Collective bargaining in 1990: health care cost a common issue

Escalating health insurance premiums are likely to be a common thread in the fabric of this year's bargaining

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and others

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About 3.0 million workers are under major collective bargaining agreements (those covering 1,000 workers or more) scheduled to expire or be reopened in 1990. They account for 35 percent of the 8.5 million workers under major agreements in private industry and State and local government.

In private industry, scheduled bargaining will cover 2.1 million of the 6 million workers under major agreements, or almost 36 percent, about the same as in the last 2 years. Workers whose contracts are slated for renegotiation in 1990 are about equally divided between nonmanufacturing (1,091,000 workers) and manufacturing industries (1,033,000 workers). In nonmanufacturing, bargaining will be heaviest in construction with 409,000 workers; wholesale and retail trade (primarily food stores), 179,000 workers; and transportation (primarily parcel delivery), 176,000 workers. In manufacturing, the largest numbers are in transportation equipment (primarily automobiles) with 595,000 workers and apparel with 97,000 workers. (See tables 1 and 2.)

In State and local government, bargaining activity will involve 884,000 of the 2.5 million workers under major agreements, or about 35 percent. The proportion was 39 percent in 1989 and 42 percent in 1988. Local government employs somewhat more than four-fifths (740,000) of the workers (with 39 percent employed by New York City). Slightly more than one-half (387,000) are in primary and secondary education, about one-fourth are in general administration, and one-eighth are in protective services. In State government, 56 percent of the workers (80,000) are in general administration.

Information on 1990 bargaining is based on data available to the Bureau of Labor Statistics as of September 30, 1989. Thus, any settlements occurring in the fourth quarter of 1989 that provide for 1990 expirations or reopenings could affect the proportion of workers scheduled for negotiations in 1990.[1] The bargaining agenda will also include negotiations that continued into 1990 on contracts that expired or were reopened in 1989 or earlier.

In addition, about 691,000 postal workers are covered by contracts that will expire in 1990. The Bureau's collective bargaining settlement series excludes Federal Government contracts.

The economy

As the 1980's drew to a close, signs pointed to continuing but slower economic growth. The gross national product increased about 2.9 percent for the year ended September 1989, compared with an increase of 3.7 percent during the previous 12-month period. Prices, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), increased 4.3 percent for the year ended September 1989—about the same as for the same period in the 2 previous years. The composite index of leading economic indicators, compiled by the U.S. Department of Com-

Table 1. Major collective bargaining agreements scheduled to expire or with wage reopenings, by year and industry

[Workers in thousands]

Industry	Total[1]		Year of expiration or scheduled wage reopening, or both							
			1990		1991		1992 and later		Unknown or in negotiation[2]	
	Number of agreements	Workers covered	Number of agreements	Workers covered	Number of agreements	Workers covered	Number of agreements	Workers covered	Number of agreements	Workers covered
All industries[3]	1,931	8,482	678	3,008	492	2,188	424	1,743	441	1,898
All private industries	1,263	5,959	432	2,124	311	1,347	343	1,462	218	1,230
Manufacturing	440	2,032	150	1,033	115	514	116	324	72	213
Food and kindred products	53	135	21	43	13	60	13	21	6	10
Tobacco products	3	13	—	—	1	1	2	12	—	—
Textile mill products	7	22	5	15	2	7	1	1	3	13
Apparel and other textile products	27	197	7	97	17	95	3	4	1	3
Lumber and wood products, except furniture	11	24	1	2	2	4	8	19	—	—
Furniture and fixtures	4	4	2	2	2	2	—	—	—	—
Paper and allied products	35	47	14	20	4	5	11	14	6	8
Printing and publishing	19	29	8	10	4	7	5	7	2	5
Chemicals and allied products	27	48	5	9	8	12	5	11	11	20
Petroleum and coal products	11	33	11	33	1	1	—	—	—	—
Rubber and miscellaneous plastics products	13	47	7	36	7	36	2	3	—	—
Leather and leather products	3	14	2	11	1	3	—	—	—	—
Stone, clay, and glass products	18	45	8	32	3	4	3	4	4	5
Primary metal industries	41	182	10	50	3	25	16	76	12	31
Fabricated metal products	21	42	5	16	3	5	9	13	4	8
Industrial machinery and equipment	24	86	8	23	7	39	5	14	5	11
Electronic and other electric equipment	43	232	9	32	14	121	16	70	5	11
Transportation equipment	69	809	25	595	19	80	13	48	12	85
Instruments and related products	6	15	1	6	1	1	4	8	—	—
Miscellaneous manufacturing industries	5	7	1	1	3	5	—	—	1	2
Nonmanufacturing	823	3,927	282	1,091	196	833	227	1,138	146	1,017
Mining	5	74	1	3	1	65	3	69	1	1
Construction	365	1,010	145	409	93	233	121	376	23	60
Transportation, except railroads and trucking	51	270	13	60	2	7	11	81	25	122
Railroad transportation	26	352	—	—	—	—	—	—	26	352
Trucking and warehousing	11	303	3	116	8	187	1	2	—	—
Communications	38	526	8	23	6	11	11	331	13	161
Electric, gas, and sanitary services	74	225	26	81	21	57	21	61	12	39
Wholesale trade	10	38	6	10	1	25	1	2	2	2
Retail trade, except eating and drinking places	122	561	29	169	44	169	34	149	15	74
Eating and drinking places	7	29	—	—	—	—	4	15	3	14
Finance, insurance, and real estate	24	133	15	45	4	37	2	5	3	46
Services, except hotels and health services	38	153	16	82	4	15	8	19	10	37
Hotels and other lodging places	13	104	3	39	2	5	5	17	3	43
Health services	39	149	17	55	10	22	5	12	10	67
State and local government	668	2,523	246	884	181	841	81	281	223	668
State government	185	1,028	27	144	74	526	26	123	60	252
Local government	483	1,495	219	740	107	314	55	157	163	416

[1] Totals may be less than the sum of the data for individual years because 104 agreements covering 355,000 workers have both reopenings and expirations in the reference period.

[2] Includes agreements which were due to expire between Oct. 1 and Dec. 31, 1989; agreements which expired prior to Oct. 1, 1989, but for which new agreements were not reached by then; agreements which expired prior to Oct. 1, 1989, but for which necessary information had not been fully gathered; and agreements that have no fixed expriation or reopening date.

[3] Includes all private nonagricultural industries and State and local governments.

NOTE: Because of rounding, sums of individual items may not equal totals.

merce to forecast movements in aggregate economic activity, was virtually unchanged for the first 9 months of 1989. The unemployment rate stood at 5.2 percent in September 1989, down from 5.3 percent in September 1988 and 5.8 percent in September 1987. Meanwhile, the budget and trade deficits were continuing major concerns.

An issue likely to come up at bargaining tables this year is the steep rise in the cost of health benefits. The medical care component of the CPI rose 8 percent from September 1988 to September 1989, while all other components rose 4 percent in the same period. Increasing medical costs were reflected by employer costs for employee compensation (from the Employment Cost Index survey). From March 1988 to March 1989, employers' cost levels per work hour for life, health, and sickness and accident insurance increased 9 percent, primarily because of rising health insurance premiums. By contrast, wage and salary levels rose 3.6 percent in the same period. Health care costs have been rising for the last 15 years as have been employers' efforts to stem the resultant escalation in their health insurance premiums. Initial efforts focused on containing costs by introducing such provisions in health care plans as: requiring less expensive alternatives to hospital stays (such as treatment in extended care facilities, home health care, and hospice care); requiring second surgical opinions; and giving incentives to buy generic rather than name brand prescription drugs.

