Collective bargaining outlook for 1995

As in the past few years, job security is expected to be a top issue in many contract talks in 1995, when bargaining will be heavy for both private industry and State and local governments

Fehmida Sleemi

The 1995 collective bargaining calendar is heavy, with 42 percent of workers under major agreements (those covering 1,000 or more workers) in private industry and State and local government having contracts scheduled to expire or reopen during the year. This is the largest proportion in the 11 years that the Bureau of Labor Statistics has compiled contract expirations and reopenings for both private industry and State and local government. It follows on the heels of a record light year, when scheduled bargaining covered just 26 percent of workers. (See table 1.) About 3.4 million workers are under agreements up for renegotiation, more than in any year since 1986. The calendar would have been even heavier, but three contracts (for 93,000 workers at NYNEX, the League of Voluntary Hospitals in New York City, and Amtrak) originally expiring this year were opened early and settled in 1994.

Both private industry and State and local governments have full bargaining schedules in 1995. In private industry, 35 percent of the 5.4 million workers under major agreements are slated for contract talks. This is about the middle of the range of bargaining activity for the period 1985–95, but follows the second lightest bargaining year in the period, when only 25 percent of workers were covered by scheduled contract expirations and reopeners. Four-fifths (1.5 million) of the 1.9 million workers under scheduled 1995 contract renegotiations are in nonmanufacturing, including 374,000 in construction, 360,000 in communications, 212,000 in retail trade (primarily food stores), and 208,000 in railroads. (See tables 2 and 3.) About 375,000 workers are under contracts up for renegotiation in manufacturing. Approximately two-fifths of these (157,000) are in transportation equipment manufacturing (primarily aerospace). The rest are in a variety of industries, all with fewer than 70,000 workers under contracts slated for bargaining.

In State and local governments, 56 percent of the 2.8 million workers under major agreements will be involved in bargaining in 1995, the largest proportion since 1985, when the Bureau first tabulated such data. The calendar for each of the previous 2 years had been the lightest since 1985. The nearly 1.6 million workers affected by contract negotiations are split about equally between State and local governments. The 788,000 State workers involved account for 70 percent of all State workers under major agreements, while only 47 percent (772,000) of the local government workers under major agreements will be bargaining this year.

Information on the 1995 bargaining calendar is based on data available to the Bureau as of the fall of 1994. There were 1.1 million workers under major contracts that had expired in 1994 or earlier but had not been renegotiated by the time this article was written, and an additional

Fehmida Sleemi is an economist in the Division of Developments in Labor-Management Relations.

214,000 workers were covered by contracts slated for renewal in October through December of 1994. The bargaining agenda will include whichever of these negotiations are carried over into 1995. In addition, any contracts reached during the fourth quarter of 1994 that expire or reopen during 1995 will affect the number and proportion of workers scheduled for contract negotiations in 1995.

New year, same issues

Topics that have been in the forefront of bargaining in recent years are still likely to play a major role in 1995. For example, despite the improving economy, job security remains a concern because layoffs are still occurring as a result of automation, competition, and restructuring. To help with downsizing, proposals that promote early retirement by increasing pension benefits and/or granting additional age and service credits could be on the bargaining table, as could proposals that encourage voluntary quits by increasing severance payments and continuing health care coverage for a specified period for workers who quit voluntarily.

Health care costs are also expected to continue as a common issue. Costs for health care have been escalating at a slower pace since 1990, but the increases have still been above the overall inflation rate.

Training has become an increasingly important component of contract negotiations, particularly for workers whose skills are being rendered obsolete by advances in technology and shifting requirements for skills. Training programs, which provide opportunities for workers to learn new skills that are needed by the organization or that help land a new job, often become part of a job security package.

Table 1. **Workers in collective bargaining agreements covering 1,000 or more workers with contract expirations or reopenings, 1985–95**

[In thousands]

Year	Workers covered	Workers with contract expirations or reopenings	Percent of workers covered by expirations or reopenings
Total:			
1985	9,448	3,532	37.4
1986	9,100	3,800	41.8
1987	8,793	3,103	35.3
1988	8,697	3,415	39.3
1989	8,567	3,068	35.8
1990	8,482	3,008	35.5
1991	8,483	2,820	33.2
1992	8,291	2,720	32.8
1993	8,184	2,795	34.2
1994	8,191	2,145	26.2
1995	8,141	3,447	42.3
Private industry:			
1985	7,404	2,410	32.5
1986	6,981	3,029	43.4
1987	6,539	1,988	30.4
1988	6,327	2,408	38.1
1989	6,080	2,100	34.5
1990	5,959	2,124	35.6
1991	5,907	1,470	24.9
1992	5,681	1,859	32.7
1993	5,509	2,060	37.4
1994	5,492	1,381	25.1
1995	5,359	1,887	35.2
State and local government:			
1985	2,044	1,122	54.9
1986	2,149	741	34.5
1987	2,253	1,115	49.5
1988	2,370	1,006	42.4
1989	2,487	968	38.9
1990	2,523	884	35.0
1991	2,576	1,349	52.4
1992	2,610	860	33.0
1993	2,675	735	27.5
1994	2,699	764	28.3
1995	2,782	1,559	56.0

NOTE: Data for 1985 through 1994 were published each year in the January *Monthly Labor Review*.

Trends in wages and compensation

As part of formulating their bargaining strategies—particularly those related to wages and benefits—negotiators will be reviewing recent trends in compensation. The latest information on such trends indicated minimal pressure on labor costs. Major collective bargaining settlements in private industry negotiated in the 12-month period ended September 30, 1994, specified lower annual wage rate changes over the term of the contract (2.2 percent), on average, than in the contracts they replaced (2.7 percent). This relationship has existed for eight consecutive 12-month periods.

Settlements reached in State and local government in the first 6 months of 1994 provided annual wage rate changes over the contract term (3.3 percent) that were higher, on average, than those negotiated in the contracts they replaced (3.0 percent). For the previous seven 6-month periods, however, average changes in current contracts had been lower than those in the replaced contracts. Despite the improvement from the previous time the parties met, the average annual wage rate change over the contract term for settlements reached during the first half of 1994 was still below the average gains negotiated in the late 1980's in State and local government contracts.

