

Broken Promises

Verizon neglects its commitment to provide good jobs and quality service

By Erin Johansson
American Rights at Work
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Through coalition-building, research, public relations, policy analysis, and advocacy, American Rights at Work:

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- > Stimulates debate about the state of workers' rights among journalists, policymakers, advocacy groups, companies, and the public.
- > Promotes public policy that protects workers from hostile employers and weak laws that impede their rights to form unions and bargain collectively.
- > Publicizes success stories of profitable companies and public agencies that respect workers' rights and build innovative partnerships with unions.

Broken Promises: Verizon neglects its commitment to provide good jobs and quality service

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Telecommunications companies provide services that are as essential to the public as our national highway system, and they have long recognized their role as public utilities rather than simply private businesses. The industry has also maintained its infrastructure in communities across the country in rural, suburban, and urban areas to ensure the quality of communication necessary for public safety and economic development. Investing in employees is key to providing these services. For decades, the telecommunications industry has provided technicians, customer service agents, operators, and others with job security, opportunities to advance and gain new skills, and sustainable wages and benefits. Yet since Verizon was formed in 2000, it has shirked its responsibilities as a public utility, pursuing a race-to-the-bottom, low-road business model that is detrimental to both employees and customers.

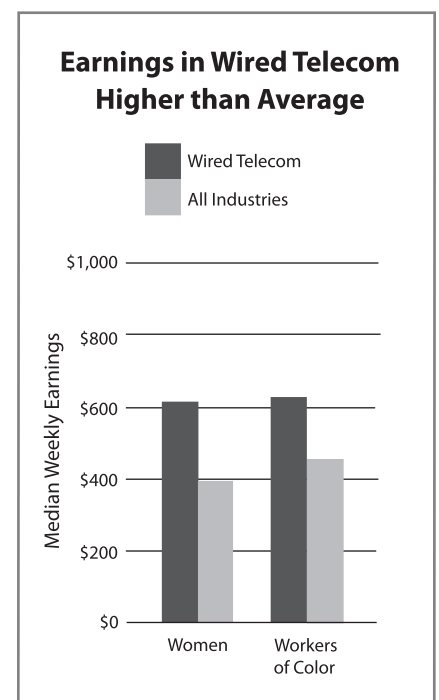
This report will detail how Verizon has maintained non-union divisions by interfering with its employees' freedom of association, including Verizon Business technicians whose recent request for union recognition has been denied by the company. The report will also reveal how Verizon is downsizing its traditional landline operation, risking this source of good jobs, and further degrading the quality of service and access to high speed technology for residential and business customers. Finally, using AT&T's productive relationship with its employees and unions as an example, this report shows that Verizon could choose a high-road model of investing in its employees and still compete in a rapidly changing industry.

Good jobs that our communities need at risk

The traditional telecommunications industry (wired telecom, as opposed to wireless telecom and cable) has historically been a source of good jobs for workers without a college education. This sector has also been an important source of employment for women and workers of color, who earn considerably higher wages than average.¹ This is largely the result of collective bargaining, which began nationally in the Bell system in 1974 before it was broken up, and lifted industry wages well above the national average.²

The percentage of workers represented by unions in the wired telecom industry is very high at 62 percent.³ Union workers in the sector earn considerably more than non-union workers, demonstrating the strength of collective bargaining.⁴ Unions have also encouraged a high-road model of labor relations with benefits for employers and customers. Compared to non-union establishments, union employers spend 83 percent more on training for technicians, and 90 percent more for training for customer service representatives.⁵ Employers earn back their investment; excluding workers leaving for retirement, turnover among service representatives is one-third less and for technicians is reduced by 45 percent.⁶ Cornell University professor Rose Batt found that when telecom call centers emphasized greater training, higher compensation, and job security through union contracts, not only was turnover reduced, but sales growth improved.⁷ Conversely, Batt found that higher turnover both increased employer costs of recruitment and negatively impacted sales.⁸

