Collective bargaining and labor-management relations, 1988

Some employers and unions continued to grapple with difficult problems: maintaining solvency and preserving jobs in the face of challenges from nonunion firms as well as foreign competitors

George Ruben

The flexibility and ingenuity of unions and management were again tested in 1988. The parties continued to struggle with two problems that have colored labor-management relations throughout the 1980's—preserving jobs and keeping companies economically viable. These problems, which appear likely to continue, although perhaps abated in some cases, stemmed largely from competition at home and abroad. American-made goods were challenged by products of industrialized and developing countries—products that were sometimes better made or less expensive, or both. Some foreign companies opened plants in the United States, while others entered into joint ventures with American companies, resulting in a blending of production methods and labor-management relations approaches that will apparently become increasingly significant in some industries.

Established firms in industries such as trucking, airlines, and telephone communications that, by their nature, are less vulnerable to foreign competition, faced competition from new firms that entered after the industries were deregulated. Often the established firms were unionized, while the new ones were not and benefited from lower labor costs. Some unions and companies, acknowledging their common destiny, cooperated in trying to overcome the nonunion competition by improving productivity and quality and lowering labor costs, while giving employees job assurances and a monetary stake in the success of the company. In some cases, where their members' financial sacrifices had helped companies compete and regain profitability, unions sought a share of the gains for those members.

Efforts to restrain labor costs are reflected in the size of wage adjustment under major collective bargaining agreements. Settlements covering 1,000 workers or more in private industry reached between 1982 and 1987 provided wage adjustments averaging between 1.6 and 3.8 percent annually over their life; during the first 9 months of 1988, the average was 2.4 percent. By contrast, between 1972 and 1981, the over-the-life average was between 5.1 and 7.9 percent annually.

Another indication of the state of labor-management relations is the decline in the number of major work stoppages (strikes and lockouts involving 1,000 workers or more). In most years between 1947 and 1979, there were typically between 200 and 400 major stoppages. The number dropped to 187 in 1980, and continued to decline (with one interruption) to a record low of 46 in 1987. Through November of 1988 there were 31 major stoppages, indicating that the year would probably end with a record low.

Other characteristics of labor-management relations in 1988 are less easily measured in statistical terms, but are evident in the following discussion of developments in individual industries and firms.

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Trucking

The year was momentous for the trucking industry, and more so for the Teamsters union, as labor and management negotiated a new master freight agreement that was widely opposed by union members. The Teamsters' difficulty in resolving the controversy over the settlement was exacerbated by a change in leadership following the death of president Jackie Presser and a Federal lawsuit alleging some of the union's leaders, including new president William J. McCarthy, permitted "Cosa Nostra figures to dominate and corrupt important . . . locals, joint councils, and benefit funds."

The Teamsters' settlement with Trucking Management Inc., the industry's lead bargaining association, drew strong criticism from union members, particularly the Teamsters for a Democratic Union, a dissident group. The group claimed the accord lacked adequate wage increases, a return to the 1-year progression to top pay rates that applied to new employees hired prior to the 1985 contract (which extended the period to 3 years, followed by a reduction to 18 months under the 1988 contract), an "adequate" limit on use of casual, lower paid employees, a ban on "doublebreasting" under which employers operate both union and nonunion units, and adequate repayment guarantees to employees who loan employers money under a new plan to assist companies in financial difficulty.

More criticism arose when Teamsters leaders declared the accord ratified, although 63.5 percent of the 100,883 participating employees voted against it. Presser said the action was necessary because the industry was "in financial chaos," and that the union's constitution permitted acceptance of a contract even if less than two-thirds of the votes are cast against the terms.

Union members challenged the contract acceptance in court, contending that the constitutional provisions referred to authorizing a strike, not acceptance of a contract. The issue was settled when the Teamsters executive board agreed that the fate of all future contract proposals would be based on a simple majority of votes cast.

Incoming president McCarthy, who had opposed the settlement, called for a reopening of negotiations, but the employers refused and the contract remained in effect.

Difficulty also arose in bargaining between the Teamsters and the National Automobile Transporters Association Labor Division, comprising companies that transport new vehicles from factories and ports of entry to dealers. A settlement for the 20,000 workers was rejected by 72 percent of the 12,657 employees casting ballots.

The Teamsters for a Democratic Union also opposed this contract proposal, contending that the wage terms were inadequate, particularly a provision that would have permitted lower rates on "new business" taken away from railroads.

Later, 66.7 percent of the participating employees voted for a revised 3-year contract that eliminated the "new business" provision. Other wage terms included a $1.20 increase in hourly rates, a 6-cent increase in the rate per loaded mile, and a 2-cent increase in the backhaul rate for hauling vehicles on return trips.

Air transportation

There were sharp contrasts in financial results among the major airlines. Delta, United, and American had record profits for the first three quarters of 1988, while Eastern Airlines suffered a loss of $223 million.

Texas Air Corp.–Eastern. Eastern's difficulties were only the latest among its financial problems that began in the early 1970's and have increased since the deregulation of the industry in 1978. Clearly, 1988 was a difficult year, involving a complex shifting mix of company demands for compensation concessions by employees, union charges of corporate mismanagement, company sales and planned sales of assets, and company and union legal tests of the other's resolve.

Following in chronological order are some of the more significant developments.

In March:

- A Federal judge barred Eastern from selling Eastern Air Shuttle to its parent Texas Air Corp. without first negotiating with the Machinists union, which represents mechanics and other employees at Eastern.

In April:

- The Department of Transportation's Federal Aviation Administration (FAA) proposed to fine Eastern $832,000 for alleged safety violations and began a safety check of Eastern's planes and those of other Texas Air units. The FAA investigation did not uncover any significant safety problems. The Secretary of Transportation criticized the members of the pilots' union for filing large numbers of undocumented safety complaints. He later appointed a mediator to resolve the safety dispute between Eastern and its unions.

In May:

- Texas Air sued the Machinists and the Air Line Pilots for $1.5 billion, contending that the two unions were conducting an illegal conspiracy to destroy Eastern Airlines.
- Eastern posted a 26.3-percent drop in traffic in May, the worst drop in 5 months of progressively larger declines. The drop was attributed to continued planned cuts in operations and to public concern stemming from safety developments.
- Texas Air canceled its plans to transfer Eastern to another unit of Texas, apparently improving the bargaining climate between Eastern and the unions.

- Leaders of Texas Air, Eastern, and its three unions signed an agreement intended to resolve the public's concern about flight safety.
- Eastern pilots proposed a 4-year contract calling for annual wage increases beginning in 1989, but also including increases in flying time, cuts in paid vacations, and other concessions.
- Eastern dropped its demand for a pay cut and asked for productivity improvements amounting to $69 million a year. In its talks with the Machinists, Eastern proposed a 4-year contract that included improved job security provisions, but continued to ask for the same 20-percent wage cut the pilots and flight attendants accepted in 1986. The Machinists proposed a 2-year contract calling for a 6.5-percent wage increase.
- Eastern announced a cutback in operations, eliminating 4,000 jobs, including 2,500 held by members of the three unions. The Machinists and the Air Line Pilots later sued to stop the action, contending that certain aspects of the action were subject to collective bargaining, but the company won on appeal.

In August:

- The Machinists submitted to its members—without a leadership recommendation for approval—an Eastern proposal for an average 20-percent pay cut. About 98 percent of the votes cast were against the proposal.

In October:

- Texas Air Corp. announced it was selling its Eastern Air Shuttle to developer Donald Trump for $365 million. The unions at Eastern then sued to block the sale; a decision was expected to be handed down in 1989. Under the proposed sale, the 850 employees would have the option of moving to the new Trump Shuttle with their existing contract benefits or staying with Eastern.

