Economy improves; bargaining problems persist in 1983

Wage gains were lower than in recent years, and there were some cuts, as labor and management tried to overcome problems resulting from the recession, deregulation, technological change, and foreign competition

George Ruben

In late 1982, the Nation began to emerge from a 16-month recession and economic indicators generally showed continuing improvement in 1983:

- Unemployment, which reached a 42-year high in December 1982, declined 2.4 percentage points, to 8.4 percent in November 1983.[1]
- Civilian employment rose to 102.7 million workers in November, from 99 million 12 months earlier.
- Consumer prices rose less than 3 percent during the12 months ending in October 1983, compared with about 5.0 percent during the preceding 12 months.
- Productivity for all persons in the business sector of the economy increased 3.5 percent during the four quarters ending with September 1983, which was the largest increase for any comparable period since 1976.

Despite the improvement in the economy, several major industries, and their employees, continued to struggle with problems that resulted from economic policies, and from other factors such as the growing inroads by foreign producers, shifts in customer preference, and plant obsolescence. Clearly, the domestic policy of deregulation of industry increased competition in the airline and trucking industries, resulting in the entry of new firms, the closing of others, employee concessions on compensation, and high unemployment.

Other industries, particularly steel, shipbuilding, and copper, also continued to experience low operating levels that industry leaders attributed, in part, to foreign governments' subsidization of their producers that sell in the United States.

The domestic automobile industry shared in the surge in the economy, as the major companies generally reported sharp increases in sales and profits. Still, sales did not approach their historic highs as the companies faced the challenge of overcoming the cost advantages of foreign producers and reducing their 25-percent share of the U.S. market. However, despite U.S. companies' continuing efforts, the prospect was that a sizable number of laid-off employees would never regain their jobs.

As a result of this backdrop, 1983 was a difficult year for unions and management. Some employers closed obsolete facilities or introduced new production methods and machines, reduced staff, or asked their unions for concessions. The unions generally gave up part of the wages and benefits they had won over the years when convinced that the employer was in economic straits. In some cases, the unions charged that management was using the unsettled conditions to press for unwarranted compensation cuts.

During the first 9 months of 1983, 1.9 million private industry workers were covered by major collective bargaining settlements (those affecting 1,000 workers or more). One-fifth of these workers had their wages cut in industries

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including steel, airline transportation, and meat processing. Another fifth of the workers did not receive specified wage increases over the contract term. This occurred in the aluminum, farm and construction equipment, and copper industries and, to some extent, in construction.

For the 1.2 million workers whose settlements provided for specified increases at some time during the contract term, the average increase was 6.1 percent in the first contract year and 4.9 percent a year averaged over the contract term. These settlements were mostly in nonmanufacturing industries, including public utilities, retail trade, construction, and telephone communications.

Considering the entire 1.9 million workers covered by settlements, wage adjustments—the combined net result of wage increases, decreases, and no changes—averaged 1.7 percent in the first contract year. Over the life of these contracts, adjustments averaged 2.8 percent annually, the lowest such average for any 3-quarter period in the 15-year history of the series. The last time the same parties bargained (2 to 3 years ago in most cases), average wage adjustments were 9.1 percent in the first contract year and 7.3 percent a year over the life of the contracts.[2]

The first big settlement of the year involved the steel industry. The issue in the steel talks was the need to cut costs. The same issue dominated trucking industry negotiations, but did not result in a settlement, and in airline transportation, where settlements were recorded throughout the year. Virtually all of the airline settlements provided for some form of aid to the carriers. The largest bloc of workers covered by 1983 settlements was at American Telephone and Telegraph Co., where the primary objective of the 675,000 employees was to obtain contract provisions to protect themselves from job cutbacks that might result from the January 1, 1984 breakup of AT&T.

Steel

In December 1982, U.S. steel mills operated at a 50-year low of about 30 percent of capacity. Throughout 1983, the utilization rate increased with the improving economy to about 60 percent in October. Despite the improvement, firms generally suffered substantial losses, traceable to import competition; increased use of alternate materials such as aluminum and concrete; lighter automobiles, requiring less steel; and the costs of shutting down obsolete mills.

The eight Coordinating Committee Steel Companies that usually set the pattern for settlements in the industry negotiated a concessionary agreement with the United Steelworkers in 1983, after two earlier failures. The first, in July 1982, ended when the union leadership rejected an employer proposal calling for employee concessions beyond those in the Auto Workers settlements with Ford Motor Co. and General Motors Corp.

The second, in November 1982, was backed by the union's officers but was rejected (231 to 141) by the Union's Basic Steel Industry Conference, a group of officers of local unions. A major reason for the turndown was a provision that would have resulted in lower compensation for 9,000 workers in steel warehousing, lime and chemical production, and other such operations. Accordingly, 75 leaders of their locals voted against the proposals.

The 1983 settlement was accepted because the wage and benefit concessions were apparently less than in the 1982 proposals, and because most of the cuts will be restored by the August 1, 1986, termination of the agreement.

The accord, which superseded the balance of a 3-year contract scheduled to expire on July 31, 1983, provided for a $1.31-an-hour cut in pay, of which $1.25 will be restored in stages during the term. The cut for incentive employees was somewhat larger because part of it came from the base rates used to calculate earnings but essentially all of the cut will be restored as it would be for hourly workers.

Although the COLA clause was retained, the 265,000 workers covered gave up the first five quarterly adjustments. Thereafter, quarterly adjustments will be calculated at the existing rate of 1 cent an hour for each 0.3-point rise in the Bureau of Labor Statistics Consumer Price Index for Urban Wage Earners and Clerical Workers, payable only to the extent that any rise in the Index exceeds specified amounts: 4 percent over a 12-month period for the first 4 adjustments and 1.5 percent over a 6-month period for the next two adjustments. The final two adjustments (in February and May of 1986) will not be restricted. The union estimated that COLA increases will total 70 cents an hour if the CPI rises at a 7-percent annual rate in the Index during the final years of the contract.

