Major collective bargaining settlements in private industry in 1988

Wage adjustments were within levels recorded since 1982; lump-sum payments and cost-of-living adjustments continued to be prominent in contracts for many workers

William M. Davis

Major collective bargaining settlements were reached for 1.8 million private industry workers in 1988. The settlements specified wage adjustments averaging 2.5 percent in the first contract year and 2.4 percent a year over the contract term. These adjustments (the net effect of decisions to increase, decrease, or not change wage rates) were within the narrow range of average adjustments each year since 1982—from 1.2 percent to 3.8 percent in the first contract year and 1.8 percent to 3.6 percent a year over the contract life. In contrast, from 1968 (when the Bureau of Labor Statistics initiated this series on settlements covering 1,000 workers or more)[1] through 1981, wage adjustments averaged from 5.8 percent to 11.9 percent in the first contract year and 5.1 percent to 8.9 percent annually over the contract life. (See table 1.)

Wage rate adjustments specified over the life of 1988 settlements were lower than in the agreements they replaced (2.4 percent, compared with 2.6 percent a year, on average). Contracts replaced in 1988 were typically negotiated in 1985 and 1986. Since 1982, wage adjustments specified over the term of contracts reached in the year were lower than in the contracts they replaced, except in 1987, when they were the same. (See table 2.)

The Bureau also measures compensation (wage and benefit costs) adjustments in settlements covering 5,000 workers or more. In 1988, compensation adjustments averaged 2.5 percent annually over the contract term. (See table 3.) This average also is within the narrow range of 1.6 percent to 3.0 percent annual average compensation adjustments negotiated for the life of the contracts covering at least 5,000 workers each year since 1982.

Settlements in 1988

Settlements in private industry in 1988 covered 30 percent of the 6.0 million workers under major agreements. The size of wage adjustments negotiated during the year generally reflected a variety of economic conditions influencing the parties to the agreements. Local economic conditions affected bargaining in construction; concern regarding domestic competition from nonunion firms played an important role in negotiations in retail trade; and foreign competition was a factor in negotiations in manufacturing industries such as transportation equipment and electrical and electronic equipment. The size of average wage rate adjustments was also tempered because in some settlements all or part of a wage rate increase was passed up to pay for increased health insurance costs, and in others, wage rate increases were replaced partly by lump-sum payments. Lump sums are excluded from all measures of wage and compensation change in this series.

Wage rates

Of the 1.8 million workers under 1988 settlements, 1,423,000 had wage increases averaging 3.4 percent in the first contract year; 365,000 had no wage change; and 28,000 took wage cuts averaging 7.4 percent. (See table 4.) Subsequent wage increases for 172,000 workers with no wage change in the first year will result in 1,595,000 receiving

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average annual wage increases of 2.7 percent over the term of their 1988 agreements, 193,000 receiving no wage change, and 28,000 with wage cuts averaging 2.2 percent a year.

The proportion of workers with wage increases over the contract life (88 percent) was the highest since 1981. In comparison, the proportion with decreases (2 percent) was the lowest since 1982. Wage increases and freezes occurred in a variety of industries, but wage cuts were limited to construction, transportation equipment manufacturing, airlines, and food stores.

Lump-sum payments

Lump-sum provisions were included in contracts covering 28 percent (517,000) of the workers under 1988 settlements. At the end of 1988, 43 percent of the 6.0 million workers under all major agreements had contracts that included lump-sum payments, about the same as a year earlier. Such payments typically are made instead of, or to supplement, wage increases, or are used to offset wage cuts.

Over their term, 1988 settlements with lump sums provided smaller wage rate adjustments than those without lump sums (1.4 percent a year, compared with 2.8 percent) continuing the pattern each year since 1985, when this comparison was first made. (See chart 1.) Four-fifths of the workers under agreements with lump sums will receive specified increases in their wage rates averaging 1.7 percent annually over the contract term. Almost all of the remaining workers under contracts with lump-sum provisions will receive no wage-rate change over the term of their contracts.

Nine-tenths of the workers without lump-sum payments will have wage rate increases averaging 3.1 percent a year over the contract term. For most of the remaining workers, wage rates are scheduled to be unchanged, although a few will take wage cuts.

Fifty-five percent of the workers under 1988 settlements in manufacturing industries had lump sums in their contracts, compared with 11 percent in nonmanufacturing. In both industry groups, settlements that included lump-sum payments provided lower wage rate adjustments than those that did not. Workers with lump sums were concentrated in transportation equipment and electrical and electronic equipment manufacturing.

Table 1. Average wage and compensation (wage and benefit costs) adjustments in major collective bargaining settlements, private industry, 1968–88

[In percent]

Year[1]	Wages[2]		Compensation[3]	
	First-year adjustments	Annual adjustments over life of contract	First-year adjustments	Annual adjustments over life of contract
1968	7.4	5.9	8.7	6.5
1969	9.2	7.6	10.9	8.2
1970	11.9	8.9	13.1	9.1
1971	11.6	8.1	13.1	8.8
1972	7.3	6.4	8.5	7.4
1973	5.8	5.1	7.1	6.1
1974	9.8	7.3	10.7	7.8
1975	10.2	7.8	11.4	8.1
1976	8.4	6.4	8.5	6.6
1977	7.8	5.8	9.6	6.2
1978	7.6	6.4	8.3	6.3
1979	7.4	6.0	9.0	6.6
1980	9.5	7.1	10.4	7.1
1981	9.8	7.9	10.2	8.3
1982	3.8	3.6	3.2	2.8
1983	2.6	2.8	3.4	3.0
1984	2.4	2.4	3.6	2.8
1985	2.3	2.7	2.6	2.7
1986	1.2	1.8	1.1	1.6
1987	2.2	2.1	3.0	2.6
1988	2.5	2.4	3.1	2.5

[1] Data prior to 1981 exclude unscheduled contract reopeners. This exclusion did not affect any published data.