In November:

- Eastern reported a $112.9 million loss for the third quarter.
- Eastern terminated contracts that had called for Continental to train pilots and flight attendants to fly for Eastern in the event of a strike.
- Texas Air announced that Eastern was not for sale—that it was confident it would win contract concessions from the unions.

United Airlines. The difficult labor-management and labor conditions that prevailed at United Airlines at the end of 1987 continued through 1988. The Air Line Pilots, representing 7,000 pilots, continued efforts to purchase Allegis Corp., United's parent. The union admitted that a successful purchase was contingent on winning its court case involving the 1987 contract between the Machinists and United, in which the Air Line Pilots contended that the contract included "protective covenants" intended to thwart the purchase. From the beginning, the Machinists was against the purchase offer, even if it included 20,000 Machinists members at United.

United also moved to thwart the buyout by offering the pilots a 5-year contract providing for no general wage changes, a cumulative 10-percent increase to employees hired since 1985 to narrow the two-tier pay differential, and some changes in work rules to increase productivity. In an unsuccessful effort to sell the contract to the union members, United contrasted the terms with the buyout offer, which would have required the pilots to give up 25 percent of their pay for 10 years.

Bargaining continued between United and the Association of Flight Attendants, whose 13,000 members had rejected a tentative accord reached late in 1987.

American Airlines. The Association of Professional Flight Attendants ratified a 5-year contract negotiated with American Airlines late in 1987. The chief bargaining issue—a union call for a narrowing of the differential between two pay tiers—was resolved by shifting lower tier workers to the top rate of the upper tier after 8 years of service. Other terms included $600 lump-sum payments in 1988, 1990, and 1992.

American's pilots achieved a narrowing of their two-tier differential in a March 1987 settlement, leaving only the Transport Workers to bargain on the issue when its contract expires in 1989. All three unions had agreed to two-tier pay in 1983.

USAir. USAir and the Association of Flight Attendants negotiated a 1-year contract that raised wages for nearly all employees and begins to equalize the two pay scales that existed when Pacific Southwest Airlines merged into USAir in April.

The remainder of the disparity will be eliminated early in 1989, when Piedmont Airlines merges into USAir. Piedmont's flight attendants will also be paid at USAir rates beginning then.

Other terms of the 1988 settlement included adoption of a 401(k) savings plan for all workers and inclusion of the former Pacific Southwest workers in the USAir pension plan.

Pan Am. Financially-troubled Pan American World Airways moved from crisis to crisis in 1988. Early in the year, the company had some success in its efforts to win $180 million in annual labor cost cuts from its unions. Pan Am settled with the Airline Pilots and the Flight Engineers Beneficial Association on 3-year contracts that called for a 22-percent reduction in pay in return for equity shares in the company. About 1,500 pilots and 800 flight engineers were involved. Pan Am did not reach agreement with the Teamsters for 4,300 reservations clerks, dispatchers, and gate attendants, but did impose an 8-percent pay cut under provisions of the Railway Labor Act, which permit such action (or an employee strike) 30 days after either party refuses to use arbitration to resolve a dispute. Combined, the cuts for the three groups amounted to a $118 million savings for Pan Am.

After rejecting a tentative settlement, members of the Independent Union of Flight Attendants accepted a 39-month contract.

This left unresolved only the contract with the Transport Workers Union, whose members had rejected an earlier contract. At yearend, the union and the company entered into binding arbitration to settle their differences.

Delta. Delta Airlines, Inc., the only major carrier that is substantially nonunion, terminated the two-tier pay system it had implemented in 1987. This was accomplished by merging the lower pay schedule into the higher scale. All of the 47,000 nonunion employees now in the single tier also received wage increases because all progression steps of the new common schedule were increased. Previously, employees in the lower tier took longer to reach top pay steps, which were the same for both tiers. Although the nonunion employees had not received a wage increase during the 1985–87 period, they did receive a bonus in 1987 equal to 5 percent of their annual pay.

Around midyear, the Teamsters announced a drive to organize 6,000 fleet service workers at Delta. Teamsters officials conceded that Delta employees are the highest paid in the industry, but contended that there was strong sentiment for the representation drive among employees incorporated into Delta when it merged with Western Air Lines in 1987. Some of these employees had been represented by the Teamsters and others by the Air Transport Employees Union. At the time of the announcement, only two groups of Delta employees were organized: pilots, by the Airline Pilots, and dispatchers, by the Professional Airline Flight Controllers Association.

Automobile manufacturing

In 1988, the automobile industry experienced an acceleration in the recent movement toward truly international production and sales. One indication of the virtual elimination of national boundaries was an announcement by Japan's Isuzu Motors Ltd. (which is 40 percent owned by General Motors) that it will buy 30,000 engines from General Motors. About 10,000 of the engines will be shipped to Japan for use in vehicles to be exported to the United States and the remaining 20,000 will be used in vehicles made at Isuzu's Lafayette, IN, joint venture with Fuji Heavy Industries, scheduled to begin in 1989. The engines will be manufactured in the United States, Canada, and Mexico.

On the bargaining front, the Chrysler Corp. settlement completed the employees' movement toward compensation parity with General Motors and Ford employees, following narrowing of the difference in the last two settlements. The new Chrysler contract, running until September 1990 (the same expiration date as the Ford and General Motors 1987 agreements), means a return to concurrent bargaining. This has not occurred since 1979, when Chrysler and the Auto Workers broke the tradition of simultaneous bargaining and pattern terms because of the company's financial problems.

Although Chrysler employees attained their parity goal, the contract ratification vote was close, with only 54 percent of participants in favor of the terms. The restrained enthusiasm was attributed to a number of factors, particularly the size of the "early settlement bonus"—$1,000 in cash or company stock.

At the beginning of the year, Chrysler announced that it would close its stamping and assembly plants in Kenosha, WI, in September. The announcement triggered bitter denunciations by local and national officers of the Auto Workers and by local government officials.

There was a more-or-less amicable resolution of the dispute, as Chrysler agreed to provide benefits to alleviate the impact of the closings on the displaced employees and the community. The resolution ended a State threat to sue Chrysler for violation of an alleged contractual obligation to operate the plants for at least 5 years. Earlier, Chrysler had agreed to postpone the closing of the plants until the end of 1988.

Another action that angered Chrysler employees was the company's announcement that it would sell its Acustar parts manufacturing unit, comprising 20 plants employing 10,500 of the 60,000 employees the Auto Workers represents at all operations. In reaction, the union threatened to withdraw from all joint programs to improve productivity and product quality. The union also indicated that all locals would hold strike votes, ostensibly over unresolved grievances. Later, Chrysler announced that it would continue operating all of the parts plants except four, which would be closed or sold.

These difficulties presumably influenced Chrysler to ask for an earlier-than-usual start of national negotiations (talks began in April, 5 months before the existing contract expired). There still were difficulties, as union members reacted adversely to Chrysler's announcement that it was distributing $102 million in stock options and grants to top executives. This announcement, on the second day of talks, was followed by another that the company was shifting production of two models—scheduled to be dropped in a year or so—to Mexico.

Despite these difficulties, the national accord was implemented, along with additional local Modern Operating Agreements designed to strengthen Chrysler's competitive ability by increasing operating efficiency and product quality through improved labor-management relations and employee morale. These agreements usually adopt team production techniques and blur the distinctions between management and production employees. The latest of these local agreements, and the first for salaried employees, was for Chrysler's new Auburn Hills Technical Center and its Jefferson Avenue Assembly Plant in Detroit, MI. This brought the total number of such plans to six. Ford and General Motors have been negotiating similar plans since the early 1980's.

Also at Chrysler Corp., Diamond-Star Motors, a joint venture of Chrysler and Mitsubishi Motors Corp. began operations. The plant, located in Normal, IL, produces the Mitsubishi Eclipse and Plymouth Laser models.