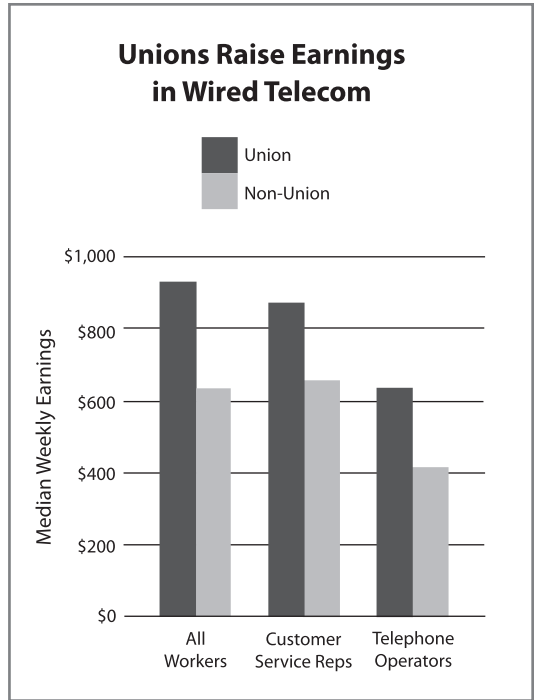
As the telecommunications industry has undergone rapid changes, spurred by new technologies and government deregulation, employment is shifting away from wired telecom and into the cable and wireless sectors. Workers without unions in these new growth sectors receive lower compensation, less funding for job training,



less job security, and also suffer from higher turnover.⁹ Cable giant Comcast has a pattern of suppressing its employees' right to form unions and ability to raise standards in the industry.¹⁰ Verizon straddles both new and old sectors, operating as a former Bell company in wired telecom, while branching out into the new growth sector with Verizon Wireless and fiber optics television services.¹¹ Yet to the detriment of workers, customers, and communities, Verizon appears to be embracing the low-road employment model of these new sectors by denying its employees' right to form unions.

Dubious corporate structure suppresses union representation

When Phil St. John drives his van imprinted with the Verizon logo to repair phone lines, one would assume that he was part of the company's longtime union workforce. Yet despite working side-by-side with Verizon's union technicians, Phil is a non-union technician working under the company's Verizon Business division. That's because Verizon Communications Inc. is split into three divisions: Verizon Telecom, Verizon Business, and Verizon Wireless. Verizon Telecom provides wired services for domestic residential and small business customers, including both traditional copper and newer fiber landlines; Verizon Business provides wired services for large domestic and international customers; and Verizon Wireless provides wireless services.¹²



Verizon's corporate structure appears to be a textbook example of 'double breasting,' a tactic where an owner operates a non-union business separate from its union business in order to avoid having all of its employees enjoy the benefits of a union contract. When the company was formed in 2000 out of the merger of Bell Atlantic Corp. and GTE Corp., it inherited a decades-long collective bargaining relationship with the Communications Workers of America (CWA) and the International Brotherhood of Electrical Workers (IBEW). By double breasting, Verizon created a wall between the approximately 97,000 union employees in Verizon Telecom and the 35,000 employees at Verizon Business and Verizon Wireless.¹³ Thus, in order for employees at Verizon Wireless and Verizon Business to have rights on the job and the benefits of a union contract, they must organize in the face of fierce company resistance. At Verizon Business, employees are still without their union despite a strong majority demanding recognition in New York and New England, while workers at only one location at Verizon Wireless have successfully formed a union.

Fighting for fairness at Verizon Business

In 2006, Verizon acquired MCI and created the Verizon Business division for the former MCI employees. These beleaguered employees came to Verizon after surviving one of the greatest corporate scandals of our time. In 2005, former MCI/WorldCom CEO Bernard Ebbers was sentenced to 25 years in prison for perpetrating an accounting fraud that led to the 2002 collapse of the company, and the loss of 20,000 jobs and \$180 billion in investments.¹⁴ MCI/WorldCom employees lost tens of thousands of dollars in their 401(k) retirement funds when the company's stock plummeted. In 2003, MCI/WorldCom emerged from bankruptcy under the name MCI. Many of these former MCI employees hoped

Verizon Communications Inc.			
	Verizon Business	Verizon Telecom	Verizon Wireless
<i>Employees eligible for union representation</i>	5,000	98,000	30,000
<i>Employees currently in unions</i>	300	97,000	50

for a better future when they were purchased by Verizon, assuming that they would have a union to protect them from corporate greed. But Verizon had other plans.