Compensation costs for private nonagricultural industry and State and local government, as measured by the Bureau's Employment Cost Index, increased 3.2 percent during the 12-month period ended September 1994. This was the lowest annual change since the series began in 1981 and

Table 2. **Collective bargaining agreements covering 1,000 or more workers, scheduled to expire or with wage reopenings, by year and industry**

[Workers in thousands]

Industry	Total[1]		Year of expiration or scheduled wage reopening or both							
			1995		1996		1997 and later		Unknown or in negotiation[2]	
	Number of agreements	Workers covered	Number of agreements	Workers covered	Number of agreements	Workers covered	Number of agreements	Workers covered	Number of agreements	Workers covered
All industries[3]	1,858	8,141	707	3,447	493	2,103	362	1,692	420	1,360
All private industries	1,185	5,359	397	1,887	367	1,682	335	1,581	131	414
Manufacturing	392	1,635	111	375	132	786	121	422	43	125
Food and kindred products	58	143	22	39	15	32	18	67	4	9
Tobacco products	5	13	4	12	1	1	—	—	—	—
Textile mill products	7	19	3	5	1	5	3	8	3	10
Apparel and other textile products	26	146	4	6	5	58	17	82	—	—
Lumber and wood products, except furniture	9	16	1	1	6	11	1	2	1	2
Furniture and fixtures	1	3	—	—	—	—	1	3	—	—
Paper and allied products	37	48	12	17	7	8	14	19	5	6
Printing and publishing	11	20	3	6	5	8	3	7	1	1
Chemicals and allied products	20	34	6	12	4	8	5	8	7	11
Petroleum and coal products	8	17	—	—	8	17	—	—	—	—
Rubber and miscellaneous plastics products	12	38	1	1	4	7	5	22	2	7
Leather and leather products	2	6	—	—	1	4	—	—	1	2
Stone, clay, and glass products	13	32	4	5	8	26	1	1	—	—
Primary metal industries	39	126	4	7	23	94	13	63	6	16
Fabricated metal products	13	21	4	6	3	3	3	5	3	7
Industrial machinery and equipment	24	84	8	26	5	6	7	17	4	35
Electronic and other electric equipment	32	180	13	69	7	34	10	68	2	9
Transportation equipment	67	670	19	157	29	465	15	39	4	10
Instruments and related products	5	13	2	3	—	—	3	10	—	—
Miscellaneous manufacturing industries	3	5	1	2	—	—	2	4	—	—
Nonmanufacturing	793	3,724	286	1,513	235	896	214	1,159	88	290
Mining	8	81	1	1	6	78	5	76	1	2
Construction	337	995	133	374	106	282	105	361	11	20
Transportation, except railroads and trucking	45	250	6	50	20	103	10	60	10	39
Railroad transportation	22	216	20	208	1	6	—	—	1	2
Trucking and warehousing	10	285	1	12	1	2	8	271	—	—
Communications	34	453	15	360	7	27	6	55	6	11
Electric, gas, and sanitary services	72	203	27	69	17	58	20	52	10	27
Wholesale trade	8	11	4	6	1	2	2	2	1	2
Retail trade, except food stores	26	99	9	54	5	12	7	22	7	20
Food stores	102	564	24	158	30	199	33	152	16	58
Finance, insurance, and real estate	26	136	8	63	5	13	6	42	7	18
Services, except health services	59	251	19	96	23	79	5	13	12	63
Health services	44	180	19	63	13	37	7	53	6	28
State and local government	673	2,782	310	1,559	126	421	27	111	289	945
State government	174	1,133	105	788	19	118	7	60	55	253
Local government	499	1,650	205	772	107	303	20	51	234	693

[1] Totals may be less than the sum of the data for individual years because 124 agreements covering 461,000 workers have both reopenings and expirations in the reference periods.

[2] Includes agreements due to expire between Oct. 1, 1994, and Dec. 31, 1994; agreements that expired prior to Oct. 1, 1994, but for which new agreements were not reached by then; agreements that expired prior to Oct. 1, 1994, but for which necessary information had not been obtained; and agreements that have no fixed expiration or reopening date.

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

NOTE: Because of rounding, sums of individual items may not equal totals. Dashes indicate the absence of expiring or reopening agreements in the reference periods.

the same as the gains in the 12-month periods ended March 1994 and June 1994. Compensation costs, which include wages, salaries, and employer costs for employee benefits, increased 3.3 percent for private industry workers and 3.0 percent for State and local government workers.

Lump-sum and COLA provisions

In addition to deciding on wage and benefit changes, negotiators will be considering whether to add, drop, or maintain lump-sum payment and cost-of-living adjustment (COLA) provisions. In private industry, 40 percent of the 1.9 million workers under expiring contracts have lump-sum provisions, and 21 percent have COLA clauses. These figures represent about twice the coverage among the 1.6 million workers in State and local government contracts expiring in 1995. Recent trends regarding these provisions may influence the decisionmaking process.

Lump-sum payment provisions. As of September 30, 1994, 33 percent of all workers under

Table 3. **Calendar of major collective bargaining activity**

[Workers in thousands]

Year and month	Agreement expirations and/or scheduled wage reopenings[1]: Number	Agreement expirations and/or scheduled wage reopenings[1]: Workers covered	Principal industries
All years[2]	1,858	8,141	
Total 1995[3]	707	3,447	
January	38	264	Railroads
February	18	103	Food stores
March	46	285	Local government, food stores, airlines
April	73	371	State government, construction
May	66	294	Construction, communications, electrical products
June	244	1,006	State and local government, construction, health services
July	37	110	State and local government
August	50	388	Communications, local government
September	43	204	Local government, food stores
October	35	208	Local government, aerospace
November	12	25	(4)
December	50	202	State and local government, aerospace
Total 1996[5]	493	2,103	
January	38	97	Local government, longshore, petroleum refining
February	17	52	Transportation equipment
March	36	111	Construction, glass containers
April	31	87	Construction
May	71	185	Construction, food stores, aluminum
June	135	432	State and local government, construction
July	24	70	(4)
August	40	169	Steel, local government
September	37	576	Automobiles, food stores, apparel, local government
October	23	150	Food stores
November	15	34	(4)
December	27	146	Bituminous coal, local government
Total 1997 and later	362	1,692	Parcel delivery, trucking, apparel, construction, State and local government
Year unknown or in negotiation[6]	420	1,360	State and local government, food stores, farm machinery and equipment

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

[2] Totals may be less than the sum of the data for individual years because 124 agreements covering 461,000 workers have both reopenings and expirations in the reference periods.

[3] Includes five agreements covering 13,000 workers that have both a wage reopening and an expiration scheduled in 1995.

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

[5] Includes one agreement covering 5,000 workers that has both a wage reopening and an expiration scheduled during 1996.