Elsewhere in the automobile manufacturing industry, there was a settlement between the Auto Workers and New United Motors Manufacturing, Inc., a joint venture of General Motors and Toyota Motors Corp. The 3-year settlement covered 2,100 "team members." It provided for continuation of the Japanese-style labor relations, including team production methods, a limited number of broad job classifications, and job retention guarantees, except in severe economic downturns. This guarantee was beneficial to the team members because 1988 sales of the General Motors and Toyota models manufactured in the Fremont, CA, plant were below expectations.

Under the new contract, New United Motors Manufacturing employees remained the highest paid in the U.S. auto industry. After the only wage increase—3 percent in July 1990—the 2,000 assemblers will be paid $15.46 an hour and the 200 trade employees will be paid $18.39. The employees will receive a $750 lump-sum payment and an additional payment equal to 3 percent of their 12-month earnings, and will also receive automatic quarterly cost-of-living adjustments (COLA'S) matching those for employees at GM's wholly-owned plants.

The Auto Workers also negotiated a formal agreement with Mazda Motor Manufacturing Corp., culminating its first successful organizing drive at a Japanese-controlled automobile producer. The contract, running to March 31, 1991, provides for full wage and benefit parity with employees the union represents at Ford Motor Co., General Motors Corp., and Chrysler Corp. Ford owns 25 percent of the Mazda plant, located in Flat Rock, MI. Like the contracts at the Big Three domestic companies, the Mazda contract bans layoffs, except in special circumstances, and prohibits "outsourcing" (the purchase of parts from outside sources).

An important gain for management was a reduction in the number of job classifications, which is expected to increase production efficiency.

The events leading to the settlement began in 1984, when Mazda and the Auto Workers signed a letter of intent that called for employees to be paid at 85 percent of the rate for Ford employees from the opening of the new plant until a labor contract was negotiated. The plant began producing MX6 vehicles in late 1987 and Ford Probe vehicles in January 1988.

Volkswagen of America closed its New Stanton, PA, plant which had produced 1,197,411 vehicles since it opened in 1976. Prior to the closing, which the company attributed to decreasing sales and increasing costs, Volkswagen and Local 2055 of the Auto Workers negotiated termination aid to the 2,000 employees. Included were severance pay up to $6,000; limited company-financed health insurance for 12 months; a reduction in the early retirement age to 55, from 60; and establishment of a joint committee to help the employees find jobs.

Steel and other metals

There were few settlements in the steel industry in 1988 because major contracts, most negotiated in 1986, were not scheduled to expire until 1989 or 1990. Instead, there were continuing legal developments resulting from the severe financial problems that prevailed in 1986 or earlier. During the first three quarters of 1988, most steel companies recorded large and, in some cases, record profits. Contributing to the turnabout were the lower value of the dollar, which aided overseas sales; elimination of marginal operations; and the concessions employees accepted in the 1986 settlements.

One settlement was at Lukens Steel Co, in Coatesville, PA. The 3-year contract for the 1,400 workers provided for lump-sum payments of $1,000, $800, and $600, in the first, second, and third contract years. The second and third year payments are to be offset against any payout in those years under a new profit-sharing plan. According to the company, the 1989 payout already amounted to 89 cents per hour worked, based only on profits during the first half of 1989.

In Detroit, McLouth Steel Products Corp. became the second major employee-owned firm in the steel industry (the first was Weirton Steel Corp. located in West Virginia).

The purchase of McLouth under an employee stock ownership plan began in 1987 when the company reported an $85 million loss over a 17-month period and was on the verge of declaring bankruptcy. Under the purchase agreement, the employees own 87 percent of the stock. To finance the stock purchase, the employees in 1987 agreed to a 5-year labor contract that included a 10-percent pay cut.

The union members will not have a majority on the corporate board of directors because of conditions imposed by creditors who forgave loans in exchange for preferred stock. One board member selected by the unions is former United Auto Workers president Douglas Fraser, who served on Chrysler's board from 1980 to 1984.

In other action resulting from the steel industry's earlier problems, the Federal Pension Benefit Guarantee Corp. again assumed the obligations of three pension plans of LTV Steel Corp. The reassumption was ordered by a Federal judge, who indicated that it would be possible to return the obligation to LTV if "severely defective" administrative procedures in the Pension Benefit Guarantee Corp. were corrected. The Federal agency had first assumed the obligations of the plans early in 1987, following the parent LTV Corp.'s move to reorganize under Chapter 11 of the bankruptcy act.

A bankruptcy judge approved Kaiser Steel Corp.'s plan for emerging from protection of Chapter 11 of the bankruptcy act. The settlement included several thousand former employees of the company who were owed insurance and pension benefits.

A U.S. district court approved a settlement providing for $14.8 million to be allocated among 2,700 people employed by the Wisconsin Steel Works prior to its 1977 shutdown. The money will be paid by Navistar International Transportation Corp., which was International Harvester Co. at the time of the closing. The case was initiated by the Pension Benefit Guarantee Corp. and other creditors who claimed that International Harvester arranged a sham sale of the Chicago property prior to the closing to evade unfunded pension obligations.

Aluminum. The aluminum industry was thriving in 1988, in contrast with 1985 and 1986, when worldwide overcapacity led to severe price cutting and forced the United Steelworkers and the Aluminum, Brick and Glass Workers to accept compensation cuts in settlements with the major domestic producers. The sales resurgence, which began after the unions' 1986 settlements with Aluminum Company of America and Reynolds Metals Co., resulted from the decline in the value of the dollar, the closing of marginal operations, moderation in the rise in energy costs, and increased demand from industries such as aircraft manufacturing.

The improved financial condition of the industry was apparent in the settlement between Kaiser Aluminum and Chemical Corp. and the Steelworkers. The 29-month settlement, covering 5,400 employees at facilities in five States, featured a new profit-sharing plan providing for quarterly distributions linked to the Midwest price for aluminum. (At the current price, the distribution would be $2 an hour, according to Kaiser.) The settlement also provided for a 50-cent-an-hour wage increase in lieu of a $5 a share dividend workers were scheduled to receive under a stock distribution plan adopted in the 1985 accord, but terminated by the new accord; a $1,000 contract signing bonus; and restoration of COLA's and three paid holidays, which had been dropped in 1985.

After the amicable settlement at Kaiser, the Aluminum Company of America and Reynolds Metals Co. began bargaining with the Steelworkers and the Aluminum Brick and Glass Workers. (The unions each represent some workers at both companies and they coordinate their bargaining efforts, resulting in similar settlements.) After a breakoff of negotiations, the parties settled on 43-month contracts, subject to employee ratification. The new contracts would supersede contracts scheduled to expire on May 31, 1989.

The Steelworkers and Alcan Aluminum Ltd.'s Sebree, KY, smelter also bargained early, without settling. The union sought restoration of a compensation cut of more than $2 an hour, while Alcan offered a $1,000 lump-sum payment if the workers extended the existing terms by 1 year, to October 1990.

Copper. Workers at some of the major copper mining and processing companies, who settled for compensation cuts in 1986 when the industry was beset by overcapacity and resulting price cuts, have benefited from increasing profit-sharing distributions since then. The turnaround has resulted from improved production methods, higher demand, the reduced value of the dollar, and adverse developments at some foreign producers. Under the sharing formula adopted at Magma Copper Co. in 1986 in return for the compensation cuts, quarterly distributions were calculated at 60 cents for each hour worked in the third quarter of 1987, and at $5, $5.50 (the maximum under the formula), $5.25, and $5 in the following quarters.

