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Manufacturing

Boeing workers reject contract deal, begin strike




A demonstration by The Boeing Co.'s machinists union disrupted production at its Everett facility Wednesday ahead of the vote rejecting the proposed four-year contract.

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Around half of The [Boeing](#) Co.'s Washington workforce voted Thursday to reject a [proposed labor deal](#), setting the stage for a massive 33,000-person strike across the jet maker's commercial production lines that began 12 a.m. Friday.

Boeing's machinists union rejected the company's proposed contract by a large margin, [The Seattle Times reported](#).

The company in statement said, "The message was clear that the tentative agreement we reached with IAM leadership was not acceptable to the members. We remain committed to resetting our relationship with our employees and the union, and we are ready to get back to the table to reach a new agreement."

The deal between Boeing and the International Association of Machinists and Aerospace Workers 751 included a 25% wage increase over the contract's four-year term, among other improvements to workers' benefits and paid time off. It also included a pivotal demand from the union: a commitment from Boeing leadership to establish production of its next all-new commercial airplane in Washington, as long as the program launches by contract's expiration in September 2028.

Still, the machinists criticized the proposed contract, which fell well short of the 40% pay hike they sought and did away with a popular incentive bonus in favor of a one-time \$3,000 ratification bonus for all workers. They also said the proposed retirement benefit structure didn't stack up against their defined-benefit pension of old, which was eliminated in 2014.

Boeing got a taste of what a potential strike would mean Wednesday when thousands of workers demonstrated outside its Everett plant loudly enough to disrupt production. Union members [voted in July to approve a strike](#) if a deal hadn't been reached by the time the contract expires at the end of Thursday.

In the run-up to the vote, Boeing leadership sent a flurry of messages to employees championing the deal, which it said will pencil out to a 33% wage increase for employees who progress to higher seniority levels over the course of the contract.

In a statement Tuesday, Stephanie Pope, president and CEO of Boeing Commercial Airplanes, also emphasized the company's debt load, which stood at \$57.9 billion at the end of the second quarter, and urged workers not to hold out for a better deal.

"Let me be clear: We did not hold back with an eye on a second vote," Pope wrote of the deal. "We do not want a strike because a work stoppage will hurt all of us, our customers, our suppliers, and our community."

The sentiment was repeated Thursday by Boeing's [new CEO Kelly Ortberg](#), who took up the role last month.

"For Boeing, it is no secret that our business is in a difficult period, in part due to our own mistakes in the past," Ortberg said in note to employees Thursday. "Working together, I know that we can get back on track, but a strike would put our shared recovery in jeopardy, further eroding trust with our customers and hurting our ability to determine our future together."

But wage increases that favored more senior workers factored into employees' frustrations, as the company has increasingly brought on younger, less experienced workers to replace those that retired or left the industry during the pandemic.

The wage increases lag the broader market somewhat, posing a risk for Boeing that some of those new workers could jump ship to its competitors or other manufacturing sectors, where demand for their skills is still strong, said longtime aerospace analyst Richard Aboulafia, managing director of AeroDynamic Advisory. And despite its debt, he added,

Boeing still has financial tools it hasn't yet brought to bear, such as equity financing.

The contract also leaves a glaring loophole for Boeing regarding its promise to locate production of its next commercial jet in Washington. Former CEO David Calhoun, who stepped down last month, had previously said a new "clean sheet" airplane likely wouldn't be ready to debut until 2030 or later – well after the contract would expire. But Boeing's customers and suppliers have urged it to [quicken its pace of research and development](#) to meet the market demand for a larger single-aisle jet to replace the 757 and compete with Airbus' A321neo.

The contentious contract echos the deal that was struck in 2014, which similarly hinged on Boeing's decision to build the 777X in Everett.

As the airplane certification process continues to lengthen and technology gets more complex, any program that aims to be market-ready by the mid-2030s would need to get underway soon, said Ernest Arvai, president of aerospace advisory firm AirInsight Group.

The jet maker has had to push back the market debut for the 777X and its latest 737 Max designs – which are all derivatives of existing models – as it navigates a more demanding certification process after regulators have subjected the company to [heightened scrutiny](#). The 737 Max 10, which is Boeing's most direct answer to the success of the A321neo, has been tied up in certification since its official introduction in 2017.

Any deal on where to build the next Boeing jet should be "on the basis of the best workforce and the best site for the job," Aboulafia said, adding that securing a "first right of refusal" on the program might have been a better strategy for the union.

But others argued that the precedent set by the proposed labor deal could have made it harder for Boeing to walk back its promise of more production when the union's contract comes up for renewal in 2028.

Regarding a new jet program, Ortberg is "the man to make it happen," Aboulafia said, but with just over a month on the job, it will take time for Ortberg to rally the company's leadership. Moreover, the more concessions Boeing makes on employee wages, the less funding it will have to support research and development efforts, Aboulafia added.

"I'm still hopeful," he said. "This is a dialogue. It's a dialogue between people who have something and people who want something, and hopefully they can meet in the middle."