

# Secretary-Treasurer's Report



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**T**HIS PAST MAY I saw a news report that symbolized what has gone wrong in this country. Maryland Gov. Robert Ehrlich (R) was set to veto a bill that would have required any corporation that employed more than 10,000 workers to spend at least 8 percent of its payroll costs on health care benefits for their workers. The kicker was that standing at Ehrlich's shoulder were two top executives of Wal-Mart, the only company in the state with that many workers that does not provide adequate health care coverage for its employees.

Big Business is exerting undue power at the federal level and in many statehouses where lawmakers pass laws that favor profits over people.

Wal-Mart and other multinationals increasingly are enlisting the aid of the government to wield their crushing market power to threaten workers, hammer vendors and move jobs—exploiting workers and working conditions here and abroad.

We in the union movement are dedicated to improving the lives and working conditions of all workers. To counter this growing corporate power and ensure quality jobs for U.S. workers, the AFL-CIO has focused on four strategies: strengthening U.S. manufacturing, fighting for fair trade pacts that ensure the rights of workers here and around the globe, working to reform corporate management and holding corporations accountable through shareholder action.

## **Strengthening U.S. Manufacturing**

To rebuild U.S. manufacturing, the AFL-CIO and affiliated unions established the Industrial Union Council (IUC) in May 2002. Through the IUC, the 12 member unions are working to revitalize manufacturing by building on the collective strength of industrial unions through joint strategies for creating and maintaining manufacturing jobs.

The situation in manufacturing is grim. The United States has lost 2.8 million manufacturing jobs since President George W. Bush took office in 2001. These family-supporting jobs long served as the fuel that drove the economy of communities around the nation.

In Fieldale, Va., 1,000 hardworking members of UNITE HERE lost their jobs in 2003 when Pillowtex shut down its factory. These were well-paying jobs that many of these workers had held for decades—as had their parents. In Henry County, where Fieldale is located, Pillowtex not only meant good jobs—the company was the lifeline of the county. It paid roughly \$94,500 a month to the county for wastewater treatment and \$1.4 million a year in Henry County taxes, supplied the town's water and paid for the local police, community center and street lights. All that financial support is gone now. Nationwide, Pillowtex shut down 16 factories and distribution centers after declaring bankruptcy and laying off some 6,450 workers.

It's essential our nation's lawmakers understand the need to maintain and expand family-supporting manufacturing jobs, and through the IUC, the union movement put manufacturing on the front burner of the 2004 presidential campaign. Further, our actions to force our government to face up to the unfair trade practices of China and our massive effort to stop the spread of such bad trade deals as the Free Trade Area of the Americas (FTAA) invigorated the international and trade agenda within Congress and among the public.

I see this new vigor clearly at the IUC legislative conferences. This year, 1,300 union members spent two full days in workshops and lobbying on Capitol Hill. Four unions—the Boilermakers, United Food and Commercial Workers, Machinists and Sheet Metal Workers—took part in the conference

for the first time this year. We worked together to move our top legislative issues: trade, China's workers' rights and currency manipulation, the Buy American campaign, pension benefits and retirement security, health care and domestic investment in manufacturing.

## **Fighting for Fair Trade Pacts**

Our manufacturing jobs have been lost in part because of bad U.S. trade policies and treaties such as the North American Free Trade Agreement (NAFTA). Recently, we've faced the proposed Dominican Republic-Central American Free Trade Agreement (CAFTA) and the FTAA. These corporate-backed deals extend the damage done by NAFTA—some 900,000 jobs lost, irreparable environmental destruction and worker exploitation—to the entire Western Hemisphere. These agreements do not contain adequate workers' rights provisions and do nothing to change the terrible labor practices in many of the signatory nations.

In November 2003, I proudly marched with thousands of union members, students and religious leaders in Miami as we stymied the plans of trade ministers meeting there to finalize the FTAA. But while the FTAA is on hold, the Bush administration made passage of CAFTA one of its top legislative priorities. Through a strong alliance of U.S. and Central American unions, we lobbied Congress and educating the public about the dangers of unfettered free trade.

