# Wage and compensation changes in settlements, 1991

*For the third consecutive year negotiated wage rate changes in major collective bargaining settlements were higher, on average, than in contracts they succeeded*

Fehmida Sleemi,
Phyllis Brown,
and
Lisa Williamson

Labor negotiators faced mixed economic signals as the 1991 bargaining calendar unfolded. Early in the year, some economic indicators pointed toward a rebound from the recession that began in 1990, but the recovery was not sustained as the year progressed. The annual rate of unemployment was 6.7 percent, up from 5.5 percent in 1990. Labor productivity improved slightly, but the gain occurred because firms cut labor hours more than they cut output.

Compensation cost increases slowed from 4.9 percent in 1990 to 4.3 percent in 1991. Inflation was not a concern, as prices and unit labor costs increased less in 1991 than in the previous two years. (See table 1.)

Despite this ambiguous economic backdrop, major collective bargaining settlements (those covering 1,000 or more workers) in private industry in 1991 provided wage rate changes that, on average, were higher than those specified, or guaranteed, by contracts that were replaced. The previous agreements were, for the most part, negotiated in 1988 or 1989, when the economy was more stable. Settlements in 1991, on average, called for wage rates to increase 3.2 percent annually over the contract term, compared with 2.7 percent annually over the term of the contracts that were replaced. This marked the third consecutive year this pattern occurred. (See chart 1.)

Annual changes in wage rates over the term of individual settlements ranged from a decrease of 6 percent to an increase of 19 percent, suggesting that conditions in specific industries and firms influenced bargainers. Competition from abroad or lackluster domestic business required some negotiators to focus on job security and containing labor costs. Increased exports, higher profits since the previous bargaining round, or efforts to attract qualified workers led other negotiators to focus on wage gains.

## Wage changes under 1991 settlements

Settlements in 1991 covered 32 percent, or 1.8 million, of the 5.6 million workers under major collective bargaining contracts in private industry. Specified wage rate changes in the new agreements averaged 3.2 percent annually over the term of the contracts. (See table 2.) Ninety-three percent of the workers will receive wage increases during the term of their contracts, while nearly all of the remaining 7 percent will not receive a wage change. This is in marked contrast to the 1982–83 recessionary period, when between one-fourth and one-third of the workers under settlements had wage cuts or freezes over the contract term. (See table 3.)

Of the 1.8 million workers covered by 1991 settlements, about 70 percent were in the nonmanufacturing sector. Wage rate changes in new agreements in this sector averaged an increase of 3.3 percent when annualized over the contract

Fehmida Sleemi, Phyllis Brown, and Lisa Williamson are economists in the Division of Developments in Labor-Management Relations, Bureau of Labor Statistics.

term, compared with 3.1 percent in manufacturing. Typically, the average annual change in wage rates over the contract term has been higher in nonmanufacturing than in manufacturing, but the difference was slightly narrower in 1991 than in most other years. (See table 4.)

## COLA, lump-sum provisions

Some negotiators lost interest in retaining cost-of-living allowance (COLA) and lump-sum payment provisions in 1991. COLA clauses call for wage rate changes according to a formula typically tied to changes in the Consumer Price Index. Lump-sum provisions may guarantee a payment (a specified amount) or call for a payment only under certain conditions (a contingent amount). Bargainers discontinued COLA clauses in 24 settlements covering 391,000 workers, and did not add new clauses in any contracts negotiated in 1991. Settlements in trucking covering 164,000 workers and in railroads, covering 185,000 workers, were among the new pacts that dropped COLA's.

The trucking and railroad settlements are not considered to have COLA provisions under definitions used in the BLS collective bargaining series. The trucking settlements switched from a COLA clause based on the Consumer Price Index to "guaranteed COLA's," which are amounts specified in the agreement to be paid regardless of price changes. "Guaranteed COLA's" are included as specified wage changes in determining the size of settlements.

For an agreement to be considered containing a COLA provision, it must schedule potential COLA payments during its term. In the case of the rail settlements, COLA increases are not payable until July 1, 1995. This follows the contract reopening date of January 1, 1995, which is considered the contract expiration date in settlement measures.

Elimination of COLA clauses in 1991 settlements led to a drop in the proportion of workers covered by major agreements with COLA clauses, from 40 percent maintained since 1987 to 30 percent by the end of 1991.

During 1991, 244,000 workers were covered by 45 settlements that discontinued lump-sum payment provisions, while 71,000 workers were covered by 15 agreements that added these payments. Such provisions now cover about 37 percent of workers under all major collective bargaining contracts in private industry, a decline from 40-43 percent that has occurred since 1987, when lump-sum information was first compiled.

Of the 1.8 million workers covered by 1991 settlements, 60 percent did not have lump-sum or COLA provisions in their new agreements. Eighteen percent of workers covered by settlements had lump-sum provisions only, and 17 percent had COLA clauses only. The remaining 5 percent were under settlements with both. Settlements with lump-sum or COLA provisions usually specify lower annual wage rate changes over the contract term than those without such provisions. (See chart 2.) Including these provisions tends to reduce the specified wage rate changes because they may provide workers with additional payments. (Lump-sum payments, which are not incorporated into the base wage structure, and potential changes from COLA clauses, which depend on future price changes, are not included in measures of specified wage rate changes.)

