

## **Impact Measures Federal Mediation and Conciliation Service Activities, 1999-2004**

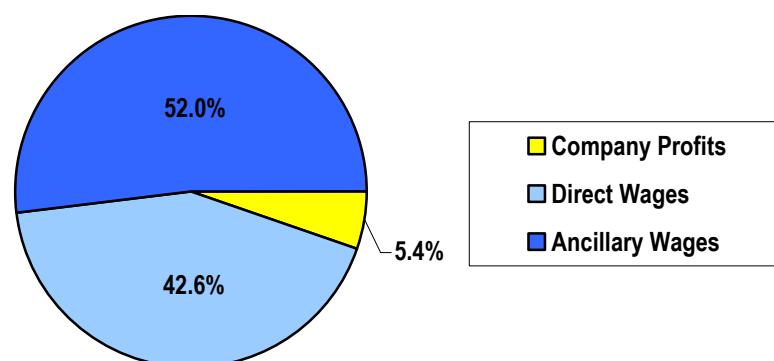
### **Executive Summary**

#### ***FMCS Mediation Benefits American Workers and Businesses***

Between 1999 and 2004, Federal Mediation and Conciliation Service (FMCS) mediation saved American workers and businesses more than \$9.0 billion. These savings average \$1.5 billion annually and impact more than 308,000 workers. In the absence of FMCS activity there would be an estimated 71.2 percent increase in the cost of work stoppages and a 76.1 percent increase in the number of jobs affected by work stoppages. As shown in Figure 1, average annual savings come from:

- \$80.7 million in retained company profits;
- \$640.5 million in retained bargaining unit member earnings;
- \$781.8 million in retained workers' earnings among ancillary industries.

**Figure 1: Shares of FMCS Savings to Workers and Businesses, 1999-2004**



Source: Employment Policy Foundation estimates.

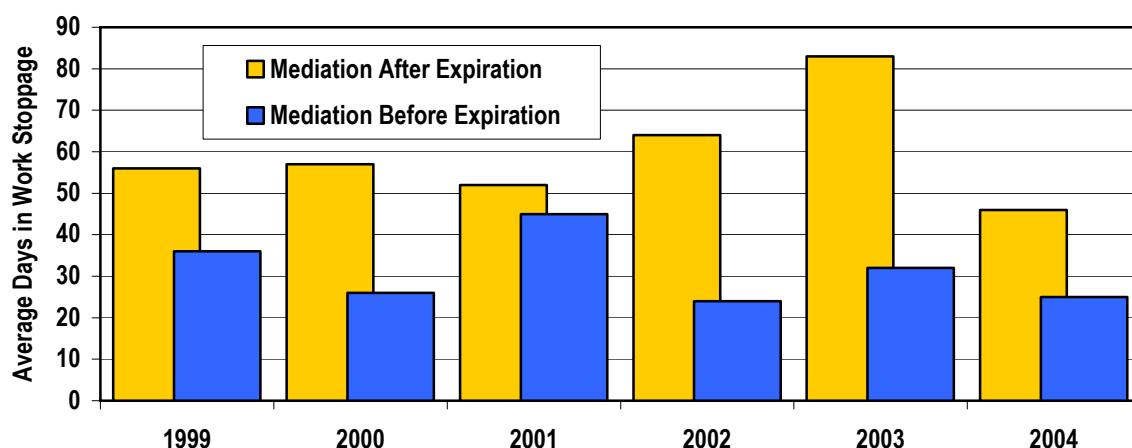
### ***FMCS Mediation Prevents Work Stoppages***

Without FMCS mediation, it is estimated that the number of work stoppages in an average year would have risen approximately 61 percent, from 343 to 511 incidents. Among the estimated 1,265 work stoppages prevented by FMCS activity, annual savings averaged \$1.3 billion, including \$69.9 million in retained company profits, \$548.8 million in retained bargaining unit member earnings, and \$666.5 million in retained earnings among workers in ancillary industries.

### ***Early FMCS Intervention Is Key to Reducing Work Stoppage Duration***

Analysis of data from the six-year period covered by the study shows that the expected duration of a work stoppage was 32 days when FMCS mediation occurred prior to contract expiration. When FMCS was not involved in or was first involved in negotiations after the contract expiration date, the expected work stoppage duration was 59 days—84.4 percent higher. (See Figure 2.)