A major union concession was termination of the Savings and Vacation Plan established in 1962 to provide savings and supplemental retirement and vacation benefits. Extended Vacation Benefits were an important part of this plan, established to give workers longer-than-usual vacations at set intervals, as well as to help maintain the size of the work force. At the time of the 1983 settlement, employees in the top half of the seniority roll received 13 weeks off (including regular annual vacations) every 5 years and other workers received 3 weeks plus their regular annual vacation.

Other changes beneficial to the employers were a temporary cut to time and one-fourth, from time and one-half, in the pay premium for scheduled nonovertime Sunday work and elimination of one of 10 paid holidays. A change beneficial to the employees was increased company financing of Supplemental Unemployment Benefits and additional guarantees of weekly benefits to laid-off workers, regardless of the condition of the fund.

The union did not gain its demand for company guarantees that they would not shut down steel operations but the companies did agree to apply the savings resulting from the agreement to facilities covered by the agreement.

The settlement also ended the Experimental Negotiating Agreement for the foreseeable future. The ENA, which had been established in 1973 to assure a strike-free settlement in the 1974 round of wage and benefit bargaining, was subsequently renewed to cover 1977 and 1980 bargaining but it was not renewed in 1980 to cover 1983 bargaining. This occurred because management had become increasingly concerned that the cost savings resulting from the stabilization of production were not worth the economic "floor" under wage and benefit accords that the employees received in return for giving up the right to strike over national issues.

Aluminum

The groundwork for the 1983 round of settlements between the United Steelworkers and the three major aluminum companies actually was laid in September 1982, when the parties met to consider a management request for immediate renegotiation of their contracts, which were not scheduled to expire until May 1983. They did not reach an agreement for the 25,000 employees at that time. Despite the breakoff, the Steelworkers and the companies agreed that the informal talks were beneficial in "clearing the air."

The Steelworkers and Aluminum Workers negotiated similar 3-year contracts with the companies in May 1983. Specified wage increases were not provided. Also, employees will receive automatic quarterly cost-of-living adjustments each contract year only to the extent that the CPI-W rises more than 1.5 percent, with adjustments calculated at 1 cent an hour for each 0.3-point movement in the index during the first 2 years and at 1 cent for each 0.26-point movement during the final year. Previously, the entire movement in the index was used in calculating adjustments, which were at the rate of 1 cent for each 0.26-point movement.

Benefit changes included giving employees an extended vacation every 7 years instead of every 5 years; suspension until 1984 of the vacation bonuses employees received to take vacations other than in the summer; and elimination of the paid personal holidays plan established by the 1980 agreement.

In one difference between the settlements, the Aluminum Workers agreed to a new "medical reimbursement account" intended to induce employees to seek less costly forms of care. Each employee will be credited with a company-funded $700 account each year to be used for paying deductibles, which were raised. At yearend, the employee will receive any money remaining in the account.

The Steelworkers' accords were with the Aluminum Co. of America (ALCOA), Reynolds Metals Co., and Kaiser Aluminum and Chemical Corp., while the Aluminum Workers settled for the 17,500 workers it represents at ALCOA and Reynolds.

Copper

Bargaining in the copper mining, smelting, and refining industry departed from historical practice, as Phelps Dodge refused to accept the wage and benefit pattern accepted by other companies in settlements with a coalition of unions headed by the Steelworkers. This led to a walkout by 2,400 workers in Arizona and Texas on the July 1 contract termination date. Phelps Dodge maintained some production by utilizing supervisors and management employees. Later, the company began hiring replacements and some strikers returned to work.

The company's chief objection to the pattern terms was the retention of the provision for automatic cost-of-living pay adjustments. As early as April 1982, when Phelps Dodge had asked the unions to renegotiate their contracts to help counter operating losses, the company had argued that COLA clauses were "not realistic" in an industry that has no control over its selling price.

The pattern accords, which were led off by a settlement at Kennecott Copper Corp., provided for the wage freeze and maintenance of existing benefits, and retention of the COLA clause. At the time of these settlements, about half of the 40,000 workers in the industry were on layoff because of a slowdown in sales attributed to the recession, the increased use of alternate substances, and foreign "dumping" on world markets to earn foreign exchange and provide jobs.

Trucking

Although the Teamsters' National Master Freight Agreement with the major trucking concerns is not scheduled to expire until April 30, 1985, the employers in February proposed immediate negotiations on modification of the wage and benefit provisions. The proposed negotiations were impelled by the generally poor condition of the economy and, even more, by the influx of nonunion, lower-cost trucking firms since enactment of the Motor Carrier Deregulation Act of 1980, which removed most of the industry-entry and tariff-setting regulations that had been introduced since 1935. According to the Interstate Commerce Commission, which exercises the remaining restraints on the industry, 8,000 trucking firms have opened since 1980. Nonetheless, union leadership rejected the call for talks.

In August, Trucking Management, Inc., the industry's major bargaining arm, and the union agreed on a proposal to aid the industry and open jobs to some of the more than 100,000 truckers on layoff. This "Voluntary Laid Off Employee Relief Plan," which was backed by the union leadership, was decisively rejected by union members. The agreement would have established lower pay rates, reduced paid sick leave, and eliminated COLA for the recalled employees, and encouraged companies to establish divisions to handle only "full truckload" shipments, enhancing their ability to compete with nonunion carriers.

One of the reported reasons for rejection of the proposal was membership concern that the accord would have lowered compensation costs for the larger companies at the expense of smaller companies. Teamsters for a Democratic Union, a long-standing dissident group, opposed the proposal because it would have divided the union "into two permanent 'classes' of members'' and would not have guaranteed the creation of jobs.