More recently, some employers have attempted to shift part of the cost to employees by requiring employees to pay part of the premium for insurance for themselves or their dependents or by increasing the proportion they must pay, by establishing or increasing coinsurance percentages (the proportion of health care costs the employee must pay) and deductibles (the amount of health care costs the employee must pay before the insurance plan begins paying), or by reducing benefits. Such efforts have met stiff opposition from unions.

Collective bargaining developments

The general decline in labor-management conflict (as measured by work stoppage activity) that prevailed in the 1980's suffered a setback as the decade closed. In 1980, there were 187 major work stoppages (strikes and lockouts involving 1,000 workers or more). In 1981, there were 145, and fewer than 100 occurred each year thereafter, with the number declining (except in 1986) to a post-World War II record low of 40 in 1988. The number of major stoppages

Table 2. Calendar of major collective bargaining activity

[Workers in thousands]

Year and month	Agreement expirations and/or scheduled wage reopenings[1]		Principal industries
	Number	Workers covered	
All years[2]	1,931	8,482	....
Total 1990[3]	678	3,008	....
January	38	122	Petroleum refining, local government
February	30	144	Apparel and other textile products
March	49	137	Health services, construction
April	48	153	Construction
May	74	224	Construction
June	215	679	State and local government, construction
July	35	221	Parcel delivery
August	41	206	Food stores
September	70	894	Automobiles, apparel and other textile products, State and local government
October	25	68	Food stores
November	20	60	Transportation equipment
December	35	117	Local government
Total 1991	492	2,188	....
January	8	20	None
February	17	137	Bituminous coal, food stores
March	48	467	Trucking, State government, construction
April	48	190	Construction
May	73	261	Construction, apparel and other textile products
June	160	726	State and local government, electrical products, food stores
July	25	51	Local government
August	35	84	Electrical products, local government
September	24	91	Industrial machinery and equipment
October	15	47	Food stores
November	13	40	Electrical products, food stores
December	26	74	Local government
Total 1992 and later	424	1,743	....
Year unknown or in negotiation[4]	441	1,898	....

1 Includes all private nonagricultural industries and State and local governments.

2 See note 1, table 1.

3 Includes two agreements covering 16,900 workers which have both a wage reopening and expiration scheduled in 1990.

4 See note 2, table 1.

NOTE: Because of rounding, sums of individual items may not equal totals.

that occurred during the first 10 months of 1989 stood at 45, surpassing the 1988 record, and just one less than in all of 1987.

Two other measures of work stoppage activity were already higher than in several full years of the decade. The number of workers involved in stoppages, 522,000, ranked sixth highest since 1980, and the number of days of idleness, 10.5 million, ranked fifth highest. These data reflect several large and long stoppages that occurred during the year. Included were the stoppage which began in March at Eastern Airlines involving about 24,800 workers represented by the Machinists (IAM), Air Line Pilots, or Transport Workers; stoppages which began in August at several telecommunications companies involving about 192,000 workers represented by the Communications Workers (CWA) or the Electrical Workers; and a stoppage which began in early October and ended at The Boeing Co. involving some 57,000 workers represented by the Machinists. At the beginning of December, the IAM at Eastern and the CWA at NY-NJ Bell were still out.

Major collective bargaining agreements negotiated in private industry in the first 9 months of 1989 provided wage-rate adjustments averaging 3.1 percent annually over the life of the contracts. The last time parties to these settlements negotiated, usually in 1986 or 1987, wage-rate adjustments (increases, decreases, and freezes) were smaller, averaging 2.4 percent annually over the contract term. If the pattern continues in the fourth quarter, 1989 would be the first year since 1981, when this measure was introduced, in which settlements provided larger wage adjustments over their term than were called for in the contracts they replaced. The difference through the first 9 months of 1989 reflects the restoration of wages that had been cut in some industries (for example, steel) as well as wage gains, primarily for nurses in health care facilities, that were larger than in the previous agreements.

Nevertheless, the average wage-rate adjustment over the life of contracts reached in the first 9 months of 1989 still falls within the narrow range of adjustments negotiated each year since 1982—from 1.8 percent to 3.6 percent. Between 1968 (when this series began) and 1981, the range of adjustments was from 5.1 percent to 8.9 percent annually over the contract term.

The size of major settlements reached in the last few years contributed to keeping wage increases, as measured by the Bureau's Employment Cost Index, proportionally smaller for all union workers than for nonunion workers. For the 6 years ended September 1989, wages for union workers increased at an annual rate of 2.7 percent, compared with 4.3 percent for nonunion workers.

While 1989 settlements suggest an improvement in the economic conditions in some industries, the size of negotiated wage-rate adjustments during the preceding 7 years reflected the economic problems confronting management and labor in many industries. In the face of increased competition, from foreign firms in manufacturing and from domestic nonunion firms in construction, telecommunications, and transportation, bargainers focused on ways to restrain labor costs, increase productivity, improve product quality, and preserve jobs. As a result, many new approaches to employee compensation evolved which are not captured in current measures of wage-rate adjustments. These include stock ownership plans that give employees a monetary stake in the success of the company, and compensation, generally in the form of lump-sum payments, contingent on company productivity or profits. Wage-rate adjustments were also restrained in the 1980's because funds that might otherwise have gone to increase wages often were diverted to finance other forms of compensation, such as health care.

Lump-sum payments, which have been an important part of compensation for many workers under major private industry agreements since 1983, are excluded from the major collective bargaining settlements series.[2] They are often made in lieu of or to supplement wage increases, or to offset wage cuts. They curb labor costs because they are one-time payments that are not added to the permanent wage-rate structure, and generally are not taken into account in calculating certain benefits.

Contracts that include provisions for lump-sum payments provide smaller wage adjustments than those without lump sums, on average. For example, private industry settlements negotiated during the first 9 months of 1989 provided wage adjustments averaging 2.6 percent a year over the contract term in agreements with lump-sum payments and adjustments of 3.4 percent in contracts without. Contracts expiring or up for reopening in 1990 that have lump-sum provisions provided specified wage-rate adjustments averaging 1.1 percent annually over the contract term; those without lump sums provided wage adjustments averaging 3.0 percent.

Agreements for almost one-half (1,009,000) of the 2,124,000 workers in private industry whose contracts are slated for renegotiation in 1990 include lump-sum provisions. These workers are concentrated in transportation equipment manufacturing (570,000), food stores (118,000), and parcel delivery (115,000). Overall, about 44 percent (2,595,000) of the workers under major contracts in private industry have agreements providing lump-sum payments. (See table 3.)

In addition to the general economy and recent trends in collective bargaining, this year's negotiators will also review what their expiring or reopening contracts have yielded.

Expiring and reopening agreements

Private industry. The following tabulation for agreements expiring or reopening in 1990 shows total average annual wage adjustments—specified adjustments, plus cost-of-living adjustments (COLA's) through September 30, 1989. It also shows average annual specified wage adjustments only (excluding adjustments from COLA clauses).

	Percent wage adjustments	
	Total	*Specified only*
Private industry	3.0	2.1
Contracts with COLA	3.3	1.2
Contracts without COLA	2.8	2.8

Specified wage adjustments under contracts expiring or reopening in 1990 averaged 2.1 percent a year, lower than in any of the 16 years for which the Bureau has been compiling such data. When COLA's through September 1989 were added to them, total adjustments averaged 3.0 percent a year, above the record low (2.4 percent) for contracts expiring or reopening in 1989, but third lowest in the history of this series. Adjustments for contracts with COLA's and for all contracts combined may change as a result of COLA adjustments that may occur between October 1, 1989, and contract reopenings or expirations in 1990.

