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Label Letter

Union Label & Service Trades Department, AFL-CIO

New York investigation unmasking unsavory tactics in the insurance industry

Pattern reminiscent of banking excesses that led to near collapse of U.S. economy

Taking a page from Wall Street, insurance companies are developing their own brand of loopholes, tax dodges and “financial alchemy” to evade regulators, inflate profits, drive up stock prices and avoid reserve requirements in their home states. A report issued in June by the New York State Department of Financial Services identifies approximately \$48 billion worth of unsavory transactions it describes as “shadow insurance” in New York alone and describes the threat that these practices pose for policyholders and taxpayers nationwide.

At the national level, the report warns: “[S]hadow insurance also could potentially put the stability of the broader financial system at greater risk,” recalling that the near collapse of U.S. financial markets in 2008 began with the default of international insurer AIG and the implosion of worthless “exotic derivative” investments with no financial value to back them up.

“There are almost certainly tens, if not hundreds, of billions of dollars of additional shadow insurance on the books of insurance companies across the country...”

“Indeed,” the report continues, “in a number of ways, shadow insurance is reminiscent of certain practices used in the run up to the financial crisis, such as issuing securities backed by subprime mortgages through structured investment vehicles (SIVs) and

writing credit default swaps on higher-risk mortgage-backed securities (MBS).

Entitled “Shining a Light on Shadow Insurance,” the report warns that the industry tactic of setting up “captive” subsidiaries to offload policy premiums and claims enables the parent companies to divert reserves out of the view and reach of regulators, sometimes into states with weaker regulation and sometimes into offshore tax havens such as the Cayman Islands.

Various shadow insurance practices have had the effect of removing approximately \$38 billion from New York state disclosure requirements. Consequently, these companies can look as if they are holding legally required buffer funds while using what should be reserves to pay higher executive compensation or to drive up stock prices or for any number of other purposes unrelated to paying policy holder claims.

New York’s relatively strong regulatory

requirements enable state officials there to dig into the practice but what they found is only a portion of what appears to be a nationwide trend. “There are almost certainly tens, if not hundreds, of billions of dollars of additional shadow insurance on the books of insurance companies across the country,” the report asserts.

The report contains a number of recommendations to tighten up practices. The most dramatic is a call for an immediate national moratorium on approving shadow insurance transactions until a national investigation can provide a more complete picture of the scope of the practice. The report also calls on the National Association of Insurance Commissioners to develop similar requirements for all states and urges federal agencies as well as individual states to conduct parallel investigations to develop a more complete picture of the extent of shadow insurance. ■

69th Convention of the Union Label and Service Trades Department

The Convention of the Union Label & Service Trades Department (UL&STD) will take place on Friday, September 6, 2013 at 1:00 pm at the JW Marriott L.A. LIVE, 900 W Olympic Blvd., Los Angeles, CA 90015. The UL&STD constitution requires UL&STD to convene quadrennial conventions during the week prior to the convention of the AFL-CIO for the purpose of electing officers—president, secretary-treasurer and 17 vice presidents constituting the Department’s executive board—to four-year terms.

The Department is honored to welcome AFL-CIO Secretary-Treasurer Liz Shuler who will act as our keynote speaker. ■





If your kids are among the luckiest students in the nation, they will have a union teacher to guide their studies, union members who provide custodial and support services, possibly a union principal and their school bus drivers may be union. When they pledge allegiance to the flag, most likely, it will be union made by workers at the Annin Flag Co.

Editors note: as with all Do Buy lists this list does not include all available union-made products and services. We welcome your suggested additions and invite you to add your products to our online database at www.unionlabel.org

BACK TO SCHOOL

Send them back to school with these union-made products and services from members of the USW, CWA-PPMWS, UAW and UFCW.

Paper products:

- International Paper Company
- Mead Lined Paper
- Roaring Spring Wirebound Notebooks
 - **Sub brands:** Environotes, Imagine, Genesis, Enviroshades, Emoticons, Lifenotes, Maxim
- Roaring Spring Environotes Filler Paper, Translucent Paper and White Paper
- Roaring Spring Legal Pads
 - **Sub brands:** Boardroom, Enviroshades, WIDE, Enviro pads, Envirogold
- Roaring Spring Environotes Index Cards

Notebooks and Binders:

- Acco/Mead
- Day-Timer Organizers
- Roaring Spring Composition Books

Pens:

- Sharp
- Shaeffer
- Parker

Student and Teacher Supplies:

