

Loblaws vs. Wal-Mart: The Union Takes a Stand

**Protecting UFCW jobs,
wages and contracts.
Now and in the future.**

June 2003

Retail Industry in Transition

- Wal-Mart is aggressively expanding its retail food sales. Has set its sights on southern Ontario, Canada's biggest marketplace.
- Loblaws is Canada's largest retailer, the only one that can take on Wal-Mart.
- Loblaws has decided to fight Wal-Mart and accelerate industry transition to superstores.
- Many UFCW members will be affected, and soon.

- **Here's the situation**

What is happening?

- The Company is no longer going to build large conventional Loblaws, Zehrs and Fortinos stores.
- In December 2002, announced a business decision to move to Real Canadian Superstore (RCSS) or other non-union format, with different wage rates, benefits & working conditions *with or without union agreement*.
- The new stores will carry at least 35% Department Store-Type Merchandise (DSTM).

Why is it happening?

- Company is responding to the threat of Wal-Mart Supercenters (WMSC) invading food retail business, as has happened in the U.S.
- They believe that WMSC will have a major competitive advantage over existing Loblaws/Zehrs formats.
- Wal_mart already has 5% of retail food sales in Canada and wants much more.

When will it happen?

- *It's happening now!* The following stores were going to be large conventional stores but have now been put on hold.
 - 100a: Ajax, Ottawa: Richmond & Kirkwood St.
 - 1977: Midland, Stanley Park.
 - 175: Leamington: Zehrs; Windsor: Walker Road Loblaws; Ottawa: Blair & Ogilvie Loblaws.
- In most of these locations automatic successor rights are now guaranteed.

Location:	Type	Original Intention	Option 1	Option 2
LONDON: Oxford & Grange	NSR	Loblaws	YIG	RCSS
NEWMARKET: Yonge & Greenlane	NR	Loblaws	YIG	RCSS
TORONTO: Bayview	NSR	Loblaws	Committed	to landlord
WHITBY	NR	Loblaws	RCSS	YIG
AURORA	NS	Loblaws	RCSS	YIG
SOUTH KANATA	NR	Loblaws	YIG	RCSS
MILTON	NR	Loblaws	RCSS	YIG
MISSISSAUGA: Winston Churchill & 401	NS	Loblaws	RCSS	YIG
OTTAWA: 10th & Innes	NS	Loblaws	YIG	RCSS
TORONTO: Dufferin & Steeles	NR	Loblaws	RCSS	YIG
OSHAWA: Taunton Road & Harmony	NS	Loblaws	RCSS	YIG
HAMILTON: Rifle Range		Fortinos	RCSS	YIG
WOODBIDGE: Langstaff & #7		Fortinos	RCSS	YIG
TORONTO: 401 & Weston Road		Fortinos	RCSS	YIG
TORONTO: Black Creek & Eglinton		Fortinos	RCSS	YIG
GRIMSBY		Fortinos	RCSS	YIG
COBURG	NS	Loblaws	YIG	RCSS

AJAX: #2 & Harwood	NR	Loblaws	RCSS	YIG
OTTAWA: Richmond & Kirkwood	NR	Loblaws	YIG	RCSS
OAKVILLE: Trafalgar & Hwy 5	NR	Loblaws	RCSS	YIG
OTTAWA: Blair & Ogilvie	NR	Loblaws	YIG	RCSS
TORONTO: Don Mills & Eglinton	NS	Loblaws	RCSS	YIG
TORONTO: Rexdale & #7		Fortinos	RCSS	YIG

What is the Union doing? (1)

- We've been meeting with the company since the December announcement.
- All affected UFCW Canada Local Union and the National office have worked together on a unified response to the company's position on the future.
- We are challenging the company's plans to unilaterally impose drastic changes on existing employees and contracts.

What is the Union doing? (2)

- We've been demanding strong job security and income protection for our existing members throughout the transition period, however long it takes.
- Looking at legal challenges on successor rights and related employer rights.
- We will be communicating with activists and all members to keep everyone up to date on the situation.

How will this affect me?