[2] Settlements covering 1,000 workers or more.

[3] Settlements covering 5,000 workers or more

Table 2. Specified average wage adjustments in collective bargaining settlements covering 1,000 workers or more and in previous agreements, private industry, 1982–88

[In percent]

Year	Settlements reached in year		Previous agreement	
	First year	Over-the-life	First year	Over-the-life
1982	3.8	3.6	8.5	6.6
1983	2.6	2.8	9.3	6.8
1984	2.4	2.4	5.9	4.9
1985	2.3	2.7	3.9	3.7
1986	1.2	1.8	3.5	3.2
1987	2.2	2.1	2.0	2.1
1988	2.5	2.4	1.8	2.6

COLA clauses

Cost-of-living adjustment (COLA) clauses were included in contracts covering about 39 percent (700,000) of the workers under 1988 settlements. COLA clauses were introduced or reestablished for about 192,000 of these workers, virtually all of whom were covered by the National Master Freight Agreement, reached by the Teamsters and Trucking Management, Inc. The pact reestablished the COLA clause that had been suspended during the prior agreement.

Settlements for 39,000 workers dropped COLA provisions during the year. As a result of these changes, the proportion of workers under major private industry bargaining agreements with COLA clauses was 40 percent at the end of 1988, compared with 38 percent a year earlier. (See chart 2.)

COLA clauses are designed to change pay rates using a formula based on price changes as measured by the Consumer Price Index (CPI). The amount of change depends on the type of formula used, but generally does not reflect the full change in the CPI.

Potential wage changes resulting from COLA clauses that depend on future changes in the CPI, unknown at the time of settlement, are excluded from settlement data. Wage changes for COLA's are included in "effective wage adjustments" (see p. 42) data. "Guaranteed," or minimum, COLA payments specified in the contract are included in settlement data, but are not considered COLA's because these payments are determined at the time of contract settlement and do not depend on the movement of a price index. Payments above the specified amount that are contingent on changes in the CPI, however, are treated as COLA's.

At yearend, 93 percent of the workers under COLA clauses had formulas that use the U.S. all cities average CPI for urban wage earners and clerical workers (CPI-W) to adjust wages; clauses for the remainder use the CPI-W for a locality. Eighty percent of the workers covered by COLA clauses were about evenly divided between clauses that called for quarterly reviews of price change and clauses that called for annual reviews. The rest were under clauses with either semiannual, monthly, or irregular reviews.

Two-fifths of the workers had COLA clauses that called for a 1-cent wage adjustment for each 0.3-point change in the index, one-fourth had clauses that provided a 1-cent wage adjustment for each 0.26-point index change, and the remainder had a variety of other formulas.

Settlements with COLA clauses, on average, provide smaller specified wage adjustments over their life than those without COLA. This has been the case since 1971, when the comparison was first made. (See chart 3.) Over their term, 1988 settlements with COLA provisions specified average annual wage adjustments of 1.8 percent; those without COLA's specified 2.8 percent.

Fifty-one percent of the workers under 1988 settlements had contracts that provided COLA's or lump-sum payments, or both. (See chart 4.) Specified wage adjustments averaged 1.7 percent annually over the life of these contracts, compared with 3.0 percent in contracts that provided no COLA's or lump sums.

The effect of lump-sum and COLA coverage on wage adjustments is shown by comparing settlements in manufacturing with those in nonmanufacturing. Wage adjustments under all 1988 settlements were lower, on average, in manufacturing than in nonmanufacturing—2.1 percent a year over the contract term, compared with 2.5 percent. In settlements with COLA's, lump sums, or both (which covered four-fifths of the manufacturing workers, but less than a third of the nonmanufacturing workers), wage adjustments were higher for manufacturing workers than for those in nonmanufacturing, averaging 1.8 percent and 1.6 percent a year, respectively, over the contract life. Similarly, for contracts that provided no COLA's or lump sums, workers in manufacturing had higher annual average wage adjustments over the contract term than those in nonmanufacturing, 3.3 percent and 3.0 percent, respectively.

Front- and back-loaded contracts

With the exception of the 1983-86 period, major agreements negotiated since 1968, on average, were "front loaded"—that is, they specified larger wage adjustments in the first contract year than in later years. In 1983, 1985, and 1986, contracts, on average, were "back loaded"—a cost-control practice that delayed wage increases past the first contract year—and in 1984, contracts provided wage adjustments averaging the same in the first contract year as annually over the contract term.

Table 3. Average compensation (wage and benefit costs) adjustments in collective bargaining settlements covering 5,000 workers or more, private industry, 1988

Industry	First year adjustment (percent)	Annual adjustment over life of contract (percent)	Workers (thousands)
All industries	3.1	2.5	1,113
With COLA clauses	3.3	2.1	554
Without COLA clauses	2.9	2.8	559
Manufacturing	2.8	2.2	458
With COLA clauses	3.0	2.0	306
Without COLA clauses	2.6	2.6	151
Nonmanufacturing	3.3	2.6	655
With COLA clauses	3.7	2.2	248
Without COLA clauses	3.0	2.9	407
All industries, excluding construction	3.2	2.3	932
Nonmanufacturing, excluding construction	3.5	2.5	475
Construction	2.6	3.1	181
Goods producing	2.6	2.4	703
Service producing	3.8	2.6	410

Forty-seven percent of the workers under 1988 settlements were under front-loaded contracts, 29 percent had back-loaded agreements, and the remaining workers had either 1-year contracts or multiyear agreements providing equal wage adjustments each year.