[6] Includes agreements due to expire between Oct. 1, 1994, and Dec. 31, 1994; agreements that expired prior to Oct. 1, 1994, but for which new agreements were not reached by then; agreements that expired prior to Oct. 1, 1994, but for which necessary information had not been obtained; and agreements that have no fixed expiration or reopening date.

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

major contracts were covered by lump-sum payment provisions. (See table 4.) These provisions emerged in the mid-1980's as a method of controlling labor costs because the payments generally do not become a part of the employee's wage rate and thus are often excluded from calculations of employee benefits, such as vacations, pensions, and holidays. Coverage of workers under lump-sum payment provisions remained at nearly one-third the number of workers under major contracts from 1987, the year such data were first compiled, to 1990. By the end of 1992, lump-sum payment provisions seemed to have lost some of their appeal, as only 26 percent of workers were under contracts that included them. However, coverage returned to its former level in 1993.

The recent increase in lump-sum coverage occurred in both private industry and State and local governments. As of September 30, 1994, 42 percent of the 5.4 million workers under major contracts in private industry had lump-sum provisions. Coverage exceeded 90 percent in the railroad, mining, and transportation equipment manufacturing industries. (See table 5.) Fourteen percent of the 2.8 million workers under major contracts in State and local governments had lump-sum provisions.

Table 4. **Workers with lump-sum payment provisions in major collective bargaining agreements, 1987–94**

[Numbers in millions]

Year[1]	Workers covered	With lump-sum payment provisions	
		Number	Percent[2]
Total:			
1987	8.8	2.8	32
1988	8.7	2.8	32
1989	8.6	2.7	32
1990	8.5	2.5	30
1991	8.5	2.2	27
1992	8.2	2.2	26
1993	8.2	2.5	31
1994 (preliminary)[3]	8.1	2.7	33
Private industry:			
1987	6.3	2.7	42
1988	6.1	2.6	43
1989	6.0	2.6	44
1990	5.9	2.4	41
1991	5.6	2.1	37
1992	5.5	2.0	36
1993	5.5	2.1	39
1994 (preliminary)[3]	5.4	2.3	42
State and local government:			
1987	2.3	.2	7
1988	2.4	.2	7
1989	2.5	.1	5
1990	2.5	.1	4
1991	2.6	.1	4
1992	2.7	.2	7
1993	2.7	.4	14
1994 (preliminary)[3]	2.8	.4	14

[1] Data relate to December 31.

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

[3] Data relate to information available as of September 30.

Cost-of-living adjustment clauses. COLA clauses are designed to protect the purchasing power of workers against rising prices by tying wages to the BLS Consumer Price Index (CPI). Payments generated under these clauses are usually added to the wage rates, commonly at the end of the contract term and before implementation of the new contract. By September 30, 1994, only 18 percent of all workers under major contracts had COLA coverage. In State and local government, only 7 percent had COLA's. In private industry, however, nearly one-fourth (1.3 million) of the workers under major agreements were covered by COLA clauses, with the highest coverage in tobacco (100 percent), rubber and miscellaneous plastics products (90 percent), and transportation equipment (89 percent). (See table 6.)

COLA clauses were very popular in private industry from 1975 through 1984, covering between 56 percent and 61 percent of workers under major agreements. (See table 7.) Subsequently, however, their coverage declined more or less steadily. The decline stems largely from the relatively small increases in consumer prices in the past several years, which enabled negotiators to trade COLA clauses for enhancements in areas of greater concern to them, such as health care, pensions, and job security.

In State and local government contracts, COLA coverage remained around 2 percent each year from 1984, the year such data were first collected, to 1987. Coverage increased to 10 percent in 1991, but gradually dropped to 7 percent by September 30, 1994.

Scheduled wage changes

Wage increases scheduled for 3.1 million workers in 1995, based on major agreements reached in previous years, will likely interest this year's negotiators. (See tables 8 and 9.) In private industry, wages for 2.4 million workers are set to increase by an average of 3.1 percent, the smallest change since 1988. Workers with COLA clauses are scheduled to receive a 2.7-percent wage increase, on average, compared with 3.2 percent for those without COLA clauses. Typically, scheduled increases are lower for workers with COLA clauses because the clause is expected to generate additional wage changes.

Wages for 590,000 manufacturing workers are scheduled to increase by an average of 2.7 percent. The increases will average 2.5 percent for workers with COLA clauses and 2.8 percent for those without such provisions. Wage increases are also scheduled for 1.8 million nonmanufacturing workers, averaging 3.2 percent. Workers with COLA clauses will have their wages boosted an average of 2.9 percent; those without COLA's will receive 3.3 percent, on average.

Wages for 645,000 State and local government employees are scheduled to increase by an average of 2.8 percent, the smallest average boost since the Bureau began compiling this information in 1985. Workers with COLA provisions are to receive an average gain of 1.8 percent, compared with 2.9 percent for workers without such provisions.

Expiring and reopening agreements

Wage changes provided under expiring agreements may also be a factor in upcoming negotiations. In private industry, specified wage changes under contracts expiring in 1995 averaged an

Table 5. **Incidence of lump-sum payment provisions in collective bargaining agreements covering 1,000 or more workers, September 1994**

[Workers in thousands]

1987 SIC[1] Code	Industry	All agreements		Agreements with lump-sum provisions		Percent of workers covered by lump-sum provisions
		Number	Workers covered	Number	Workers covered	
...	All industries[2]	1,858	8,141	381	2,651	33
...	All private industries	1,185	5,359	308	2,256	42
...	Manufacturing	392	1,635	148	946	58
20	Food and kindred products	58	143	10	25	17
21	Tobacco products	5	13	4	12	89
22	Textile mill products	7	19	1	5	25
23	Apparel and other textile products	26	146	2	6	4
24	Lumber and wood products, except furniture	9	16	—	—	0
25	Furniture and fixtures	1	3	—	—	0
26	Paper and allied products	37	48	11	16	32
27	Printing and publishing	11	20	1	3	15
28	Chemicals and allied products	20	34	2	3	8
29	Petroleum and coal products	8	17	—	—	0
30	Rubber and miscellaneous plastics products	12	38	4	20	53
31	Leather and leather products	2	6	—	—	0
32	Stone, clay, and glass products	13	32	3	4	11
33	Primary metal industries	39	126	30	111	88
34	Fabricated metal products	13	21	5	8	37
35	Industrial machinery and equipment	24	84	8	48	57
36	Electronic and other electric equipment	32	180	14	61	34
37	Transportation equipment	67	670	50	618	92
38	Instruments and related products	5	13	2	6	47
39	Miscellaneous manufacturing industries	3	5	1	2	31
...	Nonmanufacturing	793	3,724	160	1,309	35
10–12	Mining	8	81	6	77	95
15–17	Construction	337	995	—	—	0
40	Railroads	22	216	21	210	97
41	Local and urban transit	3	6	2	5	79
42	Trucking and warehousing	10	285	2	176	62
44	Water transportation	14	44	—	—	0
45	Transportation by air	28	200	12	68	34
48	Communications	34	453	20	312	69
49	Electric, gas, and sanitary services	72	203	21	46	22
50–51	Wholesale trade	8	11	1	1	12
53,55–59	Retail trade, except food stores	26	99	4	12	12
54	Food stores	102	564	46	258	46
60–65	Finance, insurance, and real estate	26	136	7	45	33
70–79	Services, except health services	59	251	6	57	23
80	Health services	44	180	12	42	24
...	State and local government	673	2,782	73	395	14

