



APPENDIX A

COLLECTIVE BARGAINING SIMULATION: MARINE METALS LTD. (MML)¹

INSTRUCTIONS

Below you will find all of the information you need to conduct a collective bargaining simulation, including

- the background of the organization (MML);
- the current collective agreement;
- a comparison of MML's employment package with those of its competitors; and
- a memorandum of agreement to record your final settlement.

Your instructor will assign you to either the management or union team. Before beginning the collective bargaining exercise, each team should do the following:

1. Read the case materials.
2. Develop your bargaining goals and strategies.
3. Prepare the initial set of proposals that you will share with the other team.
(Remember, this may not be your final bargaining goals—these are your opening positions.)

Your instructor will provide you with information about

- the length of the bargaining simulation;
- whether interest arbitration is available if you cannot reach a settlement in the time provided; and
- any report/assignment requirement. He or she may choose to use the assignment that follows at the end of this Appendix.

Remember, just as in the real world, your provincial labour relations act requires that you bargain in good faith and make every effort to negotiate a collective agreement.

// MARINE METALS LTD. (MML) CASE²

Marine Metals Ltd. (MML) has been in operation for more than 40 years and unionized since it was founded in 1968. It has always operated out of a facility on Water Street in St. John's, Newfoundland, because of that location's access to the harbourfront. Access to the harbourfront is critical for MML, which has traditionally manufactured steel and metal parts for fishing boats and associated cargo vessels. To capitalize on the traditional fishing and trading routes, MML acquired a second (nonunion) plant in 1990, which is located in Gloucester, Massachusetts.

The relationship between the management group of MML and the United Metal Workers of Canada (UMW) has generally been strong. Wages, benefits, and working conditions have

usually been on par or better than those of the competition. In particular, the firm has tried to pay slightly above the going market rate. To date, there has been only one strike. It took place in 1990 and was largely centred on the issue of job security given the poor economic conditions of that period and the concern that the acquisition of the Massachusetts plant would result in job losses in Canada. At that time, the fishery was in a crisis due to the collapse of the cod fishery. Given the dramatic decrease in demand for its marine-related metal products, and the need for capital to purchase the new plant, the company laid off about a third of its staff and froze all wages for two years.

Fortunately, the development of several offshore oil fields in the area created a new market for MML. No longer focused on the fishing industry, MML now gets approximately 60 percent of its yearly revenues from the fabrication of metal products for the offshore oil companies and their suppliers. This new market has resulted in the firm hiring about 190 new employees over the past five years. As the parties prepare to enter a new round of bargaining, several key events are taking place.

For the union, the last contract (signed four years ago) was ratified by only 53 percent of the membership. Given the 1990 job cuts and wage freezes, many members felt that the new offshore contracts should have resulted in greater gains at the bargaining table. In fact, the membership voted in a whole new slate of union leaders to form this year's collective bargaining team. Word in the plant is that the membership wanted a more militant negotiations team that would take a firm stand on issues related to job security, increased wages, and improved vacations and pensions. It is also clear the union faces a challenge meeting the needs of a diverse membership. The average union member's age is 43 years old, with about 16 years of service. However, given the downsizing in 1990, and the influx of offshore work, the plant almost has two different age groups. There are close to 200 employees (most who are in their 20s) with fewer than 5 years of service, yet there are about 300 employees (most who are over 40) with more than 15 years of service. The current negotiations team will need to balance the needs of its newer members as well as those of the "old guard."

Management has just received notice that it is at risk of losing its contract with MegaOil. MegaOil is MML's largest offshore oil contract, and represents 30 percent of MML's total revenue stream. The reasons for the potential non-renewal of the MegaOil contract are two-fold. First, MML is having problems meeting the offshore production quotas specified in the contract. This has largely been due to reliability issues with MML's now aging production equipment. Second, MML's labour costs are higher than some competitors that could be used to supply the MegaOil contract. Given the recent decreases in global oil prices, MegaOil's management team is under increased pressure to minimize expenses in all areas, including supplier contracts, to retain profitability. There is a rumour that a new firm may get the contract (Plant 2 in the attached comparison). This firm has the advantage of brand-new equipment and a lower labour cost. It currently runs 24 hours a day, 7 days a week. Hence, it is in a better position to meet the needs of the offshore oil industry.