**Figure 2: Days in Work Stoppage by Time of FMCS Mediation, 1999-2004**



Source: Employment Policy Foundation analysis.

The longer a work stoppage lasts the greater the loss to workers and businesses. By reducing the duration of work stoppages, FMCS mediation created an average annual savings of \$217.9 million—\$10.8 million in retained company profits, \$91.7 million in retained bargaining unit member earnings, and \$115.4 million in retained earnings among workers in ancillary industries. For every four days after the contract expiration date that FMCS is not involved in a contract renegotiation, another day is added to the length of any work stoppage that occurs.

### ***Work Stoppages Are Costly for Workers and Businesses***

Between 1999 and 2004, work stoppages cost workers and companies more than \$12.7 billion and impacted nearly 2.4 million workers. On an annual basis, work stoppages carried an average cost of \$2.1 billion. These costs include:

- \$86.9 million in company lost profits;
- \$1.0 billion in bargaining unit member lost earnings;
- \$1.0 billion in workers' lost earnings among ancillary industries;
- 164,000 employees involved in a work stoppage; and
- 241,000 positions that were indirectly impacted by a work stoppage.

Table 1 summarizes the annual savings from FMCS mediation and details the cost of work stoppages to American workers and businesses. In total, FMCS mediation reduced the cost of work stoppages to workers and businesses by 41.6 percent, and reduced the number of impacted workers by 43.2 percent.

**Table 1: Mediation Savings and Work Stoppage Costs, 1999-2004**

Year	Total Benefits		Work Stoppage Costs		% Change	
	Earnings (\$1,000s)	Impacted Workers	Earnings (\$1,000s)	Impacted Workers	Earnings	Impacted Workers
1999	968,122	255,140	1,779,490	234,899	-35.2	-52.1
2000	2,295,621	479,260	7,022,355	984,032	-24.6	-32.8
2001	727,578	207,208	971,484	248,937	-42.8	-45.4
2002	1,113,531	207,189	824,811	244,388	-57.4	-45.9
2003	941,525	136,911	702,273	123,258	-57.3	-52.6
2004	2,432,752	543,983	1,369,735	593,928	-64.0	-47.8
<b>Total</b>	<b>9,018,306</b>	<b>1,848,999</b>	<b>12,670,147</b>	<b>2,429,442</b>	<b>-41.6</b>	<b>-43.2</b>

Source: Employment Policy Foundation estimates.

### ***FMCS Can Further Reduce Work Stoppage Durations***

To help reduce the duration of work stoppages that do occur, FMCS should consider disseminating information contained in this report to educate union and employer representatives of the cost of a stoppage in their specific industry. Additional research might also prove helpful in determining the impact of a work stoppage in a particular industry. Future research could include the analysis of labor contract specific information—such as the timing of unfair labor practice charges, grievance filings, and previous participation in FMCS mediation activities—to identify negotiations that are highly likely to result in a work stoppage before the stoppage occurs. This system can also help mediators focus on negotiations that would potentially cause the most disruption to economic activity.

### ***Estimates Represent a Conservative Approach and Likely Underestimate Costs***

Estimating the private cost of work stoppages is a difficult task given the complex and dynamic nature of the national economy. EPF's analysis tends to overestimate work stoppage costs in situations where some or all employees voluntarily return to work before the end of a strike. Mitigating this overestimate is the un-tallied cost of salaried or other employees assuming the workload of striking or locked out bargaining unit members. Since EPF calculated losses only among input providing, or ancillary, companies, this analysis does not include the cost to output-receiving companies, which can be substantial. Thus, while the EPF cost estimate of the 2002 west coast dockworkers strike (direct and ancillary) is approximately \$57 million, contemporary estimates that included losses among companies dependent upon the goods shipped through the port, had estimates lying between \$1 billion and \$140 million per day.

*Analysis was conducted by the Employment Policy Foundation (EPF), a nonprofit, nonpartisan public policy research and educational foundation based in Washington, D.C.*