- Martin Weber Art Supplies
- Roaring Spring Art Supplies
- Master Lock
- Kleenex and Puffs Tissues
- Clauss Scissors

***Not all Kleenex and Puffs products are union made.**

These stores are staffed by union employees:

- Office Max
- Safeway
- Giant
- Albertson's
- Ralph's
- Vons



Ashley Beard-Fosnow, wife of Clint

IRONWORKERS LOCAL 10



My name is Ashley and I am a housewife. I live in Missouri with my husband, Clint, is an Ironworker and I love to brag to anyone I meet that he is a member of the Ironworkers Local 10. Before we met, my knowledge of organized labor was based exclusively on the Disney film “The Newsies.” Over the last 10 years, Clint has filled me in on a lot of the details.

As member of a Union family, I have experienced all the benefits of the association and literally thank God everyday for Clint’s union.

He works long days doing grueling work. Every morning, I pack his lunch and set out his sunscreen, but what really keeps him protected throughout the day are the safety standards enforced on

the job and education he received as an apprentice in the Union.

While he is at work, I tend the children, take them to doctor’s appointments, clean our house, take the car in to have the oil changed, grocery shop, cook meals for our family, etc.

We go without a lot of the “wants” of the world—I coupon like crazy, we don’t have cable, we shop at garage sales and thrift stores—but Clint is able to provide for a family of five without going into debt or accepting government assistance *because* his union bargained for him to earn a living wage.

Clint has been saving for retirement for 18 years *because* he’s in a union. We can afford to take our kids to the doctor *because* his insurance through Local 10 is great. Thanks to the labor movement, Clint’s usual workday is only eight hours, which means I get him on a few hours of R&R each evening before going to bed, waking up, and doing it again.

Ironworkers dangle—usually from great heights—to weld steel for buildings and other erections, all while wearing belts and harnesses so heavy I can’t lift them.

Ironworkers are American Heroes. They have built all of the iconic structures in the country. They make bridges safe. At

great personal danger, they worked in the recovery after 9/11.

I could go on and on.

At home family is always number one. With the Ironworkers at Clint’s company—it’s the same. They are family. They all look out for one another at work and off the job.

Clint fell and sustained a serious neck injury that left him unable to work for several months. His co-workers pooled a fund to send us for Christmas that year. I bawled my eyes out with gratitude at the time, but it’s just what you do when you’re part of a family. Now we feel so fortunate to be able to pay it forward to others in need.

Today, the Labor Movement is one of my passions. In addition to being my husband’s biggest cheerleader, I love being a part of a cause that brings working class families together to increase the quality of life for everyone. Union values are synonymous with what we teach our children at home: work hard, stick together, be nice, share, be safe. The Labor movement is our lifestyle because it has blessed our family in so many ways. I am passionate about organizing as many workers as possible so that every working family can enjoy the same quality of life. God bless working class families—we’re all in this together! ■

Spotlight the label: Amalgamated Transit Union

The Amalgamated Transit Union—the largest labor union representing transit and allied workers in the U.S. and Canada—fights for the interests of its hard-working members and promotes mass transit.

Founded in 1892, the ATU today is comprised of over 190,000 members, including: metropolitan, interstate, and school bus drivers; paratransit, light rail, subway, streetcar, and ferry boat operators; mechanics and other maintenance workers; clerks, baggage handlers, municipal employees, and others. ATU can be found in 44 U.S. states and the District of Columbia, and nine Canadian provinces.

The Union fights for transit workers by helping them organize local unions, negotiating collective bargaining contracts with their

employers, representing members in disputes with management, and making sure that employers adhere to the provisions of their collective bargaining agreement.



The Union also represents the interests of its members at all levels of government, in courts, and in legislatures. ATU is a member of the AFL-CIO, and the CLC—the national labor organizations of the United States and Canada, respectively.

The union is governed by an international president, international executive vice president, international secretary-treasurer, and 18 international vice presidents who are elected every three years at the ATU’s International Convention. The 18 international vice presidents form the union’s General Executive Board.

ATU international headquarters is located in Washington, DC. The offices of the Union’s Canadian Council are located near Ottawa, in Rexdale, ON. ■

USW Local 1343 ratifies new six-year agreement at Caterpillar

United Steelworkers (USW) Local 1343 ratified a new, six-year contract at Caterpillar's South Milwaukee plant. The agreement comes after workers previously rejected an April 30 contract proposal that would have frozen wages and pensions, lowered pay for new hires and implemented 14 weeks of temporary layoffs per year.