MML management is currently examining the possibility of a substantial reorganization to better meet the needs of the offshore industry. This could include raising production quotas and replacing present equipment with new, up-to-date labour-saving machines in the St. John's plant (cost = \$2.1 million). Assuming the current two-shift cycle remains, the new machinery would result in layoffs of about one-third of the staff and the contracting-out to cheaper labour sources in times of high product demand. Two alternative strategies have been openly discussed. First, purchase the new equipment (cost = \$2.1 million) and move to a three 8-hour-shift (i.e., 24 hours per day, seven days per week) operation. This option could occur without hiring any new employees or laying off any current staff; however, the firm's total labour costs could not increase to make this a feasible option. Second, close the St. John's plant and move all production to the sister plant contract (Plant 4 in the attached comparison) located in Gloucester,

Massachusetts, a cheaper location. This location would still permit shipping of the products to the offshore oil fields. The management negotiations team has been given a clear message that the collective agreement must facilitate the renewal of the key offshore contract and that total labour costs cannot increase.

OTHER INFORMATION

As is shown in Table 1, MML provides a competitive compensation and benefits package. The average wage in MML is \$18.00 per hour. This compares to an average current wage of \$17.67 for the other metal manufacturers.

The benefits are co-paid (75 percent company, 25 percent employee). The benefits include dental plan, vision plan, life insurance coverage of two times base salary, medical insurance for hospitalization and prescription drugs, and a sick benefit plan (coverage up to 70 percent of earnings for any absence due to illness, maximum 52 weeks). Current cost of the benefit plan to the employee is \$500 per year; the company share is \$1,500 per employee per year.

In addition, MML contributes an amount equivalent to 5 percent of each employee's earnings into a retirement fund that can be used by the employee in retirement.

COSTING INFORMATION FOR ANY PROPOSED CHANGES

- *Overtime.* Each employee currently works an average of five hours of overtime per week. Overtime cost is time and a half. At present, employees have to volunteer for overtime. Currently 80% of overtime is worked after midnight to address production issues.
- *Wages.* Present average is \$18.00
- *Vacation.* The current entitlement to vacation is as set out below. Any changes to the vacation plan would be costed using the following formula: Average hourly wage $\times$ 40 hours a week $\times$ Number of employees impacted.

Years of Service	Weeks	No. of Employees
Less than 1	1 day/month of service to a maximum of 2 weeks	50
More than 1 but less than 3	2	60
More than 3 but less than 5	2	80
More than 5 but less than 10	3	20
More than 10 but less than 15	4	40
More than 15 but less than 20	4	90
More than 20 but less than 25	5	120
More than 25 but less than 30	5	80
More than 30	5	10
		Total 550

- *Shift premiums.* Most employees (i.e., 60 percent) work day shift (8 a.m. to 4 p.m.). Forty percent of employees are permanently assigned to evening (i.e., second) shift (4 p.m. to midnight). The shift premium is currently \$1.25 per hour. There is no night (i.e., third) shift (midnight to 8 a.m.). If production is needed after midnight, it is voluntary and paid at overtime rates.
- *Retirement fund.* Currently 5 percent of regular wages are placed by MML into a retirement fund for the employee. Any changes should be calculated as follows: Average hourly wage $\times$ 40 hours per week $\times$ 52 weeks $\times$ % invested by the company.

COLLECTIVE BARGAINING AGREEMENT BETWEEN MARINE METALS LTD. (HEREINAFTER REFERRED TO AS THE COMPANY) AND THE UNITED METALWORKERS OF CANADA (HEREINAFTER REFERRED TO AS THE UNION)

ARTICLE 1. RECOGNITION

Section 1.1 The Company recognizes the Union as the sole and exclusive bargaining agent for all employees at the plant located at 1968 Water Street West, St. John's, save and except office employees, human resources management staff, security guards, and production supervisors.

ARTICLE II. MANAGEMENT RIGHTS

Section 2.1 The Union recognizes that the Company has the exclusive right to manage the business and to exercise such right without restriction, save and except such prerogatives of management as may be specifically modified by the terms and conditions of this Agreement.

