIM:** I have 23 years with IBM, and the way [the pension change] was rolled out was abominable. They did not tell the first-level managers. Our management team was as clueless as we were. They hid some of the figures from us. There was a tool out there that we used to estimate our retirement benefits. They took that away with no explanation. My basic problem was a lost of trust in our executive team. I'm convinced that they are not looking out for us, and we need to start collective bargaining and start taking care of ourselves.

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## "Vapor Profits II"

*(or How to Turn Cutbacks in Retiree Medical Benefits into Profits)*

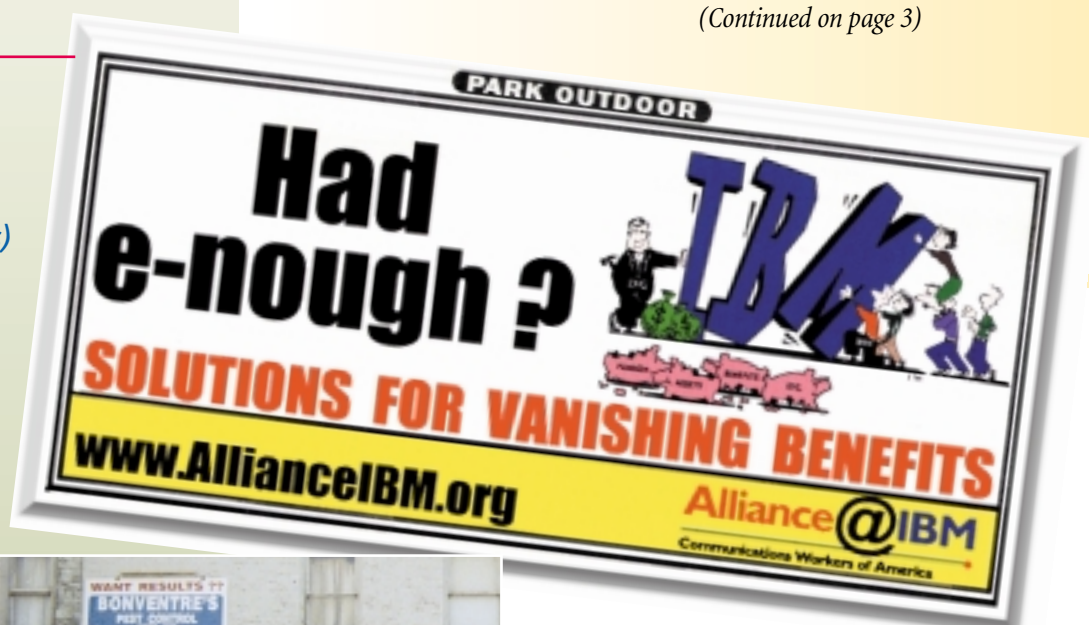
**R**emember how IBM used a mysterious accounting rule to count the surplus in our pension plan as "income" to boost the company's bottom line? Well, corporations like Sears, Walt Disney, Sunbeam, and perhaps IBM, are using a similar accounting rule to make money off of "surpluses" in their retirees' medical benefit programs.

This rule, Financial Accounting Standard 106, requires companies to report the anticipated cost of providing medical coverage to its retirees. The

problem is, many companies are using the rule "to justify cutting the coverage, or shifting its cost to retirees" according to the *Wall Street Journal*. As a result, "a lot of older Americans are struggling to pay their medical bills," the newspaper reported.

The purpose of the rule (developed in the early 1990s when health costs were rising at double-digit levels) was to encourage corporations to accept their potentially enormous liability for their retirees' health plans. The crisis, however, was overblown as health care costs climbed more slowly than forecast.

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To let IBM employees know there is a remedy for their workplace concerns, the Alliance@IBM/CWA erected this sign across the street from IBM in Endicott, NY.