Over their term, 1991 settlements with a lump-sum payment provision or a COLA clause specified

Table 1. **Selected major economic indicators, 1982–91**

| Measure[1] | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
|---|---|---|---|---|---|---|---|---|---|---|
| Percent change in: | | | | | | | | | | |
| Gross domestic product | −2.2 | 3.9 | 6.2 | 3.2 | 2.9 | 3.1 | 3.2 | 2.5 | 1.0 | -0.7 |
| Consumer Price Index for all Urban Consumers (CPI-U) | 6.2 | 3.2 | 4.3 | 3.6 | 1.9 | 3.6 | 4.1 | 4.8 | 5.4 | 4.2 |
| Employment Cost Index[2] | 6.6 | 5.7 | 5.2 | 4.3 | 3.6 | 3.6 | 4.9 | 5.0 | 4.9 | 4.3 |
| Labor productivity[3] | .1 | 2.4 | 2.1 | .8 | 1.9 | .8 | .9 | −.9 | −.1 | .3 |
| Unit labor costs[3] | 7.4 | 1.5 | 1.9 | 3.3 | 2.9 | 2.6 | 3.2 | 4.3 | 5.3 | 3.7 |
| Unemployment rate | 9.7 | 9.6 | 7.5 | 7.2 | 7.0 | 6.2 | 5.5 | 5.3 | 5.5 | 6.7 |
| Major collective bargaining agreements, private industry[4] | | | | | | | | | | |
| Wage rate changes—settlements[5] | 3.6 | 2.8 | 2.4 | 2.7 | 1.8 | 2.1 | 2.4 | 3.4 | 3.2 | 3.2 |
| Wage rate changes—all contracts[6] | 6.8 | 4.0 | 3.7 | 3.3 | 2.3 | 3.1 | 2.6 | 3.2 | 3.5 | 3.6 |

[1] Data are annual averages unless indicated.

[2] Data are December-to-December changes, and measure changes in compensation costs for private industry and State and local government.

[3] Data are for the nonfarm business sector.

[4] Limited to collective bargaining agreements of 1,000 or more workers.

[5] Percent change, including net increases, decreases, and zero change under settlements reached in the year and annualized over the contract life.

[6] Percent change, including net increases, decreases, and zero change in wages stemming from current settlements reached in the year, settlements reached in a prior year, and cost-of-living adjustment provisions.

Chart 1. **Average annual changes in wage rates over the life of major collective bargaining settlements and their prior agreements, private industry, 1981–91**

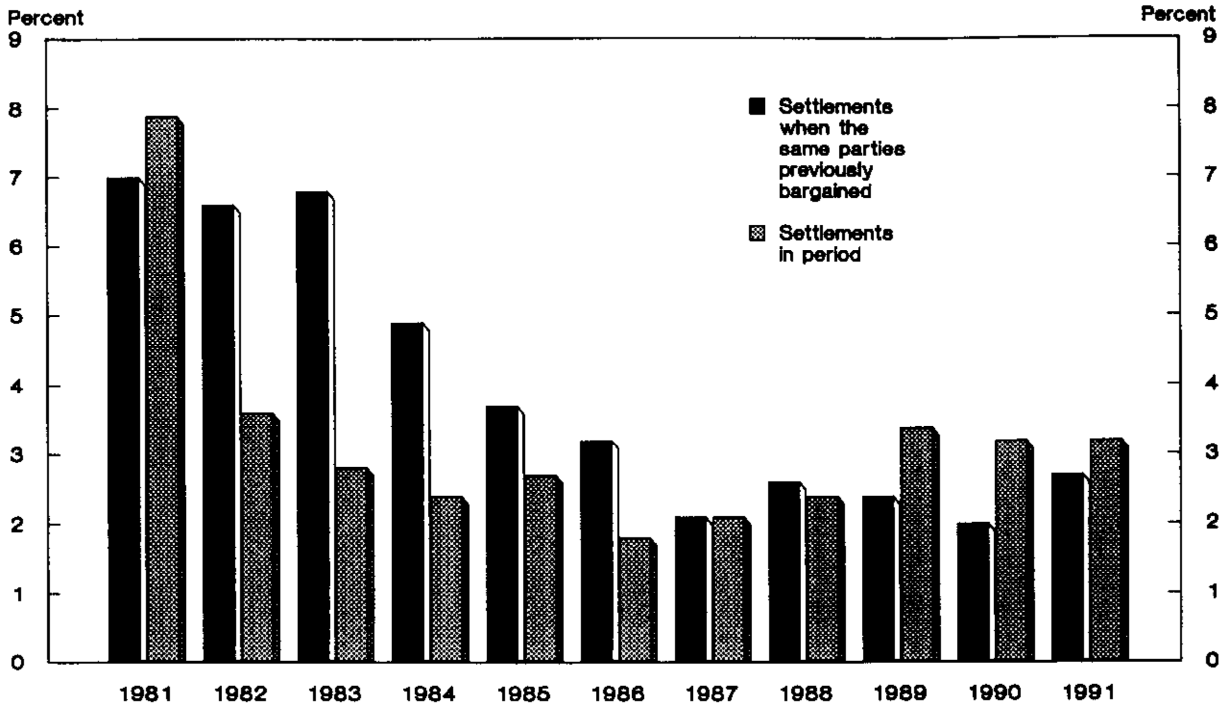


Chart 2. **Average annual changes in wage rates over the life of major collective bargaining settlements with and without lump-sum payment or COLA provisions, 1987–91**