Contracts with COLA clauses cover 41 percent of the workers (880,000) whose agreements expire or are subject to reopening in 1990. These contracts yielded wage adjustments (specified plus COLA amounts) averaging 3.3 percent through September 30, 1989, compared with specified wage adjustments of 2.8 percent in contracts without COLA clauses. The overall yield in wage adjustments has been larger in contracts with COLA clauses than in those without for the last 3 years, following a 5-year period during which this relationship was reversed. Part of this reversal can be traced to the difference in the rate of increase in consumer prices during the two periods. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) rose less than 4 percent a year between 1982 and 1986, but increased 4.5 percent in 1987, 4.4 percent in 1988, and at an annual rate of 5.0 percent for the first 9 months of 1989.

State and local government. State and local government contracts expiring or reopening in 1990 provided annual wage adjustments averaging 5.4 percent. The effect of COLA's on the overall average was insignificant because COLA clauses in major State and local government agreements cover only about 4 percent of the workers. Lump-sum provisions also were in effect for about 4 percent of the workers under contracts up for renegotiation in 1990.

Trends in COLA coverage

Cost-of-living adjustment (COLA) clauses covered about 40 percent (2.4 million out of 6.0 million) of private industry workers under major agreements in September 1989. (See table 4.) The proportion of workers with COLA coverage has been stable in the last 4 years, following a decline from a high of 61 percent at the end of 1976. (See table 5.)

The proportion declined slowly from the end of 1976 through 1984 largely because of employment losses in industries in which COLA clauses were common. During the early 1980's, COLA clauses were maintained, but a variety of constraints were placed on them that reduced the amount of COLA payments. These included introducing a "cap" or maximum COLA payment or lowering an existing one, raising the amount prices must rise before a COLA payment was made, and diverting COLA moneys to pay for escalating health and welfare benefit costs.

Because of these limits on COLA payments and a substantial moderation in the rate of inflation, many clauses yielded little or no pay gains in the early 1980's. Labor negotiators, therefore, felt less pressure to maintain COLA clauses and were sometimes willing to trade them for other contract provisions. During negotiations in 1985 through 1987, COLA provisions were dropped from several contracts. A quickening in the pace of price increases, however, might heighten interest in COLA clauses by labor negotiators.

In the public sector, COLA coverage is relatively rare covering about 6 percent of the workers under major contracts.

Deferred wage changes in 1990

Of the 8.5 million workers covered by major collective bargaining agreements, 3.3 million (39 percent) are scheduled to receive deferred wage increases, averaging 3.8 percent, in 1990

Table 3. Incidence of lump-sum payment provisions in major collective bargaining agreements, October 1989

[Workers in thousands]

1988 SIC Code[1]	Industry[2]	All agreements: Number	All agreements: Workers covered	All agreements: Percent of workers covered by lump-sum provisions	Agreements with lump-sum provisions: Number	Agreements with lump-sum provisions: Workers covered
	Total	1,931	8,482	32	390	2,735
	Private nonagricultural industries	1,263	5,959	44	349	2,595
10	Metal mining	3	8	100	3	8
12	Bituminous coal and lignite mining	2	66	0	—	—
15	Building construction general contractors	123	426	0	—	—
16	Construction other than building construction	100	282	0	—	—
17	Construction—special trade contractors	142	302	0	—	—
20	Food and kindred products	53	135	38	23	52
21	Tobacco manufacturing	3	13	100	3	13
22	Textile mill products	7	22	0	—	—
23	Apparel and other finished products	27	197	1	1	2
24	Lumber and wood products, except furniture	11	24	76	9	18
25	Furniture and fixtures	4	4	0	—	—
26	Paper and allied products	35	47	73	25	34
27	Printing, publishing, and allied industries	19	29	10	2	3
28	Chemicals and allied products	27	48	32	8	15
29	Petroleum refining and related industries	11	33	96	10	32
30	Rubber and miscellaneous plastics	13	47	11	2	5
31	Leather and leather products	3	14	23	1	3
32	Stone, clay, glass, and concrete products	18	45	22	6	10
33	Primary metals industries	41	182	55	17	101
34	Fabricated metal products	21	42	54	9	23
35	Machinery, except electrical	24	86	70	12	60
36	Electrical machinery equipment and supplies	43	232	81	24	189
37	Transportation equipment	69	809	91	50	737
38	Instruments and related products	6	15	25	1	4
39	Miscellaneous manufacturing industries	5	7	0	—	—
40	Railroad transportation	26	352	99	24	348
41	Local and urban transit	4	11	0	—	—
42	Motor freight transportation	11	303	38	2	115
44	Water transportation	15	61	0	—	—

See footnotes at end of table.

under terms of contracts negotiated earlier. (See tables 6 and 7.) There are no deferred wage decreases scheduled for 1990.

Bargaining in key industries

Some of the issues and problems facing bargainers in key industries with contracts up for renegotiation in 1990 are summarized below.

State and local government. Approximately 884,000 workers are covered by 246 major State and local government contracts that will be expiring or subject to reopening in 1990. They include 740,000 workers under 219 local government contracts and 144,000 workers under 27 State contracts. Expiring contracts account for about 35 percent of the 2.5 million workers under major State and local government agreements, compared with 39 percent in 1989 and 42 percent in 1988.

The largest group of workers (46 percent of the total) scheduled for negotiations in 1990 are the 404,000 in New York City. The next largest are 74,000 employees in Florida, and 41,000 employees in Michigan. The remaining workers are geographically scattered.

Unions representing government workers include: the American Federation of State, County and Municipal Employees, which represents a variety of government workers; the National Education Association and the American Federation of Teachers, which chiefly represent workers in public education; the Fraternal Order of Police and the International Association of Fire Fighters, which represent many public protective service workers; and the Amalgamated Transit Union, which bargains for workers in public transit systems.

Employees in primary and secondary education (mostly teachers) account for 52 percent of all workers under expiring local government contracts; general administration workers make up 26 percent, protective service workers account for 12 percent, and employees in a variety of other government functions, including hospitals, social services, housing, and sanitation make up the remainder.

In State governments, general government administration accounts for 56 percent of the workers under agreements scheduled to expire or be reopened in 1990; 18 percent are in health services; 13 percent are in protective services; and the balance are in higher education and transportation.

Negotiators will review what their expiring contracts yielded. Average annual wage adjustments over the term of State and local government contracts subject to renegotiation in 1990 were 5.4 percent; they were 5.7 percent in local government and 4.1 percent in State government. Expiring agreements in primary and secondary education provided larger annual adjustments over the contract life than those in all other government activities and were primarily responsible for making the average wage adjustment higher in local government than in State government. Following are average annual wage adjustments over the life of contracts expiring or reopening in 1990 (in percent):

	Average adjustment
All State and local government	5.4
State government	4.1
Local government	5.7
Education	6.1
Colleges and universities	4.6
Primary and secondary schools	6.1
General government and administration	4.6
Protective services	5.7
Health care	4.9
Transportation	3.7
Other	5.4
Excluding education	4.9
State government	4.1
Local government	5.2

Of the 286,000 New York City workers under contracts scheduled to expire in 1990, 175,000 are covered by contracts expiring in September and 94,000 have contracts expiring in June. The American Federation of State, County and Municipal Employees (AFSCME) represents 58 percent of the workers in various classifications; the American Federation of Teachers (AFT) represents 19 percent of the workers (all in education), and various other unions represent the remaining workers.

Negotiations to replace contracts that expired in 1987 were protracted. At the end of September 1989, there were still 8,500 workers in four bargaining units whose expired contracts had not been renegotiated. This last round of negotiations marked the final breakup of the bargaining coalition that unions formed in 1975, but that began to fall apart in 1982.

In September 1987, the AFT, representing 77,000 workers (including teachers, psychologists, social workers, and guidance counselors), was the first to reach an agreement with the city. Among the changes provided in the 3-year contracts were average general wage increases of 5.1 percent effective September 9, 1987, 5.4 percent on September 9, 1988, and 5.2 percent on September 9, 1989. Noneconomic changes included giving employees more input in deciding class size, textbooks, and curriculum planning.