Airlines

In 1982, the airline industry piled up large losses for the third year in a row and the forecast was for further losses in 1983. As the year progressed, however, the condition of the economy improved some carriers' positions. Despite this development, the industry's difficulties continued, including high fuel costs (which did decline slightly during the year); lingering effects of the recession; the high cost of buying new airplanes; and high labor costs. However, the most-cited reason for difficulties was the fare wars resulting from the deregulation of the industry. Under the Airline Deregulation Act of 1978, the Civil Aeronautics Board had relinquished control over routes but had still retained some control over fares. This ended on January 1, 1983, when the act gave the carriers the right to change domestic fares without seeking CAB approval.

The airlines' plight led to a number of concessionary collective bargaining settlements; and to a move by Continental Airlines to seek protection under the Federal Bankruptcy Code, followed by resumption of operation at a severely reduced level and the possibility that other carriers might follow suit.

This state of affairs led unions to lobby Congress for aid. The unions were not able to convince Congress to restore some regulation of the industry. Consequently, carriers beset by financial difficulties moved to improve conditions. The Continental Airlines move to seek protection under Section 11 of the Federal Bankruptcy Code triggered a round of complex legal and labor-management maneuvering that was apparently going to extend into 1984 and even beyond. In announcing the decision, company head Frank Lorenzo cited operating losses, which totaled $471.0 million since 1979. The unions—the Air Line Pilots, the Union of Flight Attendants, and the Machinists—challenged the airline's action in bankruptcy court. There was no immediate decision on the legality of the abrogation of the contracts and Continental reopened as a low-fare carrier employing about 4,200 workers, compared with its previous work force of 12,000, and servicing about one-third of its previous routes. Pay was a flat $43,000 a year for pilots, compared with a previous average of $77,000 and $14,000 for flight attendants, compared with $29,000. There also were changes in work hours.

The Air Line Pilots and Flight Attendants reacted by striking, joining the Machinists, who had been out since August in a dispute over contract renewal. The Air Line Pilots union moved to persuade its members not to return to work at Continental by offering strike pay of $45,600 a year for captains and $30,000 for first and second officers. The strike pay was financed by a $94 to $352 a month assessment of members of the union employed by other carriers.

Later, Continental and the unions engaged in sporadic negotiations but a resolution of the dispute was not in sight as the year drew to a close.

Eastern Airlines. Following the Continental bankruptcy action, Eastern Airlines, through Chairman Frank Borman informed, the 37,000 employees that a similar action was one of the options being considered to help counter increasing losses.

Borman's proposal, which was approved by 17,000 nonunion workers but not by members of the three unions, was for a 15-percent pay cut effective November 1, 1983; and an additional 5-percent cut on January 1, 1984, if payroll costs were not improved by that amount through improvements in productivity; lower pay rates for new employees; a reduction in paid vacation time; and a new plan that would give employees 20 percent of any 1984 and 1985 profits. The proposal drew bitter criticism from the union leaders but they subsequently formed a committee to consider further aid to Eastern after studying the results of an examination of the company's financial condition conducted by two independent firms.

During these developments, Eastern ended 18 months of negotiations with Local 553 of the Transport Workers by settling on a 3-year contract for 5,800 flight attendants. Terms included pay increases totaling more than 22 percent and cancellation of a Variable Earnings Plan adopted in 1977 under which 3.5 percent of employees' pay was withheld to be returned at the end of each year if a profit target was met, partly or completely retained by Eastern if profits fell short, or returned to employees along with an additional amount up to 3.5 percent if profits exceeded the target.

Two other unions had settled in April. The Machinists agreed on a 3-year contract covering 12,000 employees that included wage increases totaling more than 30 percent, elimination of the COLA clause, and substitution of an Investment Bonus Agreement for the Variable Earnings Plan. The other union, the Air Line Pilots, reached a 2-year accord, covering 4,200 employees, and providing for 17.5 percent of pay to be taken in the form of debentures paying 5-percent interest and convertible into Eastern common stock, at the employee's option, beginning in 1985. Other terms included increased flight time and a reduction in paid vacations.

In December, the three unions agreed to a 12-month, 18-percent pay cut (22 percent for pilots) and cost-reducing changes in work rules in return for a voice in management and stock in the company.

Pan American. Agreements negotiated by three unions at Pan American consisted of restoration of 10-percent pay cuts negotiated in 1981 and 1982 and further postponement of the effective dates of 1982 and 1983 wage increases that had been scheduled under 1981 and 1982 contracts. Thus, the February 1983 settlement for 4,900 employees represented by the Independent Union of Flight Attendants provided for extending a 10-percent pay cut until October 1, 1983, when half of it was to be restored, followed by restoration of the balance on June 1, 1984. The accord also postponed to January 1, 1985 pay increases that had been scheduled for June and October 1983.

The 3-year agreement for 7,200 members of the Transport Workers Union and the 2-year agreement for 7,200 members of the Teamsters applied the same general pay-cut restoration-pay increase postponement formula but the wage changes involved differed from the Flight Attendants'.

American Airlines. Faced with an expected expenditure of $2.5 billion over 10 years to modernize its fleet, and the current intense competition in the industry, American Airlines and its unions agreed on new contracts with cost-saving features.

In November, the Allied Pilots Association agreed with American on a 2-year contract that provided for pilots hired in the future to receive about half the pay of incumbents, who earned, on average, about $110,000 a year. In another move to aid the company, the 4,000 union members agreed to a 3-percent pay increase in March 1984 to replace a 7 percent increase that had been scheduled for November 1983. The new contract, replacing one that could be amended in April 1984, also guaranteed that current pilots will not be furloughed and that 504 employees on furlough will be recalled by December 1986. The contract also established a profit-sharing plan. American earned $117 million in the third quarter.

Later in the month, the 6,000-member Association of Professional Flight Attendants also agreed to cuts in pay of new employees, expanded use of part-time employees, more "cross-utilization" of employees outside their usual duties, and establishment of profit sharing.