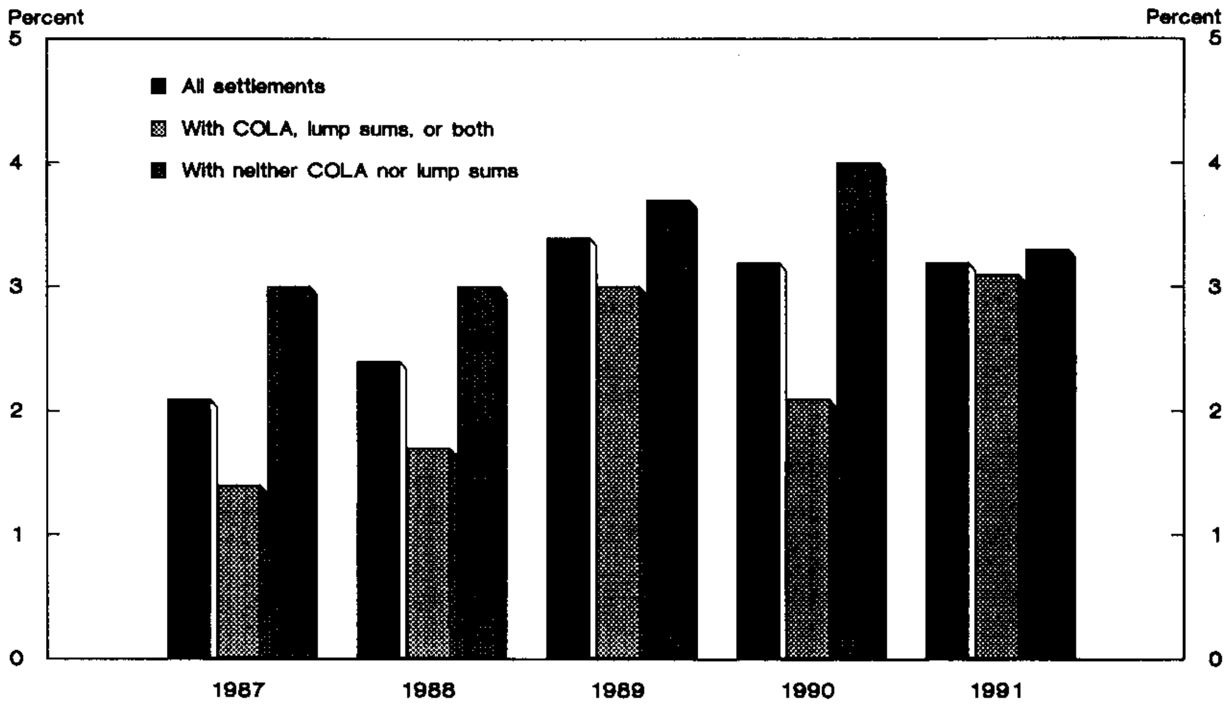

Table 2. **Average (mean) changes[1] in wage and compensation (wage and benefit) rates under collective bargaining settlements, 1991**

| Measure | First-year change (percent)[2] | Annual change over life of contract (percent)[3] | Number of workers (thousands) | Number of settlements |
|---|---|---|---|---|
| **Settlements covering 1,000 workers or more** | | | | |
| Wage rate changes | | | | |
| All industries | 3.6 | 3.2 | 1,790 | 376 |
| With COLA clauses | 3.4 | 3.0 | 392 | 57 |
| Without COLA clauses | 3.7 | 3.3 | 1,399 | 319 |
| With lump sums | 3.9 | 3.0 | 412 | 58 |
| Without lump sums | 3.5 | 3.3 | 1,378 | 318 |
| With both lump sums and COLA | 2.8 | 2.0 | 90 | 17 |
| With either lump sums or COLA, or both | 3.7 | 3.1 | 714 | 98 |
| With lump sums but no COLA | 4.1 | 3.3 | 322 | 41 |
| With COLA but no lump sums | 3.5 | 3.3 | 302 | 40 |
| With neither lump sums nor COLA | 3.5 | 3.3 | 1,077 | 278 |
| Manufacturing | 3.9 | 3.1 | 559 | 120 |
| With COLA clauses | 3.2 | 2.7 | 302 | 50 |
| Without COLA clauses | 4.8 | 3.7 | 257 | 70 |
| With lump sums | 5.1 | 3.3 | 163 | 32 |
| Without lump sums | 3.5 | 3.1 | 396 | 88 |
| With both lump sums and COLA | 2.8 | 2.0 | 90 | 17 |
| With either lump sums or COLA, or both | 4.1 | 3.1 | 375 | 65 |
| With lump sums but no COLA | 7.8 | 4.8 | 73 | 15 |
| With COLA but no lump sums | 3.3 | 3.0 | 212 | 33 |
| With neither lump sums nor COLA | 3.6 | 3.2 | 184 | 55 |
| Nonmanufacturing | 3.4 | 3.3 | 1,231 | 256 |
| With COLA clauses | 3.9 | 4.1 | 90 | 7 |
| Without COLA clauses | 3.4 | 3.2 | 1,141 | 249 |
| With lump sums | 3.0 | 2.8 | 248 | 26 |
| Without lump sums | 3.5 | 3.4 | 983 | 230 |
| With either lump sums or COLA, or both | 3.3 | 3.2 | 338 | 33 |
| With lump sums but no COLA | 3.0 | 2.8 | 248 | 26 |
| With COLA but no lump sums | 3.9 | 4.1 | 90 | 7 |
| With neither lump sums nor COLA | 3.5 | 3.3 | 893 | 223 |
| Construction | 2.2 | 2.9 | 244 | 108 |
| All industries excluding construction | 3.8 | 3.3 | 1,547 | 268 |
| Nonmanufacturing excluding construction | 3.7 | 3.4 | 987 | 148 |
| Goods-producing | 3.2 | 2.9 | 856 | 230 |
| Service-producing | 3.9 | 3.6 | 934 | 146 |