Section 2.2 The Union recognizes that the Company has the right to discipline and discharge employees for just cause.

ARTICLE III. HOURS OF WORK

Section 3.1 The normal work hours for all employees shall be eight (8) hours per day and forty (40) hours per week, Monday to Friday.

Section 3.2 All time worked by an employee in excess of eight (8) hours per day or forty (40) hours per week, and all time worked on weekends, shall be paid for at an overtime rate of one and one-half times the normal hourly rate. All overtime is voluntary.

Section 3.3 Employees who work the second shift will receive a shift premium of \$1.25 per hour worked.

ARTICLE IV. SENIORITY, LAYOFFS, ETC.

Section 4.1 An employee's seniority rights shall be measured on a plant-wide basis, starting from the first day or hour worked.

Section 4.2 In the event of a layoff, employees with the least plant-wide seniority will be laid off first, and employees with the most seniority will be retained, subject to their ability to perform the available work without being trained.

Section 4.3 In the event of layoff, the Company will provide a severance payment equal to four (4) weeks' base pay plus an additional one (1) week's pay per year of service.

ARTICLE V. VACANCIES, NEW JOBS, PROMOTIONS, ETC.

Section 5.1 The Company shall post vacancies or new job openings on designated bulletin boards. Such postings shall include a statement of the required job qualifications, wage rate, and any other pertinent information. Interested applicants shall submit written bids to the Company's Human Resources Department. The job shall be awarded to the senior applicant provided that he or she meets the qualifications on the job posting.

ARTICLE VI. COMMITTEES

Section 6.1 The parties agree to the establishment of a Joint Labour/Management Committee composed of an equal number of representatives of the Company and the Union. The purpose of this Committee will be to provide a means of communication over any matter affecting the interests of either party to this Agreement. The Company may follow the recommendations of the Joint Committee. However, the final decision rests with management.

Section 6.2. The parties agree to the establishment of an Occupational Health and Safety Committee consistent with the requirements of provincial legislation.

ARTICLE VII. WAGES

Section 7.1 The following rates of pay will be operative for the duration of this agreement:

Job Grade	Job Titles	Hourly Rate Range
Grade 10	Janitor, Tool Keeper	\$14.50–\$15.50
Grade 20	Shipper, Receiver, Forklift Operator	\$15.50–\$16.50
Grade 30	Materials Handler, Order Processor	\$16.50–\$17.50
Grade 40	Machine Operator, Tin Cutter, Drill Press Operator	\$17.50–\$18.50
Grade 50	Quality Inspector, Smelter Operator	\$19.50–\$20.50
Grade 60	Trades (e.g., Welder, Electrician)	\$23.50–\$25.50

Section 7.2 All employees shall receive pay increases of \$0.25 per hour six months after employment in their job grade, and every six months thereafter, until they reach the maximum rate of pay for their job grade.

ARTICLE VIII. HEALTH AND WELFARE PLAN

Section 8.1 The parties agree to the creation of a Health and Welfare Plan covering absence due to illness, dental care, eye care, life insurance, and supplementary healthcare needs (i.e., hospitalization and prescription drugs).

Section 8.2 The Company agrees to reimburse employees seventy-five percent (75%) of all costs incurred in respect of Section 8.1 above.

ARTICLE IX. RETIREMENT FUND

Section 9.1 The Company agrees to place five percent of each employee's base annual salary, excluding any overtime or shift premiums, into a retirement fund for that employee. This cost is incurred solely by the Company. In addition, the employee can opt to match this contribution by investing up to five percent of his/her base annual salary in the fund.

Section 9.2 When the employee retires, (s)he will receive the entire amount invested per Section 9.1 on his/her behalf.

ARTICLE X. VACATION

Section 10.1 Each employee who has been with the Company for a full year will receive paid vacation as follows:

Years of Service	Weeks of Vacation
More than 1 but less than 5	2 weeks
More than 5 but less than 10	3 weeks
More than 10 but less than 20	4 weeks
Greater than 20	5 weeks

Section 10.2 Employees with less than one (1) year of service will receive one (1) day of vacation per month of service, to a maximum of ten (10) days.