At Inspiration Resources, where the maximum is $7.10, rates for the same quarters were 82 cents, $5.09, $5.09, $3.97, and $4.01. Inspiration's assets were purchased by Cyprus Minerals Co., which did not continue the profit-sharing plan. Cyprus hired some of the 750 Inspiration employees, but indicated that it planned to operate on a nonunion basis. The Steelworkers and other unions that had represented the workers announced plans for an organizing drive at Cyprus. Prior to the sale, the unions had negotiated severance pay, early retirement, and other benefits for employees affected by the sale.

ASARCO employees did not receive payouts because unlike the other 1986 settlements, theirs provided for second- and third-year wage increases that restored part of the first-year cut in compensation. At Kennecott Corp., the employees accepted a compensation cut in return for a $1,000 lump-sum payment and a company pledge to complete the reopening and modernization of its Bingham Canyon, UT, mine.

Rubber

There was a round of pattern collective bargaining ettlements in the tire industry in 1988, but it was over-shadowed by manufacturers' efforts to find their niche in—or out—of this fast-changing industry. For companies staying in, the goal was "to be a global player" which is the only way "to compete effectively in the industry today," according to the chairman of Goodyear Tire and Rubber Co. Reasons cited for the increasing concentration of production in a few firms include the consumer's view of tires as a commodity distinguishable only by price; slow growth in demand because of increasing sales of longer wearing radial tires, coupled with lighter vehicles; the high cost of switching to production of radial tires; the increasing "globalization" of automobile production, leading to demands for nearby tire sources; and the need to counteract world fluctuations in the value of money by locating plants in intended markets.

The year started off with B.F. Goodrich announcing that it was leaving the tire business by selling its half interest in Uniroyal Goodrich Tire Co. to an investment group that was its equal partner in the venture.

In February, new management of the Uniroyal Goodrich Tire Co. settled on aspects of a new contract with the United Rubber Workers ahead of Goodyear and Firestone Tire and Rubber Co., where current agreements also were scheduled to expire.

Terms of the accord included a ban on closing of three plants, with the fate of the fourth plant, in Eau Claire, WI, to be decided later (the company later agreed to keep the plant open for at least 3 years in exchange for wage cuts and State aid); a 1-year moratorium on quarterly COLA's, with adjustments to be made to the extent of any rise in the Consumer Price Index in excess of 4.5 percent; and a provision for the employees to gain equity in the company. Other terms were to be settled later, based on the outcome of negotiations at Firestone and Goodyear.

Also during the year, Bridgestone Corp. of Japan acquired 75 percent of Firestone for $2.6 billion, and Pirelli S.P.A. of Italy agreed to buy Armstrong Tire Co. from Armtek Corp. for $190 million.

At midyear, Goodyear employees settled, after rejecting an earlier proposal because it did not contain a guaranteed wage increase. The accepted 3-year contract provided an immediate 25-cent-an-hour pay increase that will be offset against possible quarterly pay increases under the COLA clause, which was continued. Other provisions for the 15,000 Rubber Workers included a provision for reopening wage negotiations—with no right to strike—in March 1990; increased pension rates; and a move to encourage employees to shift into a comprehensive medical care program by improving the savings plan available to participants. (Participants in other medical programs are also eligible for the savings plan but the company does not contribute on their behalf.)

Later, 4,700 Firestone employees settled on similar terms after a 1-week work stoppage, and Uniroyal employees settled their remaining issues.

In a settlement that came $3\frac{1}{2}$ months before the scheduled expiration of the current agreement, Rubber Workers Local 665 and General Tire's Mayville, KY, plant agreed to terms similar to those at Goodyear. Union officials said they settled early to encourage Continental Gummi-Werke AG of West Germany to carry out the local $120 million portion of a $470 million overhaul of seven North American plants. The West German firm, which had purchased General Tire from GenCorp in 1987, announced plans to join with two Japanese firms in building a tire plant in Mount Vernon, IL.

Armstrong Tire and Rubber Co. and the union settled for 1,700 workers at four plants. Terms were similar to those at Goodyear, except that employees at the Hanford, TN, and Des Moines, IA, plants received advance COLA's of 74 cents and 60 cents, respectively (instead of 25 cents), to help restore 1987 wage cuts.

Bituminous coal

Going into their 1988 negotiations, the soft coal producers and the United Mine Workers faced a continuing decline in coal prices and in the portion of the Nation's output from their mines. In 1987, their share of production was about one-third, compared with nearly one-half a decade earlier. These declines, manifested in the layoff of 45,000 employees since the 1984 settlement and the closing since 1980 of 40 percent of the 5,000 total bituminous coal mines in the United States, defined the objectives for both parties: the Mine Workers would press for contract changes to protect existing jobs and open jobs to workers on layoff, and the Bituminous Coal Operators Association, the lead bargaining group, would press for moderate compensation increases. Both parties apparently succeeded, as they recorded their second successive peaceful settlement.

The union even broke its tradition of "no contract, no work" by keeping workers on the job between the tentative settlement and the counting of the employee ballots 3 days later.

The contract runs for 5 years, a departure from the 40-month agreements negotiated in 1984 and 1981, and the usual 3-year agreements of earlier years. It gives laid-off employees the right to the first 3 of every 5 jobs available at any nonunion operations of companies that have operations covered by the contract; the right to all jobs in operations that their employer lease out to other companies; the right to use their recall rights at all of their employer's operations, unlike the previous provision which limited recall to the Mine Workers district in which the lost job was located or in one contiguous district; and new employer-financed training and education programs.

Wage increases totaled $1.05 an hour, compared with $1.40 an hour under the 1984 contract and $3.60 under the 1981 contract. The 1988 contract is subject to reopening on wages and pensions after the third and fourth years.

The accord also provided for improvements in pensions, insurance, and clothing allowance benefits, but the employers benefited from cessation of their $1.11 a ton payment into one of the retirement funds, which had become fully-funded in 1987.

In the wake of the settlement, the Mine Workers settled with 200 companies that had signed interim agreements requiring them to accept the Bituminous Coal Operators Association terms in return for exemption from any work stoppage. An exception was the Pittston Coal Co., which contended that its financial condition did not permit it to accept the Bituminous Coal Operators Association terms. In late November, the 2,000 workers were still on the job and there were no indications of an imminent settlement.

Pittston and some other producers of metallurgical coal were among a number of firms that withdrew from the Association in recent years, reducing the Association's membership to about 15 at the time of the 1988 settlement, from about 130 in 1981. Some metallurgical coal firms contended that they were underrepresented in the Association, relative to producers of steam coal.

Forest products

Developments in forest products were dominated by two events: the termination of the United Paperworkers strike against International Paper Co. and a series of settlements in the West Coast lumber industry. Although the lumber accords covered many more workers, the Paperworkers' decision to end its 16-month strike against the three International Paper plants (located in Jay, ME; Lock Haven, PA; and De Pere, WI) may have a much greater and longer lasting impact on labor-management relations in forest products as well as in other industries.

The Paperworkers' unilateral offer to return to work at International Paper could only be viewed as a defeat for the union, as the company had continued to operate during the strike with replacement workers and some nonstriking union members, and actually increased profits.

International Paper welcomed the workers' offer to return to work, but reaffirmed its promise to retain the replacement workers when the strike ended. This meant that the strikers would be recalled, in seniority order, only when job openings occurred through attrition.

Other factors that apparently contributed to the return-to-work decision were the drain on the union's finances for strike payments to the participants and the failure of employees at other company plants to join the strike when their contracts expired. Instead, they continued working under contract extensions, apparently because they expected International Paper to also fill their jobs if they struck.

The confrontation began in 1987, when 1,000 Paperworkers members at International Paper's Mobile, AL, mill refused to accept elimination of premium pay for Sunday work, broadening of the duties in job classifications, and other changes in work rules the company said were needed to improve its competitive position. (Employees at six other mills had agreed to the changes.) International Paper then locked them out, began hiring a new crew, and implemented the cost-reducing changes. The company then attempted to negotiate the same changes at Jay, Lock Haven, and DePere, triggering the strike.