"It was a very close. But it did pass," said Ross Winklbauer, a subdistrict director for southeastern Wisconsin

at the United Steelworkers. "It passed cause you're dealing with Caterpillar and we believe it was the best we were going to get at this time."

Caterpillar is a notoriously tough negotiator with its unions having locked out workers at its Canadian plant last year after workers rejected a more than 50 percent wage cut.

The new contract covering 803 hourly employees contained a \$1,500 ratification bonus for plant workers and

shaves four weeks off of the proposed 14 weeks per year of temporary layoff time. Workers will receive \$85 for one day or \$170 per week during layoffs to supplement unemployment checks. ■



Unions urge New York MTA to reconsider rebuilding Verrazano-Narrows Bridge with Chinese steel

The United Steelworkers International President Leo Gerard has written to Fernando Ferrer, Acting Chairman, and Thomas F. Prendergast, Interim Executive Director of the Metropolitan Transportation Authority (MTA), questioning its decision to use 15,000 tons of steel, all sourced from China, to rebuild the Verrazano-Narrows Bridge.

"American workers produce the highest-quality, safest steel at the most environmentally responsible plants in the world. At a time when millions of industrial workers are unemployed, laid off or working reduced hours, the USW questions why the MTA is electing to haul steel halfway around the world from a Chinese State Owned Entity (SOE) that has never before manufactured this particular product," Gerard points out in the letter.

The announcement by the New York MTA to use steel sourced from China comes on the heels of reports that the new San Francisco-Oakland Bay Bridge, also built with Chinese sourced steel and foreign workers, had 32 of 96 high-strength steel bolts fail.

A team of Caltrans engineers and metallurgical experts are trying to determine why the bolts, installed in a key seismic feature on the new bridge, suffered from "hydrogen embrittlement" and who is to blame. After the initial reports of the failure further investigation by Caltrans found that methods used during construction had not followed guidelines set forth by experts.



Ostensibly the use of the Chinese steel in both projects is an effort to save money. However, the cost-savings "don't take into account the environmental price of shipping steel from hundreds of thousands of miles versus 100 miles, nor the cost to our fragile economic recovery of American jobs," says Gerard.

Walter Wise, Iron Workers International president, also expressed dismay over the use of Chinese steel, in a July 2, letter to the Wall Street Journal. "Rather than abandon the U.S. steel and fabrication market for cheap labor, untested Chinese products and the insecurity of that supply chain, the commitment to the use of U.S.-produced steel and fabrication to rebuild our 20,000 failed

bridges and aging infrastructure will expand and modernize our native capacity with private capital. In the process, they will create jobs, providing a shot in the arm to the U.S. economy that far outweighs any perceived savings from Chinese purchases."

"A \$600 million bridge project fabricated by U.S.-based firms and U.S. workers will yield a huge local economic impact. The same project secured by the Chinese bidder at \$500 million, while cheaper, produces an economic boost in China, not here at home where our economy is still struggling to produce jobs. The "price" of Chinese steel may be low, but the value to American families is nonexistent," wrote President Wise. ■

World's largest solar thermal power project built with union labor

The Ivanpah Solar Electric Generating System being built in the Mojave Desert has brought an estimated 1,400 union jobs to the area.

BrightSource and Bechtel, the engineering and construction contractor for the Ivanpah project, signed a Project Labor Agreement (PLA) with the State Building and Construction Trades Council of California (SBCTC) and the Building and Construction Trades Council of San Bernardino and Riverside counties to ensure that California's local workforce bene-

fits from the project. The project is expected to generate \$400 million in local and state tax revenues, and produce \$650 million in wages, over its first thirty years of life.

PLAs help ensure compliance with laws and regulation governing workplace safety and health, equal employment opportunity and labor and employment standards. The coordination achieved through PLAs can significantly enhance the economy and efficiency of construction projects. ■



CWA: Coalition will continue to work to fix the broken Senate

By Larry Cohen, President CWA

In a recent issue of the CWA News, Communications Workers of America president Larry Cohen emphasized the need for labor's core work of bargaining and organizing to be coupled with a broad movement of 50 million people who will fight for economic justice and democracy for all.

**IN THE BEST OF TIMES,
THIS WOULD BE A BIG JOB.**



But these are not the best of times.

The Republican minority in the Senate spends a great deal of time and energy blocking nominations to agencies and judgeships. These programs that already were adopted by a majority of the Congress are being strangled because of the minority's determination to run over the democratic process.