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

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

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

increase of 3.1 percent annually over the contract term. When COLA's paid as of September 30, 1994, were included, the contracts yielded annual wage changes averaging 3.2 percent. As the tabulation below indicates, while the average annual specified wage change was smaller in contracts with COLA clauses than in those without them, COLA payments made up the difference. Contracts with COLA clauses may yield further wage changes, depending upon remaining COLA reviews.

The average total wage change (specified plus COLA) under all expiring State and local government contracts was an increase of 2.5 percent annually, the same as specified changes alone. COLA's had no effect on overall wage changes because they covered so few State and local government workers and generated only modest

Table 6. Incidence of cost-of-living adjustment (COLA) clauses in collective bargaining agreements covering 1,000 or more workers, September 1994

[Workers in thousands]

1987 SIC[1] Code	Industry	All agreements: Number	All agreements: Workers covered	Agreements with COLA provisions: Number	Agreements with COLA provisions: Workers covered	Percent of workers covered by COLA provisions
...	All industries[2]	1,858	8,141	213	1,474	18
...	All private industries	1,185	5,359	171	1,279	24
...	Manufacturing	392	1,635	136	947	58
20	Food and kindred products	58	143	4	8	6
21	Tobacco products	5	13	5	13	100
22	Textile mill products	7	19	1	4	18
23	Apparel and other textile products	26	146	14	74	51
24	Lumber and wood products, except furniture	9	16	—	—	0
25	Furniture and fixtures	1	3	—	—	0
26	Paper and allied products	37	48	—	—	0
27	Printing and publishing	11	20	2	3	14
28	Chemicals and allied products	20	34	3	8	22
29	Petroleum and coal products	8	17	—	—	0
30	Rubber and miscellaneous plastics products	12	38	10	34	90
31	Leather and leather products	2	6	—	—	0
32	Stone, clay, and glass products	13	32	6	10	31
33	Primary metal industries	39	126	7	22	18
34	Fabricated metal products	13	21	7	11	51
35	Industrial machinery and equipment	24	84	14	62	74
36	Electronic and other electric equipment	32	180	12	92	51
37	Transportation equipment	67	670	48	597	89
38	Instruments and related products	5	13	2	7	55
39	Miscellaneous manufacturing industries	3	5	1	2	40
...	Nonmanufacturing	793	3,724	35	332	9
10–12	Mining	8	81	—	—	0
15–17	Construction	337	995	3	6	1
40	Railroads	22	216	—	—	0
41	Local and urban transit	3	6	—	—	0
42	Trucking and warehousing	10	285	1	12	4
44	Water transportation	14	44	4	14	31
45	Transportation by air	28	200	1	2	1
48	Communications	34	453	7	184	41
49	Electric, gas, and sanitary services	72	203	6	12	6
50–51	Wholesale trade	8	11	1	1	10
53,55–59	Retail trade, except food stores	26	99	1	2	3
54	Food stores	102	564	1	4	1
60–65	Finance, insurance, and real estate	26	136	4	64	47
70–79	Services, except health services	59	251	5	31	12
80	Health services	44	180	1	1	1
...	State and local government	673	2,782	42	195	7

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

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

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

changes. Expiring contracts without COLA provisions yielded considerably higher wage rate gains, on average, compared with contracts with such provisions:

	Annual wage changes	
	Specified	Specified plus COLA
Private industry	3.1	3.2
Contracts with COLA's	2.8	3.2
Contracts without COLA's	3.2	...
State and local government	2.5	2.5
Contracts with COLA's	1.7	1.7
Contracts without COLA's	2.5	...

Specific industry concerns

The aggregate data on wage changes under recent settlements and expiring contracts mask differences by industry that could be relevant to upcoming negotiations. Therefore, the remainder of this article presents industry-specific information on these measures, together with a discussion of the expected major bargaining issues, for industries with the largest number of workers involved in contract talks in 1995.

Construction. In the construction industry, about 374,000 workers are covered by 133 collective bargaining agreements that will expire or be reopened in 1995. These workers account for nearly two-fifths of all construction workers under major agreements. Most of the contracts terminate in the spring or early summer. The States with the largest numbers of workers affected by negotiations in 1995 are Illinois, with 18 percent of the workers and 16 agreements, and California, with 15 percent of the workers and 18 agreements. No other State has more than 10 percent of the workers slated for bargaining in the industry.

Negotiations in the industry are usually conducted by local affiliates of employer associations, such as the National Electrical Contractors Association, the Sheet Metal and Air Conditioning Contractors Association, and the Associated General Contractors of America, Inc. Workers are generally organized along craft lines—for example, cement workers, plumbers, carpenters, and iron workers.

The last time the parties with expiring contracts settled, typically in 1992, the contracts they negotiated provided wage changes averaging an increase of 2.8 percent annually over the contract term. As shown in the next tabulation, annual changes ranged from 0.9 percent in the South Central region to 4.8 percent in the West North Central region.[1] The disparity in wage gains suggests that local conditions play a vital role in negotiations in the construction industry.

	Percent change
All agreements	2.8
Northeast	3.0
New England	1.8
Middle Atlantic	3.3
Midwest	3.5
East North Central	3.1
West North Central	4.8
South	1.3
South Atlantic	1.8
South Central	.9
West	2.1
Mountain	1.9
Pacific	2.2
Interregional	1.7

Among the three major construction divisions, general building had settlements with the highest average annual change in wage rates, an increase of 3.1 percent. Comparable gains were 2.8 percent in special trades, such as painting and electrical work, and 2.5 percent in heavy construction, such as bridge and street construction.