# DO THE RightThing

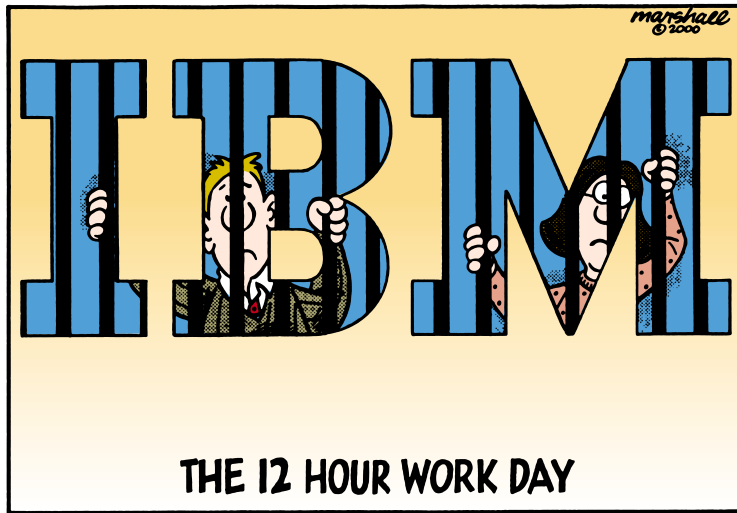
## Mandatory, 12-Hr Shift Policy Plays Havoc with Employees' Lives

BY THE ENDICOTT ALLIANCE@IBM/CWA CHAPTER

The spotlight continues to shine on management's mandatory 12-hour shift for Endicott's microelectronics manufacturing division. A schedule that wipes out every other weekend and requires work on holidays is having a negative impact on many who were "assigned" to work the shift.

The 12-hour shift is popular with some IBMers, yet it has had a detrimental effect on employees. Workers are also angered that the policy is mandatory, with little or no flexibility for those assigned to work the extra long shifts.

So, for employees who don't like the policy, their morale is taking another hit. Safety is a concern too. More than one of the shift's workers have reported to us that they (or a



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They must have skipped the management training course on the importance of maintaining a happy, contented workforce.

We challenge top management to rethink its mandatory, 12-hour work shift policy and do the right thing for employees and company. We are asking IBM to take the following steps:

- Make the 12-hour shifts voluntary so employees with health problems or work-life conflicts can work another schedule. The practice of transferring those who don't want to work the schedule to less attractive work in other departments is not an acceptable solution.

co-worker) have fallen asleep at the wheel while driving home after work.

The 12-hour work shift is also creating stress for employees' families, whose day-care and elder-care needs conflict with the schedule. Managers are telling employees that a work-family conflict does not constitute the "hardship" excuse that is necessary to be assigned to an alternative shift.

Isn't it ironic that management is so inflexible at a time when IBM desperately needs more manufacturing workers at Endicott?

- Provide fully-paid, on-site day-care for children of employees on the 12-hour schedule.

- Raise the shift premium to 50 percent to provide a better incentive for employees who want to work the difficult shift.

By taking these steps, we think management would not only have a happier workforce but also one that is more productive. We will only get a better workplace at IBM by continuing to challenge top management to do the right thing for its employees.

## If You're Called Before Your Supervisor, You Can Have a Co-Worker Present

**NOW NON-UNION WORKERS HAVE THE RIGHT TO HAVE A REPRESENTATIVE PRESENT DURING AN 'INVESTIGATORY' MEETING WITH MANAGEMENT.**

**N**on-union workers now have the right to have a representative present during an "investigatory" meeting with management.

The decision reverses longstanding NLRB opinion on the issue and has enraged employers. Before now, this right

was only available to union-represented employees. It was what often happens to unrepresented employees in such meetings that persuaded the Board to extend the Supreme Court's 1975 "Weingarten rights" decision to non-union employees.

The case involved an employee who refused to attend a meeting alone with his supervisor and another management official. Fearing disciplinary action, the worker suggested alternatives instead: to meet with the executive director alone, or to appear before both officials, but only with a co-worker present. Management said no, but the employee stood his ground and was fired.

The NLRB extended Weingarten rights to non-union employees

because it believes that the right to representation is firmly grounded in Section 7 of the National Labor Relations Act (NLRA), which protects all employees' rights to engage in "concerted activities" to address their concerns.