Finally, there was action in the U.S. Senate in mid-July on nominations to several important executive branch positions.

First up was Richard Cordray, who, after a two-year wait, was confirmed as director of the Consumer Financial Protection Bureau by a 66-32 vote. Later that week the Senate voted to confirm Tom Perez as Secretary of Labor by a 54-46 vote. The Republican minority had blocked confirmations of Cordray, the administrator for the Environmental Protection Agency, the Secretary of Labor and the head of the

Export-Import Bank, among others, but its strongest attack was waged against Democratic nominees to the National Labor Relations Board.

Majority Leader Harry Reid won agreement from the Republican minority that nominations to the NLRB will get to the Senate late July, and that a full, functional Board will be confirmed before the Senate leaves for its August recess.

The White House has put forward two new Democratic nominees, to replace Sharon Block and Richard Griffin. Both Block and Griffin are extremely qualified but they were derailed by the relentless attack waged against them by Republicans for no reason other than "they answered President Obama's call to serve."

The Senate action raises the question of the seven nominations: "Why were two nominees to the National Labor Relations Board singled out?"

Senator Lindsay Graham, one of the loudest opponents of the NLRB, has said he will likely vote to confirm the new NLRB nominees.

Our main goal was to move all these nominations forward, and this agreement encourages us that we can move toward a 21st century democracy. We're still moving forward with our coalition "Fix the Senate Now." By building a movement of 50 million Americans, with allies like Jobs with Justice, the Sierra Club, the NAACP, Greenpeace and many more, we can stand up for real democracy and achieve our longtime goals of good jobs, retirement and health care security, and

bargaining and organizing rights.

If we don't overcome the real barriers to democracy that we face, union members won't make any gains. Each round of bargaining will get tougher and tougher, as employers pit non-union workers against union members, or take advantage of immigrant workers, or shift more good jobs overseas.

This isn't the future we want for our children and ourselves.

So we join with allies to fix the Senate rules, to get corporate money out of politics, to increase voting rights and to make certain that immigrants, hard-working men and women and their children, have a path to citizenship.

About 100 groups so far have joined the Democracy Initiative, launched by CWA, Sierra Club, NAACP and Greenpeace, because we all realized that we couldn't win on our own. We have to be there for each other's fights.

We must not only work for a 21st-century democracy, but also build political organizations at the state and federal levels that link economic justice to democracy. The U.S. Chamber of Commerce has spent four decades scheming to strip workers of their bargaining rights. They've come a long way toward that goal. The result is the bargaining climate we face today. Working Americans, whether union members or not, will find justice on the job only as part of a bigger movement, a movement of 50 million Americans demanding democracy and economic justice. ■



UNITE HERE and Hyatt reach national agreement

Removal from Boycott list pending settlement and ratification

In July, UNITE HERE announced that they had reached an agreement with Hyatt Hotels Corporation.

For more than a year, the Union Label and Service Trades Department has spread the word about UNITE-HERE's AFL-CIO endorsed global boycott of Hyatt Hotels to protest the mistreatment of workers. The Department has promoted the union's global boycott, on its website www.unionlabel.org, and social media platforms, as well as in each edition of the Label Letter newsletter.

The agreement is dependent on the settlement and ratification of union con-

tracts by Hyatt associates in San Francisco, Honolulu, Los Angeles, and Chicago. If approved, the contracts will provide retroactive wage increases and maintain quality health care and pension benefits. The proposed new contracts would cover workers into 2018.

A key provision of the agreement establishes a representation process, which includes a mechanism for employees at a number of Hyatt hotels to vote on whether they wish to be represented by UNITE HERE. As condition of the accord, upon ratification of the union contracts, UNITE HERE will end its global boycott of Hyatt.

D. Taylor, the president of UNITE HERE, said, "We look forward to a new collaborative relationship with Hyatt. This agreement shows that when workers across the hotel industry stand together, they can move forward, even in a tough economy. Both organizations deserve credit for working out this constructive step forward."

"We are delighted that our associates in Chicago, Los Angeles, San Francisco, and Waikiki will have contracts and the pay raises that go with them," said Doug Patrick, Senior Vice President, Human Resources for Hyatt. ■

Palermo Pizza workers march for justice one year later

June 1, 2013, marked the anniversary of the strike by workers at Palermo Pizza in Milwaukee.