After the union made the return-to-work offer, bargaining was restarted at Mobile and the parties agreed on a 6-year contract, retroactive to February 1, 1987. Unlike the strikers, all of the workers were immediately recalled as required by law because they had been locked out.

Although the cost-saving changes remained in effect, the workers did win improvements under their new contract, including four 2-percent wage increases, one 30-cent-an-hour increase, a $1,000 lump-sum payment in February 1990, increases in shift differential and company financing of health insurance, and a new savings plan permitting employees to invest up to 4 percent of their earnings, with the company matching half the amount.

In the West Coast lumber settlements for nearly 40,000 workers, the Woodworkers union and the Western Conference of Industrial Workers (a unit of the Carpenters) regained part of the $1.25 to $1.65 an hour cut in compensation they had accepted in 1986 when employers were generally experiencing financial problems. The settlements did not come easy, as up to 9,000 workers were involved in work stoppages at one time.

The unions hoped to use a 4-year settlement with Bohemia Inc. as a pattern-setter, but the other companies viewed the terms as too costly. A settlement with Willamette Industries led to other settlements, which varied somewhat in provisions and duration.

At Willamette, where plywood workers averaged $9.77 an hour and sawmill workers averaged $9.95, there was an immediate $1,400 lump-sum payment, followed by a 3-percent wage increase in 1989 and 4-percent increases in 1990 and 1991. Other provisions of the 4-year contract included restoration of two paid holidays given up in 1986; an additional 40 hours of vacation pay for employees with at least 10 years of service, and a $2.50 increase in the pension rate, to $22 a month for each year of credited service. Companies with 4-year contracts which followed the Willamette lead were Simpson Timber Co. and Georgia-Pacific Corp.

At some companies, contract terms were for 3 years, with benefit changes similar to those at Willamette. One company was Boise Cascade, where the $1,400 lump sum was accompanied by a 25-cent-an-hour wage increase, followed by 3-percent increases in 1989 and 1990.

Terms for 6,300 Weyerhaeuser employees were similar to the terms at Willamette, except that the lump-sum payment could exceed $1,400, depending on unit output. Unlike at the other companies, employees at Weyerhaeuser are covered by a profit-sharing plan that was improved in 1988. The plan was established in 1986 in return for employees accepting a larger compensation cut ($3 an hour) than employees of the other companies.

Shipbuilding

Conditions in the Nation's private shipbuilding industry were unchanged from those in recent years, as employers and employees struggled to adapt to intense competition from lower cost foreign shipyards, to increased pressure from the government to cut their bids on Navy ships, and to the shifting of some Navy work to government shipyards. The inevitable result was increased competition among the private yards for the available work, leading to closedowns of weaker firms, labor-management conflicts stemming from employer demands that employees settle for modest increases or, in some cases, freezes or cuts in compensation to improve the employer's competitive position. The condition of the industry is illustrated by the fact that the last ocean-going commercial vessel on order from a private shipyard was completed in November 1987. Employment in private shipyards has dropped to 126,000 in 1987 from 178,000 in 1980, according to the Bureau of Labor Statistics. There also was an effect on the Marine and Shipbuilding Workers Union, the largest in the private segment of the industry, as a nearly 50-percent reduction in membership (to 13,000) since 1980 impelled it to merge into the Machinists union.

The longest of the 1988 labor-management conflicts was at General Dynamics Corp's Electric Boat Division, where management called for the 10,000 workers to accept lump-sum payments in lieu of specified wage increases. Management said the change was needed to help reduce a claimed $1.24 an hour advantage in compensation costs held by Newport News (VA) Shipbuilding and Drydock Co., the winning bidder for several recent Navy submarine production contracts.

The accord that ended the 3-month work stoppage at the Groton, CT, shipyard provided for lump-sum payments in October 1988 and December 1989 equal to 5 percent and 4 percent, respectively, of the employee's hourly pay rate multiplied by 2,080. The 46-month contract, negotiated by a Metal Trades Council comprising 8 unions, also provided for a $600 payment in December 1989 and for a 3-percent wage increase in April 1991. There also were improvements in pension and insurance benefits, offset to some extent by increases in the employees' share of health insurance costs.

In another East Coast settlement, Bath (ME) Iron Works and the Marine and Shipbuilding Workers settled peacefully for 5,800 employees. An important provision of the 3-year contract was a shortening of the period lower tier employees must wait before attaining the same top pay rate as upper tier employees. (Under the prior contract, new employees started at $3 an hour below the top rate and progressed to the top rate in a $1 step on their first three hiring anniversaries.) The 1988 settlement provided for an immediate $1 increase for lower tier workers, followed by $1 increases on anniversary dates.

The pay disparity had become increasingly important because hiring in the last few years had resulted in lower tier employees accounting for up to about half the work force, creating morale problems that could have been partly responsible for financial losses Bath suffered in 1987. A definite factor in the losses was the company's shift into production of larger, more complex ships, which entailed major adaptations in facilities and procedures.

Other provisions of the contract included 2.5-percent general wage increases in each year; a new job classification system with 14 top rates, replacing one with six rates; $100 bonus payments for every 2 months (formerly 6 months) of perfect attendance; and continuation of a drug testing program, subject to further talks on procedures.

In another matter, Bath and the Occupational Safety and Health Administration (OSHA) compromised on the penalty for alleged safety violations at the shipyard. Under the settlement, Bath will pay a $650,000 fine and help finance a center for safety and health research and training in Maine. Originally, OSHA had proposed a $4.1 million fine.

In Middletown, RI, a $4\frac{1}{2}$-month work stoppage (involving 400 workers) at the Robert E. Derecktor Shipyard ended when members of Local 9057 of the Steelworkers accepted a 3-year agreement. The last major issue—whether replacement workers should be retained—was resolved by placing them in jobs not in the bargaining unit.

The contract also provided for adoption of a profit-sharing plan, with provisions to be worked out by the bargainers, assisted by a neutral person. If an agreement is not reached, the employees will receive a 50-cent-an-hour wage increase. The settlement retained a provision for layoffs to be in seniority order. The company had pressed for a wage freeze and for the right to lay off workers on the basis of their performance.

At the time of settlement, the shipyard held contracts to build cutter ships for the Coast Guard and tugboats for the Army.

On the West Coast, a settlement between West State Inc. of Portland, OR, and a Metal Trades Council gave the company the right to hire and lay off employees without regard for seniority. The company said that the new procedures, combined with new work rules more flexible than at other firms in the area, gave it an advantage in bidding on ship repair jobs.

The 1-year contract, covering up to 800 employees, depending on the amount of work available, also provided for a $1 an hour increase in wages, to $13.60, the industry's highest on the West Coast. The benefit package at West State totals $4.41 an hour.

In Seattle, WA, WFI Industries emerged from 2 years of bankruptcy proceedings under the ownership of its 400 employees, who renamed it Unimar International Inc. The purchase, through an employee stock ownership plan, will enable the workers to "control our own destiny" according to one leader of the 12-union Metal Trades Council at the shipyard.

At its peak, WFI Industries employed 1,500 people in shipbuilding and related operations, but was caught in the industry downturn that cost 7,000 union jobs in the Puget Sound area since 1982.

In a settlement in California that ended a 3-week work stoppage, employees of National Steel and Shipbuilding Co. of San Diego accepted a cut in compensation. According to the company, the cut was necessary to enable it to compete with nonunion Avondale Shipyards in New Orleans, LA, for Navy contracts.

Under the new 4-year contract, top rates are $11.40 an hour for current employees and $9.40 for new hires, compared with $10.80 and $12.80 under the prior contract. All employees will receive 25-cent increases in October of 1990 and 1991. Reported rates at Avondale were $5.18 for new workers, rising to a top rate of $9.02.