Other airlines. Delta Air Lines, which suffered its first full fiscal year loss ($86.7 million) in 36 years, held the line on pay, after granting an 8-percent increase in September 1982. In appreciation for the increase, more than 65 percent of the 36,000 employees participated in the purchase of a new Boeing 767 aircraft, to be financed by a 2.5 percent reduction in their pay during 1983. Despite the loss, the carrier continued its no layoff policy, which has been in existence since 1957. The 4,000 pilots and flight engineers, the only organized unit at Delta, agreed to extend their current contract by 1 year, to March 1985, with no pay increase and an increase in the maximum number of hours they work each month.

In September, 10,000 Republic Airlines employees approved a 15-percent pay cut scheduled to last for 9 months. Later in the year, leaders of the six unions involved endorsed creation of a new employee stock ownership program, or expansion of the current program, that would buy as much as a 25-percent interest in the company. In another action to aid Republic, 700 unpaid volunteers traveled to 23 cities to tout the carrier's flights. Republic, which has not earned a profit in 4 years, lost $102.9 million in the first half of the year.

At Western Airlines, which has lost more than $180 million since 1980, 10,000 union members agreed to a 1-year, 10 to 18 percent pay cut beginning October 1. They also agreed to forego COLA adjustments during the period. In addition, nonunion management employees agreed to extend for the same period a 12.5-percent cut that had been in effect since December 1981.

In return for the aid, the employees will be given 25 percent of the company's stock and at least one seat on its board of directors. The other part of the "partnership plan" accepted by the five unions is a profit-sharing program giving the workers 15 percent of the first $25 million of annual profit plus 20 percent of any excess. The program is scheduled to apply to 1985, 1986, and 1987 profits but it is subject to extension if profits are less than $2 million in two of the years. In 1981, members of four of the unions had agreed to compensation concessions lasting 2 years but the cuts had expired prior to the agreement on the new plan. At that time, members of the Air Line Pilots Association extended a 10-percent pay cut, scheduled to expire on January 1, 1984, to September 30, 1984, and also to defer to that date an 8-percent pay increase scheduled for January 1, 1984.

Telephone settlement

The major bargaining goal for leaders of the three unions that bargained with American Telephone & Telegraph Co. was job security, a goal predetermined by the problems of protecting their 675,000 members from the effects of accelerating technology and the pending 1984 breakup of the Bell Telephone System specified in a 1982 settlement of a Government antitrust action. The Communications Workers bargained for 525,000 employees, the International Brotherhood of Electrical Workers represented 100,000, and the Telecommunications International Union, 50,000.

The unions struck for a period that extended to 22 days for CWA members, who stayed out until the last of their locals completed bargaining on local issues. Members of the other two unions settled local issues before the CWA and their members returned to work several days earlier. In any case, the stoppage was the largest since the steel strike of 1946, which involved 750,000 workers.

One approach to employee job security was a new personal or career development training program. It was designed to assist employees by providing company-financed, voluntary training that will be reviewed by the company when considering the employee for promotion or transfer. Another new protection is a job displacement program to aid employees affected by job terminations or downgrades by informing them of the possibility of the adverse action as soon as possible and providing company-financed training to qualify for potential openings.

Other moves to help employees retain jobs or maintain income were accomplished by:

—establishing joint advisory boards at each company to advise the company on providing the best possible training and to encourage employee participation;

—improving the Supplemental Income Protection plan, which provides financial payments to employees who leave the company because of technological changes or other reasons resulting in layoffs or involuntary reassignments to lower-paying jobs or to work locations requiring a change of residence. Eligible employees—those who are under the company's normal retirement, have 20 years of service, and whose age plus years of service total 75—receive monthly and lump-sum payments up to $22,200;

—establishing a Voluntary Income Protection Program for workers who leave the company because their jobs are threatened but who are not eligible for Supplemental Income Protection through monthly payments (continuing for 60 months or attainment of the normal retirement age, whichever comes first) calculated at 1 week of pay for each year of service up to 10, plus 2 weeks of pay for each year from 10 up to 20, plus 3 weeks of pay for each year of service from 20 up to 30 years, and up to $2,500 for training, relocation, or other purposes; and

—improving the Reassignment Pay Protection plan by extending the period for which eligible employees retain their pay rates after being downgraded because of technological change.

The wage and benefit package provided for an immediate 5.5-percent increase in the pay rates at the upper end of each pay grade, lesser increases in intermediate rates, and no change in starting rates. However, all employees, including those at starting rates, were guaranteed a $2.50 a week pay increase. In August of 1984 and 1985, there will be increases of 1.5 percent in the rates at the upper end of each grade, lesser increases in intermediate rates, and no change in starting rates. In addition, the workers may receive COLA adjustments according to the same formula as in the prior contract.

The CWA's concern with job security was indicated at a special convention in March. In an unusual action for a labor union, the delegates adopted a comprehensive set of long-term operating goals that stressed the need for training and retraining programs to aid members in facing future uncertainties. The program, which emanated from an 18-month study by a Committee on the Future, also called for the establishment of "strategy centers" to provide new approaches to traditional union objectives ranging from collective bargaining to the handling of grievances.

Auto industry

Bargaining in the domestic automobile industry was limited to Chrysler Corp., to Volkswagen's Pennsylvania plant, and to Ford Motor Co.'s River Rouge complex. There was a surge in sales at the Big Three domestic producers that led to the recall of some laid-off workers, while others faced continuing bleak job prospects resulting from the growing "internationalization" of auto production and sales and employer drives to reduce costs. These concerns were manifested in intense union-management pressures to compel Japan to continue its voluntary limit on vehicle exports to the United States and continued lobbying by the Automobile Workers Union for enactment of a Federal "domestic content" law.