Table 3. Continued—Incidence of lump-sum payment provisions in major collective bargaining agreements, October 1989

[Workers in thousands]

1988 SIC Code[1]	Industry[2]	All agreements: Number	All agreements: Workers covered	All agreements: Percent of workers covered by lump-sum provisions	Agreements with lump-sum provisions: Number	Agreements with lump-sum provisions: Workers covered
45	Transportation by air	32	198	36	8	71
48	Communications	38	526	60	27	315
49	Electric, gas, and sanitary services	74	225	12	8	27
50	Wholesale trade—durables	3	6	0	—	—
51	Wholesale trade—nondurables	7	32	88	3	28
53	Retail trade—general merchandise	14	61	39	2	24
54	Food stores	97	473	52	48	247
55	Automotive dealers and service stations	4	7	0	—	—
56	Apparel and accessory stores	2	6	0	—	—
58	Eating and drinking places	7	29	0	—	—
59	Miscellaneous retail stores	5	13	0	—	—
60–65	Finance, insurance, and real estate	24	133	6	2	9
70–89	Services	90	406	26	19	104
	State and local government	668	2,523	6	41	140

[1] There are no major collective bargaining agreements in 13, 14, 46, 47, 52, 57, or 67.

[2] Includes all private nonagricultural industries and State and local government.

NOTE: Because of rounding, sums of individual items may not equal totals, and percentages may not equal numerical worker ratios. Dashes indicate absence of lump-sum coverage.

AFSCME settled in November 1987 for 106,000 workers. The 3-year agreement provided a 5-percent wage increase retroactive to July 1, 1987, a 5-percent increase on July 1 of both 1988 and 1989, increased employer payments to health and welfare funds, and other improvements.

Subsequent settlements reached for other nonuniformed workers resulted in 3-year contracts with wage and benefit changes similar to those negotiated by the AFSCME groups.

About 56,000 uniformed workers, including police and corrections officers, sanitation workers, and firefighters, negotiated 3-year agreements in 1988 and 1989, retroactive to July 1, 1987, and slated to expire in 1990. Unions representing the largest numbers of workers were the International Association of Fire Fighters, International Brotherhood of Teamsters, and the Police Benevolent Association (Ind.). The settlement terms negotiated in May 1988 for police set the pattern for the other groups. All workers received wage increases of 6 percent retroactive

Table 4. Incidence of cost-of-living adjustment clauses in major collective bargaining agreements, October 1989

[Workers in thousands]

1988 SIC Code[1]	Industry[2]	All agreements: Number	All agreements: Workers covered	All agreements: Percent of workers covered by COLA clauses	Agreements with COLA clauses: Number	Agreements with COLA clauses: Workers covered
	Total	1,931	8,482	30	314	2,537
	Private nonagricultural industries	1,263	5,959	40	269	2,377
10	Metal mining	3	8	0	—	—
12	Bituminous coal and lignite mining	2	66	0	—	—
15	Building construction general contractors	123	426	1	2	3
16	Construction other than building construction	100	282	0	—	—
17	Construction—special trade contractors	142	302	0	1	1
20	Food and kindred products	53	135	7	5	10
21	Tobacco manufacturing	3	13	100	3	13
22	Textile mill products	7	22	16	1	4
23	Apparel and other finished products	27	197	49	17	96
24	Lumber and wood products, except furniture	11	24	6	1	2
25	Furniture and fixtures	4	4	0	—	—
26	Paper and allied products	35	47	0	—	—
27	Printing, publishing, and allied industries	19	29	36	7	11
28	Chemicals and allied products	27	48	13	3	6
29	Petroleum refining and related industries	11	33	0	—	—
30	Rubber and miscellaneous plastics	13	47	84	9	40
31	Leather and leather products	3	14	0	—	—
32	Stone, clay, glass, and concrete products	18	45	92	15	41
33	Primary metals industries	41	182	18	10	33
34	Fabricated metal products	21	42	69	13	29
35	Machinery, except electrical	24	86	79	16	68
36	Electrical machinery equipment and supplies	43	232	61	23	141
37	Transportation equipment	69	809	92	52	744
38	Instruments and related products	6	15	25	1	4
39	Miscellaneous manufacturing industries	5	7	27	1	2
40	Railroad transportation	26	352	99	24	348
41	Local and urban transit	4	11	12	1	1
42	Motor freight transportation	11	303	99	8	299

See footnotes at end of table.

to July 1, 1987, and on each succeeding anniversary date. The minimum hiring rate for employees hired after July 1, 1988, was frozen over the life of the contract and top of the pay grade will be reached after 5 years of service (employees hired before July 1, 1988, reached the top after 3 years). To compensate for maintaining annual wage parity with police, firefighters agreed to accept a 2,142-hour workyear instead of 2,088 hours. Economic benefits that varied among contracts were longevity payment increases, shift differentials, uniform allowances, and payments to health and welfare funds.

Labor negotiations for New York City workers in 1990 will be conducted with a newly elected administration and uncertainty about the mayor's position on the issues.

About 74,000 Florida State government workers are covered by seven contracts scheduled to expire or be reopened in June 1990. The American Federation of State, County and Municipal Employees (AFSCME) represents 78 percent of the workers in various classifications; three independent organizations—the American Nurses' Association (ANA), Police Benevolent Association (PBA), and National Education Association (NEA)—represent the balance.

AFSCME contracts were negotiated in June 1987, with reopenings in June 1989. They provided 3-percent general wage increases during the first and second years and 3- to 5-percent merit increases during the first year for selected classifications. The June 1989 reopener provided a 4-percent increase effective January 1, 1990, and contract expiration on June 30, 1990.

The ANA negotiated a 3-year contract in June 1987; it provided a 4.5-percent general wage increase during the first and second years and established an education fund. The 1987 PBA pact provided a 3-percent general wage increase and a 5-percent merit increase on July 1, 1987. This 3-year agreement also provided for wage reopeners in 1988 and 1989. Both reopeners resulted in 3-percent wage increases and June 30, 1990, contract expirations.

Approximately 41,000 Michigan State government workers are covered by contracts expiring in 1990. Contracts expiring on September 30, 1990, were negotiated by the American Federation of State, County and Municipal Employees representing 8,800 institutional employees, the Service Employees International Union for 5,750 security and human service support workers, and 5,100 workers under contracts with three independent unions.[3] The United Automobile Workers represents 21,500 administrative support and human service employees, covered by one contract scheduled to expire on December 31, 1990.

In the fall of 1987, wage negotiations had been concluded for the 1988–89 period providing a 3-percent wage increase on October 1, 1988, and 1 percent on April 1, 1989. During negotiations for the 1989–90 fiscal year, the parties reached an impasse. An impasse panel's recommendation for wage increases ranging from 3.0 percent to 3.5 percent was implemented on October 1, 1989.

It is not unusual for contract talks for State and local government workers to extend well beyond the expiration date of the preceding contract. In part, this reflects the time-consuming bargaining process in the public sector. After an agreement is negotiated by the executive branch, it is frequently sent to the legislature or a special agency for appropriation of funds. There are about 592,000 government workers under 191 agreements that expired prior to October 1, 1989, but for whom new contracts had not been concluded by that time. Thus, the 1990 bargaining scene in State and local government will include both contracts scheduled for talks during the year and some that expired earlier. If previous years' experience holds true, some contracts expiring or reopening in 1990 will not be resolved before the end of the year.