Major 1988 settlements that were front loaded provided wage adjustments averaging 3.7 percent in the first contract year and 2.5 percent annually over the contract life. Comparable measures for back-loaded settlements were 1.1 percent and 2.3 percent, respectively. Three-fifths of the workers under back-loaded contracts received smaller increases in the first than in subsequent contract years, one-third had a wage freeze in the first year but an increase thereafter, and the remainder took a wage decrease in the first year that was not subsequently made up.

Front-loaded agreements were primarily in the trucking, construction, food stores, and electrical and electronic equipment manufacturing industries. Nearly one-third of the workers under back-loaded contracts were in construction, with large numbers also in bituminous coal, apparel manufacturing, utilities, and petroleum refining.

Major negotiations

Following are descriptions of 1988 settlements covering the largest number of workers.[2] These settlements were in construction (393,000 workers); trucking (185,000); transportation equipment manufacturing (147,000); apparel manufacturing (140,000); retail trade (139,000); electrical and electronic equipment manufacturing (109,000); electric, gas, and sanitary services (107,000); and bituminous coal mining and petroleum refining (97,000 workers combined).

Construction. Wage adjustments under 1988 settlements in the construction industry averaged 2.6 percent a year over the life of the contract. About 393,000 workers, 39 percent of those under major construction agreements, were covered by these settlements. Construction workers accounted for 22 percent of the workers under all 1988 settlements. None of the construction settlements contained a cost-of-living clause or a lump-sum provision.

Table 4. Average wage adjustments in collective bargaining settlements covering 1,000 workers or more in private industry, 1988

Measure	First year: Average adjustment (percent)	First year: Workers (thousands)	Over life of contract: Average annual adjustment (percent)	Over life of contract: Workers (thousands)
All settlements				
All industries	2.5	1,816	2.4	1,816
With COLA clauses	2.4	700	1.8	700
Without COLA clauses	2.7	1,116	2.8	1,116
With lump sums	1.4	517	1.4	517
Without lump sums	3.0	1,300	2.8	1,300
With both lump sums and COLA	1.4	292	1.1	292
With lump sums or COLA, or both	2.1	925	1.7	925
With lump sums but no COLA	1.4	225	1.7	225
With COLA but no lump sums	3.0	408	2.2	408
With neither lump sums nor COLA	3.0	891	3.0	891
Manufacturing	2.2	722	2.1	722
With COLA clauses	2.1	441	1.8	441
Without COLA clauses	2.5	281	2.6	281
With lump sums	1.4	399	1.3	399
Without lump sums	3.2	324	3.1	324
With both lump sums and COLA	1.3	267	1.1	267
With lump sums or COLA, or both	1.9	572	1.8	572
With lump sums but no COLA	1.5	132	1.8	132
With COLA but no lump sums	3.2	174	2.9	174
With neither lump sums nor COLA	3.3	150	3.3	150
Nonmanufacturing	2.8	1,094	2.5	1,094
With COLA clauses	2.9	259	1.7	259
Without COLA clauses	2.7	835	2.8	835
With lump sums	1.5	118	1.4	118
Without lump sums	2.9	976	2.7	976
With both lump sums and COLA	2.4	25	1.3	25
With lump sums or COLA, or both	2.5	352	1.6	352
With lump sums but no COLA	1.3	93	1.5	93
With COLA but no lump sums	2.9	234	1.7	234
With neither lump sums nor COLA	2.9	742	3.0	742
Construction	2.2	393	2.6	393
All industries excluding construction	2.6	1,424	2.3	1,424
Nonmanufacturing excluding construction	3.1	701	2.5	701
Goods-producing	2.2	1,180	2.3	1,180
Service-producing	3.2	636	2.5	636
Settlements providing wage increases				
All industries	3.4	1,423	2.7	1,595
With COLA clauses	3.1	552	2.0	617
Without COLA clauses	3.6	871	3.2	978
With lump sums	2.5	292	1.7	408
Without lump sums	3.6	1,131	3.1	1,188
With both lump sums and COLA	2.6	159	1.5	220
With lump sums or COLA, or both	2.9	685	2.0	804
Continued—Settlements providing wage increases				
With lump sums but no COLA	2.4	133	2.0	187
With COLA but no lump sums	3.2	394	2.3	397
With neither lump sums nor COLA	3.8	738	3.5	791
Manufacturing	3.1	520	2.5	613
With COLA clauses	3.2	293	2.2	358
Without COLA clauses	3.1	227	2.9	255
With lump sums	2.5	224	1.7	313
Without lump sums	3.6	296	3.4	299
With both lump sums and COLA	2.7	134	1.5	195
With lump sums or COLA, or both	3.0	383	2.2	476
With lump sums but no COLA	2.2	90	2.1	118
With COLA but no lump sums	3.6	159	3.1	162
With neither lump sums nor COLA	3.7	137	3.7	137
Nonmanufacturing	3.5	903	2.9	983
With COLA clauses	2.9	259	1.7	259
Without COLA clauses	3.8	643	3.3	724
With lump sums	2.6	68	1.8	95
Without lump sums	3.6	835	3.0	888
With both lump sums and COLA	2.4	25	1.3	25
With lump sums or COLA, or both	2.9	302	1.7	329
With lump sums but no COLA	2.7	43	1.9	70
With COLA but no lump sums	2.9	234	1.7	234
With neither lump sums nor COLA	3.9	601	3.4	654
Construction	3.3	288	3.2	327
All industries excluding construction	3.4	1,135	2.6	1,269
Nonmanufacturing excluding construction	3.7	615	2.7	656
Goods-producing	3.1	873	2.7	1,004
Service-producing	3.9	550	2.8	591
Settlements providing wage decreases				
All industries	-7.4	28	-2.2	28
With COLA clauses	-15.6	2	-3.0	2
Without COLA clauses	-6.8	26	-2.1	26
With lump sums	-3.9	1	-1.3	1
Without lump sums	-7.5	27	-2.2	27
Manufacturing	-11.2	3	-2.4	3
Nonmanufacturing	-7.0	25	-2.1	25
Construction	-4.3	15	-1.1	15
All industries excluding construction	-11.1	13	-3.4	13
Nonmanufacturing excluding construction	-11.1	10	-3.8	10
Goods-producing	-5.4	18	-1.3	18
Service-producing	-11.1	10	-3.8	10