See footnotes at end of table.

only slightly smaller wage rate changes (3.1 percent a year) than those without such provisions (3.3 percent). But the specified average annual wage rate change over the contract term was noticeably smaller (2.0 percent) in settlements with lump-sum payment and COLA provisions.

## Compensation changes

Changes in wage rates represent only part of the economic package that may be affected by a settlement; benefits also may be modified. Data for settlements of 5,000 or more workers, which covered two-thirds of the workers under all major settlements in 1991, show that the annual change in compensation rates—wages and benefits—averaged an increase of 3.4 percent over the contract life, compared with 3.2 percent for wage rates alone. This difference suggests benefit improvements were greater than wage gains in some negotiations.

Greater emphasis on benefits appeared in another measure: The average change in employers' cost for employee compensation, which is calculated for settlements with 5,000 or more workers. In addition to contract elements covered in the compensation rate measure, the changes in employer cost include specified or guaranteed lump-sum payments, and reflect the timing of compensation changes; neither is included in the compensation rate measure. Over the term of the agreement, 1991 settlements for 5,000 or more workers called for compensation cost changes averaging an increase of 2.1 percent a year for

Table 2. **Continued—Average (mean) changes[1] in wage and compensation (wage and benefit) rates under collective bargaining settlements, 1991**

| Measure | First-year change (percent)[2] | Annual change over life of contract (percent)[3] | Number of workers (thousands) | Number of settlements |
|---|---|---|---|---|
| **Settlements covering 5,000 workers or more** | | | | |
| Wage rate changes—all industries | 3.6 | 3.2 | 1,179 | 71 |
| Compensation rate changes | | | | |
| All industries | 4.1 | 3.4 | 1,179 | 71 |
| With COLA clauses | 4.3 | 3.3 | 308 | 16 |
| Without COLA clauses | 4.0 | 3.4 | 871 | 55 |
| With lump sums | 3.3 | 2.6 | 321 | 20 |
| Without lump sums | 4.4 | 3.7 | 858 | 51 |
| With either lump sums or COLA, or both | 3.9 | 3.0 | 566 | 31 |
| With neither lump sums nor COLA | 4.3 | 3.7 | 614 | 40 |
| Manufacturing | 4.7 | 3.4 | 364 | 24 |
| With COLA clauses | 4.3 | 3.1 | 224 | 13 |
| Without COLA clauses | 5.3 | 3.8 | 141 | 11 |
| With lump sums | 4.7 | 2.9 | 110 | 9 |
| Without lump sums | 4.7 | 3.6 | 255 | 15 |
| With either lump sums or COLA, or both | 4.7 | 3.3 | 270 | 17 |
| With neither lump sums nor COLA | 4.6 | 3.8 | 95 | 7 |
| Nonmanufacturing | 3.8 | 3.4 | 815 | 47 |
| With COLA clauses | 4.3 | 3.9 | 85 | 3 |
| Without COLA clauses | 3.7 | 3.3 | 730 | 44 |
| With lump sums | 2.6 | 2.4 | 211 | 11 |
| Without lump sums | 4.2 | 3.7 | 604 | 36 |
| With either lump sums or COLA, or both | 3.1 | 2.8 | 296 | 14 |
| With neither lump sums nor COLA | 4.2 | 3.6 | 519 | 33 |
| Construction | 5.3 | 5.2 | 56 | 7 |
| All industries, excluding construction | 4.0 | 3.3 | 1,123 | 64 |
| Nonmanufacturing, excluding construction | 3.7 | 3.2 | 759 | 40 |
| Goods producing | 4.3 | 3.3 | 471 | 32 |
| Service producing | 3.9 | 3.4 | 709 | 39 |

[1] Includes net increases, decreases, and zero change. Excludes lump-sum payments and potential changes from COLA clauses.

[2] Changes under settlements reached in the period and effective within 12 months of the contract effective date.

[3] Changes under settlements reached in the period expressed as an average annual (compound) rate over the life of the contract.

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

wages, 2.3 percent for cash payments, including wages and lump-sum payments, and 2.5 percent for benefits. (See table 5.)

The larger changes for benefits than for wages is not surprising, considering the critical issues negotiators confronted in 1991. For example, some settlements may have curtailed wage rate increases to pay for rising health benefit costs. The Employment Cost Index for private industry, which covers establishments of all sizes regardless of union status, also recorded larger cost increases for benefits, 6.2 percent, than for wages and salaries, 3.7 percent.