Petroleum refining. Eleven major collective bargaining agreements covering 33,000 petroleum refinery employees of major oil companies, including Atlantic Richfield, American Oil, Chevron, and Texaco, will expire or be reopened in 1990.[4] Some 29,800 workers, represented by the Oil, Chemical and Atomic Workers Union (OCAW) are under contracts that expire on January 31. Contracts for the remaining workers expire or will be reopened in February and March.[5]

The economic state of the oil industry has improved since the first quarter of 1988 when the last set of negotiations took place. Employment in the highly automated petroleum refineries in the first 8 months of 1989 averaged 122,600 workers, about the same as in the corresponding 1988 period. The refining industry's profits were higher in 1988 than in 1987.

The petroleum refining industry has a history of pattern-setting contracts. The 1988 American Oil Co. pact established the general pattern with OCAW. It provided a $900 lump-sum payment, plus a 30-cent-an-hour wage increase in the first year, and a 3-percent wage increase in the second year. It also increased employer contributions for health insurance for both family and single employee coverage.

OCAW's National Oil Bargaining Conference met in late September 1989 to develop 1990 contract demands, which included:

Table 4. Continued—Incidence of cost-of-living adjustment clauses in major collective bargaining agreements, October 1989

[Workers in thousands]

1988 SIC Code[1]	Industry[2]	All agreements: Number	All agreements: Workers covered	All agreements: Percent of workers covered by COLA clauses	Agreements with COLA clauses: Number	Agreements with COLA clauses: Workers covered
44	Water transportation	15	61	37	4	23
45	Transportation by air	32	198	4	3	8
48	Communications	38	526	52	19	272
49	Electric, gas, and sanitary services	74	225	10	9	23
50	Wholesale trade—durables	3	6	0	—	—
51	Wholesale trade—nondurables	7	32	77	1	25
53	Retail trade—general merchandise	14	61	39	2	24
54	Food stores	97	473	0	—	—
55	Automotive dealers and service stations	4	7	0	—	—
56	Apparel and accessory stores	2	6	0	—	—
58	Eating and drinking places	7	29	0	—	—
59	Miscellaneous retail stores	5	13	15	1	2
60–65	Finance, insurance, and real estate	24	133	50	6	67
70–89	Services	90	406	10	11	39
	State and local government	668	2,523	6	45	160

[1] There are no major collective bargaining agreements in 13, 14, 46, 47, 52, 57, or 67.

[2] Includes all private nonagricultural industries and State and local government.

NOTE: Because of rounding, sums of individual items may not equal totals, and percentages may not equal numerical worker ratios. Dashes indicate absence of cost-of-living coverage.

- $1.25 per hour wage increase each year of a 2-year contract;
- shift premiums of $1.50 per hour for midnight shift, $1 for evening shift, and 50 cents for daylight work (currently are $1, 50 cents, and 0, respectively) for those classified as shift employees (as opposed to hourly day employees);
- companies assume 90 percent of medical-hospital premium costs, with the agreement to join with OCAW to pursue the enactment of a universal, comprehensive national health care program, including establishment of, and joint participation in, an "OCAW National Health Care PAC";
- use of sick leave for dependent child care;
- improvements in compensation for employees with disabling job injuries;
- joint union-company monitoring of the environment around industrial plants; and
- no "retrogressions" in previous terms.

The cost of an oil refining company's primary input, crude oil, is not controllable; prices are dictated by the world oil market. Although oil refining is not a labor-intensive industry, labor is one of the few costs companies can control. Because of this cost structure, trends in the market for both crude and refined oil heavily influence negotiations.

Rubber tire manufacturing. Negotiations scheduled in the tire manufacturing industry affect about 30,000 workers represented by the United Rubber, Cork, Linoleum and Plastic Workers of America (URW). Most of these (26,000) are employed by the three major tire manufacturing companies, Goodyear Tire and Rubber Co., Uniroyal Goodrich Tire Co., and Firestone Tire and Rubber Co., and will be covered by bargaining in the spring under wage reopening provisions in their contracts.

These contracts, reached in 1988, were negotiated in an industry in flux. Average annual production worker employment had dropped from 92,000 workers in 1979 to 61,000 in 1988. Since 1983, annual production had been fluctuating between 180 million to 200 million tires, reflecting the longer lifespan of radial tires, the stagnation of auto demand, and the increased market share for imports. The face of the industry had been altered by the merger of Uniroyal, Inc. with B. F. Goodrich Co. in 1986, and three acquisitions—General Tire by Continental Gummi-Werke AG in 1987, Firestone Tire and Rubber Co. by Bridgestone Corp. in 1988, and Armstrong Tire Co. by Pirelli S.p.A. in 1988.

The round of negotiations began with Uniroyal Goodrich Tire Co., which was facing sizable debt resulting from its transformation from a publicly traded company to a privately owned one, and was threatening plant closures and layoffs. In exchange for company guarantees not to close several plants, workers accepted a pact that froze wages and suspended quarterly COLA reviews for 1 year (unless the CPI rose by more than 4.5 percent). An additional inducement for the workers was the creation of a Company Equity Plan obligating the company to redeem worker "equity units" if the company was sold, its stock publicly traded, or upon the fifth anniversary of the provision. In prior rounds of bargaining, the first settlement established the general pattern for the industry. Following the Uniroyal Goodrich settlement, Milan Stone, URW president, warned that it would not be considered a standard for remaining negotiations in the industry.

Instead, a subsequent settlement with Goodyear became the pattern setter for Firestone, Kelly-Sringfield, General Tire, and Armstrong. These agreements provided a 25-cent wage increase, termed an "advance cost-of-living adjustment," that would offset, in part, payments generated by the COLA provision; continued the quarterly COLA clause that provided a 1-cent wage change for each 0.26-point change in the CPI; improved pension, health care, and supplementary unemployment benefits; set up a successorship provision guaranteeing continuation of the labor agreements in case of merger or acquisition; and scheduled a wage reopener in spring 1990, with a provision prohibiting strikes.

Heading into the 1990 wage negotiations, prospects for the industry still appear uncertain. While there has been a small rise in employment (to nearly 65,000 workers in July 1989), scattered layoffs are occurring. Announced investment plans by the major tire manufacturers to modernize plants and adjust production toward radial tires may be a mixed blessing. While the expenditure can enhance industry productivity in the long term, it adds significantly to debt incurred from the mergers and purchases of the last several years, and improved productivity is

Table 5. **Workers under cost-of-living adjustment clauses in major collective bargaining agreements in private industry, 1971–90**

[Numbers in millions]

Year[1]	Total workers	With COLA coverage	
	Number	Number	Percent[2]
1971	10.8	3.0	28
1972	10.6	4.3	41
1973	10.4	4.1	39
1974	10.2	4.0	39
1975	10.3	5.3	51
1976	10.1	6.0	59
1977	9.8	6.0	61
1978	9.6	5.8	60
1979	9.5	5.6	59
1980	9.3	5.4	58
1981	9.1	5.3	58
1982	8.8	5.0	57
1983	8.3	5.0	60
1984	7.7	4.4	57
1985	7.3	4.1	56
1986	7.0	3.4	48
1987	6.5	2.6	40
1988	6.3	2.4	38
1989	6.1	2.4	40
1990 (preliminary)[3]	6.0	2.4	40

[1] Data relate to December 31 of preceding year.

[2] Percent coverage was computed on actual rather than rounded employment numbers.

[3] Data relate to information available as of Oct. 1, 1989.