The Verizon Business division, which houses approximately 2,500 technicians, is a non-union, lower-tiered operation. Though Verizon Business techs perform virtually the same work as their union counterparts at Verizon Telecom, according to the techs interviewed for this report, they are denied the higher wages, fully-paid health benefits, and pension plan offered by the union contract.¹⁵ Verizon Business techs are also lacking job security, as Phil St. John, a tech from New Hampshire, lamented: “If you’re willing to give up your nights at home and your family time to do the things they need you to do, you want them to be there for you when you’re older, when you can’t work all the time.”¹⁶ And unlike their Telecom coworkers, Verizon Business techs work without regular and fair raises and clear paths to promotion provided by the union contract. According to one tech from New York, “The way they dish out promotions or raises, it’s definitely geared to who they want to give it to versus who deserves them... We have techs who have been here for less time than myself and are making as much as I’m making.”¹⁷

Former Verizon manager fights for union recognition

Many might find Thomas Fraine, a Verizon Business technician in Massachusetts, an unlikely supporter of the current union effort. Fraine spent 18 years working as a manager for Verizon Telecom, and after retiring, he joined a small Boston firm that was bought out by MCI/WorldCom, and later, by Verizon. Even as a manager, Fraine says, “I still appreciated what a union could do for the workforce... I saw how it’s a family and you protect one another—how you’re not just at the whim of some manager.” His relationship with his employees and their union was never hostile, though they had problems to work out from time-to-time. Fraine hopes to replicate that kind of productive relationship with his own managers through union representation at Verizon Business.

Techs endure management intimidation

In order to raise their job standards to the level of their peers at Telecom, Verizon Business techs sought to form a union in early 2007. Before they went public with their campaign to join CWA and IBEW in New York and New England in February 2007, the company prepared itself for any potential organizing activity. In November 2006, it warned its supervisors: “If picketing or handbilling occurs, report that activity to your Emergency Operations Center contacts. If any activity is job affecting or disruptive, report those incidents to your local Labor Relations and EOC contacts.”¹⁸ In the months that followed, Verizon Business proceeded to use intimidation and misinformation, interfering with the techs’ fundamental right to freedom of association.

Verizon Business management is targeting union supporters, making an example of them before their peers. A senior manager who visited the Monsey, NY, site singled out Christopher Bloncourt, who was openly involved in the union effort. Bloncourt had been previously given a warning by his manager after he posted a pro-union ad that ran in *The New York Times* on a coworker’s cubicle. After his coworkers witnessed the senior manager pull Bloncourt in for a one-on-one meeting about the union, Bloncourt recounted, “people couldn’t even look me in the face.”¹⁹ To make matters worse, Bloncourt’s manager began working in the cubicle behind him, despite having his own corner office on the other side of the worksite. He endured this for several months: “I remember sitting in the parking lot—horrified—my stomach turning upside down because I had to go in there, my manager is sitting right behind me. I gotta worry if I hit the wrong key stroke. It was a horrible, horrible experience.”

In August 2007, the National Labor Relations Board (NLRB) issued a complaint charging Verizon Business with violating the law in its efforts to suppress union activity at the Monsey, NY, site where Bloncourt works.²⁰ The federal agency alleges that the manager illegally spied on employees to obtain information about their union activities. It also alleges that the company illegally discriminated against union supporters when it gave verbal warnings to Bloncourt and his coworker for posting the union ad. On the same day, the NLRB issued another complaint alleging that Verizon Business violated its employees’ rights at the Pittsburgh site.²¹ The company was charged with threatening to lay off employees for supporting the union, giving a warning to a union supporter for his effort to get his coworkers to sign union authorization cards, soliciting employees to inform managers if they wanted to get their authorization cards back, and other illegal conduct.

David Rogol, a tech from Massachusetts, recounted the intimidation by management that he experienced. He was visited by a senior manager shortly before the union effort went public—a man whom he had only met twice in his seven years at the job.²² Rogol recounted how the manager cited details of his seven-year work history, indicating that he had closely read his personnel file. The manager then proceeded to question Rogol about the union organizing activities that Verizon Business had apparently discovered. Rogol later resigned from his position as team leader in order to gain the protection of the National Labor Relations Act, which excludes supervisors, during his effort to form a union.