Other changes at National Steel included alteration of the COLA clause, with possible quarterly adjustments to be made only during 1990 and the first half of 1991; increased normal pension rates and elimination of a benefit reduction factor that had applied when employees retired prior to age 65; loss of 3 of the 13 paid holidays; and a new requirement that single employees begin contributing $10 a month toward health insurance premiums and those with families begin contributing $30. Seven unions were involved in the settlements.

In Tampa, FL, American Ship Building Co. and a Metal Trades Council settled in at midyear, ending a 17-month period during which the parties had operated under an extension of the prior contract. The company said it gained important improvements in production standards and work rules in the 3-year contract, which automatically extends to 4 years if the company wins a large multiyear production contract.

Gains negotiated by the eight unions included annual lump-sum payments in the first 2 years equal to 2 percent of the employee's annual earnings, and a cost-of-living pay raise up to 3 percent in the third year.

Also in Florida, Jacksonville Shipyards, Inc., and the Boilermakers settled on a 3-year contract that called for a 41-cent-an-hour immediate cut in wage rates. The 1,100 workers, who also accepted the loss of 2 of 11 paid holidays, will receive a lump-sum payment in August 1989 calculated at 2 percent of their earnings during the preceding 12 months, followed by a payment in August 1990 calculated at a 3-percent rate.

In Mobile, AL, "meeting the competition" was the central issue in a dispute between Alabama Dry Dock and Shipbuilding Corp. and Local 18 of the Marine and Shipbuilding Workers. According to a company representative, wage and benefit costs at the shipyard averaged $16 an hour, compared with $10 at its competitors. After negotiating with the union and assessing the cost of major repairs in its drydock, the company closed the shipyard in October. About 600 workers were affected.

Other industries

Farm and construction equipment. Going into 1988 bargaining with the Auto Workers, Deere & Co. and Caterpillar, Inc., were operating at profits, in contrast with the losses they incurred in the early 1980's. The losses led to a major revamping of the farm and construction equipment industry. Tenneco bought the farm equipment business of International Harvester Co. (now renamed Navistar International Transportation Corp. and primarily engaged in manufacturing trucks) and combined it with its J.I. Case unit, and Allis-Chalmers Corp., another old-line manufacturer of farm equipment, is in bankruptcy.

Because of this troubled past and the fact that Deere and Caterpillar still had employees on layoff, the Auto Workers pressed for, and won, improvements in the job guarantees adopted in their last settlements.

The leadoff settlement was at Deere. It provided for a Protected Employee Group Program that will protect employees against layoff for any reason except market-related declines in sales volume. Within the group of 13,600 protected employees, 8,900 (90 percent of the work force under the previous contract) are safe from layoffs for virtually any reason, including declines in sales. Deere's maximum obligation for protecting against layoffs resulting from sales declines was set at $44 million during the contract term. There is no limit on Deere's obligation to protect employees against layoffs for other reasons. Under the prior contract, there was a $14.4 million limit.

The contract also provided for a 44-cent-an-hour (about 3 percent) immediate wage increase—the employees' first since 1981, except for adjustments under the COLA clause, which was continued; lump-sum payments in the second and third years equal to 3 percent of each employee's "qualifying earnings" during the preceding 12 months; a moratorium on plant closings; and a new provision requiring the company to place in an Excess Overtime Account one-third of an hour's pay for each hour of overtime worked above 5 percent of straight-time hours during specified periods, with the use of the fund to be determined jointly; and a guarantee that the average 1988 profit-sharing payout will be at least $400.

The Caterpillar settlement provided for security and wage and benefit provisions similar to those in the Deere settlement. About 17,500 workers were covered.

Electrical equipment. In a change from past practice, General Electric Co. (GE) and Westinghouse Electric Corp. settled on different terms with members of a coalition of 13 unions. Traditionally, GE had settled first and then Westinghouse settled on essentially the same terms.

Well before the start of the 1988 negotiations, Westinghouse said that this practice was not appropriate because the companies no longer competed with each other in many product lines. Despite the differences in the resulting settlements, the cost of the 3-year contracts was "roughly equivalent," according to the Electronic Workers, one of the unions that settled with both companies.

One area of concern for employees at both companies was job security, reflecting cuts in operations and plant closings in recent years. At GE, 12 unions represented 67,000 employees in 1988, compared with 100,000 employees in 1982. At Westinghouse, six unions represented 13,000 workers in 1988, compared with 30,000 in 1982.

Perhaps the major change in the area of job security was at Westinghouse, where the six unions gained a successor clause requiring any buyer of a company plant to recognize the existing union, and to provide comparable wages and benefits. Settlements at both GE and Westinghouse also provided for improved pensions for employees affected by cutbacks in operations (and increased pensions for normal retirement): longer pay rate retention for employees downgraded because of layoffs; relocation allowances; increased retraining allowances; and broader geographic preferential hiring rights for employees displaced by plant closings and relocations of product lines. (Some of these changes were identical at both companies; others were not.)

There also were differences in pay provisions. At GE, employees won a 2.5-percent immediate wage increase, 1.5 percent increases in June of 1989 and 1990, and cash payments of $165 in July 1988 and $900 in June 1989. The Westinghouse settlement called for 3-percent wage increases in August of 1989 and 1990, and lump-sum payments in September of 1988 and 1989 equal to 6 percent and 3 percent, respectively, of the employee's hourly pay rate, multiplied by the 2,080 expected work hours in the coming 12 months. According to the unions, the estimated values of the payments were $1,566 and $792.

Both settlements continued their COLA formula, which provides for possible semiannual adjustments of 1-cent-an-hour for each 0.15-percent movement in the Consumer Price Index. The unions valued this at 75 cents an hour, based on their forecast of the movement of the Consumer Price Index.

Petroleum refining. Prior to the December 1987 start of the Oil, Chemical and Atomic Workers bargaining with petroleum and petrochemical firms, the union set improving job security as its primary goal. The union, which had lost 10,000 members since 1981, also joined with the United Mine Workers and the Energy and Chemical Workers of Canada to exchange information before and during the upcoming talks for renewal of their primary labor contracts. This was done to strengthen them in bargaining with companies that increasingly operate across national boundaries and in more than one field of energy.

Since mid-1987, the Oil, Chemical and Atomic Workers and the United Mine Workers had been negotiating toward a merger to attain a single voice in dealing with domestic energy firms. However, after the Oil, Chemical and Atomic Workers' leadoff settlement with American Oil Co., the union's board of directors rejected the merger idea because there were "too many unresolved details." The Mine Workers attributed the decision to board members' concern over differences in the unions' dues structures.

In the Amoco settlement, which set a pattern for 60 other companies with more than 300 covered facilities, the Oil, Chemical and Atomic Workers failed to win improvements in job security. Economic provisions of the 2-year contract included a $900 lump-sum payment upon ratification, a 30-cent-an-hour wage increase on February 1, and a 3-percent increase in February 1989, that would bring the average wage rate for refinery workers to $15.18 an hour. The companies also agreed to increase their financing of family health insurance coverage by $10 a month immediately and by an additional $2 in the second contract year. Financing of coverage for single employees was increased by $4 in both years.

The settlements were not preceded by a general work stoppage, but there were a few stoppages over local issues. The longest was 22 weeks. It involved 350 employees at B.P. Oil Co.'s refinery in Marcus Hook, PA.

Apparel. The Ladies Garment Workers and the Clothing and Textile Workers, the two dominant unions in apparel manufacturing, negotiated contracts establishing parental leave provisions. The unions have strongly backed efforts to legislate parental leave provisions, and had first gained such leave in 1987 settlements. Union officials said the provisions for up to 6 months of unpaid leave with a job-return guarantee are vital to the industry's employees, many of whom are members of two-earner families, and 85 percent of whom are women.