Table 6. Scheduled deferred wage changes under major collective bargaining agreements in 1990, by industry

Selected industry	Number of agreements	Number of workers (thousands)	Mean change[1]: Total, Cents	Total, Percent	With COLA, Cents	With COLA, Percent	Without COLA, Cents	Without COLA, Percent	Median change, Cents	Median change, Percent
Total[2]	773	3,296	55.1	3.8	33.7	2.8	60.6	4.0	44.5	4.0
All private nonagricultural industries	543	2,125	46.7	3.2	29.3	2.6	52.6	3.4	39.1	3.0
Manufacturing[3]	165	569	32.6	3.0	30.6	2.9	34.5	3.1	30.8	3.1
Food and kindred products	24	80	27.3	2.4	31.2	2.0	27.0	2.4	23.8	2.1
Apparel and other textile products	20	101	28.9	4.0	28.9	4.0	27.2	3.8	27.7	4.0
Metalworking	56	277	33.1	2.7	29.8	2.3	37.7	3.3	32.6	3.0
Nonmanufacturing[4]	378	1,555	51.8	3.3	27.8	2.2	56.6	3.5	43.6	3.0
Construction	198	552	68.8	3.5	100.0	3.3	68.7	3.5	65.0	3.3
Transportation and public utilities	68	521	42.0	2.6	25.5	1.8	49.6	3.0	31.6	2.5
Wholesale and retail trade	67	285	32.6	3.4	16.2	1.5	36.2	3.9	30.6	3.4
Finance, insurance, and real estate	7	44	50.4	4.6	50.6	4.6	49.9	4.7	50.6	4.6
Services	36	85	73.4	5.1	51.7	4.7	75.9	5.2	61.7	4.7
State and local government	230	1,172	70.3	4.8	51.3	3.9	72.8	4.9	57.6	5.0

[1] Changes in cents per work hour and percent of straight-time average hourly earnings. There are no deferred decreases.

[2] Includes all private nonagricultural industries and State and local government.

[3] Includes workers in the following industry groups for which data are not shown separately: tobacco (1,000); lumber (18,000); furniture (2,000); paper (20,000); printing (13,000); chemicals (19,000); rubber (5,000); leather (10,000); stone, clay, and glass products (8,000); instruments and related products (9,000); and miscellaneous manufacturing (5,000).

[4] Includes 68,000 workers in the mining industry for which data are not shown separately to ensure confidentiality of data.

NOTE: Workers are distributed according to the average adjustment for all workers in each bargaining situation considered. Deferred wage increases include guaranteed minimum adjustments under cost-of-living clauses. Because of rounding, sums of individual items may not equal totals. Dashes indicate no workers.

not necessarily beneficial for employment. Recent layoff announcements and general indications of slack demand in automobile manufacturing, to which the well-being of tire manufacturing is linked, do not bode well for future prospects for tire producers. The Bureau's Office of Economic Growth and Employment Projections estimates that for the 1988-2000 period, depending on the set of economic expectations used, tire production may continue at existing levels with an annual decline in employment of 3.0 percent, or rise by as much as 1.9 percent a year, with an annual employment decline of 1.5 percent.

Although bargaining is likely to focus on wages and health insurance costs, job security may remain a factor in this climate, because industry debt and a clouded general economic horizon loom over the companies and workers alike. For workers at Uniroyal Goodrich, general conditions are further complicated by its impending purchase by the Michelin Groupe of France. If completed, this purchase reportedly will generate $25 million for employees under the "equity plan."

Apparel. Some 97,000 workers in the apparel industry are covered by seven contracts that expire or are subject to reopening in 1990. The Amalgamated Clothing and Textile Workers Union (ACTWU) represents more than 95 percent of these workers; the International Ladies' Garment Workers Union and the United Food and Commercial Workers Union represent the remainder. These contracts account for nearly half of all workers under major apparel agreements.

In February, the ACTWU will bargain for 42,000 workers employed by a group of 15 manufacturers of men's cotton apparel (known as the Cotton Garment Negotiating Group). In a departure from the previous practice of negotiating 3-year contracts, the parties to the 1988 contract agreed to an 18-month term. The shorter term was to enable workers to press for early resolution of job security problems resulting from burgeoning imports. The contract established a joint committee to consider such issues, as well as the need to deal with the rise in employers' costs for health insurance for employees, retirees, and dependents in the face of the industry's declining profits and employment, and to consider the feasibility of providing child care facilities. When this article was prepared, the committee had not completed its final report and was not expected to do so until early 1990. Other provisions of the contract called for wage increases of 40 cents an hour over the term of the agreement and 6 weeks of unpaid parental leave.

In September, the ACTWU will bargain for more than 45,000 workers in the men's and boys' apparel industry. The Clothing Manufacturers Association of the USA contract covers approximately 700 shops nationally with the largest concentration in the New York City area. The previous 3-year pact provided wage increases of 85 cents an hour and established the provision for 6 weeks of unpaid parental leave with the guarantee of a job at the end of the leave while maintaining health insurance during the leave. Other benefit changes included adoption of prescription drug and vision care plans; improved funeral leave; and retention of vacation rights for employees laid off and then reemployed in the same geographic area. The contract continued to bar employers under it from subcontracting work to nonunion companies and from importing parts of garments. The Clothing Manufacturers Association, which had wanted to eliminate this provision, noted that the longer duration of the agreement—3 years, compared with 2 years for the preceding one—would at least give it more time for developing counters to increasing competition from foreign producers.

Labor and management efforts to address continuing problems stemming from stiff foreign competition will provide the backdrop for negotiations in 1990. In the last decade, apparel imports increased by 17 percent a year as measured in square meter equivalents[6], and the industry has lost 350,000 jobs in the United States. Specific contract demands are not expected to be formulated until around the beginning of the year.

Transportation equipment. Approximately 595,000 workers are covered by 25 contracts in the transportation equipment manufacturing industry scheduled to expire in 1990. The contracts between the Big Three automakers—General Motors Corp., Ford Motor Co., and Chrysler Corp.—and the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) account for 85 percent (505,000) of these workers. After a decade's separation, Chrysler Corp. will be negotiating at the same time as GM and Ford. Other major contracts slated for negotiations in 1990 are: Rockwell International with the UAW; General Dynamics Corp., McDonnell Douglas Corp., and Rohr Industries with the International Union of Machinists; United Technologies Corp. with the International Brotherhood of Teamsters; and Litton Industries Inc. with the Metal Trades Council.[7]

The UAW's 1987 settlements with GM and Ford established a job security program which provided workers with protection from layoff for any reason except market-driven sales downturns. The expiring agreements also provided a 3-percent general wage increase in the first year and a lump-sum payment equal to 3 percent of previous year's qualified earnings in the second and third year of the contract. The quarterly cost-of-living clause was maintained in the pact, with no diversions. Significant improvements were made in the profit-sharing plan. Under the profit-sharing plan, Ford workers have so far received average payments of $3,762 in March 1988 and $2,874 in March 1989, and GM workers received an average of $242 in March 1989.

Although their contract was not scheduled to expire until September 1988, the UAW and

Table 7. **Deferred wage increases scheduled in 1990 in major collective bargaining agreements, by month**

[Workers in thousands]

Effective month	Workers covered[1]	Principal industries
January-December	3,543[2]	
January	365	State and local government, construction
February	203	Bituminous coal, State and local government
March	128	(3)
April	387	State and local government
May	455	Construction, communications
June	569	Construction, apparel, electrical products, food stores
July	765	State and local government, construction
August	243	Communications
September	169	Airlines, State and local government
October	129	State and local government, variety and department stores
November	47	(3)
December	83	Aerospace, food stores

[1] Includes 1,172,000 workers under State and local government agreements.

[2] This total is smaller than the sum of individual items because 233,000 workers are scheduled to receive two increases and 5,500 are scheduled to receive three increases or more in 1990. It is based on data available as of Oct. 1, 1989, and thus may understate the number of workers scheduled to receive deferred increases for the entire year.

[3] No single industry accounts for a substantial proportion of workers.

Chrysler Corp. reached a contract 4 months early. The UAW's interest in securing for Chrysler workers the job security, profit sharing and other benefit improvements similar to those attained earlier for workers at Ford and GM was achieved in this contract. It provided job security and other benefit improvements attained in earlier negotiations with GM and Ford. In addition, the 1988 pact provided a $1,000 "Early Settlement Bonus" and a $500 guaranteed minimum payment in the first year of a newly instituted profit-sharing plan, comparable to the plans at GM and Ford. Chrysler workers received payments averaging $725 in March 1989, the first payment generated by the profit-sharing formula. The 1988 contract carried the same September 1990 expiration date as the contracts at GM and Ford, a condition that had not existed for a decade.