- The company will *not* be opening conventional replacement stores for those stores slated to close.
- Different workers will be affected in different ways. Impact on you will depend on the following factors:
 - Whether your store is closing
 - Your level of seniority
 - Your status (Part-time or Full-time)

The Wal-Mart Threat

Wal-Mart already has a strong foothold in Ontario. Most

existing Wal-Mart stores can easily expand by up to 80,000 sq.ft. Six *Sam's Clubs* are in the works.

The Wal-Mart Threat

- Wal-Mart's retailing methods and relentless anti-union policies have cost tens of thousands of union retail food jobs in the U.S.
- Wal-Mart labour costs *are* lower. Rates go up to \$9.65 after TEN years (\$10 in Toronto). Most "associates" quit within two years. Workers pay for most of their own benefits, when eligible. Unpaid overtime a daily reality at Wal-Mart.

The Wal-Mart Threat

UFCW does NOT believe lower labour costs are Wal-Mart's most important competitive advantage. But Loblaws management *does* think this and has structured its response accordingly.

Loblaw's Response to the Wal-Mart Threat (1)

- Put a hold on all new store development under conventional Loblaws/Zehrs banners.
- Announced in December that the stores of the future in Ontario will be RCSS -- as has been happening for several years in Western and Atlantic Canada -- or other non-union format such as YIG.

Loblaw's Response to the Wal-Mart Threat (2)

- Advised the Locals (175, 1000a, 1977) that all new and replacement stores planned for 2003-04 are **not** going to open under the current collective agreements.
- The above include 31 Loblaws/Zehrs/Fortinos.
- Over half are replacements of current stores, but on **new** sites. [Successor rights not guaranteed.]

Loblaw's Response to the Wal-Mart Threat (3)

- Told the Locals that labour costs at these new stores must allow them to compete with Wal-Mart Supercenters.
- Co. is prepared to open these stores under a **non-union** banner.
- Co. will open up these stores *whether or not* there is an immediate nearby Wal-Mart threat.

What Loblaws wanted (1)

- Every new store they built would have a franchise-type contract.
- Any future rebuild or conversion of an existing store would have a franchise-type contract.
- By 2008, have **every** store converted to an alternate format with a franchise-type contract.

What Loblaws wanted (2)

- Amend the existing agreement to achieve goal OR open up under a new banner (e.g. Real Canadian Superstore, YIG) union or non-union/
- Have each Local Union President accept a DSTM Appendix to agreement without a membership ratification vote.
- Ontario law permits the parties to a collective agreement to amend its terms (except expiry date) without membership vote.

Union's objectives during Loblaws restructuring (1)

- Maintain conventional agreement into the indefinite future
- Protect existing jobs
- Protect current wages, benefits and contract rights at existing stores.
- Maintain all existing seniority and bumping rights.
- Provide as many options as possible to affected union members

Union's objectives during Loblaws restructuring (2)

- Negotiate generous retirement allowances for **all** employees 55 or over, whether FT or PT.
- Negotiate generous voluntary severance packages for all affected members, FT or PT.
- Negotiate generous transfer packages for those affected who choose to move to the new RCSS.

What the Union *can* control (1)

- Because brand loyalty is important, Co. would *prefer* adding RCSS to established banners (e.g. Loblaws RCSS or Zehrs RCSS instead of just RCSS). BUT...
- If they put the Loblaws/Zehrs banner on an RCSS, union could (and would) apply the existing collective agreement.
- Control over the Loblaws/Zehrs banners gives us bargaining power.

What the Union *can* control (2)

- All contract rights at **existing sites** are fully protected. (e.g. exercise

- seniority to bump if there's a closure or conversion.)
- These protections include stores built on abutting property or in the same mall.

What the Union *cannot* control

- Company has sole control over which stores it closes and opens, and the banner under which new stores open.
- Co, has the ability to impose terms and conditions in **new** (non-union) RCSS and YIG stores and hire all new employees.

After prolonged negotiations, a balanced agreement is crafted (1)

- no loss of existing full-time jobs. Guarantee of employment extended to all FT hired prior to Jan 1, 2003.
- Affected FT & PT have wide range of options
- A DSTM Appendix to current (parent) collective agreement will apply to **new** Loblaws/Zehrs RCSS sites.

A Balanced Agreement (2)

- There *will* be displacements, but all existing employees (FT & PT) maintain full seniority and bumping rights under parental agreement.
- No one will be required to transfer more than 40 km to keep their job in a conventional store (provided there is a store within 40 km.)