Our trade picture is a disaster. Last year we ran up a \$618 billion trade deficit overall and 2005 promises more of the same. It would take a 150 percent increase in our exports just to stay even with the 2004 deficit. Currently, the annual trade deficit is running more than \$100 billion above last year.

The trade picture with China is even more troubling. In 2004, our deficit with China soared to \$162 billion, a 30 percent increase in one year. This is the largest bilateral trade deficit between two countries in the history of the world. In the past two years, experts estimate our deficit with China alone has cost our nation 410,000 jobs.

China's trade advantage depends in large part on the exploitation of its workers. In 2004, we filed a first-of-its kind petition with the U.S. Trade Representative, which demonstrated how China's frequent violations of workers' rights give that nation an unfair trade advantage that has cost more than 727,000 U.S. jobs. In addition, the AFL-CIO also is pushing the administration to use its power to persuade China to allow its currency to float on the international market and to stop an artificial valuation that gives it an unfair advantage over its trading partners, including the United States. Six dollars of every \$10 of trade from China come from a U.S. company. Clearly, this is not about trade but rather relocating production facilities to China to increase profits at the expense of American jobs.

Wal-Mart, the same multibillion-dollar corporation that won't pay its employees a living wage or provide them with affordable health care coverage, imported \$18 billion in goods from China, more than 10 percent of the 2004 U.S. deficit with China.

Wal-Mart imported nearly 10 percent of all Chinese goods sold in this country that year. That's why the Wal-Mart campaign spearheaded by UFCW is so important. We must change the way that company does business and make sure its workers get a fair wage and good health insurance and that it buys more of its products at home.

## **Exposing the Corporate Role Behind Social Security Privatization**

One of the biggest displays of corporate greed is the scheme to privatize Social Security. This plan to privatize the nation's most successful safety net is the biggest shakedown in U.S. history. Financial firms stand to gain billions of dollars in fees from managing privatized Social Security accounts while working families would have to make due with smaller Social Security benefits and our children would be strapped with a huge national debt. Companies such as Charles Schwab, Wachovia and Citigroup are providing massive amounts of corporate cash to support privatization. University of Chicago economist Austin Goolsbee estimates companies such as Charles Schwab Corp. could reap some \$940 billion in fees over the next 75 years.

When Social Security privatization topped the agenda of the Bush administration, we needed to take action fast. To stop the Wall Street Social Security privatization juggernaut, we have had to take on some of the nation's major financial firms and expose their backroom support for privatization. In March 2005, we sponsored a National Day of Action to let Wall Street know Social Security is not for sale. Thousands of working families and community activists rallied in more than 70 cities at the offices of Wall Street firms, demanding organizations such as Charles Schwab and others stop supporting privatization of Social Security.

We urged shareholders to withhold their votes for the financial firm's board of directors because of Schwab's boardroom role in trying to take workers' retirement by supporting the privatization of Social Security. In a major success, 26 percent shareholders

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withheld their votes at the Charles Schwab annual meeting in May 2005. Withholding a vote is equivalent to a vote of no confidence in the board, including the chairman, Charles Schwab. Shareholders also expressed their dissatisfaction with the firm's leaders by passing—with 57 percent of the vote—a resolution requiring annual elections of all directors. The resolution passed even though Charles Schwab owns 19 percent of the company.

Our union-backed grassroots protests by workers and investors at dozens of financial firms this year already have prompted some companies to drop out of pro-privatization organizations, such as the misnamed Alliance for Worker Retirement Security (AWRS), which is leading the charge for privatization. In February, Edward Jones pulled out of the AWRS after a series of community actions at many of its offices. Shortly before grassroots mobilizations aimed at investment firm Waddell & Reed were set to take place in March, the company announced it was leaving AWRS.