Major construction settlements in the 12 months ended September 30, 1994, specified annual wage changes averaging an increase of 2.6 percent over the contract term. As shown in the following tabulation, annual changes ranged from 1.2 percent in the South Central region to 4 percent for interregional contracts:

	Percent change
All agreements	2.6
Northeast	2.7
New England	2.0
Middle Atlantic	2.8
Midwest	3.2
East North Central	3.1
West North Central	3.7
South	2.2
South Atlantic	3.1
South Central	1.2
West	1.7
Mountain	2.2
Pacific	1.7
Interregional	4.0

Average annual wage changes in these settlements also varied by the type of construction: 3.4 percent in heavy construction, 2.6 percent in special trades, and 2.1 percent in general building.

Average annual changes in wage rates under major settlements in construction have been above those negotiated in all other industries since the 12-month period ended September 1993, perhaps reflecting generally improving economic conditions in the industry. According to the Bureau of the Census, the value of new construction put in place (based on 1987 dollars) grew by 6.9 percent in 1992, 3.2 percent in 1993, and 5.2 percent for the first 9 months of 1994, compared with the same period in 1993. While most of the growth has been in residential construction, improvement has been occurring in nonresidential construction as well, the sector in which most union workers are employed. Reflecting the increased construction activity, the employment situation for construction workers has improved in recent years, increasing by about 500,000 from mid-1992 to September 1994. On a seasonally adjusted basis, unemployment among construction workers declined to 10.7 percent in September 1994 from 14.1 percent in September 1993 and 17.4 percent in September 1992.

Despite the improved conditions in the construction industry, negotiated wage changes in 1995 should be moderate, particularly as increases are likely to be sought for training and health and welfare funds. Also, the economic recovery has not been uniform across all geographical areas. For example, construction activity in California, the State with the second largest number of workers under contracts expiring or reopening during 1995, has declined over the last several years, reflecting overall economic conditions in the State.

Communications. Fifteen contracts covering 360,000 communications workers, 79 percent of the workers under major agreements in the industry, are up for renewal in 1995. The Communications Workers of America[2] and the International Brotherhood of Electrical Workers will be representing the workers in the upcoming negotiations, except for 7,700 at Southern New England Telephone, who will be represented by the Connecticut Telephone Workers (Ind.). The other companies involved in the negotiations will be American Telephone and Telegraph Co. (AT&T), Ameritech Bell, BellSouth, Bell Atlantic Network Services, GTE Incorporated, Pacific Telesis, Southwestern Bell, and US West Communications.

Contracts reached in the 1992 round of bargaining specified wage changes averaging an increase of 3.5 percent annually over their life. Five contracts covering 135,000 workers had COLA provisions. Annual wage changes guaranteed under these contracts averaged a 3.1-percent increase. There were few COLA payments because increases in the CPI did not reach trigger levels, and as a result, the total gain, including COLA's, remained unchanged. Ten contracts covering 225,000 workers had no COLA provisions. Annual wage rate changes under these contracts averaged an increase of 3.8 percent.

Increased competition and technological changes in the industry have led many companies to diversify and to seek new markets. Some companies providing long-distance service have sought to form partnerships and alliances with foreign enterprises in order to enter rapidly growing global markets, as well as to protect their domestic market shares. They are also expanding into local service through wireless technology. Companies providing local services have been pushing for the past few years to end the restrictions that prohibit them from manufacturing telecommunications equipment and from providing long-distance and cable TV services. For the next several years, revenues for long-distance and local services are expected to increase, but competition among the service providers in the industry is expected to increase as well.[3]

Since the peak industry employment of 1.3 million workers in 1979, job losses have been steadily mounting as companies restructure to fend off competitors and take advantage of improvements in technology. Radio and television

Table 7. **Workers under cost-of-living adjustment (COLA) clauses in major collective bargaining agreements in private industry, 1968–94**

[Numbers in millions]

Year[1]	Workers covered	With COLA coverage	
		Number	Percent[2]
1968	10.6	2.7	25
1969	10.8	2.8	26
1970	10.8	3.0	28
1971	10.6	4.3	41
1972	10.4	4.1	39
1973	10.2	4.0	39
1974	10.3	5.3	51
1975	10.1	6.0	59
1976	9.8	6.0	61
1977	9.6	5.8	60
1978	9.5	5.6	59
1979	9.3	5.4	58
1980	9.1	5.3	58
1981	8.8	5.0	57
1982	8.3	5.0	60
1983	7.7	4.4	57
1984	7.3	4.1	56
1985	7.0	3.4	48
1986	6.5	2.6	40
1987	6.3	2.4	38
1988	6.1	2.4	40
1989	6.0	2.4	39
1990	5.9	2.3	39
1991	5.6	1.7	30
1992	5.5	1.5	28
1993	5.5	1.3	24
1994 (preliminary)[3]	5.4	1.3	24

[1] Data relate to December 31.

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

[3] Data relate to information available as of September 30.

broadcasting and cable TV systems are the only segments of the industry that have experienced recent growth in employment, and they are projected to continue to grow in the 1990's. Many companies in other segments are still in the process of downsizing. The BLS moderate-growth scenario has projected a 1-percent decline in employment in the industry for the 1992–2005 period.

Although also originally slated to bargain in 1995, NYNEX Corp., one of the seven regional Bell companies, reached new contracts with 35,500 Communications Workers in May 1994 and with 14,300 Electrical Workers in August. This was the second time that NYNEX and the unions settled on new agreements long before the scheduled contract expiration dates. The 1994 contracts could have an impact on 1995 bargaining for other communications firms. The new pacts extended the expiration date from August 1995 to August 1998 and retained the 4-percent wage increase and COLA review previously scheduled for August 1994. Other terms of the contract called for wage increases of 4 percent in August 1995, 3.5 percent in August 1996, and 3 percent in August 1997. A COLA will be paid in August 1997 if the CPI increases more than 8 percent from May 1995 to May 1997.

A key element of the settlements was a guarantee by the company not to lay off, downgrade, or transfer any workers involuntarily as a result of new technology, restructuring, or other company initiatives. To help achieve its goal of reducing the work force without layoffs, the company agreed to a special retirement incentive that added 6 years to an employee's age and service credit and provided a 30-percent pre-Social Security supplement or $500 a month (whichever is greater) until age 62. Another outstanding feature of the contract was the opportunity it offered for all craftworkers to enroll in a 2-year associate's degree program in telecommunications technology. This provision allows employees to work 4 days a week and attend school 1 day on company time, with a $50-per-week wage increase upon graduation. In addition, workers with 5 or more years of service are eligible to take a 2-year educational leave and receive $10,000 per year for education expenses, with full benefits, seniority, and a guaranteed job upon their return.