After months of negotiations with the U.S. Government, the Japanese manufacturers agreed to extend the export limit, but raised it to 1,850,000 (from 1,680,000) vehicles during the 12-month period beginning April 1, 1984. Toyota Motor Co. also moved to begin production in the United States by entering into a proposed joint venture with General Motors Corp. to produce small cars at a closed GM plant in California. This proposal drew bitter criticism from Chrysler and Ford, which contended that the venture would undercut their ability to compete. Ford also indicated that it might undertake a similar small car venture with Toyo Kogyo Co., its Japanese affiliate, if the Federal Trade Commission approved the GM-Toyota venture.

The disparity between Chrysler Corp. pay and that of GM and Ford, which had developed as a result of 1979, 1980, and 1981 settlements intended to alleviate Chrysler's financial plight, was reduced in December 1982, when Chrysler agreed to a 13-month contract that provided for a specified wage increase averaging 75 cents an hour and resumption of automatic quarterly cost-of-living adjustments.

In July 1983, Chrysler offered pay increases totaling $1.41 an hour over a 26-month contract term but the UAW turned down the offer, contending that the wage increase was $1 short of the amount needed for parity with Ford and GM. The union leaders also objected to a provision that would have suspended the cost-of-living allowance following any quarter in which Chrysler suffered a loss and to a provision that would have required the parties to strive for a $15-million-a-year reduction in health insurance costs, with any shortfall to be deducted from the cost-of-living allowance.

Despite this inauspicious start, Chrysler and the UAW agreed in September after only a few hours of bargaining on an accord providing about $2.42 an hour in wage increases over a 26-month term ending on October 14, 1985. The cost-of-living allowance also was continued, using the same formula as at GM and Ford (1 cent for each 0.26 point movement in a composite 1967 = 100 price index derived from the official U.S. and Canadian government consumer price indexes). Pension and insurance benefits were to be raised to the Ford-GM level in two steps, in September of 1983 and 1984.

The Volkswagen of America agreement with the UAW was negotiated just after a company announcement that it had lost $141.6 million in 1982 on sales of 202,000 vehicles in the U.S., compared with a $553,000 profit on sales of 337,000 units in 1981. Production at the company's only domestic assembly plant, in New Stanton, Pa., totaled 92,000 units in 1982, down from 205,000 in 1981. In these bleak circumstances, the UAW was able to negotiate a 3-year contract covering 2,500 active and 2,400 laid-off workers that was overwhelmingly approved by the members of the New Stanton local union and by the local union at the company's body stamping plant in South Charleston, W.Va.

The accords did not provide for any specified wage increases, but a modified cost-of-living pay adjustment formula was continued. Under it, the workers will receive annual adjustments in the first 2 years and quarterly adjustments in the final year. Other terms included increased employer financing of Supplemental Unemployment Benefits; and restrictions on "outsourcing" (subcontracting) and other job security gains.

The concessionary settlement at the steelmaking plant in Ford's River Rouge complex in Dearborn, Mich. led the company to withdraw its plan to get out of steelmaking. Instead, Ford indicated that it would invest $200 million in modernizing the operation.

Meatpacking

Labor-management relations in the meatpacking industry, tumultuous in recent years, continued to be beset in 1983 by permanent plant closings; reopening of closed plants, under new corporate names or after purchase by other firms; bankruptcy moves followed by reopening at lower employee compensation levels; union concessions that averted shutdowns; union rejection of concessions that led to shutdowns; expansion of some beef processing firms into pork processing; and bad weather that caused uneven work schedules at some locations.

Much of the agitated state of the industry has resulted from the entry of companies that have utilized new, more efficient, processing, distribution, and packaging techniques. These new firms, including Iowa Beef Processors (IBP), Excel Corp., and Monfort of Colorado, have strongly resisted United Food and Commercial Workers' efforts to organize their plants and, in cases where the union has been successful, the firms have just as strongly resisted union efforts to attain the standard wage and benefit terms of contracts with the "old line" companies.

A major development in the industry began in April when Wilson Foods Corp. filed for protection from creditors under Chapter 11 of the Federal Bankruptcy Code. The company, claiming that the move nullified its agreement with the UFCW covering 6,000 employees, reduced pay by 40 to 50 percent, and cut benefits. The unilateral cut in compensation by the Nation's largest pork processor led to a 6-week strike that ended when the union and company settled on a contract that provided for a pay rate of about $8 an hour (compared with $10.69 before the unilateral cut and $6.50 afterwards). The accord also included most of the benefit cuts the company had unilaterally imposed but it also added a profit-sharing plan and a 12-month ban on plant closings.

In another development, Rath Packing Co. of Waterloo, Iowa, filed for protection from creditors under Chapter 11 of the Bankruptcy Code and asked its 2,000 employees—who own 60 percent of the company—for further wage and benefit concessions. The employees, represented by the Food and Commercial Workers, had gained their stock shares in 1980 in lieu of part of their pay. Early in 1983, the employees had agreed to defer payment of $2.50 of their base wage to further aid the company. However, at the time of the bankruptcy filing a company spokesman said that the resulting $7.24 base hourly pay rate was still too high to compete with nonunion firms. In the filing, Rath reported assets of $56.7 million and liabilities of $91.6 million, including $38 million owed to the Federal Pension Benefit Guarantee Corp., which indicated that it will continue to pay benefits to 4,300 retired employees, and those who retire in the future.

The competitive difficulties faced by Wilson and other "old line" pork processors will apparently be intensified by IBP's expansion plans. The subsidiary of Occidental Petroleum Corp. announced that it will build the Nation's largest pork processing plant (4 million hogs a year) in Stanwood, Iowa. IBP also announced that it was going to double the capacity of its Storm Lake, Iowa, plant to 3 million hogs a year. This led Swift Independent Packing Co. to intensify its efforts to win lower pay rates for its pork operations at Sioux City and Glenwood, Iowa, and National Stockyards, Ill., where the base wage is $10.69 an hour, compared with $6.50 at the IBP facility.