The average duration of construction contracts reached in 1988 was 32.3 months, compared with 26.3 months for the contracts they replaced. The longer duration was caused partly by the increased proportion of workers (21 percent) covered under contracts with terms exceeding 36 months. In each of the previous 3 years, no more than 7 percent of construction workers were covered by agreements longer than 36 months. Longer contracts were especially common in California, where durations of more than 36 months were negotiated for 61 percent of the construction workers covered by 1988 settlements.

Collective bargaining activity in the construction industry peaks during the spring and summer, with settlements reflecting local economic conditions. While workers generally are organized by craft, settlements for different crafts in the same area frequently provide similar terms. In 1988, the Pacific region accounted for 35 percent of the construction workers under major settlements, and the East North Central region accounted for 24 percent. As the following tabulation shows, the average wage adjustment (in percent) for 1988 settlements varied by region:

	First year	*Annually, over life of contract*
All 1988 construction settlements	2.2	2.6
Northeast	3.8	4.1
New England	4.7	4.2
Middle Atlantic	3.5	4.1
Midwest	3.2	3.2
East North Central	3.2	3.4
West North Central	2.2	1.4
South	1.0	1.1
South Atlantic	1.6	1.6
South Central	.2	.3
West	1.2	2.0
Mountain	-2.1	.2
Pacific	1.8	2.3
Interregional	2.6	2.7

The largest average wage increases were negotiated in the New England region where strong construction activity was coupled with tight labor markets. Conversely, wage cuts and freezes occurred in the South Central and Mountain regions where construction activity was weak and unionized firms faced strong nonunion competition.

Wage adjustments also varied by type of construction. Settlements in general building construction, covering nearly one-half of all construction workers involved in 1988 negotiations, provided average annual wage adjustments of 2.7 percent over the contract term. Heavy construction (other than building) settlements, which accounted for just over one-fifth of the workers, were very similar calling for average adjustments of 2.8 percent a year over the term, while average adjustments in special trades construction were 2.4 percent.

Trucking. Settlements in the trucking industry in 1988 covered about 185,000 workers and provided wage adjustments averaging 1.0 percent annually over the term of the contract. The first settlement was the National Master Freight agreement, negotiated between the Teamsters union and three employer groups—Trucking Management Inc., Motor Carrier Labor Advisory Council, and Regional Carriers, Inc. Trucking Management Inc. represented 34 member carriers and was the largest of the three employer associations in terms of number of workers covered. This national accord was reached in May and covered about 150,000 workers.

The National Master Freight agreement provided a 35-cent wage increase retroactive to April 1988. The new pact also restored annual cost-of-living adjustments in April 1989 and 1990, providing 1 cent for each 0.3-point change in the BLS CPI-W (1967=100) up to a maximum of 35 cents for each adjustment. The previous agreement provided "guaranteed COLA's" (specified amounts independent of changes in the CPI).

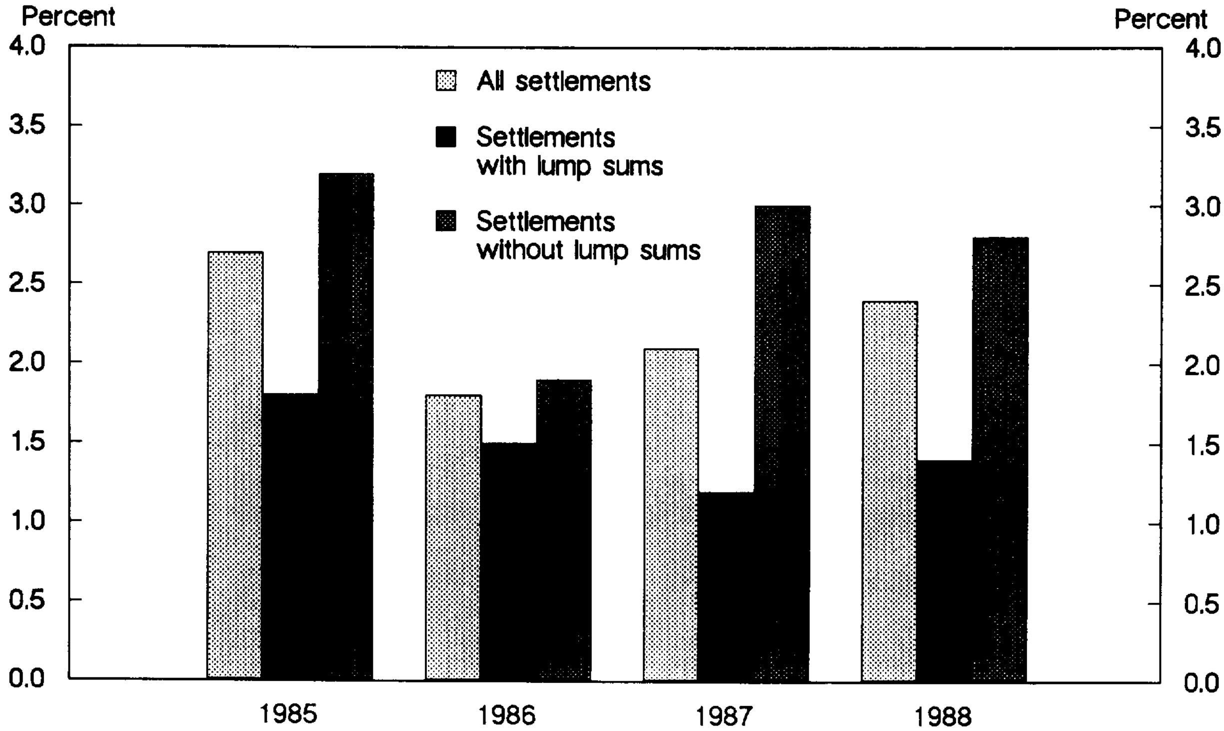
Two additional major settlements in the trucking industry covered 30,000 workers. The Joint Area Cartage agreement was negotiated in July between the Teamsters and numerous groups of employers with terms similar to the National Master Freight agreement for about 10,000 workers in the Chicago, IL, area. An October agreement between the National Automobile Transporters Association Labor Division and the Teamsters covered about 20,000 workers. The 3-year pact provided a 40-cent-an-hour wage increase each year. It also called for COLA's in June 1989 and 1990 equal to the amount generated by the COLA formula in excess of 60 cents each year.