Last year more than 100 workers at the Wisconsin pizza factory walked out to protest unsafe working conditions, poverty wages and to demand the right to form a union without the fear of retaliation. The strike was the climax of a years-long effort to win recognition for their union. Their organizing drive began in 2008.

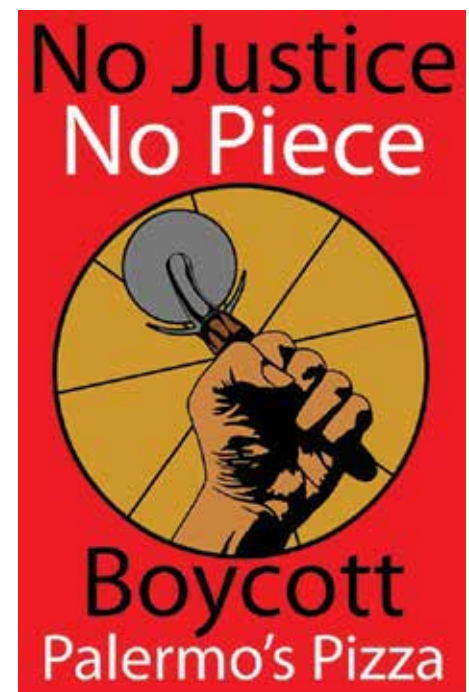
Fed up with conditions at the company workers turned to **Voices de la Frontera**, a community center that provides support for immigrants and low-wage workers, for help. By the end of May 2013, 80 percent of workers at the factory had signed a petition in favor of forming a union. When the petition was delivered to the company, Palermo refused to recognize the

union and fired 89 employees, claiming that federal immigration authorities had ordered them to verify the status of their employees.

A year later, to mark the anniversary, many of the workers and supporters marched 18 miles from the factory, Palermo's Plaza, to the mansion of company owner, Giacomo Fallucca. Marchers carried banners and chanted "No justice, no pizza!"

More than 50 organizations co-sponsored the solidarity actions, including more than a dozen local unions, many area labor councils and student groups. Throughout the march additional supporters joined the group in the walk to Fallucca's home.

The march concluded with a vigil outside Fallucca's home where speakers told the group of the struggles these workers have faced. ■



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In This Issue...

New York investigation un.masks unsavory tactics in insurance industry.	1
Do buy: school supplies.	2
Walk in my shoes.	3
USW Local 1343 ratify contract at Caterpillar.	4
World's largest solar thermal power project built with union labor	5
UNITE HERE, Hyatt reach national agreement.	6
AFL-CIO National Boycott	7

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EndNotes

By Rich Kline, *President, UL&STD*

Beware the New Normal



It seems as though every event that once struck as unusual is now labeled “the new normal.”

Seemingly endless rain in the East, wild fires in the West, and non-stop celebrity jabber/tweets are also new “normals.” Times are tough.

High unemployment dogging the economy and college graduates living out their twenties in their parents’ home, it’s the new normal. Age 70 is the new 50, it’s the new normal; interpret this to mean that you’d better not expect to quit work before 70. If you have work.

And support for more free trade agreements is also a feature of the new normal. We have warned here before of the pitfalls surrounding the Trans-Pacific Partnership, a free trade agreement that could include not only the original group of a dozen or so nations, but also Japan and China maybe.

Now we come to the Trans-Atlantic Trade and Investment Partnership. This is a huge deal in the works for the US and the European Union. But don’t worry all the parties involved want a speedy resolution that is likely to weaken safety and health regulation, Buy American provisions, restrictions on the financial industry and other consumer and worker protections. Some readers may recall that NAFTA had similar fast track pressure with similar promises that trade would increase and rewards would be widespread. Our political leaders have faulty memories or other concerns.

One doesn’t doubt that the rewards might be great, increases in the billions are projected. How evenly these rewards will be spread is questionable. How many jobs here will be created, or as the economists say “creatively destroyed,” is also an open question. But the promises all sound so good. It is the nagging memory of how so few past promises were fulfilled that undermines the general euphoria expressed by the political class.

A facet of all of these agreements is the loss of national sovereignty that they require. Participating nations jointly agree to adhere to new guidelines and to subject themselves to penalties if they stray. In some cases that might improve the way things go in the US, in others it may not.

Speedy negotiations on matters like this leave too many loopholes.

We suggest a different kind of “new normal” for political leaders when it comes to trade agreements: Go slow, fully inform the public and don’t make deals that reward the corporations and banks at the expense of the public. ■



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