Verizon disseminates misinformation

In response to employees' organizing, Verizon Business has launched a multi-media assault of anti-union communications. Senator Hillary Clinton expressed concern over "the intimidation, the threats, and the false statements" contained in the company's propaganda,²³ which has included flyers, emails, and even a website. The "Union Awareness" website advises employees to visit the anti-union Center for Union Facts website,²⁴ run by notorious industry lobbyist Richard Berman described by *USA Today* as a "a third party hired by companies to be their public face when they take on unpopular battles."²⁵ To further disseminate its message, Verizon Business has dispatched senior managers to its worksites to hold captive audience meetings, numbering as many as one to two per week, according to techs interviewed for this report. Thomas Fraine, a tech from Massachusetts, witnessed Verizon Business representatives intimidating employees with warnings that they could lose their benefits because bargaining would start from "ground zero."²⁶

Despite this interference, 65 percent of eligible Verizon Business techs in New York and 75 percent of techs in New England have signed union authorization cards, which were verified by community leaders and elected officials, including five members of Congress who checked the signed authorization cards against the employee roster.³⁰ Yet Verizon refuses to recognize the techs' union and insists that an election is the only fair method of determining majority support.³¹ Knowing that the NLRB election process will likely subject them to long delays and managerial coercion,³² the techs have mounted a campaign to get the company to honor their choice. Phil St. John echoes the frustration felt by many of the techs: "In my eyes, a union isn't against the company—we just want to protect ourselves from greed. If we can make our company profitable, that's great. But let's see the profits trickle down."³³

Verizon violates the rights of its wireless workers

Verizon's interference with its Verizon Business techs' efforts to win a voice at work is not an isolated instance, but is part of a pattern of anti-union conduct by the company. According to charges filed by the NLRB, Verizon Wireless managers threatened Woburn, MA, employees that it would close the call center if they organized.³⁴ The company settled the charges, which included supervisory threats and interrogation, by agreeing to post a notice promising not to break the law.³⁵ Yet in a stunning illustration of how labor law fails to truly protect workers, the notice had to be mailed to employees' homes, as the company shut down the call center and moved the work to South Carolina before the employees could form a union.

Verizon hires anti-union consultant to wage PR war during bargaining

Verizon was clearly not aiming for productive 2003 negotiations with CWA and IBEW when it hired George Washington University professor Jarol Manheim to craft media-friendly, anti-union messages to "reframe the company's actions and the union's motives" in a report titled "Verizon and CWA: A Cautionary Tale."²⁷ Manheim wrote that CWA's "unreasonable demands... threaten to damage the single most dependable pillar remaining in the industry... Verizon."²⁸ Far from a promoter of reasoned labor-management relations, Manheim wrote a briefing book for the U.S. Chamber of Commerce that warned employers of the supposed "fundamentally extortionate quality" of union organizing tactics.²⁹

In 2003, Verizon Wireless responded to employees' organizing in Orangeburg, NY, by illegally threatening a union activist with termination if he spoke to his coworkers about the union.³⁶ The division was also found guilty of prohibiting employees from discussing the union during their rest breaks, and discriminatorily enforcing a no-solicitation rule against union activity while allowing other forms of solicitation at work.³⁷ In 2004, Verizon Wireless shut down its Orangeburg and Morristown, NJ, call centers and moved the work to

South Carolina, North Carolina, and Arizona—all states with ‘right-to-work’ laws that weaken unions. The only current Verizon Wireless location where workers have a union is in New York City, which was organized in 1995 when the employees were employed by Nynex (a predecessor company).