ARTICLE XI. GRIEVANCE

Section 11.1 It is understood that employees (with or without the assistance of the shop steward) may bring a complaint to their immediate supervisor in an attempt to settle the issue at any time without filing a formal grievance.

Section 11.2 The formal grievance process will be as follows:

Step 1: The employee will (with his/her shop steward) present a written grievance to his/her supervisor. The supervisor will have ten (10) workdays to investigate the situation and respond. If the grievance is not satisfactorily resolved, it moves to Step 2.

TABLE 1

COMPARISON OF WORKING TERMS AND CONDITIONS OF SIMILAR FIRMS

	PLANT 1	PLANT 2	PLANT 3	PLANT 4	PLANT 5	PLANT 6	AVERAGE
No. of employees	500	600	700	525	675	400	566
Unionized?	Yes	No	Yes	No	Yes	Yes	—
Contract duration	3 years	N/A	4 years	N/A	4 years	3 years	3.50
Average wage	\$18.25	\$17.50	\$18.50	\$16.50	\$17.75	\$17.50	\$17.67
Year 1 wage increase	Signing bonus \$1000	1%	Signing bonus \$750	0%	0%	Signing bonus \$900	.33% or \$883.33 signing bonus
Year 2 wage increase	1.00%	2.00%	1.50%	1.50%	2.00%	1.00%	1.50%
Year 3 wage increase	2.00%	2.00%	2.00%	1.50%	2.00%	1.00%	1.75%
OVERTIME							
Overtime voluntary?	Yes	Yes. But will assign in reverse order of seniority if insufficient volunteers.	No. Management can assign.	Yes	Yes. But will assign in reverse order of seniority if insufficient volunteers.	No	
Overtime rate	1.5	1.5	2	1.5	2	2	1.75
VACATION							
2 weeks at ___ years	1	1	1	1	1	1	1.0
3 weeks at ___ years	5	3	3	5	3	4	3.83
4 weeks at ___ years	10	10	10	15	5	9	9.83
5 weeks at ___ years	20	15	15	20	10	15	15.83
6 weeks at ___ years		25	20		15		20.00

SHIFT										
Regular 2nd shift	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
Regular 3rd shift	No	Yes	Yes	No	No	No	No	Yes		
SHIFT PREMIUM										
Regular 2nd shift	\$1.50	\$1.50	\$1.25	\$1.00	\$1.00	\$1.00	\$1.00	\$1.25	\$1.25	
Regular 3rd shift		\$1.50	\$1.50					\$1.75	\$1.58	
Retirement/pension as % of wage rate	7.50%	7.50%	6.00%	N/A				4.00%	6.00%	
Contracting out	No language	Only if no one on layoff can perform the work.	Only if no one on layoff can perform the work.	No restrictions	Yes. But only for jobs of < 6 months.	No restrictions	No restrictions			
Layoff/severance pay	4 weeks plus 1 week per year of service, maximum 30 weeks	2 weeks per year of service	2 weeks plus 1 week per year of service	< 5 years' service = 8 weeks > 5 years' service = 15 weeks	2 weeks plus 2 weeks per year of service; maximum of 30 weeks	2 weeks per year of service; maximum of 26 weeks				

Step 2: The grievance is presented to the department manager by the chief shop steward. The department manager will have ten (10) workdays to respond to the grievance. If the grievance is not satisfactorily resolved, it moves to Step 3.

Step 3: The grievance is presented to the plant manager and Union local president. The plant manager will have ten (10) workdays to respond to the grievance. If the grievance is not satisfactorily resolved, it moves to Step 4.

Step 4: The grievance is presented to the Vice-President of Employment Relations by the President of the National Union (or delegate). The Vice-President will have ten (10) workdays to respond to the grievance. If the grievance is not satisfactorily resolved, it moves to arbitration and follows the current process outlined by the provincial labour relations act.

ARTICLE XII. PROGRESSIVE DISCIPLINE

Section 12.1 The Company and the Union believe in the practice of progressive discipline. Prior to formal progressive disciplinary action taking place, the employee may receive a verbal counselling from his/her supervisor. The employee has the right to union representation during this counselling. The only documentation of this meeting will be the time, date, and nature of the discussion. This will be placed in the supervisor's file and will be moved to the employee's human resources file only if progressive discipline steps are taken within twenty-four (24) months of this counselling.