While the full cost-benefit impact of the NYNEX training program remains to be seen, the program has captured the interest of many negotiators. The unions have hailed the NYNEX con-

Table 8. **Scheduled wage increases under collective bargaining agreements covering 1,000 or more workers, selected industries, 1995**

[Workers in thousands]

Selected industry	Number of agreements	Number of workers	Mean increase[1]						Median increase[1]	
			Total		With COLA		Without COLA			
			Cents	Percent	Cents	Percent	Cents	Percent	Cents	Percent
Total[2]	743	3,068	52.8	3.0	38.4	2.7	55.1	3.1	47.8	3.0
All private nonagricultural industries	585	2,423	52.7	3.1	38.6	2.7	55.6	3.2	45.0	3.0
Manufacturing[3]	195	590	36.4	2.7	34.7	2.5	37.8	2.8	35.0	2.8
Food and kindred products	30	91	27.3	2.0	21.4	1.2	27.7	2.1	20.5	2.0
Apparel and other textile products	20	98	25.7	3.0	26.3	3.0	23.8	3.0	24.8	3.0
Metal products and equipment[4]	77	268	38.4	2.5	38.4	2.3	38.3	2.9	39.3	2.5
Nonmanufacturing[5]	390	1,833	58.0	3.2	45.0	2.9	59.2	3.3	50.0	3.0
Construction	181	565	76.3	3.6	—	—	76.3	3.6	64.5	3.1
Transportation and public utilities	71	547	56.5	3.1	65.8	4.0	55.3	3.0	55.0	3.6
Wholesale and retail trade	70	392	40.0	3.3	35.0	2.1	40.1	3.3	37.0	3.0
Finance, insurance, and real estate	13	90	31.9	2.4	30.8	2.2	34.6	2.8	34.2	2.4
Services	50	165	65.0	3.2	36.6	2.6	71.5	3.3	34.2	3.0
State and local government	158	645	53.1	2.8	29.8	1.8	53.4	2.9	48.8	3.0

[1] In cents per work hour and percent of straight-time average hourly earnings.

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

[3] Includes workers in the following industry groups for which data are not shown separately: textiles (4,000); lumber (14,000); furniture (3,000); paper (27,000); printing (12,000); chemicals (12,000); petroleum (17,000); rubber (5,000); leather (4,000); stone, clay, and glass products (26,000); instruments and related products (6,000); and miscellaneous manufacturing (4,000).

[4] Includes SIC 33, primary metal industries; SIC 34, fabricated metal products, except machinery and transportation equipment; SIC 35, industrial and commercial machinery and computer equipment; SIC 36, electronic and other electrical equipment and components, except computer equipment; and SIC 37, transportation equipment.

[5] Includes 75,000 workers in the mining industry for which data are not shown separately to ensure confidentiality.

NOTE: Scheduled wage increases include guaranteed minimum changes under COLA clauses. Because of rounding, sums of individual items may not equal totals. Dashes indicate the absence of agreements with a COLA clause. Information is based on data available as of Oct. 1, 1994, and thus may understate the number of workers scheduled to receive increases for the entire year based on agreements negotiated in previous years.

tract as a model for progressive labor relations and are expected to push for similar training programs for their workers in the upcoming negotiations. Some employers, however, may view it as too expensive for their situation.

Wholesale and retail trade. Some 218,000 employees in the wholesale and retail trade industry are covered by 37 contracts scheduled to expire in 1995. Approximately 158,000 workers are food store employees. The balance are employed in department stores, drugstores, wholesale establishments, and motor vehicle dealerships. Contracts are geographically dispersed, with expirations concentrated in late February to early March and late September to early October. The United Food and Commercial Workers represents 85 percent (186,000) of the workers under major agreements expiring in 1995. The remainder are represented by the Retail, Wholesale and Department Store Employees,[4] the International Brotherhood of Teamsters, and the Communications Workers of America.

In the last round of bargaining, contracts in wholesale and retail trade scheduled to be renegotiated in 1995 provided wage changes averaging an increase of 3.3 percent per year. Individual contracts varied widely, with changes ranging from a decrease of 2.9 percent to an increase of 5.7 percent a year over the contract term. Settlements varied by type of business and region, with no industrywide patterns evident.

Bargaining in food stores will dominate negotiations in trade. Agreements slated for renewal in 1995 account for 28 percent of all workers under major contracts in food stores. The expiring food store contracts provided wage changes averaging an increase of 3.3 percent per year.

In addition to reviewing the gains made under their expiring agreements, bargainers will be interested in the recent negotiations in the food store industry. Agreements covering food store employees that were reached in the 12 months ended September 30, 1994, called for wage changes averaging an increase of 2.3 percent a year over the life of the contract.

Bargainers also will be concerned with keeping unionized stores competitive with their nonunion counterparts. Likely to be discussed will be means of holding down labor costs. Unionized food stores have been losing market share as consumers have turned increasingly to nonunion food store chains and discount warehouse outlets in search of lower prices. Because supermarkets are labor intensive, a nonunion employer paying lower wages and providing fewer benefits has a large cost advantage over a union supermarket. One internal union strategy engineered to help reduce the competitive edge of unorganized operations and to protect jobs has been to increase union dues in order to build up a separate fund to finance efforts to organize local nonunion supermarkets.

Two-tiered wage or benefit systems are a method for curbing labor costs that may be on the bargaining table in 1995. These systems specify that employees hired after a certain date receive lower wages or benefits, or are under less favorable work rules, than employees hired earlier. Some employers may wish to initiate a two-tiered system in order to reduce labor costs. On the other hand, some employers have noted that such systems, initially attractive as a way of keeping down labor costs, may be causing morale problems and high turnover among employees on the lower tier. Unions have generally agreed to two-tiered systems only as a last resort short of job losses. Furthermore, as time passes, lower tier employees become more numerous and can exert increasing pressure on both union leaders and employers for the elimination of the system. Consequently, the elimination or modification of two-tiered systems will be an issue for some negotiators.

Union negotiators may raise the issue of the increasing use of part-time employees to operate stores that stay open long hours. This practice lowers employers' costs because part-timers often may be paid less and may be eligible for fewer benefits than full-time workers are. It also limits the need for overtime, thereby reducing opportunities for full-time workers to increase earnings.

Union negotiators may be seeking enhanced job security measures as well. In recent contracts,

Table 9. **Scheduled wage increases in 1995 in collective bargaining agreements covering 1,000 or more workers, by month**

[Workers in thousands]

Effective month	Workers covered	Principal industries
January–December	[1]3,068	
January	501	State and local government, construction
February	88	Petroleum refining
March	105	Food stores
April	454	State and local government, trucking, food stores
May	171	Construction
June	521	Construction, apparel, electrical products, food stores, aerospace
July	525	State and local government, construction
August	376	Parcel delivery, communications, steel
September	129	Food stores
October	198	Food stores, State and local government
November	59	Food stores
December	166	Bituminous coal, construction

[1] This total is smaller than the sum of the individual items because 216,000 workers are scheduled to receive two increases and 4,850 are scheduled to receive three increases in 1995. It is based on data available as of Oct. 1, 1994, and thus may understate the number of workers scheduled to receive increases for the entire year based on agreements negotiated in previous years.

these provisions have included stronger layoff and recall rights for employees, limitations on vendors stocking shelves, and agreements to hold joint labor-management discussions before the implementation of major technological changes.

Railroads. Approximately 208,000 workers nationwide employed by major freight railroads and Amtrak are covered by 20 major labor contracts that became amendable on January 1, 1995. Negotiations for freight carriers and the unions may be fragmented, with some unions seeking to handle issues such as wages, benefits, and working conditions in industrywide negotiations and specific work rule changes with individual carriers, while other unions will discuss all issues on a railroad-by-railroad basis.

The last round of contract negotiations began in 1988 and was not completed until 1992. In 1990, when most of the Nation's large rail carriers and rail labor unions were deadlocked over wages, benefits, and work rules, President Bush established an Emergency Board to make recommendations for a settlement. Three of the 11 unions[5] involved in industrywide bargaining were able to reach settlements based on the Board's recommendations, which were issued in January 1991. The Transportation Communications Union, the American Train Dispatchers Association, and the Brotherhood of Railroad Signalmen negotiated 43-month agreements covering about 43,000 workers. Their agreements incorporated the majority of the Emergency Board's recommendations on wages, COLA's, and health insurance, including cost-sharing and cost-containment measures. In mid-April 1991, the eight remaining unions struck the carriers. "Ad hoc" congressional legislation ended the strike after 1 day and imposed the Board's recommendations on wages and benefits. The legislation also created a Special Board to address unresolved work rule issues. When this Board rejected the unions' challenges to the Emergency Board's recommendations, the terms recommended by the Emergency Board were imposed on the parties.

The Machinists did not participate in the national negotiations, nor did Amtrak; Conrail participated only for some crafts or classes of workers. After the Machinists struck one freight carrier and the other major railroads locked out their employees, President Bush signed legislation ending the 2-day work stoppage and imposing special arbitration-mediation procedures. Arbitrators resolved impasses between the Machinists and the 40 freight carriers; the Machinists and Amtrak; the Dispatchers and Amtrak; and the Locomotive Engineers and Amtrak. The arbitrators chose Amtrak's final offers in the disputes involving the Machinists and the Dispatchers, and they selected the Locomotive Engineers' final offer in the third Amtrak disagreement. In the dispute between the freight carriers and the Machinists, the parties agreed to change the settlement process: instead of using the final best offer procedure, the arbitrator issued separate decisions on several issues, including wages and work rules. President Bush accepted the arbitrators' rulings in all four cases.[6]

Most of the resulting contracts called for wage increases of 3 percent effective July 1991 and July 1993, and 4 percent on July 1994. Workers also received a $2,000 signing bonus and additional lump-sum payments approximating 3 percent of annual pay in July 1992, January 1993, and January 1994, and 2 percent on January 1, 1995. A COLA capped at 2.5 percent of pay was triggered in January and continues to be payable each July and January, as long as no replacement contract is reached. The American Train Dispatchers Association also negotiated an additional 4-percent wage increase effective May 1991, based on the recommendation of the Emergency Board to compensate dispatchers for new duties created by technological changes. In a departure from the railroads' past practice of paying fully for health insurance premiums, a cost-sharing formula provided that up to 50 percent of the lump-sum payments and COLA's could be diverted to offset the first 25-percent increase in annual medical insurance costs. The Jan. 1, 1995, lump-sum payment was reduced by $86.10 to help cover cost increases between 1994 and 1995.

The industry appears to be in a very strong economic position as the 1995 bargaining round gets under way. Contributing factors include a recovery in both coal and grain shipments—major sources of revenues for some railroads—and increased shipments to Mexico with the enactment of the North American Free Trade Agreement. Rail traffic is so heavy that some carriers have begun experiencing a shortage of locomotive and train crews. Other capacity-related problems include bottlenecks in key arteries and inadequate terminal space. Some analysts believe that these shortages will force carriers to raise their rates as they expand capital spending, but the increase is not expected to have a negative effect on shipments. The cost of shipping by rail will still be lower than long-haul trucking, in part because labor costs for railroads have been increasing at a slower pace than those in trucking. Railroads have reduced the size of train crews and implemented work rule changes under the provisions of their expiring labor contracts. Also benefiting the railroad industry is a shortage of long-distance truckdrivers.

Some of the same issues facing negotiators in the previous round of bargaining may be major areas of contention for the 1995 contract talks as well. The operating crafts will be faced with carriers' demands to increase the workday limit from 130 miles per day to 160 miles per day, and carriers will still want to hold down health care costs. Union demands will center on increased wages, maintaining employer-paid health insurance premiums, and limiting the contracting-out of work performed by union members. The more difficult negotiations are expected to be with the United Transportation Union and the Brotherhood of Maintenance of Way Employees. Both unions were unfavorably affected by the more flexible work rules. Internal disputes between the Brotherhood of Locomotive Engineers and the United Transportation Union concerning seniority and bidding rights among crafts have strained solidarity between the two unions and could have an impact on negotiations.

Two early renewals of rail contracts that were to become amendable on January 1, 1995, may influence the current negotiations. In June 1994, the Illinois Central Gulf Railroad and the Transportation Communications Union extended their contract for 280 carmen to January 1, 2000. Settlement terms included a $1,000 signing bonus that was paid September 1, 1994, and the $750 lump-sum payment scheduled for January 1, 1995. In addition, wages are set to increase by 3 percent in July 1995, July 1996, and July 1998, and by 4 percent in July 1997 and July 1999. A 25-cent-per-hour differential for track repair work is included as well.