When a worker goes into a meeting without a representative, it makes it easy for a supervisor to be unfair to the worker. Even if a worker complains later about what transpired, there is no one else to dispute management's side.

Employer rights advocates will likely challenge the ruling, and the incoming U.S. president could also overturn the decision through the power of appointment. The NLRB's five current members were appointed by President Clinton and voted along party lines on this decision. The

three Democrats voted to expand employees' rights; the two Republicans voted no.

Employees should be aware of a number of caveats regarding the decision. Employers are not required to inform non-union employees that they have this new right. It does not apply to managers. It does not permit a worker to bring someone from outside the company to a meeting. It does not apply to meetings when management is delivering the results of a disciplinary investigation or is giving routine training. Finally, the employee representative cannot "negotiate" for the worker. This right is granted exclusively to union-represented employees. If you are denied your right to a co-worker's presence in a disciplinary meeting, contact the Alliance@IBM/CWA.



## CANDIDATES LISTEN TO OUR CONCERNS

Before the election, the Poughkeepsie and East Fishkill chapters of the Alliance@IBM/CWA hosted a "Candidates' Night" to enable Alliance members and IBMers to listen to the views of candidates running for state assembly and the U.S. Congress. The event provided an opportunity to discuss still pending legislation, HR 1102. Six Republican and Democratic candidates attended, including U.S. congressional candidates Sue Kelly (R) and Larry Graham (D) and state assembly Republican candidates Tom Kirwan and Joe Miller and Democrats Lee Kyriacou and Joe Ruggiero. At the table are Alliance members Dave Gabry, Poughkeepsie (left) and Jim Mangi, Southbury, CT (right).



## Dot.com workers organize

DISENCHANTMENT WITH "NEW ECONOMY" SPREADS AS WORKERS SEEK VOICE AT AMAZON, ETOWN & SHOPAUDIOVIDEO

**G**rowing numbers of workers at dot.coms are learning that the glamour and excitement of working in the "new economy" hasn't done away with the need for union representation. This fall, more than 500 customer service representatives at Amazon.com and two other West Coast-based companies, etown.com and ShopAudioVideo.com, are mounting a campaign for representation with CWA affiliates.

On Nov. 15, a committee of workers representing 450 of Amazon's customer service representatives in Seattle, Wash., circulated a public petition stating their goals and desire for CWA representation. They are being assisted by the CWA affiliate, WashTech, the Washington Alliance of Technology Workers.

"Mandatory overtime, no time off during the holidays, and sudden shift schedule changes with no notice are key issues why we want to seek recognition," explains union activist J.J. Wandler, a two-year Amazon employee. Employees say company management has strayed from its goal of providing superior customer service by failing to treat its own employees with respect. "We call our group Day2@Amazon.com because [Jeff] Bezos is always telling us, "It's Day One, we can't stop or rest," said a member of the organizing committee. "We think five years of Day One is generating lots of problems for us," he said. Job security is also a major issue, as Amazon has been moving customer service work to cheaper labor markets.

At the San Francisco-based etown.com and ShopAudioVideo.com, customer service reps' filed a petition on Nov. 27 calling for a union representation election. The employees are being assisted in their campaign by a local of The Newspaper Guild/CWA. Their workplace concerns are job stability and job security, respect and dignity, improved training opportunities, compensation and a voice in decisions affecting their jobs and workplace. The workers were able to file for an election after achieving more than the 30 percent level of support that is required to call for an election. A week before the workers filed their petition with the NLRB, the company terminated two union activists. Union supporters say they were fired for complaining about working conditions.

### Join the Alliance@IBM/CWA

Join the Alliance@IBM/CWA and join with your co-workers in building the strength and unity that we will need to reverse anti-employee benefit and personnel policies at IBM. If we work together, we can make IBM into a better and more secure place to work. Sign up below and be a part of the movement for positive change at IBM!