Aerospace

The Machinists and the Auto Workers entered the 1983 round of aerospace bargaining buoyed by the fact that companies were generally receiving new production orders and were reporting substantial profits and were dismayed by the Department of Defense's pressure on the companies to hold down labor costs on military products.

The first settlement, between the IAM and Boeing, more or less set a pattern for the union's later settlements with Lockheed Corp. and McDonnell Douglas Corp. and the UAW's settlement for other McDonnell Douglas employees.

The 3-year Boeing settlement did not provide for specified wage increases but it did provide for "prepayments" of COLA adjustments. Under this approach, all employees received an immediate 3-percent pay increase, to be offset against the next three quarterly COLA adjustments. Similar 3-percent prepayments in October of 1984 and 1985 will not apply to employees in specified lower pay grades. (This was done to alleviate the narrowing of the pay differential between the lower and higher paid workers that had developed over the years as a result of all employees receiving uniform cents per hour COLA adjustments.) A new pay structure also set lower pay for new employees. All employees were to receive annual lump-sum payments (the first in December 1983) equal to 3 percent of their earnings during the preceding October-to-October period.

To aid employees in dealing with rapid change in the industry, the parties established a "new technology clause" providing that Boeing will pay all training expenses for employees who wish to improve their skills in classes held after work hours. Other benefit changes included increased pension rates and revisions in the health benefits plan intended to encourage sick care in outpatient facilities rather than using more expensive hospital emergency rooms. A joint committee on cost containment also was established.

The IAM followed the Boeing accord by settling with Lockheed on a contract that differed somewhat. The differences were—

- a 3-percent specified wage increase in base rates in October 1985, instead of a lump-sum payment, with Lockheed workers receiving a 3-percent lump sum in December of 1983 and 1984 similar to those at Boeing;
- continuation of quarterly COLA reviews with no 3 percent annual prepayments;
- an increase in the ceiling on employee investments in their savings plan, resulting in an increase in Lockheed's required contributions on their behalf; and
- a reduced pay scale for new employees in lower grades that permits them to progress to a higher pay rate than the current maximum for incumbent employees in the same grades.

The next IAM settlement, with McDonnell Douglas Corp., for employees in Torrance and Huntington Beach, Calif., was approved by union members despite their officers' recommendation that they reject it. The wage terms were similar to Boeing but the company would not agree to improvements in profit sharing and pension benefits and the retraining of workers.

Also at McDonnell Douglas, 7,000 workers in California, Oklahoma, and Arkansas began a strike on October 17 after rejecting a company offer. These employees are represented by the Auto Workers.

Longshoring

In April, the International Longshoremen's Association and Atlantic and Gulf coast port employers agreed on a 3-year "master" contract covering 50,000 employees at 36 ports that provided for wage and benefit improvements totaling $4.25 an hour. It was scheduled to go into effect on the October 1 termination date of the existing contract, if the parties could reach agreement on local issues by that date. The parties were still negotiating local issues in September when the Federal Maritime Commission asked a Federal judge for an injunction to stop the ILA and ocean carriers from implementing cargo containerization rules that preserve work for the union's members. The ILA responded by suspending the local talks and scheduling a ratification vote in which members were urged to reject the April settlement. This could have led to a strike but the union cancelled the ratification vote and negotiated a stopgap 106-day master contract, during which the local talks were expected to be concluded, regardless of the judge's decision on the injunction.

ILA President Thomas W. Gleason said that the September settlement permits the union to renegotiate every item in the master contract if the rules on containers cannot be enforced. The 106-day agreement provided for the same wage and benefit package as the April contract, including a $1.42-an-hour increase in pay and benefit fund payments effective October 1.

The container rules, intended to reserve for ILA all packing and unpacking of cargo containers within 50 miles of a port, had been in limbo for more than 10 years because of legal challenges by other unions and freight forwarders. This changed in mid-1983 when the National Labor Relations Board supported the ILA's claim that the container jurisdiction was "a valid form of work preservation." This cleared the way for negotiations on implementing the provision, until the FMC asked for a court injunction at the request of an importer in New Orleans. The FMC's contention that the provision was inequitable also was supported by 23 employers who claimed they would be harmed by the provision. But the U.S. Department of Labor and the U.S. Department of Transportation filed briefs opposing the FMC position.

Government workers

During the year, there were several developments affecting Federal workers' pay.

In a departure from the practice of recent years, the annual "comparability" pay raise of 1.4 million Federal white collar employees was deferred from October to January 1984. Early in the year, President Reagan proposed that Federal pay be frozen during the fiscal year beginning on October 1 in view of budgetary problems. Later, the President's "Pay Agent," (a triad consisting of the Secretary of Labor, the Director of the Office of Personnel Management, and the Director of the Office of Management and Budget) found that a 21.5-percent increase was necessary to attain parity with similar jobs in private industry, based on an annual National Survey of Professional, Administrative, Technical and Clerical Pay conducted by the Bureau of Labor Statistics. However, the President used his authority under the Federal Pay Comparability Act of 1970 to propose a 3.5-percent increase and its deferral to January 1984. Congress did not reject the proposal, so it went into effect. About 450,000 blue-collar employees also will receive a 3.5-percent increase sometime in the 1984 fiscal year. Their pay is raised at various times during the year based on the results of local surveys of wages for similar private industry jobs. However, their potential increase was "capped" at the level for white-collar employees. The 2.1 million military personnel received a 4-percent pay increase in January 1984.

State and local government payrolls dropped 0.8 percent during the 12 months ending in October 1982, following the 1.2-percent drop during the preceding 12 months, which was the first since the end of World War II. The current drop, reported in the Bureau of the Census publication "Public Employment in 1982," resulted from a rise of 20,882 in State employees, which was more than offset by a reduction of 53,110 public school teachers. At the end of the period, there were 3,747,000 State workers and 9,324,000 local government workers.