Other terms of the Ladies Garment Workers' settlements with women's outerwear manufacturers included 4-percent wage increases in each of the 3 contract years and increased employer financing of benefits. Prior average hourly wages, which varied by type of garment, included $7.50 for coatmakers.

Other terms of the Clothing and Textile Workers settlements for more than 40,000 employees in the cotton garment industry, comprising men's shirts, pants, and nightwear, included 40 cents an hour in wage increases, which will bring the average wage to about $6.20 hour. The union said that it insisted on the 18-month term of the agreement to permit it to quickly press for implementation of the findings of new joint committees on "issues of national concern relating to the industry" and on the feasibility of providing child care facilities.

Aerospace. Collective bargaining activity in the aerospace industry was limited because most agreements expire in 1989 or 1990.

At General Dynamics Corp's Pomona and Valley Systems divisions in California, 3,200 employees accepted lump-sum payments, despite the recommendation of leaders of their Machinists local that they hold out for specified wage increases. The lump-sums were $2,000 in the first year of the 3-year contract and $1,000 in the second and third years. The contract also provided for improvements in benefits, including a 28-percent increase in pension rates.

- At Texton's Lycoming aircraft engine plant in Stratford, CT, more than 2,000 workers were covered by a 3-year contract that provided for an immediate $500 "sign-up" payment, followed by payments equal to 5 percent and 4.5 percent of employee's earnings in 1988 and 1989, respectively, and a 3-percent wage increase in 1990. The accord, which ended a 7-week work stoppage, also provided for improvements in some benefits.
- At LTV Corp.'s Aircraft Products Group and Missiles Division in Grand Praire, TX, a settlement provided for 3-percent wage increases effective immediately and in June 1991, and for lump-sum payments in September of 1988, 1989, and 1990 equal to 3, 5, and 5 percent, respectively, of employee earnings during the preceding 12 months. The 44-month contract also provided for improvements in insurance and other benefits.

Longshore. On the Atlantic and Gulf coasts, the major problem facing the International Longshoremen's Association (ILA) and stevedoring firms was the continuing possibility that their "50-mile container rule" might be invalidated. The rule, adopted in 1959, specifies that packing and unpacking of ship cargo containers within 50 miles of a port where the ILA holds representation rights must be performed by members of the union. In 1987, the Federal Maritime Commission ruled that this provision discriminated against some shippers not party to the ILA contract, and ordered it removed from all tariffs.

In mid-1988, the U.S. Court of Appeals for the District of Columbia upheld the Federal Maritime Commission's ruling. Later in the year, the court stayed its decision pending a review by the Supreme Court.

The initial invalidation of the container rule enabled the ILA to reopen its current contracts with the six shippers associations, but the parties could not agree on how to deal with the threat to the rule prior to an October 1 contract deadline, which meant that the current contracts will continue unchanged until they expire on September 30, 1989.

Competition from nonunion stevedore firms, which has become an increasing problem for the ILA, particularly at South Atlantic and Gulf coast ports, triggered demonstrations by union members at several ports, including Pensacola and Port Canaveral, FL.

The ILA did increase its strength in one area, as it signed a 5-year contract with Crowley Maritime Corp., which had long refused to employ ILA members. The accord allows Crowley's ships to continue to call at non-ILA ports but also permits them to begin calling at ILA ports.

Railroads. National rail negotiations began in April but the carriers, generally represented by the National Railway Labor Conference, and unions did not press to settle by June 30, the earliest date contract amendments could have been effective under provisions of the Railway Labor Act, which regulates labor-management relations in the industry. Instead, bargaining carried over into 1989, following a long-standing tradition of protracted negotiations. Clearly, the major issue in the talks is jobs, with management seeking to improve its ability to compete with other forms of transportation by cutting jobs it views as unnecessary. On the other side of the table, unions defended the need for some of the jobs and sought to protect the livelihoods of their members.

At the Chicago and North Western Transportation Co., a long-line carrier owned by its employees, a dispute that began in 1987 over company plans to eliminate brakemen's jobs on freight trains was finally resolved by an act of the Congress requiring the parties to accept the settlement recommendations made earlier in the year by a presidential board.

Originally the carrier planned to eliminate all 1,211 of the brakemen jobs, but the board said Chicago and Northwestern should cut the jobs from the train runs where track switching is not required and should cut one of the two jobs on runs where switching is required. This action would end 689 jobs, with the possibility of more, because the board also recommended that the need for even one brakeman should be determined by arbitrators on a individual-run basis.

The United Transportation Union conceded that two brakemen were not needed, saying that it had agreed with every major railroad in the country except the Chicago and Northwestern to reduce the crew to one brakeman through attrition.

In a settlement with the Grand Trunk Western Railroad, the United Transportation Union agreed to operate with one conductor on trains of up to 35 cars, and with one conductor and one brakeman on longer trains. Previously, most trains carried one conductor and two brakemen. Union officials said the change would cost 170 to 200 jobs, but were hoping that early retirement and buy-out provisions would limit layoffs.

The new contract did not provide for a wage increase, but did establish a 401(k) savings plan and a productivity pool giving employees a share of any labor-cost savings.

The Grand Trunk operates about 1,000 miles of track in Michigan, Ohio, Indiana, and Illinois. It also negotiated cost-reducing settlements with 13 other unions; overall, the 14 settlements covered 3,600 workers. The railroad earned $3.4 million in 1987, after losing $16.4 million in 1986.

About, 230 employees of the Union Pacific Railroad's repair shops began returning to work under provisions of a 1987 settlement between the carrier and the Railway Carmen Division of the Transportation•Communication Union. Under the accord, the returnees were paid $10.40 an hour, compared with the $13.76 rate for employees who were not laid off. The union said it agreed to the lower pay tier to get the workers back on the job, noting that some had been on layoff for as long as 5 years.

The settlement was based on the recommendations of a presidential emergency board issued at the time of the union's last national settlement. In its report, the board favored two-tier compensation plans in cases where railroads agreed to cut the amount of work they contract out.

Later, the railroad announced it would close one of the shops, in Omaha, NE, by the end of 1989. Under the severance settlement negotiated by the Carmen, the 45 affected employees will receive payments of up to $40,000. Nearly 200 members of other unions will receive payments of varying amounts.

Union affairs

Conditions were unchanged from preceding years for unions, as they sought to build—or rebuild—their strength in dealing with employers as well as the public's perception of their place in society and the economy. These efforts may have been hampered by government legal action against leaders of the Teamsters union, the unsuccessful strike by the Paperworkers against International Paper Co., and the continuing tendency to ascribe to labor part of the blame for domestic manufacturers difficulties in competing with foreign producers in some industries. In a heartening note for labor, a Gallup poll during the year showed that 61 percent of the population approved of unions, up from 55 percent in 1981.

One new initiative by the AFL-CIO to give the public a better perception of unions and aid in organizing workers their goals was a $12 million, 2-year "Union Yes" advertising campaign, featuring television and movie stars and rank-and-file union members. The AFL-CIO also reported progress in its 2-year-old campaign to strengthen unions' organizing and bargaining tactics and provide services and benefits to union members that could later be extended to others, thus educating them about unions and possibly inducing them to join unions.