**Clip out this form and mail it to us: Alliance@IBM/CWA, 36 Washington Ave., 2nd Floor, Endicott, NY 13760.**

Name \_\_\_\_\_ Job Title \_\_\_\_\_  
 Work location/Division \_\_\_\_\_ Years with IBM \_\_\_\_\_  
 Home Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
 Home e-mail \_\_\_\_\_ Home phone \_\_\_\_\_  
 Date \_\_\_\_\_ Signature \_\_\_\_\_

(Check boxes that apply)

- Voting member.** I will pay monthly dues of \$10 and become a voting member of the Alliance@IBM/CWA.
- Subscriber.** I want to receive Alliance publications and be placed on the Alliance e-mail list.



## Boulder Alliance Activists Say Union is Needed

(Continued from page 1)

**DAVE FINLAY:** I would say I was anti-union most of my life. I was a Goldwater conservative and a Vietnam veteran. I have 28 years with IBM and am retirement eligible. So the pension change had little affect on me because I had a choice. But the fact that management could just say that all the things we've promised are out the window. . . It took away the trust that every company needs from its employees. My opinion was if this is what it takes to get a contract; to say to the company, "Yes, you've got to live up to your promises", then we should have a union.



**Dave Finlay,**  
senior engineer

**JOE CUNNINGHAM:** I tend to agree. Even though I was not affected by the pension changes, going through all this and seeing what has been going on since the early 1990s when Lou Gerstner came in, IBM is a very different company. It is run differently and there's a different management mentality.



**Joe Cunningham,**  
system analyst

**BAKER:** Talk about management mentality. Describe that.

**CUNNINGHAM:** The more I go to meetings and learn things, and talk to people, the more I realize how little of a relationship there is left. We all used to be a big family and it was wonderful. It's not that way anymore. Maybe I'm having trouble breaking out of an entitlement mentality, but that's part of what they were paying us for our work — the future. What they were paying me in my pension, and promising me, was part of what I was making all those years. All of a sudden they're saying, "oops, we didn't pay it to you yet, so we're not going to." I don't see any other way to be able to get what we want until we have a contractual relationship with management and when I've got some rights.

**BAKER:** So are you all trying to go out there and say to your co-workers, "we are the union?"

**JOHN COFFEY:** In organizing, it's not so much getting out the word as to what the union may or may not be. It is overcoming fear. Fear that if you wear a shirt like this, or wear a button, or hand out leaflets, or talk about the union, that you're going to get fired.

For me, I think it's the realization that this white-collar job I had as a programmer is now just a commodity. And that's more of a depressing thought than having to choose between a union or not a union. We need a union because we have to protect what we have. And it's been said here before, what are they going to take away next? If we roll over and play dead, what happens next? There are rumors about vacation being taken away. There are big concerns about all the overtime we're forced to work.

# IBM shareholder resolutions address pension, medical plans and executive compensation

Two stockholder resolutions addressing IBMers' pension concerns have been submitted for the 2001 IBM shareholders' meeting.

One of the measures, "2001 IBM Resolution on Pension and Retirement Medical", is similar to the resolution that received support from nearly a third of shareholders at last year's meeting. It is sponsored by Jim Leas and is co-sponsored by 284 IBM employees and retirees, as well as by CWA, among other groups. The resolution would require IBM to grant employees, regardless of age, the same retirement medical insurance and pension choice as employees who are within five years of retirement. It also requires that IBM's portable cash-balance plan will provide a monthly annuity equal to that which employees expected under the old pension plan or a lump sum that is actuarially equivalent.



IBM employees gather outside IBM shareholders' meeting in 1999.

The second resolution, "2001 IBM Resolution on Executive Compensation, Transparent Profit Reporting, and Vapor Profit," addresses the financial manipulation that has enabled IBM to boost its profits by counting surpluses in the pension plan as earnings. It would require IBM to provide transparent financial reporting of profit from real company operations. It also would require that executive incentive compensation be determined by profit from real company operations not

including accounting rule profit from pension fund surplus. This resolution was sponsored by IBM retiree Donald S. Parry of Florida, and is co-sponsored by an additional 193 IBM employees, retirees, and other stockholders.