Transportation equipment. Approximately 147,000 workers were covered by 26 contracts negotiated in 1988 in the transportation equipment manufacturing industry. They accounted for 18 percent of all workers under major contracts in the industry. Sixty-three percent of the workers covered by settlements were in motor vehicle and vehicle equipment manufacturing; 20 percent in aerospace; 13 percent in ship and boatbuilding and repairing; and the rest in the manufacture of other types of equipment.

Settlements in 1988 provided wage adjustments averaging 0.8 percent annually over the term of the agreement. Settlements covering 95 percent of the workers included provisions for cost-of-living adjustments, lump-sum payments or both. Sixty-eight percent of the workers with lump-sum provisions will receive no wage rate adjustment over their contract term. Overall, workers with lump-sum provisions will receive pay adjustments averaging 0.3 percent annually, compared with 2.4 percent for those without lump sums.

Chrysler Corp. and the Auto Workers settled in May, 4 months before the expiration date of their agreements. The

Chart 1. Average annual wage adjustments over the life of contracts in major collective bargaining settlements with and without lump-sum provisions, 1985-88



28-month Chrysler-Auto Workers accords provided an immediate early settlement bonus of $1,000. It also called for performance bonuses in October 1988 and October 1989 equal to 3 percent of each employee's qualified earnings (as defined in the contract) during the previous year. By the end of the expiring contracts, a total of $1.24 per hour was accumulated in the COLA that was paid in addition to the wage rate (COLA "float"). The 1988 settlements incorporated 81 cents of this "float" into wage rates. The pact retained quarterly cost-of-living adjustments providing 1 cent for each 0.26-point change in the CPI.

Other major settlements in the industry were United Technologies' agreement with the International Association of Machinists, General Dynamics' contracts with the Metal Trade Council and the Auto Workers, and Bath Iron Works' agreement with the Marine and Shipbuilding Workers.

Apparel and other finished products. The 1988 settlements negotiated in the apparel industry specified wage adjustments averaging 4.0 percent in the first contract year and 4.1 percent annually over the life of the agreement. The settlements covered 140,000 workers who make apparel and other finished products, or 70 percent of those under major agreements in the industry.

All of the 1988 apparel industry contracts negotiated by the International Ladies' Garment Workers Union and the Amalgamated Clothing and Textile Workers Union, the two major unions in apparel manufacturing, call for parental leave. The leave is unpaid, but permits male or female employees to take time off for the birth or adoption of a child—up to 6 months for employees represented by the Ladies' Garment Workers and up to 6 weeks for those represented by the Clothing and Textile Workers. At the end of the leave, the employee is entitled to return to a comparable job with the same employer.

Nearly 70 percent of the apparel workers under 1988 settlements were represented by the Ladies' Garment Workers. Their agreements with women's apparel manufacturers provided 4-percent wage increases in each of the 3 contract years and increased employer financing of the health and welfare plan and the health services plan. Additionally, the COLA clause would raise wages if the BLS CPI-W rises more than $8\frac{1}{2}$ percent over the first 18 months of the contract.

The remaining apparel workers were represented by the Clothing and Textile Workers in settlements with an association of employers and individual employers producing cotton garments, primarily men's shirts, pants, and nightwear. Their 18-month agreement increased wages by 40 cents an hour over the term and eliminated copayments by health insurance plan enrollees and their dependents for usual and customary charges.

