THE ZINNIA
ON THE MALL
MINNEAPOLIS, MINNESOTA 55555
PHONE 612 339 93?0   800 248 18?9

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DIGNIDAD HESHIMA JUSTICE
LOCAL H-56

New Negotiator Training Workshop: Getting Started

Where to start?

Familiarize yourself with the setting and the contract. And then start to think about how to prioritize what your constituents want. What's most important? What's realistic? What's wishful thinking?

It can be overwhelming at first. This is part of the realism of the exercise. The employment relationship is complicated, so union contracts are complicated. Also, a lot of demands might being thrown at you. You need to prioritize them and find common ground with the other side that you can both live with, and that you can both sell to your constituencies.

Does the whole contract need to be changed?

No! When renegotiating an existing contract, it would be typical to only change specific sections where there are particular pressures, such as economic concerns, past grievances, need for legal compliance, or emerging challenges. So think about what provisions are the most important to change, and which ones can stay as they are.

There are planning worksheets to help with your preparations. You don't need to fill in every line. Rather, they are there to remind you to consider various aspects of the contract. But it's up to your team to decide what's the most important.

What does "no change" mean?

In many cases, not changing a contract provision means that you'll sign a new agreement that contains that same provision. In other words, the language simply gets carried forward. So if there are no changes in the number of holidays or the language relating to seniority, for example, then the new contract will have the same number of holidays and the same seniority provisions as the contract you are replacing. But this is different for wage increases and benefit contributions rates…

What about contribution rates?

The default starting point for health and retirement contributions is the contribution rate in effect when the existing contract expires. For example, consider this clause from an expiring contract:

`20.1 - Generally - At the start of this Agreement, the Employer shall contribute to the "Twin Cities Hotel Employers-Employees Defined Contribution Retirement Plan" (hereinafter the "Defined Contribution Plan"), at a rate of forty five cents ($0.45) for each hour paid to each employee`

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under the jurisdiction of this Agreement. This contribution will be
increased to sixty cents ($0.60) on this Agreement's second anniversary.
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When you are negotiating a new agreement, the hotel is making $0.60 per hour contributions. To make no change would be to continue to pay $0.60 per hour—it does <u>not</u> mean re-adopting this language starting off at 45¢ and eventually increasing back to 60¢.

What about wages?

Making no changes to wages does <u>not</u> mean giving the same increases as in the previous contract. Rather, making no changes to wages means that the wages in effect when the existing contract expires will continue. What happened in the previous contract in terms of wage increases is useful background information, but you are now negotiating in a new time period and both sides need to think about what kind of wage adjustments are appropriate in the environment you are bargaining in.

Costing NEW expenses…repeat, cost net new expenses, not gross expenses

In thinking about what changes you'd like to see in the contract, you should be estimating the costs or savings associated with those changes. But remember that the costs of the current contractual provisions are already built into the current financial statements (e.g., wages are already being paid at those rates). So you should focus on costing <u>new</u> expenses (or savings). For example, if the health insurance hourly contribution remains the same, then the net new costs are zero. If you are proposing to increase the hourly contribution by 25¢ cents, just estimate the added cost that results from the new 25¢ addition. Do <u>not</u> calculate the costs of the existing contributions.

There are two reasons for this: (1) it's simpler, and (2) it's easier to assess the impact on the bottom line (profitability). You should use the financial statements to get a sense of the hotel's current profitability. Then any net new costs are expected to reduce profits by that amount. If you instead calculate gross costs, you still need to factor revenue and other expenses into additional calculations of profitability. This can be avoided by focusing on net new costs.

Also, if a proposal is intended to generate savings, then estimating the net savings gives a direct estimate of these savings. If you instead calculate a new gross number, that doesn't directly indicate the magnitude of the savings.

Example
Starting point: 60¢ per hour retirement contribution
Proposal: additional 10¢ per hour

DO THIS	**DO NOT DO THIS**
<u>Net new costs</u> Enter "10" (for 10¢) into cell D53 of the costing spreadsheet): $31,262.40 So relative to current financial statements, expect additional expenses of $31,000 (that is, a $31,000 reduction in profits).	<u>Gross costs</u> 70¢ x 167 workers x 52 weeks x 35 hours = $212,758. But how much of this is new? The expected impact on profitability is unknown without further calculations.