Contingent pay provisions that could provide compensation in addition to that specified in settlements affected 30 percent of workers covered by 1991 settlements for 5,000 or more workers. COLA provisions tied to future levels of the CPI, and lump-sum payments based on future levels of profits are examples of contingent pay provisions. Potential payments under these provisions are not included in measures of changes in employer costs for employee compensation. Although contingent pay provisions usually tend to reduce changes in compensation costs, settlements with such provisions had nearly the same annual change as those without: 2.5 percent versus 2.4 percent over the life of the contract.

## Selected settlements[1]

*Construction.* Compared to other years, bargaining in construction was relatively light in

1991, affecting 244,000 workers covered by 108 major collective bargaining settlements. Settlements in the construction industry accounted for 14 percent of workers under all major settlements in 1991, down from about 20 percent each year since 1985.

Under 1991 construction settlements, the annual specified wage rate change was an increase of 2.9 percent annually over the term of the agreement, nearly as much as the 3.0 percent negotiated in previous contracts. None of the settlements included COLA or lump-sum payment provisions. Among the three types of construction, average wage rate changes over the contract term were slightly smaller for settlements in building construction, a 2.7-percent increase, than in heavy construction, at 3.1 percent, and special trades, which recorded a 3.0-percent increase.

In the construction industry, labor negotiations are concentrated in spring and summer. Management usually is represented by local or regional branches of national employer associations, while workers are organized along craft lines. Settlements for the various crafts in a region are generally similar and are based on local economic conditions. A little more than one-half of workers covered by 1991 construction settlements were in two regions, East North Central, with 30 percent, and the Mid-Atlantic, with 21 percent.[2]

Wage rate changes in these regions were above the average for all settlements in the construction industry. The average change was highest in the Pacific region and lowest in the South Central. The following tabulation shows average annual changes in wage rates for settlements in the construction industry by region (because of rounding, sums of individual employment percentages may not equal 100):

| | *Percent change* | *Percent of workers* |
|---|---|---|
| All construction settlements | 2.9 | 100 |
| Pacific | 4.0 | 9 |
| East North Central | 3.7 | 30 |
| Mid-Atlantic | 3.5 | 21 |
| New England | 2.4 | 12 |
| West North Central | 2.1 | 2 |
| Mountain | .7 | 3 |
| South Atlantic | .4 | 6 |
| South Central | * | 6 |
| Interregional | 3.0 | 10 |

* Average is a decrease less than 0.05 percent.

Compensation rate changes averaged an increase of 3.5 percent annually over the contract life for all settlements in the construction industry, substantially higher than the 2.9-percent increase in wage rates alone. This relationship is consistent with the greater emphasis on benefit changes than on wage changes for settlements with 5,000 or more workers in all industries, discussed earlier.

*Railroads.* Following protracted negotiations that exhausted the appeals procedures under the Railway Labor Act, 12 settlements covering 185,000 workers were reached in 1991 in the railroad industry. Four agreements based on recommendations of a presidential emergency board established in 1990 were concluded, and the others were imposed by a special board appointed by President George Bush in 1991 after a 1-day work stoppage.

The settlements, covering Class I Railroads, Conrail, and some Amtrak operations, specified changes in wage rates averaging increases of 3.1 percent in the first year of the new agreements and 2.9 percent annually over the term of the contracts. Negotiators agreed on annual wage rate changes averaging increases of 2.7 percent in the first year and 3.0 percent over the life of the contract in the previous agreements. The parties included lump-sum payments in the current and previous contracts. The previous contracts also contained cost-of-living adjustment clauses. But as noted earlier, the 1991 agreements dropped the COLA language during the contracts' duration and provide COLA payments only after the contracts can be amended in 1995.

Duration of contracts in the railroad industry increased by nearly 1 year, from an average 31 months in the previous contracts to an average 42 months in agreements settled in 1991. The longer duration permits greater stability in relations between management and labor, and allows the contracts' problem resolutions mechanisms to be in effect for an extended period.

Table 3. **Wage rate changes over the contract term, 1982–91 settlements**

| Year | Average wage rate change (percent) | Percent of workers with — | | |
|---|---|---|---|---|
| | | Wage rate increases | Wage rate decreases | Zero change |
| 1982 | 3.6 | 64 | 1 | 35 |
| 1883 | 2.8 | 73 | 13 | 14 |
| 1984 | 2.4 | 84 | 12 | 4 |
| 1985 | 2.7 | 85 | 3 | 12 |
| 1986 | 1.8 | 79 | 9 | 13 |
| 1987 | 2.1 | 85 | 4 | 11 |
| 1988 | 2.4 | 88 | 2 | 11 |
| 1989 | 3.4 | 97 | (1) | 3 |
| 1990 | 3.2 | 97 | (1) | 3 |
| 1991 | 3.2 | 93 | (1) | 7 |

1 Less than 0.5 percent.

NOTE: Because of rounding, sums of individual employment percentages may not total 100.

Table 4. **Average (mean) changes[1] in wage rates annualized over the life of the contract under collective bargaining settlements covering 1,000 workers or more, selected industries, 1985–91**

[In percent]

| Industry | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
|---|---|---|---|---|---|---|---|
| All industries | 2.7 | 1.8 | 2.1 | 2.4 | 3.4 | 3.2 | 3.2 |
| Mining | (2) | −5.7 | — | (2) | (2) | 4.9 | (2) |
| Construction | 2.1 | 2.5 | 3.1 | 2.6 | 3.0 | 4.2 | 2.9 |
| Building construction | 1.6 | 2.9 | 3.6 | 2.7 | 3.0 | 4.0 | 2.7 |
| Heavy construction excluding building | 1.8 | 1.8 | 2.2 | 2.8 | 2.9 | 4.2 | 3.1 |
| Special trade contractors | 2.8 | 2.8 | 3.0 | 2.4 | 3.1 | 4.5 | 3.0 |
| Manufacturing | 1.8 | .2 | 1.3 | 2.1 | 3.2 | 2.1 | 3.1 |
| Food and kindred products | 2.4 | 1.6 | 2.7 | 2.2 | 3.1 | 3.4 | 3.2 |
| Tobacco products | (2) | (3) | — | (2) | (2) | — | (2) |
| Textile mill products | 3.0 | 5.1 | 5.6 | 2.7 | 4.0 | 4.2 | 4.1 |
| Apparel and other textile products | 2.1 | 2.4 | 4.0 | 4.1 | (2) | 3.5 | (2) |
| Lumber and wood products, except furniture | (2) | −7.3 | (2) | 2.8 | (2) | (2) | (2) |
| Furniture and fixtures | 4.1 | (2) | (2) | (2) | (2) | (2) | (2) |
| Paper and allied products | 3.4 | 1.8 | 1.2 | 1.7 | 1.9 | 2.1 | 1.7 |
| Printing and publishing | 2.8 | 3.2 | 2.1 | (2) | 3.2 | 3.5 | 1.6 |
| Chemicals and allied products | 2.8 | 2.6 | 1.9 | 2.7 | 3.5 | 4.0 | 4.1 |
| Petroleum and coal products | (2) | 1.0 | (2) | 2.5 | (2) | 5.0 | — |
| Rubber and miscellaneous plastics products | 1.3 | (2) | −.7 | 1.3 | (2) | (2) | .9 |
| Leather and leather products | (2) | (2) | (2) | (2) | — | (2) | (2) |
| Stone, clay, glass and concrete products | (2) | 2.0 | 2.3 | 2.5 | 2.6 | 3.0 | (2) |
| Primary metal industries | −5.6 | −1.5 | −.8 | 1.4 | 3.7 | 4.7 | (2) |
| Fabricated metal products | 2.6 | .6 | 1.3 | 2.2 | 2.2 | 2.3 | 2.0 |
| Industrial machinery and equipment | 1.5 | -.3 | .3 | 1.2 | 1.7 | 1.3 | 1.2 |
| Electronic and other electric equipment | 2.0 | 2.4 | 2.1 | 1.8 | 2.8 | .9 | (2) |
| Transportation equipment | 1.3 | 1.0 | .9 | .8 | 4.2 | 1.4 | 3.7 |
| Instruments and related products | (2) | 1.1 | — | (2) | 3.0 | (2) | (2) |
| Miscellaneous manufacturing industries | (2) | (2) | (2) | 3.5 | (2) | — | (2) |
| Nonmanufacturing[3] | 3.3 | 2.3 | 2.7 | 2.5 | 3.4 | 4.0 | 3.3 |
| Railroad transportation | 5.6 | 2.5 | 2.6 | — | — | — | 2.9 |
| Trucking and warehousing | 3.7 | (2) | (2) | 1.0 | (2) | (2) | (2) |
| Airlines | 4.0 | −.5 | 3.5 | .7 | 4.6 | 4.6 | 4.3 |
| Communications | −2.0 | 2.0 | 1.5 | 1.8 | 2.4 | 3.0 | (2) |
| Electric, gas and sanitary services | 4.7 | 3.9 | 3.1 | 2.8 | 3.7 | 4.0 | 4.4 |
| Wholesale and retail trade | 2.6 | 2.1 | 1.7 | 3.2 | 3.5 | 3.7 | 3.3 |
| Food stores | 1.8 | 1.7 | 1.6 | 2.8 | 3.2 | 3.8 | 3.4 |
| Finance, insurance and real estate | 4.4 | 3.3 | 3.5 | 4.7 | 4.8 | 2.9 | (2) |
| Services | 4.4 | 3.1 | 4.1 | 4.3 | 6.1 | 5.3 | 4.9 |
| Health services | 4.6 | 3.0 | 2.9 | 4.9 | 7.7 | 5.6 | 7.3 |

[1] Changes under settlements reached in the period expressed as an average annual (compound) rate over the life of the contract. Data include net increases, decreases, and zero change; they exclude lump-sum payments and potential changes from COLA clauses.

[2] Data do not meet publication standards.

[3] Includes mining and construction, shown above.

NOTE: Dash indicates no observations.

Terms of the Class I Railroad settlements included wage increases of 3 percent in July 1991 and 1993 and 4 percent in July 1994, a $2,000 "signing bonus" in 1991, and lump-sum payments based on the previous year's annual earnings of 3 percent in 1992, 1993, and 1994, and 2 percent in 1995. The contracts may be reopened January 1, 1995, and include a COLA clause with potential payments every 6 months beginning in July 1995, which, according to the parties, will encourage a timely settlement of the next agreement.

Health care benefit changes included an employee cost-sharing formula and managed-care networks. The cost-sharing formula is effective in 1992, when workers may have to contribute up to a maximum of 50 percent of their lump-sum

Table 5. **Average (mean) changes[1] in the cost of compensation and components annualized over the life of the contract[2] in collective bargaining settlements covering 5,000 workers or more, 1991**

[In percent]

| Measure | Compensation | Cash payments[3] | Wages | Benefits | Number of workers (thousands) |
|---|---|---|---|---|---|
| All industries | 2.4 | 2.3 | 2.1 | 2.5 | 1,179 |
| With contingent pay provisions[4] | 2.5 | 2.4 | 2.4 | 2.6 | 348 |
| Without contingent pay provisions[4] | 2.4 | 2.2 | 2.0 | 2.4 | 831 |
| Manufacturing | 2.4 | 2.2 | 2.3 | 2.7 | 364 |
| Nonmanufacturing | 2.4 | 2.3 | 2.1 | 2.4 | 815 |
| Goods producing | 2.3 | 1.9 | 2.0 | 2.7 | 471 |
| Service producing | 2.5 | 2.5 | 2.2 | 2.4 | 709 |

[1] Includes net increases, decreases, and zero change. Excludes potential changes from contingent pay provisions.

[2] Changes under settlements reached in the period expressed as an average annual (compound) rate over the life of the contract.

[3] Cash payments include wages and lump-sum payments.

[4] Contingent pay provisions include COLA clauses and/or contingent lump-sum payment clauses. Data exclude potential changes from contingent pay provisions.

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

payments to cover increases in health care premiums. Increases in health care insurance will be deducted from COLA payments if a new contract is not reached by January 1, 1995; workers will not have to pay this increased cost after January 1995 if they do not receive a COLA payment.

*Trucking.* The International Brotherhood of Teamsters and several motor freight employer groups settled a National Master Freight agreement in March. The master agreement, which is the primary contract in the trucking industry, covers local and over the road, or long haul, trucking throughout the United States.

Trucking industry settlements in 1991 covered 166,000 workers, including some not under the Master Freight agreement. Two major trucking businesses were not covered by 1991 settlements: The National Automobile Transporters and the Teamsters were still negotiating at yearend on a contract to replace an agreement that expired in May, and the United Parcel Service negotiates with the Teamsters on a different bargaining schedule. The UPS-Teamsters contract, which covers 140,000 workers, expires in 1993.

The Master Freight agreement covered 90 percent of the workers under trucking settlements in 1991. It provided wage increases of 50 cents an hour in the first year and 45 cents per hour in each of the second and third years of the 3-year contract. Employer payments to the pension and health and welfare funds were increased 45 cents an hour in 1991 and an additional 30 cents an hour in 1992 and in 1993. New hires, who start at 85 percent of the full wage level and reach 100 percent after 18 months, will have to wait 1 year before reaching 90 percent of the full wage rate. Previously, new employees progressed to this level after 6 months and to 95 percent after 1 year.

*Apparel.* Settlements in 1991 covered 131,000 workers in apparel manufacturing, or 71 percent of all workers under major agreements in the industry. The employees were represented by the International Ladies' Garment Workers Union or Amalgamated Clothing and Textile Workers Union.

Approximately 70 percent of the workers, or 91,000, were covered by agreements negotiated between the Ladies' Garment Workers and women's apparel manufacturers in the Northeast. The 3-year pacts provided wage increases of 4 percent each year and a cost-of-living payment in the second year, if the CPI rises more than 8.5 percent during the first 18 months of the contracts. Similar terms were negotiated in the previous contract. Other terms of the new contracts included an additional employer contribution of 2.5 percent of payroll to the medical and prescription drug plans—contributions had ranged from 12.375 percent of payroll to 15.375 percent and 6 months of unpaid leave to care for a sick family member.

A settlement between the Amalgamated Clothing Workers and Cotton Garment Manufacturers Association covered 38,000 workers who primarily produce men's trousers, shirts, and nightwear. After three successive 18-month contracts, the new pact resumed the parties' usual pattern of 3-year contracts. Major provisions included wage increases totaling 70 cents, continuation of the company-paid medical plan, establishment of vision care and prescription drug programs, and a 25-cent increase, to $6.75, in the monthly pension benefit per year of credited service.

*Airlines.* Restructuring, reduced passenger revenue during the Persian Gulf crisis, and the recession have led to two consecutive years of financial difficulty for the airline industry. Three major airlines failed during the 1990–91 period, and three others filed for bankruptcy. Amid these problems, contract negotiators reached nine major labor agreements in 1991, covering 102,000 workers. Bargainers renewed four contracts that expired before 1991, extended two contracts scheduled for negotiation in 1993, and agreed on three first-time labor-management agreements. (Negotiations continued for five additional airline contracts that expired in 1991 or before.)

As part of the first-time contract between Trans World Airlines and the International Association of Machinists, representing passenger service agents, negotiators reversed pay cuts imposed in 1985. The two other first-time agreements were between United Parcel Service and its independent pilots union, and between Southwestern Airlines and the Transport Workers Union representing flight attendants.

Despite the industry's economic condition, workers covered by airline settlements are guaranteed to receive wage rate changes averaging an increase of 4.3 percent in each year of the contract term. This is more than the 3.2 percent specified for all workers under 1991 settlements. The average duration of the new agreements is 50 months, which is significantly longer than the approximately 3-year average for all settlements in 1991. The longer duration may reflect the difficulty the industry has had reaching a settlement recently and provides stability for management and labor while the industry continues to restructure.