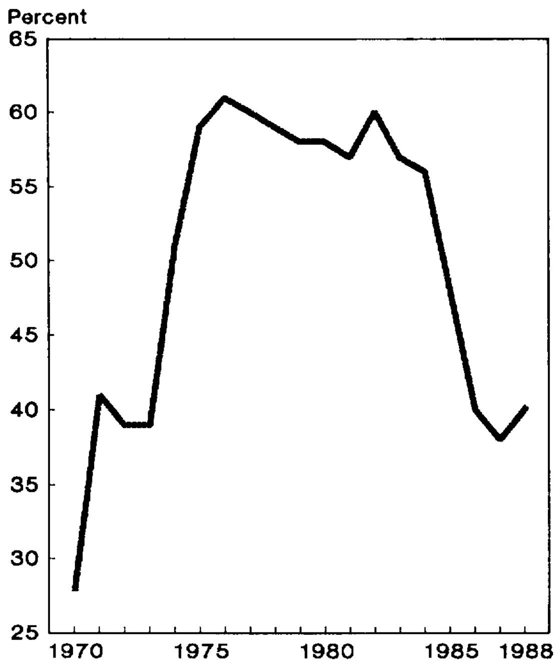
Retail trade. Settlements reached in retail trade during 1988 covered 139,000 workers and called for average wage adjustments of 3.5 percent annually over the life of the agreement. Almost 80 percent of the workers were in retail food stores; the remainder were in department, apparel, and drug stores, and restaurants.

Most of the workers in retail food stores were covered by contracts between the United Food and Commercial Workers and local and regional chains. Their contracts called for wage adjustments averaging 2.8 percent annually over their term, below the average in the rest of trade. Lump-sum payments were provided in contracts covering nearly a fourth of the workers in food stores.

Overall, 91 percent of the trade workers under 1988 settlements had wage increases over the term of their contracts, 7 percent had no wage changes, and the remainder took wage cuts. The wage-rate decreases were suffered by workers whose companies had been taken over by leveraged buyouts. Settlements in New England had the highest average wage adjustments, reflecting, in part, the severe labor shortage in that area. Wage adjustments averaged 4.9 percent annually over the life of the contract, compared with an average adjustment of 2.1 percent in the other regions.

Electronic and electrical equipment manufacturing. Continued declining employment in this industry raised concern over job preservation in negotiations with companies making electronic and other electrical equipment and components. Job security provisions were improved and nearly all of the workers under the resulting settlements will receive a wage increase as well as lump-sum payments.

Chart 2. Proportion of workers under major collective bargaining agreements with COLA provisions, private industry, 1970–88



NOTE: Data as of December 31 of specified year.

Overall, contracts in the electronic and electrical equipment industry provided 109,000 workers an average wage adjustment of 2.0 percent during the first 12 months of the contract and 1.8 percent annually over the length of the agreement. Almost two-thirds of the workers were employed by the General Electric Co. (GE) and about one-eighth worked for Westinghouse Electric Corp. Employees of both companies were represented by a coalition of 13 unions.

What was notable in the electrical equipment accords was that Westinghouse settlement terms differed from those at GE. As in the past, GE settled first with the union coalition. However, unlike past practice, Westinghouse refused to adopt the pattern, asserting that the practice of "rubber stamping" the GE agreement was no longer appropriate because the companies compete in different product lines and markets.

One of the differences was in pay provisions: at GE, workers received a 2.5-percent immediate wage increase, 1.5-percent increases in June of 1989 and 1990, and lump-sum payments of $165 in July 1988 and $900 in June 1989. The Westinghouse settlement called for 3-percent wage increases in August 1989 and 1990, and for cash payments in September of 1988 and 1989 equal to 6 percent and 3 percent, respectively, of the employee's hourly pay rate multiplied by the number of hours the employee worked during the previous year, but not less than 2,080 hours.

A major change in job security provisions was negotiated at Westinghouse, where the unions gained a successor clause requiring any buyer of a company plant to recognize the existing union, and to provide comparable wages and benefits. Settlements at both GE and Westinghouse also provided for improved pensions for employees affected by cutbacks in operations; longer pay rate retention for employees downgraded because of layoffs; relocation allowances; increased retraining allowances; and wider geographic preferential hiring rights for employees displaced by plant closings and relocations of product lines.

Electric, gas, and sanitary services. Contracts covering approximately 107,000 workers in the electric, gas, and sanitary services industries were settled in 1988. These agreements provided wage adjustments of 2.8 percent annually over the life of the contracts, compared with the 4.7-percent provided by the contracts they replaced. Average wage adjustments under settlements in the industry have been steadily declining since 1982 (except for 1985), but

Chart 3. Average annual wage adjustments over the life of contracts in major collective bargaining settlements with and without COLA provisions, 1971-88