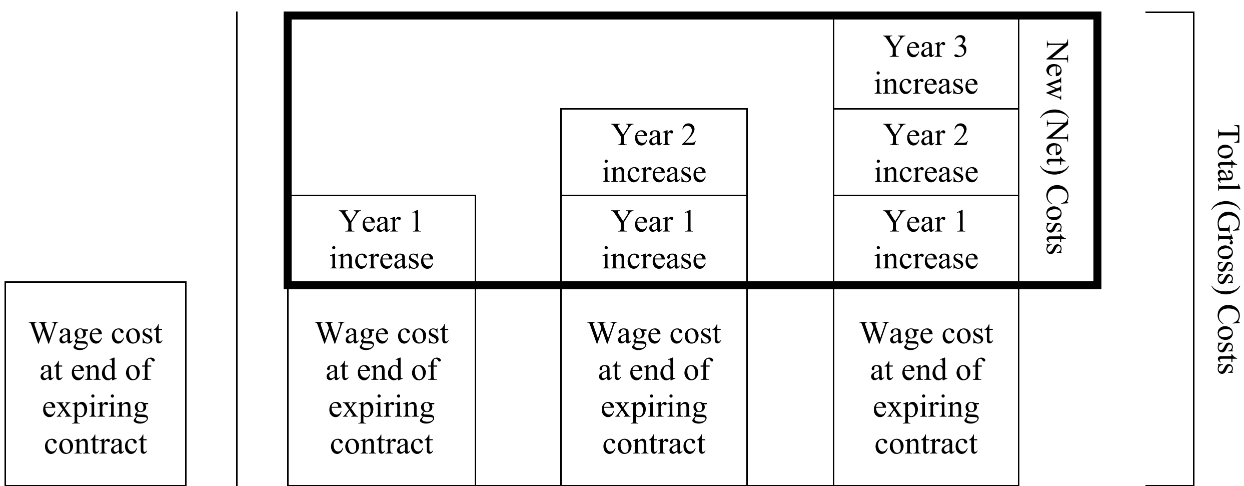
How precise should our costing be?

Cost estimates are estimates. There are many sources of imprecision—for example, you don't know how many employees will turn over, how many hours they will actually work, etc. So the costing exercise is about getting a ballpark estimate. Don't spend too much time trying to be overly precise.

But don't forget that the hotel has to keep paying for wage increases!

To estimate the costs of years 2 and 3 in a three-year contract, the costs should be relative to what's reflected in the current financial statements. For example, suppose there is a 2 percent increase when the contract starts and a 3 percent increase after one year. Start by costing the 2 percent increase in year one. Let's say it adds $100,000 in wage costs. In year 2, the hotel will again have that $100,000 additional expense relative to today because it will keep paying workers at those higher rates, plus whatever the 3 percent increase adds in expenses. The same is true for cumulative increases in benefits contributions (e.g., a 10¢ increase in year 1 followed by an additional 15¢ increase in year 2 means that the increased cost in year 2 is 25¢; or an additional holiday in year 1 followed by second additional holiday in year 2 means that the increased cost in year 2 equals two holidays).

Here is an example for wage costs in a new three-year contract. Other durations or other cumulative increases would be similar:



New Contract (3-year example)

Remember: the wage costs at the end of the expiring contract are already reflected in the hotel's financial statements. So focus on estimating new, net costs.

How to cost health care?

The health insurance plan is a multi-employer plan with many hotels in the Twin Cities making hourly contributions to a trust fund. The trust fund then buys coverage for workers. This is advantageous because workers can have the same insurance if they switch hotels, and the trust fund can have more leverage negotiating with insurance companies because they cover more workers. It is also simpler for The Zinnia because it is not directly providing coverage; rather, it only needs to make an hourly contribution to the trust fund. From the hotel's perspective, it just needs to agree to a schedule of contribution rates. But the workers will want to know what this provides in terms of actual insurance coverage.

If you want to change the details of the health care plan, you need to estimate how much this will cost (or save) (probably in terms of the change in single and family premiums), and then negotiate how much of it will be paid for by the hotel in hourly contributions, with the rest covered by employee-paid premiums. You might need to use online sources to get an sense of how much a particular change (e.g., increasing co-pays) would change premiums. Try to find a reasonable estimate without getting bogged down or worrying about high levels of precision.

Note that if there are 167 workers who, on average, work 52 weeks x 35 hours per week plus annual overtime hours of 52, that's 1,872 hours x 167 workers = 312,624 hours per year total. So every additional 8¢ per hour contribution yields around $25,000 for the trust fund. This means that, for example, if you are trying to cover $100,000 in new total health care expenses, this requires an additional 32¢ per hour contribution.

Also, the costing spreadsheet includes a way to cost increases in benefit contributions as a percent rather than in cents. Note that this is as a percentage of wages. If you enter "5" in line 57, this reflects making an additional annual benefit contribution equal to 5 percent of wages earned.

How to cost unique items?

This depends on the item. If it's a stand-alone item, estimate the key costs as best as you can. For example, if translators will be provided, you can estimate how many hours and what hourly rate of pay (or salary) would likely be required. If an item is based on the number of workers (e.g., $1,000 per worker), treat this as a lump sum entry in the costing spreadsheet. Otherwise, you can try to estimate how much a new item would cost per hour and use the relevant entry in the costing spreadsheet. Another approach would be to agree that a certain amount would be provided toward this new item—for example, 5¢ per hour for a legal fund—rather than specifying a particular level of service or benefit.

Have fun!