78,000 workers face contract expiration

US: Verizon demands employees pay for collapse of telecom bubble

Samuel Davidson
31 July 2003

The contract for 78,000 workers throughout the eastern United States expires with the telecommunications giant Verizon on August 2. Management is seeking a free hand to carry out massive job cuts and shift work to nonunion areas. The company also wants to cut sick time, shift the cost of health care onto active and retired workers, and remove limits placed upon forced overtime obtained in the last contract.

Verizon has made vigorous plans to continue operations in the event of a strike. The company has begun hiring nonunion replacement workers from employment agencies and has sent out notices to retired management asking them to work during a strike. Managers from throughout the company have been undergoing intensive training and many have been transferred to fill positions in areas that would be affected by a strike.

Verizon has also increased capacity at call centers that are not in areas where the strike may occur. The company has also established contracts with vendors to take over many functions in the event of a strike. Directory assistance, operators, service representatives and many repair operations will be taken over in remote locations. Last Friday, additional security personal were placed at more than 400 Verizon locations.

In addition, Verizon has mounted a public relations campaign, spending millions of dollars in television and newspaper ads. The company is using inflated figures of earnings and benefits of the most senior and highest-paid employees in an attempt to depict Verizon workers as overpaid and undeserving of support from other workers.

Verizon, which was formed out of the merger of NYNEX, Bell Atlantic and GTE, has over 230,000 employees. It is the largest provider of local and wireless services in the US, the third largest provider of long distance and the third largest provider of DSL services. The present contract covers 78,000 workers in 13 states, from Maine to Virginia and Washington, D.C. The Communications Workers of America (CWA) represents nearly 60,000 workers, with the balance represented by the International Brotherhood of Electrical Workers (IBEW). Another 18,000 workers in the former GTE region are represented by the CWA, but contracts expire separately at various times.

One-hundred-fifty CWA members have already been on strike for two-and-a-half months in western North Carolina against company demands for cuts in health benefits and sick leave.

With the full backing of the Bush administration, Verizon is seeking to spearhead an attack against all telecommunications workers. The company's demands have centered on lifting all restrictions on its ability to further downsize operations. In particular, Verizon is seeking the removal of job security language in the contract, which earlier this month forced the company to rehire 3,400 workers who had been laid off in December. An arbitrator ruled that the layoffs violated the contract, and Verizon was obliged to rehire these workers with back pay.

The company now wants specific language in the contract that would allow it to lay off any worker hired since December 31, 1995. The company is also seeking the ability to move 8 percent of its work out of any particular state to its nonunion regions.

Verizon has cut 17,000 jobs in New England, New York and the Mid-Atlantic states during the past two years, mainly through retirement and attrition. But the company is approaching the limit on the number of workers eligible for early retirement; and with the cost of job buyouts increasing, it wants the ability to lay off younger workers. Verizon officials have indicated that they want to cut another 4,000 to 5,000 jobs by the end of the year.

Verizon made more than $4 billion in profits last year on revenue of $67 billion and is set to make similar amounts this year. Management claims the layoffs are needed because of a drop in wireline service of between 9 and 13 percent in the former Bell Atlantic region.

While arguing it has no means to provide secure jobs and health care benefits, company officials found money to pay its top executives more than $500 million in salaries and bonuses between 1997 and 2001. Verizon CEO Ivan Seidenberg alone earned more than $58.4 million. The company is also trying to force workers to pay for the $2.5 billion in bad investments it wrote off after the telecom bubble burst.

For their part, the CWA and IBEW officials have officially stated they are opposed to any layoffs, countering that workers' productivity has increased by 15 percent during the past two years. Union leaders, however, have indicated they are willing to be "flexible" with the company. In particular, they are seeking some kind of deal through which the union would be given greater access to organize the more than 20,000 workers in Verizon Wireless and data services units who are currently nonunion. The unions have also said they might favor transferring laid-off workers to one of the other company units

In bargaining news sent out to members, the CWA writes, "CWA well understands changing conditions in the telecom industry, and points out that changing technologies and competitive markets are nothing new in this dynamic industry—CWA has worked with Verizon and the other telecoms for years to adapt to change and be successful. And we hold that just as Verizon speaks of the need for business 'flexibility,' our members—who generate profits for the new ventures—also deserve flexibility to move into the growth job areas, rather than see their jobs slashed while the new jobs are fenced off from them."

In other words, the CWA and IBEW bureaucracies are well prepared to accept the layoff and transfer of workers to lower-paying jobs, as long as the union officialdom can continue to reap funds from dues check-off.