Although there were few reported instances of salary and benefit cuts, it was clear that wage and benefit increases were smaller in fiscal year 1984 than in the preceding fiscal year. One indication of this was the Bureau of Labor Statistics' Employment Cost Index, which showed that during the third quarter of the year—the period when most governments begin their fiscal year—pay increased 3.0 percent in 1983, compared with 4.4 percent in 1982. Similarly, compensation—pay plus benefits—rose 3.2 percent during the third quarter of 1983, compared with 4.6 percent in the third quarter of 1982.

Litigation and decisions

Bankruptcy litigation. A development of increasing concern to unions in 1983 was instances of employers seeking protection from creditors under chapter 11 of the Federal Bankruptcy Code and then resuming business with a nonunion, lower paid work force. Use of this tactic was facilitated by 1978 legislation that was intended to encourage more troubled companies to seek protection from creditors while still solvent and thus preserve jobs.

Companies that filed for protection in 1983 and then resumed operations on a nonunion basis included Continental Airlines and Wilson Foods. Rath Packing Co. also sought protection under chapter 11; but its only choice apparently was to seek concessions from its employees who owned 60 percent of the company.

In October, the Supreme Court heard a case that might resolve the issue when the decision is announced, probably early in 1984. It involved a New Jersey building supply company, Bildisco and Bildisco, which filed for protection under chapter 11 of the Bankruptcy Code in 1980 and then replaced its employees, who had been represented by the Teamsters union, with nonunion workers. A major issue that faced the Court was whether a company seeking to abrogate a contract must prove that the contract would cause the company's collapse if not eliminated. The Court of Appeals for the Second Circuit has required such proof but the Third Circuit, hearing the Bildisco case, had set a lesser requirement. It held that an employer need only prove that the contract is a burden, leaving the bankruptcy court to balance the interests of the employer against those of its union-represented employees.

Davis-Bacon decision. In July, the U.S. Circuit Court of Appeals for Washington, D.C., upheld most of the Department of Labor's changes in the Davis-Bacon Act, which sets a "prevailing wage" floor on federally financed construction projects. In July 1982, the Department had announced a number of changes in the 52-year-old Act intended to reduce construction costs. But District Court Judge Harold Greene temporarily blocked implementation of the changes in response to a suit filed by the AFL-CIO's Building and Construction Trades Department. Five months later, Judge Greene struck down parts of the provisions in the new regulations but he let stand a provision that alters how prevailing wages are determined. In its decision, the Court of Appeals agreed with Judge Greene on the legality of the alteration, which defines the prevailing wage as that paid a majority of the members of the particular craft in a particular geographic area, or the mean average if there is no majority wage. Previously, the prevailing wage could be set at the rate paid to 30 percent of the workers in the craft. According to a 1979 study by the General Accounting Office, Congress' investigative arm, that rate was generally a union wage and usually was higher than the average wage.

The appeals court also upheld the use of lower paid "helpers" and an expanded definition of their duties but it rejected the Department's plan to increase their number in relation to the skilled trades workers.

J. P. Stevens. Twenty years of bitter confrontation between J. P. Stevens & Co. and the Clothing and Textile Workers appeared to draw to a conclusion in October when they settled the last eight complaints of unfair labor practices brought by the union. During the years the union had attempted to organize the textile firm's plants, and to negotiate contracts at plants where the effort was successful, the National Labor Relations Board had found Stevens guilty of a number of unfair labor practices. There was a breakthrough in October 1980, when Stevens agreed to resolve some charges of unfair labor practices by paying $3 million in back wages to some employees and to recognize and bargain with the union at 10 plants. In return, the union agreed to drop its nationwide boycott of Stevens products and cease organizing on Stevens property for 18 months. (See *Monthly Labor Review*, December 1980, p. 66.)

The 1983 settlement, which was approved by the NLRB, required the company to pay $1 million to the union and a total of $200,000 to at least 18 employees affected by unfair labor practices. As part of the settlement, company chairman Whitney Stevens sent NLRB general counsel William Lubbers a letter in which Stevens promised he would not "tolerate conduct by any of our personnel which would infringe on employee rights." Continuing, he said, "I personally will take the steps necessary to insure that corrective action is undertaken in the event such conduct should occur."

The Stevens plants involved in the settlement are in Roanoke Rapids and Wallace, N.C., Milledgeville and Tifton, Ga., West Boylston, Ala., and Stuart, Va., and employ about 4,000 union members. Stevens' 50 other plants, with about 26,000 employees, are not organized.

There were a number of rulings by the Supreme Court regarding discrimination issues:

- In *Arizona* v. *Norris*, the Court held that employers may not require female employees to make the same contributions to a pension plan as men while giving the males a larger benefit. The employer in this case, the State of Arizona, had contended that the unequal benefits were proper because actuarial studies showed that, on average, women would draw benefits for a longer period. Nathalie Norris, who initiated the case in 1975, contended that the State had violated Title VII of the Civil Rights Act of 1964, which bars sex, race, and ethnic discrimination in employment. Writing for the majority, Justice Thurgood Marshall conceded that actuarial tables could identify differences in life expectancy based on sex or race but said that even a true generalization about a class may not be applied to individuals in the class. The Court limited its ruling to plan contributions made after July 31, 1983, and did not specify how equalization of benefits must be achieved, which meant that it could be attained by raising women's benefits, lowering men's benefits, or a combination of the two approaches.
- In *Equal Employment Opportunity Commission* v. *Wyoming*, the Court upheld the Federal Government's 1974 extension of the Age Discrimination in Employment Act to cover State and local government workers. The case arose when an employee of the State was involuntarily retired at age 55, which was permissible under Wyoming law but was contrary to the Federal law, which prohibits the failure to hire or the firing of employees between the ages of 40 and 70 because of their age. Writing for the five-member majority, Justice William Brennan said that the State could continue to assess its employees and dismiss those it finds to be unfit, but it must do so "in a more individualized and careful manner than otherwise would be the case."
- In *Newport News Shipbuilding and Dry Dock Co.* v. *EEOC*, the court ruled that the company had discriminated against a male employee by providing limited health insurance coverage of his wife's pregnancy costs, while providing full coverage of health costs for the spouses of female employees. Writing for the majority, Justice John Stevens said that the Newport News plan violated the Pregnancy Discrimination Act of 1978. Continuing, Justice Stevens said that in enacting the law, the Congress had "unambiguously expressed its disapproval" of the Court's 1976 ruling in *General Electric Co.* v. *Gilberto* that the exclusion of disabilities caused by pregnancy from an employer's disability plan did not constitute discrimination based on sex.