A Balanced Agreement (3)

- Generous relocation allowance for those who agree to transfer over 40 km and choose to relocate.
- Generous early retirement option (ERO) for those 55 or older: Four weeks pay per year of service. Max: FT: \$75,000; PT: \$10,000.
- Early retirees (FT) can continue to work as PT under applicable agreement.
- Excellent severance package - same as ERO (PLUS). Covers both FT and PT. Min for FT \$10,000. Also PT minimum (see next slide).

A Balanced Agreement (4)

- Six-month RCSS **trial transfer** gives existing employees (FT or PT) right to return to conventional store without penalty.
- Generous RCSS Transfer Package: 3 weeks' pay per year of service. Then you work under RCSS agreement. Min: \$10,000 for FT.
- Even short service PT are eligible for Severance and RCSS Transfer Package. Min: \$500 for < 12 months; \$1000 for 12+ months. PT max in both cases: \$10,000.

Appendix Features (New RCSS)

- Essentially same as Fortinos agreement, with some variations.
- Maintains several features of parent agreement.
- Example: Certain seniority provisions (Right to post, transfer, bump from one RCSS store to another) same as in parent agreement.
- FT & PT benefits/pensions retained from parent agreement, (some differences in scope/eligibility)

RCSS Top Rates (Newly Built Sites)			
	06/28/03	06/27/04	06/26/05
Part-Time - DSTM Departments (+8750 hrs.)			
All	10	10	10
Part-Time - Food Departments (6501 hrs.)			
Clerks	11.49	11.79	12.09
Bakers	14.80	15.10	15.40
Meat Cutters	16.80	17.10	17.40
Full-Time - Food Departments			
Clerks	17.05	17.35	17.65
Baker	17.89	18.19	18.49
Meat Cutter	19.58	19.88	20.18

Existing rebuilt/renovated sites

- At *existing* conventional sites, following a rebuild/renovation, DSTM PT wage rate applies **only** to DSTM departments, and **only** if:
 - Square footage of store is expanded by at least 50%
 - Square footage of store is greater than 100,000.
 - 35% or more of the area of selling floor is devoted to DSTM.
- All three criteria must be met. Conventional agreement applies in **all other matters** for both DSTM & non-DSTM workers.
- Wages/benefits of non-DTSM workers are **not affected**.

Most Important Union Win:

Long term wage/benefit security

- The union has negotiated a guarantee that the Company will *not* propose wage or benefit concessions in the next contract negotiations and **the next collective agreement will not contain any wage or benefit concessions**.

- This means: No wage/benefit concessions *regardless of the length of the contract beyond 2006*.
- An unprecedented negotiating breakthrough.

Sticking point: Ratification

- Company refuses to offer the agreement if Union requires a formal membership ratification vote. Worried about legal complications of negative vote.
- Union says: "Members have the right to approve such a significant change in their collective agreement."
- Company adamant. Will not budge from their position.

What would happen without an agreement?

- Company would be free to impose Wal-Mart wages, benefits and conditions throughout any new non-unionized RCSS/YIG stores.
- Workers affected by store closures would **not** have job offers at RCSS.
- No enhanced severance package, early retirement option or transfer packages.
- company/Union would inevitably enter a long period of labour strife.

Compromise on Approval Mechanism

- Each Local will seek a "mandate" for the President to finalize the proposed settlement.
- Each Local will use its own consultative/democratic mechanisms to determine if the President has the required mandate.
- No Local can bind another. Each will make its own decision.

Company gets what it needs

- Lower labour costs in new RCSS stores that will go head-to-head with Wal-Mart
- Ability to expand existing conventional stores with lower DSTM costs.
- "Labour peace" for several years
- A smooth transition to new era in retail sector.

Union protects its members

- Complete job/wage/benefits/pension security for existing members.
- Preservation of all collective agreements.
- Full range of union protection & contract rights for new RCSS workers.
- Generous early retirement, severance and transfer options, all voluntary.
- *No concessions* for several years. Members can plan for the longer term.

End Result for Union:

Our members will have a smoother transition to a new retail world than any other group of workers in North America.

We'll ride the tidal wave of change instead of being drowned by it.