Mergers and affiliations. Following the belief that there is strength in numbers, union leaders accelerated merger efforts in 1988, although not always successfully:

- The Marine and Shipbuilding Workers merged into the Machinists, becoming District 54.
- The 2,400 member Die Sinkers Conference merged into the Machinists.
- The Glass, Pottery and Plastics Workers International Union merged with the International Molders' and Allied Workers' Union, becoming the Glass, Molders, Pottery, Plastics and Allied Workers.
- Marine Engineers Beneficial Association's District 1 merged with the National Maritime Union to form District No. 1-MEBA/NMC Division.
- In New York City, the Doctors Council and the New York State Federation of Physicians and Dentists merged to form the American Federation of Doctors.
- The National Union of Hospital and Health Care Employees merged with the Service Employees, subject to membership approval.
- The 30,000 member California Federation of Teachers (a unit of the American Federation of Teachers) signed a 2-year, mutual-aid, no-raid agreement with the California School Employees Association, which represents 95,000 school support employees.
- The Oil, Chemical and Atomic Workers' board of director voted not to complete a planned merger with the Mine Workers, which had approved the proposal. The Mine Workers then established committees to explore merger with other unions and reaffiliation with the AFL-CIO.
- The delegates to the convention of the 12-member Siderographers union considered merging with an engraving and plate printing union, but decided to delay the move at least until the next convention.
- Merger discussions were initiated between the United Food and Commercial Workers and the Retail Wholesale, and Department Store Union.
- The Brother of Locomotive Engineers Affiliated with the AFL-CIO, after 125 years as an independent union.
- The International Longshoremen's and Warehousemen's Union reaffiliated with the AFL-CIO.

Leadership changes. There also were changes involving union leaders:

- Jackie Presser, president of the Teamsters, died and was succeeded by William J. McCarthy.
- Frank Droziak, president of the Seafarers, died and was succeeded by Michael Sacco.
- Patrick J. Campbell retired as president of the Carpenters union and was succeeded by Sigurd Lucassen.
- United Auto Workers secretary treasurer Raymond E. Majerus died and was succeeded by William Casstevens, who had headed the union's farm and construction equipment and organizing departments.
- Alfred K. Whitehead defeated incumbent John A. Gannon for the presidency of the Firefighters; White-

head had been the union's secretary-treasurer since 1982.

- John H. Sturdivant defeated incumbent Kenneth T. Blaylock for the presidency of the American Federation of Government Employees; Sturdivant had been executive vice president for 6 years preceding the election.
- George J. Kourpias was selected by the Machinists executive council to be the union's "official candidate" to succeed William W. Winpisinger as president. Other candidates can be nominated prior to the April 1989 election, but the council action apparently gave Kourpias the favorite's role.

Other developments

Federal employees. The 1.4 million Federal white-collar employees received a 2-percent salary increase in January 1988. Under the salary adjustment procedure in the Federal Pay Comparability Act of 1970, the President's Pay Agent (a triad consisting of the Secretary of Labor, and the directors of the Office of Management and Budget and the Office of Personnel Management) reported in 1987 that an average 23.74-percent pay increase was necessary to bring white-collar pay up to the level of comparable jobs in private industry. This was based on the results of the annual National Survey of Professional, Technical and Clerical Pay conducted by the Bureau of Labor Statistics. Any change would normally have been effective in October 1987. President Ronald Reagan, however, proposed an alternate 2-percent increase for January 1988. Under the Act, as interpreted by the Supreme Court, such alternate proposals by the President stand unless vetoed by the Congress. If this had occurred, the President would presumably have been obligated to implement the 23.74-percent increase in October 1987.

The 2 million military personnel also received the equivalent of a 2-percent increase in January 1988 under laws linking their pay levels to those for Federal white-collar employees. About 456,000 trades workers received an increase of up to 2 percent during the fiscal year ending September 30, 1988. Their pay is raised at various times during a year, based on the results of local surveys of wages for similar jobs. However, their potential increase is "capped" at the same percentage amount as for the white-collar workers.

The salary increase did not apply to members of the Congress, Federal judges, and executive officials and military officers earning more than $72,500.

Later in 1988, the Pay Agent presented to the President its finding on a salary increase that normally would be effective in October 1988. The increase, based on the Bureau's 1988 survey, was an average 26.23 percent. However, President Reagan proposed an alternate 4.1-percent increase in January 1989. This matched the increase that the Congress had endorsed prior to the President's decision. This increase did not apply to members of the Congress, Federal judges, and highest ranking Government officials, but it did apply to the 7,000 members of the Senior Executive Service who direct the career civil service.

Neither pay increase applied to employees of the U.S. Postal Service because their pay is determined by collective bargaining. Their current contracts, negotiated in late 1987 and early 1988, specified wage increases of $250 a year in July 1988 and January 1989 and cost-of-living adjustments of $208 in May 1988 and $520 in November 1988.

President Reagan signed a bill extending for 5 years a leave-transfer plan that had been scheduled to expire September 30. The plan allows employees to donate up to half their accrued annual (vacation) leave to specific employees in their agency or in another agency who have exhausted their annual leave because of a family emergency or have exhausted their sick and annual leave because of their own medical condition.

The act also directs the Office of Personnel Management to establish a "leave bank" into which employees could contribute leave to be available for other workers with emergencies.

Legal rulings. During the year, the Supreme Court and other courts and boards issued a number of decisions affecting labor-management relations, collective bargaining, and employment. The Supreme Court held that:

- Government has the right to bar families of strikers from receiving food stamps.
- Nonunion employees in a collective bargaining unit may not be required to pay full agency shop fees (an amount equal to union dues) if part of the money is used for political, legislative, social, or labor organizing activity by the union.
- Employers found to have discriminated against women regarding the amount of pension benefits can only be required to correct the inequity back to July 1983, when the court ruled that sex-based variations in pension benefits are illegal.
- Employees have the right to sue employers over a dismissal, even if their labor contract contains a grievance procedure and other remedies, if State law permits such a suit.
- Employers can be sued for personnel practices resulting in job discrimination, even if evidence of intent to discriminate is not available.
- Creditors may garnishee benefits owed to workers under pension, insurance, and similar private plans regulated by the Federal Government.
- Employers cannot be sued for not continuing to pay into benefit funds while negotiations are under way to replace an expired labor contract.

- Federal employees outside the competitive civil service cannot sue the government if they are fired or suspended.

In other decisions, rulings, and settlements:

- The Department of Justice, in a reversal of a 1986 opinion, held that Federal agencies and federally assisted employers cannot fire or otherwise discriminate against employees beset by the acquired immune deficiency (AIDS) virus, including carriers not showing symptoms.
- State Farm Insurance Co. paid a total of $1.3 million to three women who claimed the company practiced discrimination in hiring sales agents in California. Under the settlement, the company agreed to contact women who had applied for but were denied such jobs between 1974 and 1987, and to fill half of all vacant sales agents jobs in California during the next 10 years with women.
- Settling 15-year-old charges that the police department discriminated against women and minorities in hiring and promotion, the city of Chicago and the U.S. Department of Justice established a $9.2 million back-pay fund and adjusted seniority for 729 women, blacks, and Hispanics.
- Honda of America Manufacturing Inc. and the Equal Employment Opportunity Commission settled a $3\frac{1}{2}$-year-old charge of sex and race discrimination at the company's Marysvile, OH, area plants. Under the settlement, Honda hired 370 blacks and women denied employment between 1983 and 1986 and paid them a total of $6 million, and agreed to (1) change its promotion procedures, (2) train all supervisors in fair employment practices, and (3) begin a drive to recruit employees—particularly blacks—in Columbus, OH, which had been outside the company's hiring radius.

Home work ban lifted. The Department of Labor ended a 45-year ban on home production of jewelry and four types of apparel and announced new rules regulating home work. The change is effective January 9, 1989.

The Ladies Garment Workers union immediately announced that it would challenge the decision in court.

The five new products are gloves and mittens, embroideries, buttons and buckles, handkerchiefs, and some jewelry (knitted outerwear was freed from the ban in 1984). Participating employees are required to be certified and the Labor Department will monitor the workers' wages and hours of work. □