Comparable worth. "Comparable worth," which has been described as the "Issue of the 1980's," did not live up to that description in 1983 but there were some significant legal, legislative, and collective bargaining developments. In general, comparable worth means paying workers the same amount for jobs that differ in specific duties but require equal judgment, knowledge, and skill. In practice, studies have indicated that the principle is frequently violated, usually to the detriment of women holding "traditional" women's jobs.

A key past development that triggered interest in the issue was a 1981 strike—the first known stoppage over the issue—against the City of San Jose, Calif., that led to special pay adjustments for some women employees. (See *Monthly Labor Review*, September 1981, p. 51.) Another was a 1981 case (*County of Washington* v. *Guenther*) in which the Supreme Court—while specifically not endorsing the principle of comparable worth—ruled that women could claim illegal sex discrimination in wages even though they were not doing precisely the same work as better paid male coworkers. (See *Monthly Labor Review*, August 1981, pp. 61–62.)

A 1983 development was a decision by a Federal District Court judge that the State of Washington had discriminated against some of its female employees by paying them less that male employees for "comparable" work. The State contended that it was merely following the job market, which usually pays less for traditionally female occupations. However, Judge Jack Tanner held that the State was guilty of "direct, overt and institutionalized discrimination" against women in administering its 3,000 categories of workers.

In the collective bargaining area, one of the few settlements that addressed the issue was between the State of Minnesota and Council 6 of the State, County and Municipal Employees (AFSCME). Subsequently, other unions representing 10,000 State workers agreed on similar terms.

The AFSCME accord, covering 17,000 employees, provided for 7,300 employees, mostly women, to receive larger increases in both years than the 4 percent first-year and 4.5 percent second-year increases that applied to the other employees. State officials indicated that the pay inequality would be eliminated with the 1984 increase, which was subject to funding by the State legislature.

Union affairs

Despite the end of the recession, indications were that there was a continuing decline in union membership in 1983, based on the membership in the 96 unions making up the AFL-CIO. When it was formed in 1955, the AFL-CIO unions had 12.6 million members, which increased, after some downward movement, to a high of 14.1 million in 1975. Since then, membership has decreased to 13.8 million in 1983. (There was a temporary high of 14.5 million in 1981 when the Auto Workers union reaffiliated with the Federation.)

Mergers. In another indication of the difficulties unions have been encountering in recent years, 1983 was marked by a continuation of the trend toward mergers that began in

1978. During the 5-year period beginning with 1978, there were 24 mergers, which amounted to 30 percent of all mergers that have occurred since 1955. In most cases, the mergers occurred because unions with declining membership sought to restore their strength by joining with another union, often one with membership in some of the same industries.

Some 1983 mergers are—

- The United Hatters, Cap and Millinery Workers Union became a division of the Amalgamated Clothing and Textile Workers Union.
- The Graphic Arts International Union and the International Printing and Graphic Communications Union merged to form the Graphic Communications International Union headed by Graphic Arts President Kenneth J. Brown.
- The Insurance Workers International Union affiliated with the United Food and Commercial Workers International Union.
- The Ohio Civil Service Employees Association, Inc., affiliated with the American Federation of State, County and Municipal Employees.
- The 800-member National Association of Government Inspectors and Quality Assurance Personnel affiliated with the American Federation of Government Employees.

Leadership changes. Steelworkers' Union President Lloyd McBride, 67, died of a heart ailment in November. He had held the post since 1977 and had steered the union through some of the most trying times in its 47-year history. Steelworkers' Secretary Lynn Williams was selected to direct the union until completion of a vote on a new president by the 720,000 members.

In May, Douglas Fraser ended his 6-year tenure as president of the Auto Workers, after reaching the union's madatory retirement age. Like Mr. McBride's, Fraser's leadership was sorely tested by economic developments during his administration. The major difficulty he encountered was the increasing inroads of foreign vehicle producers, and the resulting cutbacks in auto production and employment, which he moved to alleviate by developing a more cooperative relationship with the domestic producers. Fraser was succeeded by UAW vice president Owen Bieber.

In a change at the Teamsters union, Roy L. Williams resigned as president after being convicted of bribery-conspiracy. Vice President Jackie Presser was selected to head the Nation's largest union for the 3 remaining years of Williams' term of office.

In other leadership changes, the Air Line Pilots elected Henry A. Duffy to replace John J. O'Donnell as president; Laundry Workers President Russell R. Crowell retired and vice president Frank Ervolino succeeded him; and Grain Millers President Frank T. Hoese retired and was succeeded by executive vice president Robert Willis. □

FOOTNOTES

[1] The discussion of economic measures in this article is based on the information available in early December.

[2] All of the preceding preliminary information on negotiated wage and compensations changes excludes possible pay adjustments under cost-of-living formulas because such adjustments are contingent on the future movement of a Consumer Price Index. For more information on the settlements during the first 9 months and a complete description of the data series, see *Current Wage Developments*, November 1983, p. 47.