## **Holding Corporations Accountable**

Union members work hard and we expect to be paid for doing a good job. When we mess up, we want to be treated fairly but to be held accountable. That standard does not seem to apply to corporate CEOs. Look at what happened to Douglas Ivester. In the two-and-a-half years that Ivester ran the Coca-Cola Co., the company had a product contamination scare in Europe, faced a racial discrimination lawsuit and lost its bid to buy another company. Meanwhile, Coke's profits and stock price slumped. So what did the board do when Ivester resigned? It gave him a six-year consulting agreement worth \$675,000, office space, furniture, supplies, a company car, home security service and club dues. In total, his

retirement package reportedly was worth \$119 million!

Other CEOs get rewarded for increasing the company's bottom line at the public's expense. The CEO of Wal-Mart, Lee Scott, was paid \$23 million in salary, bonuses and stock options last year. Yet, according to a congressional report, each Wal-Mart store employing 200 people costs taxpayers about \$420,750 annually in public social services used by Wal-Mart workers whose low wages and unaffordable health insurance mean most of them are among the working poor.

CEOs get away with these kinds of abuses because they dominate the selection process for company directors. Until shareholders have the strength to elect vigorous independent boards, these kinds of outrages will continue. That's why the AFL-CIO Capital Stewardship program works with affiliate unions and worker pension funds whose \$5 trillion in assets enables the union movement to push for reform of corporate management, protection of workers' pensions and creation of good jobs that build our communities.

In the past two years, union members' pension funds—such as those of Communications Workers of America and UFCW, the Amalgamated Bank's Longview Collective Investment Fund and the AFL-CIO Reserve Fund—led the fight to reform executive pay and restore genuine accountability in corporate boardrooms at hundreds of companies, including Safeway, Comcast, Wal-Mart and Tyco.

The labor movement led the successful fight to win the first-ever disclosure of mutual fund proxy votes, which allows workers to learn how the financial firms that invest our pension funds vote on key corporate issues.

Each year, through the extremely popular AFL-CIO PayWatch website (www.paywatch.org), we publicize the enormous compensation packages paid to CEOs, many of whom send jobs overseas while the wages of U.S. workers who still have jobs stagnate or even drop in real terms. The just-issued AFL-CIO report, *Behind the Curtain: How the 10 Largest Mutual Fund Families Voted When Presented with 12 Opportunities to Curb CEO Pay Abuse in 2004*, examines proxy vote reports by the nation's mutual fund companies. Because mutual funds own 22 percent of all U.S. corporate stock, their proxy votes on such issues as CEO pay and director elections can be decisive.

The *AFL-CIO Proxy Voting Guidelines* booklet serves as a guide for union pension fund trustees for voting their funds' shareholder proxies. The guidelines assist trustees in exercising their ownership rights in ways that achieve long-term value by supporting important shareholder initiatives on corporate accountability. In 2004, union and pension fund shareholders and trustees introduced hundreds of resolutions at corporate annual meetings. These initiatives include board of directors' proposals, corporate governance and proposals concerning employee relations, executive compensation and corporate responsibility issues.

In the first five months of 2005 alone, shareholder proposals by the Sheet Metal Workers, Laborers, Teamsters and Plumbers and Pipe Fitters to give investors a greater stake in director elections received majority support at nine companies and garnered

high vote totals (more than one-third support) at several other companies, including Peabody Energy Corp., Verizon and Waste Management Inc. The Laborers and AFSCME also sponsored shareholder resolutions at companies such as Amgen and Sempra Energy.


## Renewing Our Mission

When I was growing up in the coal country of western Pennsylvania, I watched my father and other coal miners perform back-breaking work for long hours while breathing dust that eventually would kill them. They risked their lives in the mines to feed their families and provide a better life for their children. They worked at the mercy of coal company barons who sacrificed the lives and health of the workers to gain every penny of profit they could.

Workers such as these built the union movement. Our mission is to make sure that never again will corporations have the sole power to determine the fate of hard-working people. Today, the Wal-Marting of the world economy, with the consent and support of many world governments, means the union movement must grow stronger and fight harder to counter corporate power.

The world's workers and our communities are under attack. We must fight back. Our accomplishments are just the beginning. We cannot rest until every worker receives a fair wage, a secure retirement and affordable health care. The future of our children and of our way of life depends on it.

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Richard L. Trumka