COMM 203 - Collective Bargaining Simulation

GENERAL BACKGROUND INFORMATION

Chinese Furniture manufactures furniture at a plant in Vancouver that employs 128 people. Chinese Furniture is a privately-owned company started by a team of entrepreneurs from Beijing. The company manufactures budget-priced home furniture commonly sold by discount retailers, using mostly local raw materials plus several grades of wood imported from Asia, the U.S., and Eastern Canada. The business was badly hit by the recession following the 2008/09 financial crisis. Twice in 2011-2012, the plant shut down for three weeks to reduce inventories. Recently, business has been steady, but not growing. The firm has considered altering its product line to include a range of knock-down home-assembly products requiring much less skill to manufacture, raising the possibility of contracting-out some of the manufacturing to a company in Mexico where production costs are much lower. As the producer of low-cost products, the company is not affected by rapid changes in customer behaviour as are some producers.

Local 721 of the United Furniture Workers Union (CLC, AFL-CIO) represents the employees at the Vancouver plant. The union was certified in 2000 covering all production and maintenance workers (85 per cent of the labour force). In June 2014, the management and union signed a three-year salary agreement with a 2% increase in the first year, 1.5% increase in the second year and 1.0% in the third year. During the 2011 slump, the Union had agreed to reduce the number of paid holidays from 11 to 9, as part of a larger package to keep the company solvent. The Union is anxious to increase its members' real income and recover the lost statutory holidays. It believes the company's performance in the past two years has been good.

ECONOMIC CONDITIONS

After several years of steady expansion, the North American and global economies may be levelling off. The continuing loss of manufacturing jobs to China, India and other developing economies has propelled economic uncertainty in Canada. The provincial unemployment rate has been fairly stable (5.7% in April 2017). The BC economy has been among the strongest in Canada in recent years and most economic outlooks indicate this will continue with growth of about 2.0% in 2017 and the next few years.

When the North American Free Trade Agreement increased imports of cheaper American goods, the budget furniture industry adapted and has grown at a rate of 5% per year nationally in recent years. Industry representatives have expressed concern about the rising level of furniture imports in Canada, currently about 40% of sales. Many of these goods come from the South-eastern U.S., where wage levels are lower than Canadian averages. Sixty per cent of the company's sales are in BC; 30% of the market is in other Canadian provinces and the remainder is exported to Mexico, the U.S. and Asia. Labour costs are about 25% of total sales for the industry. Because Chinese Furniture is privately owned, no financial data for it are available. However, industry analysts believe that Chinese Furniture operates with a low debt level. Given its small size, good profitability and an apparently strong balance sheet, industry observers believe that Chinese Furniture is well poised to take advantage of markets in Eastern Canada and the U.S. The prognosis suggests moderate growth in the company's business over the next few years.

RELEVANT CLAUSES OF EXISTING AGREEMENT

1) Clause 1 - Existing Wage Rates

Classification	Wage Rate / Hour (No. of Workers)
1 - Labourer/Helper	$23.80 (25)
2 - Assembler/Operator I	$25.60 (25)
3 - Assembler/Operator II	$27.40 (42)
4 - Tradesperson I	$31.20 (24)
5 - Tradesperson II	$32.90 (12)

2) Clause II - Seniority

"Management retains the right to determine who shall be promoted, transferred, laid off, or recalled, and shall consider the question of seniority only if qualifications and ability are considered equal."

3) Clause III - Insurance

"The Employer shall pay premiums for the medical, dental and extended health care plans."

4) Clause IV - Hours of Work

"The normal work week shall be forty (40) hours."

5) Clause V - Contracting Out

“The company is prohibited from contracting work out, transferring, or assigning in whole or in part the operations, procedures, or services performed by the Employees to any person or firm.”

OPENING POSITIONS

Management and the Union have already exchanged their initial positions, listed below, in writing. They have also agreed in advance that any wage increase they may agree to will be the same for each year of any multi-year agreement (for example, a 2% wage increase agreement for a two year agreement would increase wages by 2% in the first year and another 2% in the second year) You may assume that all other matters covered in the existing collective agreement are not subject to negotiations.

Union

1. A one-year contract with a general wage increase of 5.0%.

2. Return to 11 paid holidays, by adding Boxing Day and Easter Monday.

3. A new Seniority clause (II) to read:
    i. "Lay-offs, transfers between plants and recalls will be based on seniority only."

4. Preserve the existing "contracting out" clause.

Management

1. A three-year contract, with wage increases of 1.0% each year for Tradesmen I and II classifications only, and no increase for other classifications.

2. The following addition to the existing seniority clause (II):

    "in the opinion of management" to be added just before "qualifications and ...."

3. Medical, dental and extended health-care premiums shall be shared equally by the employer and the employee.

4. Modify the existing "contracting out" clause to permit the contracting out of work.

COSTING ASSUMPTIONS

- Every employee works a full 260 days for 8 hours a day, which is 2080 hours/year.
- **Total Daily Labour Costs** = The SUM of: # Employees in each job classification multiplied by classification wage rate multiplied by 8 (hours) (for each classification).
- **Holiday Costs** are counted on top of annual wage costs. They are "double costs" as the Company pays the employee but receives no work in return.
- **Medical & Dental Insurance Premiums:** You may assume that the total cost of each benefit is:

Medical	\$88 per employee per month
Dental	\$108 per employee per month
Extended Health	\$128 per employee per month

You will have the class time to come to an agreement on the above issues. A form for your agreement will be provided. The Contract Deadline is the scheduled end of class time. If you have not submitted a signed agreement form at that time, a strike or lockout is deemed to have begun.