Section 12.2 The normal progression of progressive discipline shall be as follows:

Step 1: Written Warning

Step 2: Suspension

Step 3: Discharge

Section 12.3 It is understood that certain offences will result in a faster progression through the progressive discipline process outlined in Section 12.2.

Section 12.4 Copies of all written warnings, suspensions, and discharges must be given to the employee (in the presence of a union representative). Copies will also be placed in the employee's human resources file. All documentation concerning progressive discipline must be removed from the employee's file after a period of twenty four (24) months if no other disciplinary action occurs.

ARTICLE XIII. DURATION

Section 13.1 This agreement shall be effective November 25, 2011, and will remain in force until November 25, 2015; thereafter, it shall be automatically renewed from time to time for further periods of one year unless either party, at least sixty (60) days prior to November 25, 2015, or any subsequent expiration date, serves on the other party written notice of its desire to terminate or amend the Agreement.

IN WITNESS THEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives on this 25 day of November, 2011.

For the Company
 John Smith _____
 Samantha Chen _____
 Jeff O’Kane _____

For the Union
 Rajeev Singh _____
 Rita McCracken _____
 Glen Brown _____

MEMORANDUM OF SETTLEMENT

Between Marine Metals Ltd. and the United Metalworkers of Canada

The parties agree as follows (use additional pages if necessary):

ARTICLE I. Recognition
 ARTICLE II. Management Rights
 ARTICLE III. Hours of Work
 ARTICLE IV. Seniority, Layoffs, Etc.
 ARTICLE V. Vacancies, New Jobs, Promotions, Etc.
 ARTICLE VI. Committees
 ARTICLE VII. Wages
 ARTICLE VIII. Health and Welfare Plan
 ARTICLE IX. Retirement
 ARTICLE X. Vacation
 ARTICLE XI. Grievance
 ARTICLE XII. Progressive Discipline
 ARTICLE XIII. Duration

Signatures:

COMPANY

UNION

NEGOTIATION ASSIGNMENT

The negotiation assignment and simulation exercise requires each union and management team to participate in a negotiation simulation and to submit an assignment that critically examines the process and outcomes of this experience.

Using information provided in class, your textbook, and the case assigned by your instructor, please answer the following two questions. The first question focuses largely on issues related to bargaining strategy; the second focuses on the collective agreement that resulted from your collective bargaining simulation. Note that the final assignment must not exceed ten pages of double-spaced text.

1. *Bargaining strategy.* Please answer the following:
 - a. What bargaining strategy did your team plan to use in the present round of negotiations? Justify this choice.

- b. What bargaining strategy did you expect the other team to initially adopt? Why?
 - c. What bargaining strategy did your team actually use in bargaining? Justify this answer and provide examples of tactics used during bargaining that are consistent with your answer. Explain why your team was, or was not, successful in implementing the strategy you had intended to use (see your answer to part (a) above).
 - d. What effect, if any, did the bargaining strategies used by both teams have on your team's satisfaction with
 - i. the outcomes of the negotiation process, and
 - ii. the quality of the relationship developed with the other team?
 - e. Do you think the other team was more, less, or equally satisfied with the outcomes and the quality of the relationship developed during negotiations? Justify your answer.
 - f. Based on your experience from this round of bargaining, what bargaining strategy do you think your team and the other team would adopt if you entered a second round of negotiations? Why?
2. *Collective agreement outcomes.* Please answer the following:
- a. What were your team's priorities (maximum of 5 priorities)? Please rank these hoped-for changes in order of importance to your team (1 = most important, 5 = least important). Justify your ranking.
 - b. Discuss how your five priorities would affect the underlying interests of both your team and the other team.
 - c. Were any of these priorities strike or lockout issues for your team? Please justify.
 - d. Was your team successful in negotiating these priorities into the new collective agreement? Why or why not?
 - e. What effect, if any, did the relative power of the parties have on the outcomes of this round of bargaining? Why? How could power affect the next round? Why?

// ENDNOTES

1. The collective agreement and the assignment used in this case were both adapted from a version created by Andrew Luchak. Used with permission.
2. This case was created solely for educational purposes by the second author. It is not based on any true company, union, or event.