Prior to 1979, the UAW would target one of the Big Three for negotiation. Once a contract was completed, the remaining two firms signed contracts with similar terms. However, in 1979, Chrysler dropped out of the pattern when, at the brink of bankruptcy, it obtained wage and benefit concessions from the UAW. This created disparities between wages and benefits of workers at Chrysler and those at GM and Ford. These differences were reduced in 1982 and eliminated in 1985. Subsequent UAW contracts reached with GM and Ford in 1987 again created differences, but in 1988, Chrysler workers regained full parity with those at GM and Ford.

U.S. automakers have steadily lost market shares to imports and transplants (vehicles manufactured on U.S. soil by foreign firms). According to Wards Communication, from 1978 to 1984, the market share of U.S. vehicles decreased from 85 percent to 74 percent. By 1988 and early 1989, the share was 70 percent, as imports captured 24 percent and transplants 6 percent.

Worldwide profits for all three automakers in 1988 reached $11.2 billion, exceeding the record level of $9.8 billion set in 1984. In 1989, first-half profits reached a record of 6.7 billion. Despite the worldwide picture, GM and Ford reported a drop in profits from U.S. sales beginning in the second quarter of 1989, and all three automakers experienced a decline in the third quarter.

A downturn in sales translates into a loss in employment. Production worker employment in the automaking industry (including independent parts suppliers) was 647,100 in September 1989, a drop of 27,400 since June 1989. As of August 1989, there were 63,513 auto workers on layoff, 45,440 of whom were on indefinite layoff.

Job security again will be a major issue in upcoming negotiations. The job preservation features of the 1987–88 settlements fall short of providing security if job cutbacks are caused by reductions in sales. The second- and third-quarter 1989 sales slump was followed by Chrysler's announcement of the layoff of 8 percent of its work force by the end of 1989. Additional layoffs are expected.

As in other industries, the issue of escalating health insurance cost is expected to be another major negotiation topic in the upcoming bargaining between the Big Three and the UAW. The union plans to resist any effort by the firms to shift part of the higher costs to employees. The UAW has also indicated that it will also be looking into issues such as pensions, wages, lump sums, and COLA's.

Construction. During 1990, contracts for about 40 percent (409,000) of all construction workers under major collective bargaining agreements are slated for negotiations. As in past years, bargaining will be heaviest in the spring. This year, contracts expiring or reopening in May and June will account for 62 percent of the workers. Regionally, the Northeast and Midwest, especially New York and Illinois, will have the busiest bargaining schedules, with two-thirds of the workers under terminating contracts in these areas.

The construction industry has continued to show improvement in its economic state. According to Bureau of the Census data, the value of new nonresidential construction put in place in 1988 rose to $97.1 billion from between $91 billion and $92 billion in both 1986 and 1987. For the first 8 months of 1989, the value had already reached $64.2 billion, compared with $63.1 billion for the same period a year earlier. Employment in the industry has remained steady, posting a seasonally adjusted figure of 4.1 million nonsupervisory construction workers for August 1989, up slightly from 4 million in August 1988. The unemployment rate declined slightly; the seasonally adjusted rate was 10.3 percent in August 1989, compared with 10.7 percent a year earlier.

Construction firms are generally represented in bargaining by local chapters of a national employer association, such as the Associated General Contractors of America or the Mechanical Contractors Association. On the other side of the table, workers usually bargain by craft—carpenters, electricians, operating engineers, and so forth. Although negotiations are conducted separately, different crafts in the same locale often have settlements with similar economic terms, reflecting the conditions of the area's economy.

Negotiators in 1990 will review the terms of their expiring contracts. Construction contracts expiring or reopening in 1990 yielded an average 3.4 percent annual wage adjustment with regional adjustments ranging from 1.3 percent in the Mountain region to 5.4 percent in the Middle Atlantic. The following tabulation shows average annual wage adjustments under contracts expiring in 1990 (in percent):

All agreements	3.4
Northeast	5.2
New England	4.5
Middle Atlantic	5.4
Midwest	2.7
East North Central	2.8
West North Central	1.4
South	2.1
South Atlantic	1.9
South Central	2.3
West	1.4
Mountain	1.3
Pacific	1.5
Interregional	3.7

By construction type, average annual wage adjustments under expiring contracts were 3.6 percent in general building, 3.2 percent in special trades, and 3.1 percent in heavy and highway construction (other than building).

In previous years, contract negotiations were heavily influenced by the pressures of nonunion competition. To keep union contractors competitive with nonunion contractors, settlements included new provisions to keep labor costs down, such as dual wage scales based on project size (with lower wages paid on smaller projects where nonunion competition was more prevalent) and "helper" classifications with lower wage rates for workers on jobs requiring less than full skills. Although increased demand for construction has reduced competition between union and nonunion contractors, many settlements have carried over the cost-saving provisions implemented in the earlier part of the decade, although few contain the wage cuts and freezes that were also used to lower labor costs.

Retail trade. Approximately 169,000 workers are covered by 29 contracts in retail trade that expire in 1990. These workers account for about 30 percent of those under major agreements in retail trade. The United Food and Commercial Workers (UFCW) represents almost all of the workers under contracts expiring in 1990. About 163,000 workers are employed in food stores; the balance are in department stores and motor vehicle dealers.

Overall, the contracts expiring in 1990 provided wage adjustments averaging 1.3 percent a year over their term. There are no industrywide pattern-setters—settlements varied by region and type of business.

In Southern California, contracts covering 67,000 retail clerks and meatcutters represented by 13 UFCW locals and the Food Employers Council, Inc., representing chain food stores and independent retail operators, are up for negotiations in late July. The expiring contracts provided wage increases ranging from 32.5 cents to 35 cents for beginning general clerks to 50 cents per hour for experienced personnel over the term of the agreements. In addition, the pacts called for a lump-sum payment of $600 to $1,500 for each worker.

On the East Coast, more than 30,000 workers will be represented by the UFCW in negotiations with major food store chains—Acme, A&P, Pathmark, Foodtown, Grand Union, Shoprite, and King's Markets. Contracts for 13,400 employees of Acme stores in Pennsylvania, Delaware, and New Jersey expire in January, February, or October; negotiations for the other chains located in New York, New Jersey, and Virginia are slated for April and November. The expiring Acme agreements provided general wage increases of 45 cents an hour to an additional $3.45 an hour for part-time workers earning $7.95 to $10.75 an hour as catchup increases. Lump-sum payments amounted to $1,248 over the contract term for full-time employees and $690 for part-time workers. The other chains increased pay by $60 a week for full-time employees and by $1 an hour for part-time workers.

Many contracts in retail trade have begun to phase out two-tier wage or wage and benefit systems that were established in the early 1980's. These systems largely have proven to be unworkable because of morale problems and high worker turnover associated with them. As a result, negotiators will face increased pressure to modify or eliminate them.

Union negotiators may also raise the issue of increased use of part-time employees to operate stores as a way to keep down labor costs. Part-time workers are usually paid less and are eligible for fewer benefits than are full-time workers. Their use also reduces the need for overtime, thereby restricting opportunities for full-time workers to increase earnings.

In addition, negotiators will be concerned with the replacement of national chains by regional ones, the growth of nonunion competition, and the practice of leveraged buyouts, in which some of the assets, notably real estate, may be sold to help finance the buyout. Food-store chains are particularly vulnerable to takeovers because they consist of small units which can be sold piecemeal to another operator or chain. Some takeovers have led to store closings and job losses, prompting union negotiators to seek provisions assuring job security in the case of leveraged buyouts or takeovers.

