

The UPS Strike That Wasn't: Why the Rush to Settle?

By Kim Moody

THREE HUNDRED AND forty thousand Teamsters at UPS will not join the “hot summer’s” rising tide of strikes. Despite militant rhetoric from the leaders and the most massive rank-and-file strike preparations ever, the strike at logistics giant UPS that would undo the James Hoffa legacy of surrender to UPS, sound a Joshua-level blast that would bring down the walls of Amazon to unionization, and set new standards for the entire labor movement, was cancelled without further notice.

Although the strike deadline was dropped before a final tentative agreement was actually reached, the official reason for not striking was that the Teamsters had achieved an “historic agreement” with big wage increases and many improvements.

To be sure, the wage increases are big and there are lots of improvements compared to anything seen at UPS for decades. It isn't your old time “sellout.” It is in many ways a significant step beyond the Teamster's Hoffa legacy.

But there are also serious shortcomings that will affect a growing number of UPS workers. The most important, I believe, is in relation to the part-time workers who compose that majority of the UPS workforce.

The promised “end of part-time poverty” was not achieved for all, and while two-tier pay for drivers were eliminated, the hourly gap between part-timers and full-time workers was not closed, and a two-tier setup was

Kim Moody is a founder of Labor Notes and author of several books on labor and politics. He is currently a visiting scholar at the University of Westminster in London, and a member of the University and College Union and the National Union of Journalists. His latest book is Breaking the Impasse: Electoral Politics, Mass Action & the New Socialist Movement in the United States (Haymarket Books). His previous books include On New Terrain: How Capital Is Reshaping the Battleground of Class War, An Injury to All: The Decline of American Unionism, Workers in a Lean World, Unions in the International Economy, and U.S. Labor in Trouble and Transition.



Teamster practice picket made the strike threat real. <https://jimwestphoto.com>

created for part-timers.

What Was Won, and Wasn't

Before we speculate on just why such a major concession was made without a strike, we need to look more closely at what part-timers did get.

First, all current part-timers, even most of those with above average “market rate adjustments,” will see a substantial permanent increase in hourly wages over the previous contract, which is one of the union's major metrics of success.

It will not be the starting rate of \$25 an hour originally talked about, which many saw as a minimum for a real step toward a decent living standard. That never made it to the bargaining table.

As of August 1, everyone gets a \$2.75 general wage increase (GWI) or a bump to at least \$21, whichever is bigger. According to the UPS Teamsters United fact sheets, this amounts to immediate increases on average over the previous contract, ranging from 26% for those part-timers with less than five years on the job to 16% for those with the highest seniority.

This is far more than the 7% average first year wage increase Bloomberg calculates for all new union contracts negotiated in the first

quarter of 2023.

The total general wage increase, including the jump from the previous contract, is \$7.25. But since the wage increase for everyone during the life of the contract itself (as opposed to the pre-contract jump) from August 1, 2023 through August 1, 2027 is actually \$4.75 an hour, the average annual increase over the life of the contract is less impressive. It varies from 5.7% for the 140,000 or so with less than five years to 3.8% for the highest seniority.

Unless inflation remains at its currently low levels, the real gains during the contract will be minimal and the gap between full-time and part-time workers will remain substantial.

But here is where the problems get worse. Part-timers

compose about 60% of the Teamster-represented UPS workforce, or slightly over 200,000 workers. According to a UPS Teamsters United Q&A sheet, “over 62,000 part-timers” with more than five years on the job “based on their original hire date” (Tentative Agreement, p.18) will get “longevity increases.”

This means that the remaining approximately 140,000 or 70% with less than five years fall into the lowest seniority bracket. During the life of the contract itself, they will see their wages rise from at least \$21 to \$25.75 in 2027. On the other hand, new hires who also start at \$21 will reach only \$23 by then. This is below current inflation.

The wage gap between part-timers with less than five years' seniority and new hires will rise, beginning in 2024 to 12% by 2027. No matter what the gains were above the old Hoffa contract, this is a two-tier setup with no end in sight.

Furthermore, the proportion of the lowest paid new hires can only grow. The turnover rate among UPS part-timers is extremely high. The fact that 70% of part-timers have less than five years on the job means that the turnover is massive, and that even if it slows down somewhat due to improvements as this

contract advances, the proportion of those in the lowest tier will increase dramatically.

By 2027, a large majority of those who would have received \$25.75 will have left due to turnover or progressed into higher-seniority cohorts, replaced by thousands of “new” part-timers who will be stuck at \$23 an hour at most.

This is a boon to UPS, a bust for part-time workers’ living standards, and a threat to solidarity for the union. It will also be a drag on the negotiation of the next contract in 2028.

A Prosperous Company

It is difficult to see why the Teamsters made such a significant concession when they could have gotten more from a company whose operating revenue has nearly doubled in the last decade to over \$100 billion according to UPS’s SEC 10-K annual reports, and whose operating profits grew with some ups and downs by nearly ten times to over \$13 billion.

Even more telling is that UPS’s compensation and benefits bill, which includes those of management and CEO Carol Tomé’s \$19 million paycheck, increased by only 44% over this period — less than half the growth of revenue.

As a consequence, total compensation and benefit costs have fallen from 61% of operating costs to 48% since 2012 — and you can be sure it was not slumping management or executive remuneration that led the drop.

There is certainly room for improvement in that equation: room to close the gaps between current and future part-timers as well as between full-time and part-time workers; room to create a lot more than 7,500 new full-time jobs; and room to air-condition vans and trucks sooner, to mention a few items.

The contract economics were also on the Teamsters’ side. Each \$5 annual increase for all part-timers, the *New York Times* (July 24, 2023) reported, would cost UPS an extra \$850 million. That is less than one percent of UPS’s 2022 operating income and would raise UPS’s total compensation costs by less than two percent of operating income a year — even less assuming that the company continues to grow.

This would still leave the total compensation bill as a proportion of costs way below earlier levels. There is more than enough to bring new hires up to the current employee level — ending the two-tier setup — with enough left over for general wage increase or other improvements.

A two-week strike, on the other hand, would cost UPS an estimated \$3.2 billion and more in the long run as it would lose customers to FedEx, DHL, etc. So why did the Teamster leadership, after all the tough talk and genuine mass preparation, cancel a strike that could have prevented a two-tier system

that will undermine average wages and worker solidarity in this contract and beyond?

The cancellation of the strike has at least two additional implications for the future of organized labor. One is that the hope that a strike and an “historic” agreement would have inspired Amazon workers to follow suit and organize will certainly be diminished. Of course they will continue to organize, but since most of them look more like UPS low-seniority part-time inside workers than the better-paid drivers it is not likely to be inspired by this contract.

The second more immediate missing “demonstration effect” is on the upcoming Big Three auto negotiations, where two-tier is a central issue and the need is strong for a strike to right that wrong. The new leadership of the United Auto Workers (UAW) may well lead a strike this fall, but it won’t be because of the example set by the Teamsters.

Some 85,000 workers at Kaiser Permanente also face a contract expiration in September. Or for that matter the 175,000 Hollywood workers on strike at the time the UPS strike vanished.

Strike Deadlines & Settlements

From the start, Teamster General President Sean O’Brien made clear that he would prefer a settlement without a strike, but insisted that if no agreement was reached and ratified by midnight July 31, 340,000 Teamsters would hit the bricks and “pulverize” UPS. In late June according to the industry publication *FreightWaves* (June 27, 2023) with time running out, he told UPS he wanted a tentative agreement within a week — or else.

The strike deadline was still in effect and the real threat was that there would be no contract extension. This was backed up by a 97% union vote in favor of striking if needed, and an accelerating mass mobilization of members in parking lot rallies, face-to-face meetings, training sessions, webinars, and eventually practice picketing blessed by the leadership but organized primarily by the Teamsters for a Democratic Union (TDU) under the umbrella of UPS Teamsters United.

At first the strategy worked, as UPS made concessions on a number of important questions: two-tier was eliminated for drivers, no driver-facing cameras in vehicles, no compulsory work on regular days off (sixth punch),

UPS promised that 7500 new full-time jobs would be created, air conditioning would eventually be installed in new vehicles and fans in old ones now, and Martin Luther King, Jr. Day was made a paid holiday. As *Labor Notes* (#533, August 2023), which provides a vivid description of the mobilization, put it, “The wins so far are because UPS can see the strike threat is real.”

At that point, the union stuck to demanding big wage increases. UPS, on the other hand, continued to low-ball on wages

and talks broke down on July 5. No new negotiations were scheduled. At that point a strike seemed inevitable. With time running out, how could the union get an agreement ratified before the midnight July 31 deadline?

According to Bloomberg’s *Daily Labor Report* (July 26, 2023) O’Brien got a call from a UPS representative somewhere during the week of July 17 saying they had a new offer. Obviously, the escalating mobilization of Teamster members and the approaching strike deadline had given UPS second thoughts.

The new offer was emailed to the Teamster leader, who said it was enough for new talks. On July 19 the two parties agreed to resume negotiations on Tuesday, July 25. The *New York Times* (July 24 update of a July 22 article), however, reported that on the weekend of July 22-23, before the talks, O’Brien announced the strike deadline would be called off if an agreement was reached.

Since no new deadline or timeline was set, in effect the strike threat was dropped. Yet on the 25th “within hours, a deal was done,” Bloomberg reported. This was the tentative agreement which included new wage increases, but also the two-tier part-time wage set-up.

What happened between July 5 and July 25 that allowed for such unusually rapid talks to agree on the contract’s complex wage structure? One question is why O’Brien and the leadership dropped the strike deadline before actually meeting with UPS.

A “Teamster spokeswoman” told the *New York Times*, “This is how you get a contract. Our pressure and deadline on UPS forced them to move in ways they hadn’t before.”

But why cancel the deadline before actually negotiating a new deal, if the deadline was part of the strategy? There’s no question that the TDU-led massive mobilization of members from August 2022 through the final days was key to moving UPS. That is what made the strike threat real.

Enter Biden and Celeste Drake

Teamster General President O’Brien is considered influential in Democratic Party circles in “deep blue” Massachusetts and has visited the White House a number of times. Perhaps expecting a favor, he publicly asked President Biden not to interfere in the UPS negotiations.

The evidence is clear, however, that the Biden administration took the possibility of a highly disruptive strike seriously and did intervene not simply to observe, but to prevent a walkout at UPS. This meant that pressure was mainly on the union.

First, we know that Biden is very concerned about the state of the nation’s already troubled logistics network due to its role in his aggressive trade and national

security policies. Second, he is not averse to interfering in union negotiations to head off a strike or other disruptive action, and both the administration's prior interventions were in key logistics industries: the contentious West Coast longshore situation and, most notoriously, the rail talks.

UPS is a major link in the logistics network and a strike would have been highly disruptive. If Biden didn't think (rightly or wrongly) the strike threat was real in this case, why would he have bothered intervening in the first place? He certainly wasn't going to win labor votes that way in today's more strike-prone atmosphere.

So, quietly behind the scenes the Biden administration sent its agents to do what they could to prevent a strike. The *Washington Post* reported (July 26, 2023):

"Celeste Drake, deputy director for the labor and economy at the White House National Economic Council, served as the administration's point person on the UPS dispute, according to two people familiar with the matter, who spoke on the condition of anonymity to describe the administration's deliberations. White House aides encouraged both sides to reach a negotiation, the people said."

Celeste Drake was an appropriate choice to lead the intervention. She has a labor background, having worked for the Directors' Guild and before that the AFL-CIO. Her specialization there was trade and globalization policy.

At the White House she is both labor adviser to the National Economic Council, which is concerned with trade, supply chains and inflation, but also director of "Made in America," which promotes domestic manufacturing. Logistics are key factors in all of these.

Furthermore, she is a great believer in labor peace and the shared interests of labor and capital. "One of the benefits that the president sees in unions is that it provides an organized way for workers and employers to talk together and to negotiate in ways that are less disruptive. Employers and unions work together," she told Bloomberg in an August 2022 interview they headlined "New White House Labor Advisor Isn't Looking For a Fight."

In that interview, Drake also noted that "Covid had really exposed weaknesses in our supply chain." So, preventing further "weaknesses" was a reason to prevent a strike. We don't know for sure just how much either side gave up, but it seems likely that the part-time two-tier system was one of the union's contributions to labor peace.

Insofar as UPS conceded on anything, my bet is that it was the unique level of activism among "their" employees that moved the company more than requests from the administration.

As in most such interventions and

"mediation" efforts, the union faced the real pressure since it was the potential disrupter. So it also agreed to drop the deadline before the actual negotiations that concretized the tentative agreement. O'Brien still could have gotten an agreement, maybe a better one, without a strike had he not surrendered the strike threat that was central to his strategy.

UPS had a lot to lose from a strike, and plenty of dough with which to make further concessions. Perhaps labor expert Barry Eidlin, who has followed events closely, is right in suggesting that O'Brien as a business unionist never intended to strike. But it is clear the Biden administration was not betting on that.

Big Business had asked Biden to ban a strike as he did in the railroad negotiations. At the same time, Bernie Sanders sent letters, one signed by 30 Senators and another by over 200 members of Congress, to UPS and the Teamsters upholding the union's right to strike and opposing a call for intervention. These were presumably meant for Biden's eyes as well.

Big Business got its way, but by the administration quietly helping to head off a strike rather than legally banning one.

Ratification, Rejection & the Future of Labor

Since the new Teamster leadership took office in 2022, all new agreements can now be rejected by a simple majority. The O'Brien-Zuckerman delegates at the 2021 Teamster convention succeeded in overturning the old two-thirds rule that had allowed Hoffa to impose the 2018 UPS agreement even when a majority voted against it.

While the current vote will be a test, it has to be said that so far this has not been a problem for the new leadership. They have succeeded in getting sizable majority ratifications for a number of important agreements without strikes. These include: the 2022 national Kroger warehouse agreement by 88%; the national carhaul contract in the same year at a less impressive 63%; the ABF freight contract "overwhelmingly" (no exact vote figures provided); and at TForce, the former UPS Freight sold in 2021, by 81%.

In all these cases the "two-person" national meeting of local union representatives that first approves or rejects any tentative agreement endorsed unanimously.

All but one of the 162 of the locals present at this year's UPS contract "two-person" meeting voted to endorse the tentative agreement. Fourteen of the total of 176 locals were absent for reasons that are not clear.

At first those from Local 89, Fred Zuckerman's home local at the giant Worldport UPS center, voted against. This would have been a shock to the leadership and an encouragement to opponents of the agreement. The Local 89 representatives, however, soon stat-

ed that they urged a "yes" vote on this "most historic" agreement once they were satisfied that the wording on "market rate adjustments," which gives many of their members above-average wages, would not affect them.

So no actual opposition emerged from this meeting of local leaders. While there is visible rank-and-file opposition largely through a new group called Teamsters Mobilize, and opposition or mixed feelings among TDU activists, it is highly likely that this agreement will be ratified by a majority membership vote by August 22.

This is particularly the case since TDU, while as of this writing has not explicitly called for a "yes" vote, has stated that the new agreement is "a contract win we can be proud of."

If a strike was a lost opportunity, a post-ratification demobilization would be a tragedy. The high level of member activation that escalated over the past year can become the key to the future of the Teamsters and even of organized labor.

The most obvious immediate need for this is in enforcing the many changes in working conditions in the contract — since we can be sure that UPS management will do their mightiest to undermine and delay.

In any case, the brutal pace of work and management harassment at UPS will not magically disappear.

Furthermore, the active rank-and-file, which in practical terms means above all the thousands of TDU members and supporters who made the mobilization happen, should become a permanent force for change. For one thing, this activist layer needs to keep electing local union reform slates and clearing out the old-Hoffa supporters who still control many locals.

While the remaining old guard may not be acting as an organized conservative opposition, we know that many of them were a drag on the mobilization in their locals. Without this the reform process and a growing degree of militancy will not be concretely advanced. Simply changing the faces at the top is never enough.

In addition, Teamster rank-and-filers should become a regular presence on the picket lines of other unions, starting at the auto companies where 150,000 workers are preparing for a possible strike, at Kaiser Permanente where 85,000 workers face a contract expiration in September as well, and at organizing events at Amazon and elsewhere.

If the TDU-led ranks become a continuing visible force in the fight against capital and for union democracy, they can have an impact on other unions and workers seeking the same goals and help sustain the momentum of the "hot summer" despite the "biggest strike in history" that didn't happen. ■