Hershey Chocolate workers strike in Pennsylvania

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Two thousand seven hundred workers are striking against Hershey Chocolate in Hershey, Pennsylvania to fight cuts in health care, increases in prescription drugs costs and similar cuts in benefits for retired workers.

Now in its fourth week, the strike began April 26 after workers rejected the number one chocolate maker's demand that they pay 12 percent of the cost of health insurance, up from the current 6 percent. The company also wants to increase workers' co-payments on prescription drugs.

Estimates show the increase will cost workers over $300 more a year for family coverage under the company-sponsored health care options; the only non-company-sponsored plan, Keystone Health Insurance, will cost even more. Prescription drug costs will go from the current $3 for a generic prescription and $6 or $10 for brand name drugs to $6 for generic and $20 or $30 for brand names. Similar cuts in health care and prescription drug coverage have already been imposed on retired workers.

"Benefits are the sticking point," said Tony Mount, who has worked at Hershey for 30 years. "We had six quarters of record sales and they gave their big shots thousands and thousands of raises. Well, we are the ones who produce for them. If it were not for the working man, they would not have a job. They should take care of the hand that feeds them."

The workers are members of Chocolate Workers Local 464 and are on strike at Hershey's East Chocolate Avenue and Old West Chocolate Avenue plants. About another 1,500 unionized workers at other plants where contracts have not expired are not on strike.

"The media is telling people we are on strike because of the medical cap," said one striker, "But it is more than this. They are trying to take away our prescription drug coverage as well. For years they have told the workers about teamwork, teamwork and more teamwork. But when it comes down to it, they are not on our team."

Richard H. Lenny, Hershey's chairman and chief executive officer, was hired 14 months ago from Kraft Foods. At Kraft, serving as president of its Nabisco operations, he earned a reputation for cost-cutting, eliminating weak brand names and focusing on a few strong ones.

So far at Hershey, Lenny has eliminated over 800 management jobs. In January, he unilaterally increased the health insurance co-pay for 10,000 nonunion and management workers from 6 to 12 percent. He also cut health care benefits for retirees and increased their co-pays. He is now demanding the same from the unionized workers.

Last year Lenny made $625,000 plus a bonus $900,000 and $3.2 million in restricted stock. In addition, he has stock options on 400,000 shares vested over four years, for a value of $22 million.

Workers have been without a contract since last November. In February, the union's negotiating committee voted 4-3 and the executive committee voted 10-8 to recommend approval of the company's cuts. However, workers voted 77 percent for rejection of the contract. On April 24, the membership rejected by 86 percent a second company offer, this time voted down by both the negotiating committee and executive committee.

"We are fighting for other workers, our retirees and our children and our grandchildren," said Thomas Scott, with 17 years at Hershey. "They are doing this so they can make us do anything. They are not hurting, they can pay our full benefits and not feel it.

"It affects everybody—families, everyone. You have to stand up. This is happening everywhere. If we don't do something to show we care about our benefits it will get worse. The bottom line is when they take something away you will never see it again. Even though it seems small, they will keep doing it in the future if we don't stop it here."

Brian Morgan, with 10 years, said, “I don’t know why. I could understand if the company was hurting or in trouble, but they are far from hurting.

“The company wants to take away from retirees and from us. They put in their time and now Hershey should take care of them. A lot of elderly need prescriptions and now they will have to pay more for them. If we don’t stop them now where is it going to end up?”

Wall Street analysts expect Hershey stock remain at over $3.00 a share. The cost of maintaining health care coverage at its current level for the 2,700 striking workers is just $825,000 a year, or less than half a cent per share. The cost for restoring health care to the 6 percent level for all 14,000 workers would be just 2 cents per share.

However, compared to number two chocolate maker Mars Corporation, Hershey has a margin of 42.6 cents on every dollar of sales verse 48.8 cents for Mars. Lenny has made it clear he has no intention of backing down, telling stockholders at the company’s annual meeting earlier this month: “I’m here to do what the shareholders want me to do—increase shareholder value.”

After a five-and-a-half-hour negotiating session with a federal mediator ended without an agreement last Thursday, Ray Brace, vice president of operations for Hershey, indicated the company would soon seek to resume production at the two idled plants.

“Ultimately, there will be a limit on how long we will wait for [the union] to begin bargaining in good faith,” Brace said. “We have a business to run and over 11,000 other employees who continue to work hard at their jobs. Their needs and the company’s future cannot be held hostage by an intransigent union leadership.”

In a further attempt to pressure the workers, letters were sent to 129 workers who had been laid off before the strike began. They were told to report back to work. When the workers refused, the company began challenging their unemployment compensation clams.

“The threat was definitely there,” striker Thomas Scott said. “They are threatening to hire replacement workers. He did not say it in those words but the threat was definitely there.”

The union leadership has attempted to paint the strike as a result of the new company leadership that has rejected Hershey Corporation’s paternal pattern of the past. Milton Hershey, the company’s founder, built Hershey, Pennsylvania as a model town. He was the first to introduce water and sewage for a city of that size and provided electricity to neighboring farms. Everywhere you go, shops, businesses and roads are named after the company and industry—from Hershey Car Wash to W. Chocolate and Cocoa Avenues.

In 1918, Milton Hershey gave most of his wealth, including controlling interest in the Hershey Corporation, to the Hershey Trust which donated to various charities. The trust is best known for funding an orphanage, the Hershey School, considered by many one of the best orphanages in the country. By 1999, the trust was valued at over $5 billion from investments and profits from the chocolate maker.

However, the company’s philanthropy was paid for through the brutal exploitation of its workers in Hershey, Pennsylvania and at its 65,000 acres of sugar plantations in Cuba. In 1937, 600 workers organized by the CIO went on strike and occupied the plant. Workers demanded a 40-hour workweek, down from the 60 hours they were required to work, and a 10 percent pay raise to bring them in line with other area workers.

The company dealt brutally with its workforce. Hershey organized area farmers against the strikers with the threat that they would not be able to sell their milk to the chocolate maker. According to a 1999 book by Joel Glenn Brenner, *The Emperors of Chocolate*, at 1 p.m. on April 7, 1937, angry farmers and veterans, along with goons Hershey had brought in from New York City, stormed the plant. Armed with ax handles, baseball bats, lead pipes, ice picks and hammers, they attacked the workers.

Brenner wrote: “The strikers, stunned by the ferocity of the attack, fled to the locker rooms. The farmers in pursuit tore down fire hoses from the walls and charged in behind a barrage of water. The strikers broke and tried to escape. Some jumped through windows and were seized by the angry crowd below. Others tried to hide in the machinery. Eventually, the leaders were hauled out and beaten until they lay unconscious and bleeding.”

This is the first strike against the chocolate maker in 22 years and only the fifth walkout in the company’s 108-year history. On Saturday, May 25, it will become the longest strike, surpassing the 29-day strike in 1953 that established a closed shop.