Both the Alliance@IBM/CWA and the IBM Employees Benefit Action Coalition are urging employees to support both resolutions and encourage them to urge their co-workers to support them as well. Read both resolutions by going to the Alliance@IBM website address, [www.allianceibm.org/resolutions.htm](http://www.allianceibm.org/resolutions.htm).

## Electronics Workers Join CWA

Merger adds 110,000 from manufacturing

CWA now represents more than 740,000 members as a result of the merger of the International Union of Electrical Workers into the union. The 110,000 members of the IUE work in the electronics/manufacturing sector of the economy. The merger will strengthen the union's hand in bargaining with the manufacturing employees IUE and CWA represents at General Electric and Lucent Technologies. It will also aid in future bargaining for manufacturing employees at IBM.

## Now, it's our medical benefits

(Continued from page 1)

Alliance@IBM/CWA, and it is why I plan to be active in the new IBM Retirees' Council that we are forming. As a recent retiree myself (Jan. 2000), I invite all retirees to consider becoming active in both the Alliance and our Retiree Council.

To preserve our benefits, we need to band together to build power so that our voices will be heard. It is the only way we will be able to prevent ourselves from being used as pawns in the "Chess Game" that is being played with our security. It is obvious that we cannot trust or count on top IBM management to fulfill their promises. After all, they promised IBM employees who agreed to retire before 1992 that they would not be subject to any reductions in medical benefits. The rules are being changed at the end of the game.

**FURTHER READINGS:** "IBM Retirees Fear Health Benefit Cutbacks" and "Reading Between the Lines at IBM" can be found by going to the link at [www.plansponsor.com/eprise/main/plansponsor/news/HR/IBM\\_magnews](http://www.plansponsor.com/eprise/main/plansponsor/news/HR/IBM_magnews). The text of IBM's letter to retirees is also published on the website.

"Vapor Profits II"

(Continued from page 1)

Despite this, Sears and other companies learned they could still benefit from making overly large estimates of their cost in providing health care benefits to retirees. One incentive "was that excessively large estimates of future health-care liability provided a rationalization for reducing retiree benefits," said the *Journal*. The other incen-

tive for overestimating, it added, is "if the estimates are too big. . . companies know they could adjust their retiree liability downward by recognizing a series of paper gains on their income statements."

Sears uses the rule to its retirees' disadvantage. The paper gains Sears makes from the overestimates actually exceed the real cost of providing the benefits. Last year, the same medical plan that Sears scaled back for its retirees ended up adding \$46 million to the company's income statement. Sunbeam and Walt Disney are also using the accounting rule to make money off their retirees' medical plan. Is IBM doing the same thing? The *Wall*

*Street Journal* did not report that it was, although it will probably do so after making changes to retirees' medical program. The *Journal* reported that IBM played "an active role" in creating the special accounting rule when the accounting industry's rule-making group developed the accounting standard.

There is an interesting footnote to this story. An independent actuary who advised the industry in drafting the rule, warned in a 1992 newspaper article that the accounting standard would enable companies "to overstate or understate their liabilities," the *Journal* reported. He was fired the next day by his employer."

Article cited in report was, "Retiree-Medical Plans Are Transformed Into Source of Profits by Sears, Others," by Ellen E. Schultz, Oct 25, 2000, *Wall Street Journal*. Write to Schultz at [ellen.Schultz@wsj.com](mailto:ellen.Schultz@wsj.com)

*Think Twice* is written by IBM employees who are seeking a voice in their workplace through the Alliance@IBM/Communication Workers of America (CWA). Get on our mailing list by sending us e-mail via our website at [www.allianceibm.org](http://www.allianceibm.org), or call 607-658-9285. CWA, 501 Third St., NW, Wash., DC 20001, is the voice of 740,000 employees at AT&T, the former Bell Telephone companies, General Electric, Microsoft, in the cable TV industry, CNN, NBC, ABC/Disney, Reuters, US Airways, Wall Street Journal, New York Times, Washington Post, and others.

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