On health care, Verizon is asking that workers either join a company-run health plan with reduced benefits and a $400 deductible or pay the difference in the cost of the company plan and the cost of the HMO that they choose outside the network. Verizon is also seeking to reduce the amount of sick time. Workers with less than 3 years service will not get any paid sick time, those with 3 to 15 years service will not be paid for the first two to four days of any sickness, and workers with more than 15 years will be reduced to a total of 0-8 sick days depending upon years of service.

According to the company proposal, new employees would see a completely new set of health, dental and vision benefits.

The 34,000 retired workers and their families will also have their health care benefits cut. They will either have to join the company plan or pay the difference in cost and any increases during the life of the contract. With health care costs rising at 12 percent a year, if accepted, retirees in a few years will be spending much of their pension just on health care.

Many of Verizon's proposed cutbacks and layoffs are specifically aimed at younger workers and new hires. In this way, the company is hoping to appease its older workers, drive a wedge between older and newer workers, and thus win the concessions it is demanding.

The gyrating swings of the telecommunications industry over the past decade and the impact this has had on the lives of hundreds of thousands of workers, retirees and their families underscore that a system as complicated and vital as telecommunications cannot be left in private hands and run on the basis of profit.

The 1990s began with the layoffs and downsizing that had characterized the industry since the breakup of AT&T in 1984. By the mid-1990s this had begun to ease a little as demand, fueled by the Internet boom and the demands of global communications, began to grow.

In 1996, both Democrats and Republicans in Congress voted overwhelmingly to pass the Telecommunications Act, which set in process the completion of the deregulation of the industry that had begun in 1984. According to proponents of the legislation, the complete deregulation of the industry would lead to a vast expansion and improvement of services, as well as cheaper rates. Allowing the regional Bells to merge and compete in the long-distance market, and the long-distance companies such as AT&T, Sprint and MCI to enter the local markets, would, according to these predictions, allow the magic of the marketplace to work its wonders.

The next few years led to a merger frenzy, the building of vast amounts of overcapacity, and the launching of many startup firms that either went broke or were bought out by one of the major players at inflated prices. Each company sought to gain control of markets, whether local, long distance, data or wireless, as well as making several attempts to enter broadcasting.

Much of this was done with an eye to global competition and in order to enter into the global telecommunications market. Both the growth of the Internet and the need of corporations to coordinate production on a global scale transformed telecommunications into a transnational operation.

AT&T split off its equipment manufacturer into a separate company and bought out cable TV provider TCI for $48 billion, only to sell it a few years later. SBC Communications, the nation's second largest provider of telecom services, is the product of the merger of several regional Bells. The merger that created Verizon took place in 2000.

Not a small bit of fraud transpired during this period. MCI-WorldCom is now in bankruptcy after admitting the largest accounting fraud in US corporate history. It was common for former executives to launch a small telecom firm only to be bought out by their former employers at an exorbitant price. Wall Street brokerage houses often inflated the value of small companies during public stock offerings or during merger talks to increase their commissions. Companies often spent billions on stock buy-back plans to keep prices artificially high to please their largest investors.

All of this has left the telecom industry suffocating under massive overcapacity and a mountain of debt. Top management is now seeking to make workers, retirees and their families pay the price.

With the collapse of the stock market bubble and the downturn in the economy, the several years of frantic building and expansion of the networks have now been followed by two years of massive job-cutting and layoffs in every sector of the telecom industry. Since the beginning of 2001, more than 300,000 workers in telecommunications have lost their jobs. AT&T is only a shell of what it used to be, with fewer than 50,000 workers. Lucent Technologies, the equipment manufacture spun off from AT&T, has cut its workforce from 123,000 to less than 40,000 and is near bankruptcy. Nortel, the Canadian equipment manufacturer, has slashed its workforce from nearly 100,000 down to about 35,000. Similar job cuts have taken place among European, Asian and Latin American telecoms.

The CWA and IBEW have no program to fight this onslaught. Far from challenging the private ownership of the telecom industry and its operation for the personal enrichment of a handful of individuals, the CWA and IBEW bureaucracies have sought to secure their position and privileges by proving that they are trusted partners in making the giant telecoms more competitive and profitable.

Any serious struggle in defense of jobs and living standards cannot be left in the hands of these organizations, which function as little more than company unions. New organizations, above all, a political party of the working class, must be built to oppose the domination of the financial elite over economic and political life and the anarchy it produces.

Workers should ask themselves: Why should telecommunications, one of the most vital resources for the organization of modern society, be run and controlled for the benefit of a tiny few? Workers must cast off political prejudices that bind them to the capitalist system and build a political movement to fight for a socialist alternative, which includes putting telecommunications and other crucial industries under the democratic control of working people.