There is also evidence that Verizon is interfering with its Telecom employees’ efforts to form a union in Long Beach, CA. On the eve and day of the election, a senior manager who flew in from New Jersey went from cubicle to cubicle, talking to employees. Verizon claimed he was merely “talking about what the employee wanted to talk about.”³⁸ However, CWA charges the manager was coercively campaigning against the union in violation of the neutrality agreement, where both the union and company refrain from disparaging each other or intimidating employees during organizing, that covers Telecom employees in that region.³⁹ Not surprisingly, the workers ended up narrowly voting against union representation, despite a majority demonstrating support before the manager arrived.⁴⁰ Eight employees recently testified of coercive tactics at arbitration hearings which remain ongoing.⁴¹

Verizon fights against rights for all workers

Verizon does not seem satisfied to focus its efforts on suppressing the freedom of association for its own workforce, and instead is targeting the efforts of all U.S. workers to improve their protections under federal labor law. The Employee Free Choice Act is a bill that would grant workers union representation after a majority present signed authorization cards to demonstrate their choice to belong to a union. This right to a “majority sign-up” would have forced Verizon Business to recognize the techs’ union when they presented their union authorization cards. In a memo to employees opposing the bill, Verizon Business falsely stated that “current law provides more than adequate means for unions to sign up employees.”⁴²

Letting the information superhighway crumble

Verizon has divisively carved out non-union divisions with Verizon Business and Verizon Wireless, preventing these employees from raising their job standards to the level of the union Verizon Telecom workers. Yet even Verizon’s union employees are at risk of losing not only their family-supporting compensation, but their jobs as well. Verizon is downsizing its older and less profitable landline operations—the core infrastructure that residential and business customers rely on for phone and high speed internet—which has detrimental ramifications for employees as well as customers.

Between 2001 and 2002, Verizon eliminated over 20,000 union Telecom employees in the Northeast.⁴³ Shortly after, Verizon was forced to pay \$15 million in customer rebates for excessively long outages in New York.⁴⁴ A 2003 report by the New York Public Service Commission expressed concerns over Verizon’s serious decline in service given its further layoff plans and lack of capital spending.⁴⁵ In 2007, New York State Attorney General Andrew Cuomo called on the agency to tighten standards to improve Verizon’s “chronically poor” service, noting that the company appeared to be neglecting its landlines in favor of investing in fiber optics.⁴⁶ The company’s poor record was also at issue during a recent hearing by the Maryland Public Service Commission, which was prompted by a 50 percent increase in customer complaints in 2007.⁴⁷

Verizon is also attempting to divest its more rural landline operations in many states. In 2004, after protests by Verizon employees, customers, and elected officials over the company’s proposal to sell its upstate New York landlines, the company dropped its plans.⁴⁸ Now the company is seeking approval from the public utilities commissions to sell its landlines in Maine, New Hampshire, and Vermont to tiny FairPoint Communications in Charlotte, NC, for \$2.7 billion.⁴⁹ Because of FairPoint’s small size, the sale would qualify Verizon for a tax incentive worth \$700 million.⁵⁰ Yet a recent Morgan Stanley report exposed FairPoint’s financial vulnerabilities, giving credence to concerns raised by workers, consumer advocates, and elected officials that the new company would be unable to adequately invest in the landline workforce and infrastructure.⁵¹

Both FairPoint and Verizon suffer poor and declining service records in New England,⁵² and without an influx of resources into these operations, the situation will likely worsen. New England businesses could be at a competitive disadvantage if FairPoint cannot maintain current infrastructure and invest in high speed technologies. Landline outages could become more frequent, potentially compromising communication during emergencies. The deal could also deprive the region of a vital source of family-supporting jobs if FairPoint cannot invest in training or maintain the current level of

compensation, and if it continues to outsource, as it has with other operations.⁵³ These concerns could spread as Verizon is seeking a buyer for its landlines in Indiana, Illinois, Ohio, and Michigan.⁵⁴

AT&T: Taking a higher-road approach

Verizon's model of destroying family-supporting jobs in the name of competition is not inevitable in the rapidly changing telecommunications industry, even given the lower job standards of wireless and cable companies. AT&T's experiences prove that it's possible for a telecommunications company to maintain a productive and more balanced relationship with its employees' unions and still remain competitive and profitable.