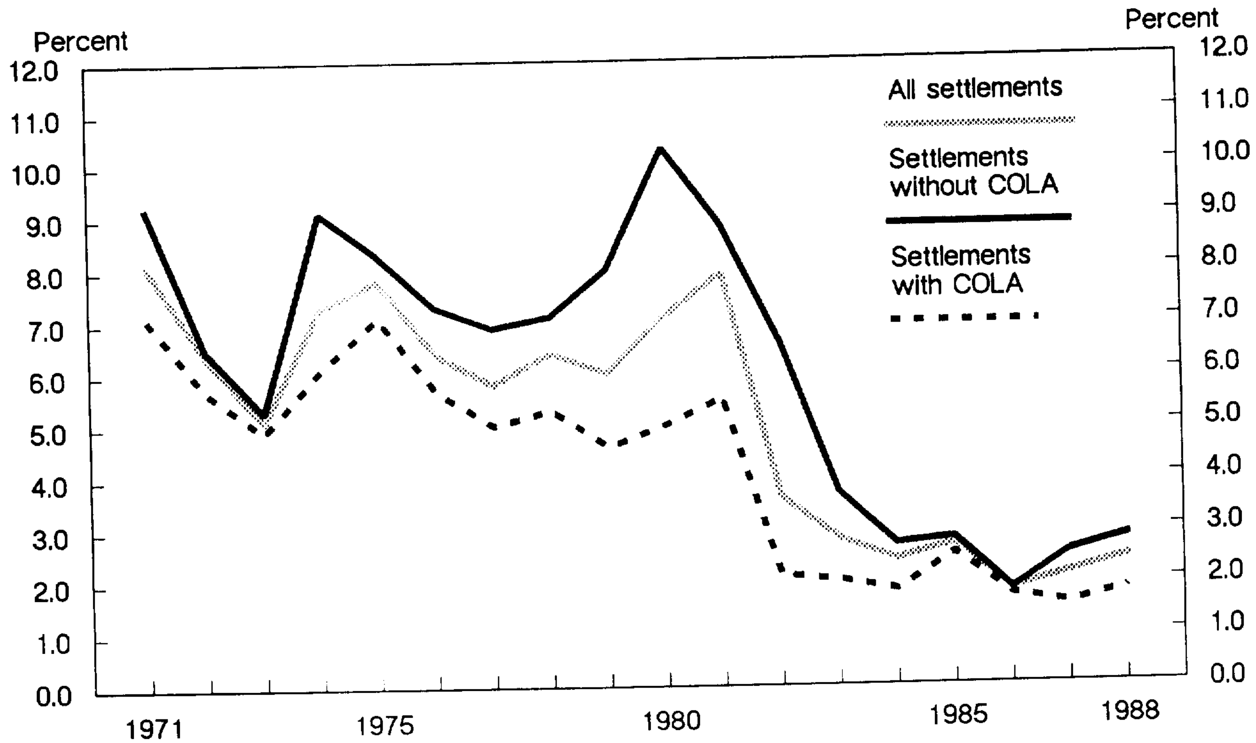
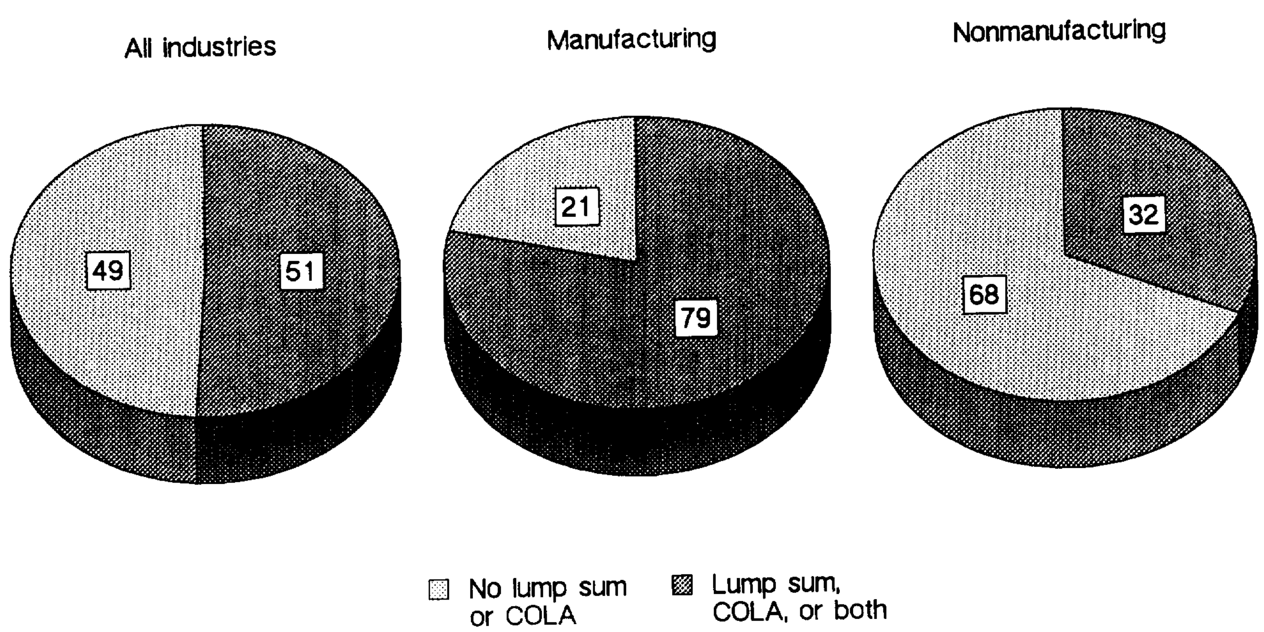


Chart 4. Percent of workers under major collective bargaining settlements by lump sum and COLA provision coverage, private industry, 1988



typically have been higher than in other industries. Settlements in 1988 provided the lowest adjustments since 1982 and also were about the same as adjustments in other industries.

Settlements covering 100,000 workers provided wage increases averaging 2.9 percent a year over their term. Of the 7,000 workers with no change, about 4,000 had lump-sum payments.

Some 98,000 of the workers covered by 1988 settlements had no provisions for COLA's, including 4,900 who had COLA's in their previous contract. COLA's were continued for 7,200 workers, and established for 1,700 workers. Major settlements in the industry included the contract between various unions and the Tennessee Valley Authority covering 12,000 workers and contracts between the International Brotherhood of Electrical Workers' and Commonwealth Edison (11,000 workers), Niagra Mohawk Power Corp. (8,100 workers), and Georgia Power Co. (6,000 workers).

Coal, petroleum settlements. Agreements in 1988 between the Bituminous Coal Operators Association and the United Mine Workers and between petroleum refining and distributing companies and the Oil, Chemical and Atomic Workers averted interruptions in the Nation's energy supply.