United Parcel Service. A contract between United Parcel Service (UPS) and about 115,000 workers represented by the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America will expire on July 31, 1990. The workers account for 38 percent of all workers covered by major collective bargaining agreements in the motor freight transportation and warehousing industry.

The last round of negotiations resulted in a 3-year contract that provided 2.4-percent wage increases in August 1987, 1988, and 1989. The pact also contained a provision for lump-sum payments of $1,000 for full-time employees and $500 for part-time employees in September of 1987, 1988, and 1989. A COLA clause was retained to provide annual adjustments after the amount calculated under the formula exceeds the hourly cost of specified wage increases, lump-sum payments, and improvements in benefits.

Competition has been heating up in the $6 billion to $8 billion surface package delivery market since Pittsburgh-based Roadway, Package System (RPS), a subsidiary of Roadway, entered the industry in 1985. U.S Postal Service (USPS), an old rival, maintains its advantage for certain services, moving 200 billion parcels and letters a year. Both UPS and RPS are expanding their markets and, in 1988, both companies enjoyed a 15-percent increase in their gross operating profits from the 1987 level.

In the private air express market, UPS is a distant second to Federal Express. UPS has 15 percent of the market whereas Federal Express has 57 percent. UPS' air business is growing, however, and the company is adding to its fleet of planes and expanding its hub in Louisville, KY.

The company's economic performance has improved since the last negotiations. The union will probably seek wage increases instead of lump sums, and a COLA provision that is no longer tied to specified compensation increases. Bargainers will also be concerned with health, welfare, and pension benefits and costs. The company will be concerned with assuring sufficient funds to invest in expanding and improving service.

Health care. About a third (55,000) of the 154,000 health care workers under major collective bargaining agreements are under 17 contracts scheduled to expire or be reopened in 1990. Hospitals, nursing homes, medical clinics, and other health-related facilities will be involved in this year's bargaining with the heaviest activity in California and New York, each accounting for about 37 percent of the workers. The balance of the negotiations will occur in Illinois, Minnesota, Michigan, and the District of Columbia. Three-fourths of the health care employees will be represented by the Service Employees International Union (SEIU) and the rest by the American Nurses' Association, the Office and Professional Employees International Union, or the Committee for Recognition of Nursing Achievements.

The largest number of workers under an agreement expiring in health care this year are the 15,000 employees of the Greater New York Health Care Facilities Association. The association, comprising 35 nursing homes and health-related facilities, has a contract with the SEIU that expires in March. The union represents employees in a wide range of occupations—registered nurses; licensed practical nurses; service workers, including kitchen and laundry workers; maintenance workers, such as electricians and painters; and clerical staff, including receptionists, secretaries, and clerks. The 1987 contract provided a 4-percent wage increase in the first year and 5 percent in the third year. A lump-sum payment equal to 4 percent of the employee's annual salary was provided in the second year. Contributions to the pension and welfare funds were also increased.

California has seven major collective bargaining agreements scheduled to expire in 1990. The two largest, together covering 15,700 health care workers, involve Kaiser Foundation Hospitals and the Permanente Medical Group. In Los Angeles and Orange Counties, 11 Kaiser-Permanente hospitals and clinics will jointly negotiate for a new contract with the SEIU to replace the one expiring in March. The SEIU represents 9,500 full- and part-time workers in service, maintenance, clerical, patient care (for example, licensed vocational nurses and nurses' aides) and technical (for example, laboratory assistants and x-ray technicians) occupations. The parties' last negotiations in 1987 resulted in a wage freeze over the 3-year contract term. Workers did receive lump-sum payments in each of the 3 years—$600, $700, and $800 for full-time employees and $300, $350, and $400 for part-time employees.

The California Nurses Association, represents 6,200 registered nurses whose agreement with 25 Kaiser-Permanente facilities in Northern California will expire in December. The expiring contract provided 5-percent wage increases in the first and second years and a 6-percent increase in the third year; a night-shift premium increase from 9 percent to 10 percent; and for weekend work performed after three or more consecutive weekends, a rate increase from time and one-half to doubletime.

Contracts in health care expiring in 1990, generally negotiated 2 or 3 years ago, yielded an average wage adjustment of 3.7 percent a year.

As this year's negotiations begin in the health care industry, the parties will be faced with two opposing problems. (1) There are pressures to give nurses wage increases in line with recommendations made in December 1988 by the Commission on Nurses, organized by the Department of Health and Human Services, to seek solutions to the nursing shortage. (2) State and Federal Government efforts to contain health care costs continue. Following the amendment of the Social Security Act in October 1983, the government has been reimbursing health care providers who render services to medicaid and medicare recipients according to a schedule that pays only specified predetermined amounts. If costs are below the reimbursed amount, the health facility retains the difference; however, when costs exceed the government payment, the health facility must absorb the difference.

The gap between government reimbursements and rising health care costs could have a detrimental effect on the outcome of bargaining for nonnursing health care workers. In an effort to attract and retain nurses while minimizing the increase in labor costs, some health care facilities may try to reduce or eliminate wage increases for nonnursing employees to compensate for increasing nurses' salaries.

Any change in the governments' reimbursement schedule would affect the financial status of the health care industry and thus, its collective bargaining. As illustrated by the following recent events in New York City, it also appears that collective bargaining could affect the governments' reimbursement schedule.

In October 1988, the League of Voluntary Hospitals reached an accord with Local 1199 of the Drug, Hospital and Health Care Union that provided compensation increases. Hospital officials, while agreeing the settlement was fair, said that they could not afford it and called for an increase in public funding. Observers have noted that either the government would increase funding or the hospitals would reduce services.

JOB SECURITY has been a major concern in collective bargaining in recent years, often overriding the conflict between employers' efforts to keep labor costs down and workers' efforts to achieve compensation improvements. Although job security is still important, dealing with rapidly rising costs for health insurance premiums will likely be the most common problem faced by negotiators this year. Ways of addressing this problem are diverse. Employers may absorb the cost increases as a tradeoff against compensation or work rule changes. COLA increases may be diverted to offset some premium increases. Employees may be pressured to either pick up some of the increased costs or to take a cut in benefits. Negotiators may adopt any one or a combination of these approaches, or come up with others. In any case, the problem will have to be dealt with on both sides of the 1990 bargaining table. □

Footnotes

[1] In private industry, 1,230,000 workers were under 218 contracts that expired or were subject to reopening by Dec. 31, 1989, for which settlements had not been reached or details of new settlements were not available by September 30. In State and local government, 668,000 workers were under 223 such contracts.

[2] In 1990, the Bureau is planning to publish a new measure of adjustments in compensation, including lump-sum payments, for major collective bargaining settlements.

[3] These are the Police Benevolent Association (1,900 workers); the United Technical Employee Association (1,600 workers); and the Michigan Professional Employees Association (1,600 workers).

[4] Other oil companies include Ashland Oil, Mobil, Shell, Exxon, Sun Oil, and Union Oil.

[5] The remaining workers will be represented by the Baton Rouge Oil and Chemical Workers Union and the International Union of Petroleum and Industrial Workers.

[6] The Department of Commerce, Office of Textiles and Apparel, International Trade Division, compiles the square meter equivalent measure by applying a conversion factor to each incoming garment to measure changes in apparel and textile imports between periods.

[7] The Metal Trades Council consists of: International Brotherhood of Boilermakers; International Brotherhood of Painters and Allied Trades of the United States and Canada; International Association of Machinists and Aerospace Workers; Office and Professional Employees International Union; United Brotherhood of Carpenters and Joiners of America; International Brotherhood of Electrical Workers; Laborers' International Union of North America; International Molders' and Allied Workers' Union; and United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada.