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IWS Issue Brief - Collective Bargaining
101: The Trauma Over Health Care

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Collective Bargaining 101: The Trauma Over Health Care

There's no doubt about it: the American workplace is suffering from the health insurance blues. The price of health care premiums has ballooned in recent years and workers' out-of-pocket expenses keep rising. Employers are seeking to cut costs by changing their health plans, thus prompting employees to push back against the erosion of this prized benefit. Indeed, health insurance is now the single most contentious issue in collective bargaining. After a period of relative calm between labor and management, strikes have hit industries as diverse as grocery retailing, building maintenance, electronics, food processing, hospitality, public safety, mass transit, and garbage hauling over employer proposals to shift more of the burden of escalating health care costs onto workers.

That unions are actively resisting this pressure should come as no surprise. In an era of intense media coverage about the "health care crisis," stoked in large part by a string of double-digit cost increases (the [Kaiser Family Foundation and Health Research and Educational Trust](#) recently reported that monthly premiums for employer-sponsored health insurance jumped 13.9% between spring 2002 and spring 2003, for the third year in a row, and more of the same is expected in 2004), employee surveys show that health benefits are the most highly valued benefit among many; more important than, say, life insurance, paid leave, or even pensions. Many unions long ago acceded to employer demands for co-pays on drugs and doctor visits, limits on hospitalization, and participation in managed care. But now union leaders seem determined to hold the line against further concessions, arguing that workers should not be forced to satisfy the profit-hungry demands of insurers, that workers can ill afford the extra costs, and that certain employer proposals would hasten the individualization of the health insurance system by undermining its pooled risk rationale.

Employer-sponsored health plans caught the attention of organized labor during World War II, when the War Labor Board welcomed the idea of substituting "fringe benefits" for inflationary wage increases. Although employers initially set the terms of health benefit plans unilaterally, some at least discussed the issue with their union counterparts and many soon adopted the practice of bilaterally negotiating plan structure and contract language. In 1949, a First Circuit Court of Appeals decision ended the voluntary nature of these discussions and required formal collective bargaining over health and welfare plans. Today, more than 90% of union contracts contain health insurance provisions.

Health benefits are also common in the non-union sector, although with far less frequency and with more restrictive provisions. A recent survey by the [Bureau of Labor Statistics](#) of private industry employment found that workplace-based plans covered only 44% of non-union workers compared to 60% of union workers. Small businesses and service companies, as well as companies that hire a lot of part-time help, are less likely to provide insurance. In recent years, as health care costs swelled and the recession took hold, the prevalence of employer plans diminished to 66% of all firms in 2003 from 69% in 2000, according to the [Kaiser Family Foundation and Health Research and Educational](#)

[Trust](#). Meanwhile, the number of uninsured Americans has swelled, to 43.6 million in 2002 compared to 39.8 million in 2000, in a trend that reflects the dissolution of some employer-sponsored plans, the upsurge in part-time workers who may not qualify for coverage, increases in premium costs and co-pays that price workers out of the system, and the proliferation of the self-employed and unemployed who lack access to affordable insurance.

America's intensely competitive economy makes labor costs, and the ever-rising cost of health care, a major concern for all employers. Those with unionized workers feel particularly pinched because union members tend to earn higher wages and receive richer benefits than do their non-union peers. The [Bureau of Labor Statistics](#) recently reported that total compensation (wages plus benefits) for union members averaged \$31.18 an hour, including \$20.23 in wages (64.9% of the total) and \$2.91 for health insurance (9.3% of the total). By contrast, non-union workers earned \$21.59 in wages and benefits, including \$15.85 in wages (73.4% of the total) and \$1.28 worth of health insurance (5.9% of the total).

In industries like grocery retailing, where margins are razor-thin, the health care benefits issue is acute. At Wal-Mart, the most aggressive player in the field, only some workers are eligible to join the health plan, and those who do so must pay hefty monthly premiums and annual deductibles. Unionized workers at more traditional supermarket chains who are represented by the United Food and Commercial Workers (UFCW) typically pay no premiums at all and relatively modest co-pays and deductibles. The inequality in health care costs is mirrored by Wal-Mart's competitive advantage in overall labor costs, supplier contracts, and operating efficiencies. Grocers are nervously awaiting the onslaught of Wal-Mart's plan to open 1,000 supercenters, which sell a full line of grocery products in addition to the usual array of discount items, over the next five years. One common defense tactic is the targeting of health benefits as union contracts expire. But the UFCW has spurned management demands and in October 2003, members in five states walked out on strike.

It's important to note here that both labor and management are being buffeted by a problem neither can fix. New technology and procedures, advanced pharmaceuticals, a growing cohort of retirees (who have expensive health care needs), and the profit imperative are pushing health care costs ever higher. A brief experiment with managed care in the early 1990s did not result in measurable or enduring savings; it was also wildly unpopular. Employers have few options for controlling costs beyond the obvious: higher co-pays and deductibles, sharing premium costs with employees, higher fees for frequent users, reduced coverage for retirees, incentives for healthier living, preventive care promotions, switching insurance carriers, negotiating fees with doctors, and the like. Union leaders do not discount the seriousness of employers' dilemma even as they firmly resist the strategy of shifting costs onto their members. Instead, union negotiators in many recent contract talks, including those between the Big Three automakers and the United Auto Workers, have repressed wage and job security demands in exchange for the status quo on health insurance.

This quagmire leaves unions in a paradoxical position. On the one hand, their activism in protecting health care benefits could prove to be a rallying point for the unorganized, a stake around which unions might build a campaign to recruit new members who worry about non-union employers unilaterally slashing benefits or providing no benefits at all. On the other hand, with so many Americans struggling to make do without any protection against catastrophic illness or mundane health problems, unions run the risk of further sullyng their image, of seeming to appear ungrateful for the benefits they do enjoy.

This issue is liable to haunt the bargaining room for years to come unless labor and management reach some sort of accommodation. Not, mind you, the kind that involves give on one provision here and an innovation there, but a genuine joining of forces to press for a political and structural revolution of the health care delivery system.

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