*Communications.* In an unprecedented move, NYNEX, a regional telecommunications company, and the two unions representing its workers reached contract settlements 11 months before the agreements were to expire.

The settlements, covering 54,500 workers represented by the Communications Workers of America and the International Brotherhood of Electrical Workers, changed the composition of 1992 bargaining in the industry. Fewer workers than previously anticipated will be negotiating in 1992, and NYNEX, rather than AT&T, took the lead in contract talks.

Negotiators have conducted two rounds of bargaining in telephone communications since the 1984 Federal court-ordered breakup of the former Bell operating system. AT&T was the first to settle each time and the regional companies followed. Although the settlements deviated on many issues from the uniformity of the old system, the AT&T settlement continued to be used by negotiators as a prototype for some issues. In the 1989 round of bargaining, for example, child and family care provisions in the AT&T contract were emulated in many regional settlements.

In 1989, the NYNEX settlements were the last to be concluded and were reached only after a 15-week work stoppage. By contrast, the new NYNEX settlements are viewed by many as the trend-setters for bargaining in 1992 in the communications industry. The Communications Workers Union has indicated it will use the NYNEX settlements as the basis for this year's contract talks.

The 1991 NYNEX settlements extended the contracts to August 1995 (they were scheduled to expire in August 1992). Terms called for wage increases of 4 percent, which included a 3.26-percent increase under the previous contract, retroactive to September 1991; 4 percent in August 1992; 4.25 percent in August 1993; and 4 percent in August 1994. Some workers will receive additional wage increases as a result of zone reclassifications and changes in city allowances. If the CPI increases more than 9 percent in the first two contract years, employees will receive a COLA in August 1994 equal to three-fourths of the CPI change over 9 percent.

The contracts maintained fully paid health care benefits, the focus of the 1989 work stoppage, and boosted other benefits. Pension improvements included a 20-percent raise in monthly benefits over the term of the contract; a 15-percent additional increase in pension benefits for workers to age 62 who retired between November 1 and December 31, 1991; and 5 years added to age and service credits for all employees. A Voluntary Employee Benefit Association Trust Fund was established to finance the health benefits of workers who retire after 1995. Payments to the fund will equal the excess pension assets that the company transfers annually to the 401(h) account for current retiree health liabilities.

## Wage changes under all pacts

In any year, workers under all major collective bargaining contracts in private industry can receive changes in their wage rates from one or more possible sources: settlements that occurred in the year, settlements negotiated in earlier years, and the operation of cost-of-living adjustment clauses. Wage rate changes under all contracts in 1991 averaged an increase of 3.6 percent—1.1 percent from settlements reached in 1991, 1.9 percent from agreements reached earlier, and 0.5 percent from COLA's. The 3.6-percent average change is higher than in any year since 1984, and the third consecutive year that the average wage change was larger than in the preceding year.

Several factors play a role in the size of the average wage rate change. The number of workers receiving a wage increase and the size of the increase push up the average wage rate change. The number of workers with no change in wages, the number whose wages decrease and the extent of the decrease moderate the overall wage rate change.

Nearly 90 percent, or 5.1 million of the 5.6 million workers covered by major contracts, received wage increases averaging 4.0 percent in 1991. Approximately 1.5 million workers received increases averaging 4.2 percent from settlements negotiated in 1991, 3 million workers had average specified gains of 3.7 percent from agreements reached earlier, and 1.3 million workers received an average increase of 2.0 percent from COLA's. (Some workers received an increase from more than one source.)

About 524,000 of the 5.6 million workers under all major agreements were covered by contracts that did not change wage rates in 1991, and nearly 11,000 workers were covered by contracts that called for wage rate decreases. The decreases averaged 10.3 percent and resulted primarily from 1991 settlements.

DESPITE THE UNCERTAIN economic environment, settlements in 1991 called for wage rates to increase more, on average, than the last time the same parties bargained during generally better economic conditions. But the average wage rate change was within the narrow range of between 1.8 percent and 3.6 percent annually over the life of the contract negotiated each year since 1982. Approximately 1.9 million workers are covered by contracts that expire in 1992. If bargainers this year are to continue the pattern of wage terms in new settlements exceeding those in previous agreements, many will have to negotiate their second consecutive round of improved contracts. □

## Footnotes

[1]More detailed terms of 1991 settlements are in *Compensation and Working Conditions*, a monthly publication of the Bureau of Labor Statistics, and in Michael H. Cimini and Susan L. Berhrmann, "Collective bargaining in 1991: recession colors talks," *Monthly Labor Review*, January 1992, pp. 21–33.

[2]Regions and the States they comprise are: *New England*—Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut; *Middle Atlantic*—New York, New Jersey, Pennsylvania; *East North Central*—Ohio, Indiana, Illinois, Michigan, Wisconsin; *West North Central*—Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas; *South Atlantic*—Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida; *East South Central*—Kentucky, Tennessee, Alabama, Mississippi; *West South Central*—Arkansas, Louisiana, Oklahoma, Texas; *Mountain*—Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada; *Pacific*—Washington, Oregon, California, Alaska, Hawaii.

[3]A summary of negotiations scheduled for the year appears in Edward J. Wasilewski, Jr., "Collective bargaining in 1992: contract talks and other activity," *Monthly Labor Review*, January 1992, pp. 3–19.