

JOC Commentary

Dear Teamsters: A strike could make UPS union-free



UPS could potentially lobby Congress to reclassify parcel carriers under the US Railway Labor Act, which was established for transportation companies operating a network critical to the movement of commerce, writes Satish Jindel. Photo credit: BrandonKleinPhoto / Shutterstock.com.

[Satish Jindel, president, SJC/ShipMatrix](#) | Jul 19, 2023, 10:55 AM EDT

Dear Teamsters,

The [latest news about the standoff in contract talks and the union rhetoric](#) suggests that Teamsters workers at UPS may strike as of Aug. 1.

As stated in my first letter in April, think before you walk. Your work stoppage opens the door for UPS to rebuild a workforce with non-union workers. While it will take time and will be painful, unlike 1997, this year UPS has access to a huge pool of experienced drivers and package handlers to hire.

While it now has two national and a few smaller regional private competitors, those carriers also provide a huge pool of non-union workers for UPS to hire. The thousands of drivers for FedEx, Amazon and OnTrac master contractors are delivering over 25 million parcels per day and will provide enough drivers for UPS to deliver its daily volume of 20 million packages.

Even if those workers are not as well trained, with more automation in sort facilities and the enhanced pickup and delivery routing software Orion, they will quickly become as productive as Teamsters workers.

And, even if those non-union drivers are less productive, UPS costs will be much lower due to the huge disparity in their current wages and benefits compared to the Teamsters workers. With the drivers employed by independent service providers (ISPs) and delivery service partners (DSPs) being paid \$20 to \$25 per hour, they will clamor for UPS driver jobs at even \$30 per hour compared to up to \$42 per hour paid to the UPS Teamsters package car drivers.

Then, throw in the difference between the medical benefits, and UPS jobs will be even more attractive. On top of that, UPS can either save the cost of pension payments or offer it to make the jobs even more appealing.

And even the part-time union employees, including package handlers at UPS, make an average of \$20 an hour after their first 30 days of employment. In addition, they receive tuition reimbursement and the same health and medical benefits as full-time employees with no premiums and low or no copays. They also get a pension, which is a rarity in the private sector. So, even the package handlers at FedEx and Amazon will be attracted to such jobs at UPS.

More importantly, UPS gets to kill not just two birds with one stone, but several. In addition to the elimination of union workers, it potentially can significantly reduce the workforce of its two major competitors and even many smaller ones. In essence, that will reduce market capacity by 20 million parcels per day. And with FedEx and Amazon unable to handle their parcel volume without thousands of their ISP and DSP drivers, UPS gains pricing advantage.

Railway Labor Act in play?

On top of that, UPS can lobby Congress to reclassify parcel carriers under the Railway Labor Act. With FedEx combining its express and ground networks, it will support such an effort. The RLA was established in 1926 for transportation companies operating a network critical to the movement of commerce. At that time, it was done for the railroads, and then airlines were added later.

However, in the 21st century, parcel carriers operate a network that is even more critical to the economy than railroads and passenger airlines, and thus should be covered by the RLA. Imagine FedEx and UPS workers going on strike when the country needed their networks to distribute COVID-19 vaccines in January 2021. With such a change resulting from having parcel carriers covered by RLA, Teamsters will have a difficult time organizing UPS, FedEx or Amazon at a national level.

Still, the overall dramatic change in the parcel industry that could result from UPS hiring workers from other carriers -- the shrinkage of parcel capacity by 20 million parcels per day, a huge reduction in capacity at FedEx, Amazon and other regional carriers and the disruption of jobs for 300,000-plus union workers -- will be devastating for the economy and shippers. And that would be a major reason UPS may not pursue such a course of action even if the Teamsters should strike.

But the rubber band has been stretched to the limit, and if it snaps, UPS will get a blessing it may have never even dreamed of. Such a drastic implication of a potential work stoppage at UPS is another reason its competitors would like to only see the agreement delayed, but not result in a strike.

So, dear Teamsters, be aware of the unintended consequences of a strike.

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