The number of employees represented by the Mine Workers has been eroding because of declines in the size and share of the market held by their employers. These declines stem from lower demands from domestic steel producers whose output is still below pre-1982 levels, shrinking export markets, and the ability of electric utility power plants to substitute oil for coal, based on availability and price. Coal mined by Mine Workers members also faces competition from coal produced at capital-intensive surface mines in the Western States which are either nonunion or organized by unions other than the Mine Workers.

Against this backdrop, the Bituminous Coal Operators Association and the Mine Workers negotiated a 5-year contract in February 1988 that covered 65,000 miners and provided hourly wage increases of 25 cents on February 1, 1988, 35 cents on February 1, 1989, and 45 cents on February 1, 1990. The contract provided for a reopening on wages and pensions after the third and fourth contract years. It included improved job security provisions and established an employer-financed training and education program.

In petroleum refining, 2-year contracts negotiated between February and May 1988 covered some 32,000 workers and provided similar compensation terms at 10 companies—a $900 lump-sum payment plus a 30-cent-an-hour wage increase in the first year of the contract and a 3-percent wage increase the second year. The companies also agreed to increase their financing of family health insurance coverage by $10 a month immediately and by an additional $12 in the second contract year. Financing of coverage for single employees was increased by $4 a month in both years.

Table 5. Average effective wage adjustments in collective bargaining agreements covering 1,000 workers or more in private industry, 1979–88

[In percent]

Year	Total adjustment	Source: New agreements	Source: Deferred from prior agreements	Source: COLA
1979	9.1	3.0	3.0	3.1
1980	9.9	3.6	3.5	2.8
1981	9.5	2.5	3.8	3.2
1982	6.8	1.7	3.6	1.4
1983	4.0	.8	2.5	.6
1984	3.7	.8	2.0	.9
1985	3.3	.7	1.8	.7
1986	2.3	.5	1.7	.2
1987	3.1	.7	1.8	.5
1988	2.6	.7	1.3	.6

Effective wage adjustments in 1988

Effective wage adjustments for the 6.0 million workers under major private industry agreements in 1988 averaged 2.6 percent, lower than the 1987 average of 3.1 percent, but above the record low of 2.3 percent registered in 1986.

Effective wage adjustments cover all workers under major agreements, both those who had no wage change and those receiving a wage change during the year. Wage changes stem from three sources: settlements reached during the year, settlements reached earlier with changes deferred to 1988, and COLA provisions.

The effective adjustment was smaller in 1988 than in 1987 because both the proportion of workers receiving a wage change and the average deferred wage change component were smaller. Wage changes from settlements reached in the year and COLA provisions averaged nearly the same as in 1987. (See table 5.)

Seventy-eight percent of the workers under major agreements (4.7 million) had wage increases averaging 3.4 percent effective in 1988.

Almost all of the remaining 1.3 million workers received no wage change in 1988. Of these workers, 658,000 were covered by contracts that extended through the year but did not provide for a wage change; 424,000 were under contracts that had expired but for which a new settlement was not reached by year's end; and 196,000 were under 1988 settlements which provided no wage change during the year.

The following tabulation shows the number of workers with wage changes effective in 1988 and the source and amount of the change:

	Workers (thousands)	Wage change (percent)
Total	4,737	3.3
Increases	4,675	3.4
From 1988 settlements	1,402	3.3
Deferred from prior agreements	2,574	3.1
From COLA	1,268	2.7
Decreases	63	−4.4
From 1988 settlements	28	−7.2
Deferred from prior agreements	35	−2.8
From COLA	0	—

Some workers received pay changes from more than one source; thus, the sum of the number of workers receiving changes from each source does not equal the total.

Of the 1,956,000 workers who had COLA reviews in 1988, 1,268,000 received COLA increases averaging 2.7 percent. Reviews for the remainder of the workers yielded no wage change, mainly because the CPI did not change enough to produce one. Wage adjustments from COLA reviews in 1988 averaged 47 percent of the CPI change during the COLA review period. This was the second lowest proportion of the CPI change provided by COLA's in the 8 years these data have been tabulated. Previous years' proportions ranged from 43 percent in 1987 to 70 percent in 1982.

Effective wage adjustments in major collective bargaining agreements are reflected in the Bureau's Employment Cost Index, which provides data on changes in labor costs for both union and nonunion workers and in establishments of all employment sizes. According to this index, wages rose 2.2 percent in 1988 for union workers, compared with 4.5 percent for nonunion workers. This was the sixth consecutive year during which wage rates increased more for nonunion than for union workers.

THE COMPARATIVELY SMALL wage and compensation adjustments provided by settlements since 1982 reflect labor and management efforts to contain costs and maintain jobs. In some cases, these efforts have paid off and companies have returned to profitability. Analysts will watch 1989 bargaining developments to see how the improved economic position of some firms, coupled with emerging concerns over inflationary pressures and tight labor markets, influence settlements during 1989.[3] □

FOOTNOTES

[1] The major collective bargaining agreement series for private industry cover 6.0 million workers in bargaining units with at least 1,000 workers. For definition of terms, see "Current Labor Statistics" section of the *Monthly Labor Review*. Additional tabulations from this series appear in the March 1989 issue of *Current Wage Developments*, which also contains data from a similar series for State and local government.

[2] For more detailed information on 1988 bargaining developments, see George Ruben, "Collective bargaining and labor-management relations, 1988," *Monthly Labor Review*, January 1989, pp. 25–39.

[3] For an analysis of bargaining slated for the year, see William M. Davis and Fehmida Sleemi, "Collective bargaining in 1989: talks set in diverse industries," *Monthly Labor Review*, January 1989, pp. 10–24.