



## Verizon Blinks and Averts Strike

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In the tentative agreement with the CWA and IBEW announced Aug. 10, Verizon conceded on points that were headlined as key to both sides.

First, Verizon will continue to pay 100% of health care premiums for current employees and retirees. Second, some jobs that have been in the non-union Business (ex-MCI) group, and some formerly non-union temp workers, have been reclassified as permanent union jobs. Third, Verizon agreed to wage and pension band increases (10.87% compounded over three years), plus an additional cost of living bump in wages.

The agreement is complex, and the specific starting positions of each side have not been disclosed, so it is unclear how far Verizon and the unions each fell short of their original objectives. For example, while the unions celebrate that formerly non-union SMB tech jobs will obtain union recognition, Verizon management indicates that this is achieved by transferring positions to the unionized Telecom group rather than by admitting the unions into the Business group. Also, there is a long-standing theatrical convention—involving parts played by both management and union negotiators—that agreements must be presented by union leaders as representing hard-fought gains won on behalf of dues-paying union members. However, one of the agreement terms reveals that Verizon management believes that it did not achieve the cost savings that it sought. Unlike the earlier five-year contracts, this new agreement will run only three years, which Verizon explains will provide “additional flexibility to closely align future agreements to marketplace changes.”

Each side had reasons to fight and reasons to settle. In the end, it looks like Verizon’s big reason to settle—no interruption to marketing and installation of FiOS in New York City and elsewhere—outweighed the unions’ concerns about what they refer to as “a very tough economic and political environment.”

For cable operators, this outcome of Verizon’s latest confrontation with its unions means no time off from FiOS competition, continuation of Verizon’s current labor costs and a new benchmark for the MSOs’ own labor relations.

Verizon’s top executives may now be hunting for other ways to offset ongoing high labor costs. It’s unlikely that their first choice will be to sacrifice their own bonuses. Perhaps, as occurred after the last Verizon labor agreement in 2003, they will find cost savings by laying off lower level managers. And then, three years from now, they’ll have an opportunity to arm-wrestle again with the CWA and IBEW.

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