In 2006, AT&T, Bell South, and Cingular Wireless merged to create one of the largest union workforces in the telecommunications industry, employing nearly 180,000 union-represented employees throughout the company, including its wireless, wireline, and broadband divisions. In stark contrast to Verizon, AT&T respects its employees' freedom to form unions. Prior to AT&T's merger, Cingular Wireless and CWA negotiated a strong neutrality agreement, which has proved to be a win-win strategy, allowing both management and employees to focus their energy and resources on the growth of the business rather than on hostile conflict during organizing drives. Given a free and fair chance to make an informed decision, 85 percent of the non-management wireless workforce has chosen union representation.⁵⁸

AT&T has also demonstrated a commitment to expanding its good jobs throughout communities in the United States, working with CWA to return previously outsourced help desk support positions to in-house positions. New call centers will soon open in seven cities, including New Orleans, Indianapolis, and Las Vegas, creating over 5,000 new jobs.⁵⁹ An active labor-management alliance at AT&T works to enhance employee growth and development, providing employees with classes and workshops on topics as diverse as technology training to career transitioning. According to Mark Royle, Executive Vice President of Labor Relations, "AT&T and its customers benefit from the skills and professionalism of union-represented employees in our business units. Our company has long taken pride in our cooperative and respectful relationship with the unions that represent our employees."⁶⁰

Make Verizon work for everyone

Under Verizon's current business model, tens of thousands of secure, well-paying jobs are at risk of disappearing. By operating non-union divisions where workers' efforts to form a union are met with intimidation, Verizon has been able to prevent the benefits of collective bargaining from spreading beyond its union landline operation. And by downsizing its landline operations, thousands of good union jobs are at risk. The consequences of Verizon's actions go beyond its workforce, as communities lose good jobs, and customers suffer poor service while missing out on the benefits of high speed broadband. Yet in the face of these problems, Verizon's executives have handsomely compensated themselves. In 2006, Verizon's top five executives earned a combined \$68 million.⁶¹

With all of this at stake, customers, workers, communities, and elected leaders must call on Verizon to adopt a positive, productive labor relations model. This change in course involves a commitment by Verizon to maintain and expand good jobs in the communities where it operates. Research has demonstrated that investing in employees—through training, fair compensation, and job security—reaps rewards for employees, companies, and consumers. In the near term, Verizon should adopt a neutral stance when its employees decide to form unions. It should also agree to recognize the majority

Managers aren't spared Verizon's attack on good job standards

Verizon's union employees are not the only targets of the company's low-road employment model. In 2005, Verizon announced it was freezing contributions to the defined benefit pension plan for 50,000 managers, and discontinuing the benefit for new managers.⁵⁵ It also planned to discontinue its contribution toward the retiree healthcare premium for managers with less than 15 years of service.⁵⁶ While financially-troubled airlines and steel companies have been dropping pension plans in recent years, Verizon was the first profitable company with a healthy pension plan to end these benefits in the name of competition.⁵⁷ A number of other profitable companies, including Hewlett Packard and IBM, quickly followed suit. Without a union contract to protect them, the managers were powerless to protest the company's plan.

support by Verizon Business techs for union representation. In the long term, however, Verizon should remove the superficial divisions of the company that segregate union workers from non-union workers and extend the collective bargaining agreement to all of its employees. A two-tiered system of employment standards is fundamentally unfair.

Verizon has obligations as a public utility to provide reliable services to the communities it serves. While Verizon's investment in fiber optics technology holds promise for the company's success and for customers, the company must not be allowed to neglect its landline operations. In the interest of public safety, Verizon must ensure that citizens have access to landlines, especially during emergencies. The company also has a duty to ensure that individuals and businesses—whether urban, suburban, or rural—have access to the technologies necessary to compete in the current economy.

How can we motivate Verizon to change course? For one, regulators and elected officials have some power to regulate Verizon as a public utility and to require the company to meet its obligations to consumers, employees, and communities. Secondly, consumers have the power to put pressure on Verizon. Verizon Wireless customers can communicate to the company that they will switch to AT&T when their contracts expire if the company doesn't respect its workers. Likewise, Verizon Business customers, including colleges, universities, and municipal and state governments, can bring the weight of their institutions to call for the company to improve its relationship with its employees. Thirdly, Verizon shareholders can impact the company's course, as they demonstrated this year by passing a resolution giving themselves an advisory vote on executive compensation. Lastly, community leaders must stand with all Verizon employees in their efforts to save one of the most important sources of good jobs in our country.

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