The contract guarantees lifetime job protection for all carmen employed on the date of the new agreement, and the carrier has agreed to add five positions per year in return for not having to provide notice to the union for all work contracted out. The parties further agreed to incorporate whatever terms are later negotiated in the national rail settlements related to health care.

The Transportation Communications Union also reached an early settlement covering Amtrak railroad clerks last August, to become effective January 1, 1995. The new agreement called for wage increases of 3 percent on July 1, 1995, and 4 percent on October 1, 1996, and the elimination of the COLA provision that was due to become effective in 1995 if no contract was reached by July of that year. Health insurance premiums continued to be fully financed by the railroads for full-time employees. A health care program for part-time employees was established with employer contributions of $101 per month beginning January 1, 1995, increasing to $109 per month January 1, 1996, and $117 per month January 1, 1997 (after the contract becomes amendable). The clerks' agreement also includes a provision to reopen the contract and negotiate larger increases in compensation if other units in Amtrak negotiate larger wage increases in their talks.

Transportation equipment manufacturing. Approximately 157,000 workers in the transportation equipment manufacturing industry are under 19 contracts that will expire in 1995. About three-fourths work for aerospace companies, and the rest are in shipbuilding and repairing or motor vehicle equipment manufacturing. These workers constitute nearly one-fourth of all the workers covered by major agreements in the transportation equipment manufacturing industry. Forty percent of the workers will be represented by the International Association of Machinists, 25 percent by the Automobile, Aerospace and Agriculture Implement Workers of America, and 18 percent by the Seattle Professional Engineering Employees Association. The remainder will be represented by the United Steelworkers of America, the Metal Trades Council, and an independent union.

In their last round of bargaining, the parties agreed to wage terms ranging from no change over the contract life to an annual increase of 6.4 percent. Negotiated wage changes under the expiring contracts averaged an increase of 3.3 percent annually over the contract term. Contracts with COLA provisions, covering nearly 122,000 workers, specified wage changes averaging an increase of 3.4 percent annually. The change was 2.7 percent for the 35,000 workers in contracts with no COLA provisions. By September 1994, wage increases including COLA payments averaged 3.8 percent annually for all workers and 4.1 percent for workers with COLA provisions.

Four major contracts are slated for renewal with the Boeing Company this year. The Machinists will represent 46,000 workers and the United Auto Workers 2,900 workers in October negotiations. The Seattle Professional Engineering Employees Association will represent close to 28,000 workers in December negotiations for two contracts. Other companies scheduled for bargaining in 1995 are McDonnell Douglas Corp., United Technologies Corp., and the Aerostructure Division of Textron Corp.

The aerospace industry continues to downsize in response to dwindling government contracts. Employment for the aircraft and parts manufacturing segment of the industry fell by 11.4 percent from September 1993 to September 1994. The Aerospace Industries Association of America, Inc., estimates a 5.4-percent decline in total employment in the aerospace industry in 1994.

A wave of mergers and consolidations is reshaping the industry. As a result, many new industry leaders are emerging. One recent example that would create the world's largest space and defense company is the merger between Martin Marietta and Lockheed, announced in August 1994. (The merger is subject to approval by the Justice Department and was still pending as of November 1994.) Company survival strategies also include seeking or expanding overseas markets, expanding nondefense operations, teaming up for research and development, and setting up joint ventures to switch military technologies to commercial and nonaerospace markets.

Many firms sought to remain profitable by restructuring and by cutting costs, often through layoffs. Thus, job security for aerospace workers will be a paramount issue in the upcoming negotiations. The use of lump-sum payments as a cost-cutting measure is also likely to be one of the bargaining issues this year.

In the last round of bargaining, Boeing and the Machinists negotiated a 3-year contract calling for a lump-sum payment equal to 12 percent of the employee's earnings during the previous contract year, payable by December 15, 1992, and wage increases of 3.5 percent in each of the second and third years of the contract. The pact continued the quarterly COLA clause unchanged and prepaid a 30-cent COLA, which was to be offset by COLA amounts generated by the subsequent quarterly reviews. As of September 30, 1994, the COLA formula yielded 60 cents; additional COLA increases may be generated by the four remaining quarterly reviews scheduled before the contract expires in October 1995. Employer-paid health care coverage was maintained, and benefits for life insurance, accidental death and dismemberment, and permanent and total disability were increased. Pension benefits were slated to rise from $30 per month to $35 per month for each year of credited service. A similar 3-year contract was concluded between Boeing and the Auto Workers for the helicopter division.

Two 3-year settlements between Boeing and the Seattle Professional Engineering Employees Association were reached in February 1993 for the technical and engineering units. The terms of the contract for the technical unit called for wage increases of 4 percent in the first year and 2 percent in each of the second and third years, plus selective wage adjustments of 5 percent in the first year and 3 percent in the second and third years. The contract for the engineering unit specified two selective wage adjustments of 3 percent in the first year, followed by four semiannual adjustments of 2.5 percent in the second and third years. Both contracts provided a 6-percent lump-sum payment in the first year based on the previous year's earnings and semiannual COLA's if the rate of increase in the CPI exceeded specified trigger levels. The contracts also included company-paid health insurance, with several changes in medical and dental benefits. Basic pension benefits were increased from $30 per month to $35 per month per year of credited service.

Health services. Nineteen major agreements covering 63,000 workers will expire or reopen in health services in 1995. These workers are employed in private establishments engaged primarily in diagnostic services, medical treatment, nursing care, and other hospital services. The agreement between the League of Voluntary Hospitals in New York City (the League) and the National Health and Human Service Employees Union, Local 1199 (Ind.; 1199), also scheduled to expire in 1995, was renegotiated in October 1994. The new contract, covering 38,000 workers, could serve as a model for other contracts because it seems to exhibit the strategy of trading wage increases for job security.

Of the 19 expiring contracts, 8 cover 25,250 workers in the New York City area. Four others cover 6,300 workers elsewhere in the eastern United States, two cover 7,700 workers in the Minneapolis-St. Paul metropolitan area, and five cover 23,700 workers on the West Coast.

The expiring contracts provided changes in wage rates that averaged an increase of 3.8 percent annually over their term, including COLA's. (Only one contract contained a COLA clause.) Annual changes ranged from a decrease of 1.2 percent to an increase of 6 percent. The average duration of these contracts was 34.8 months.

If 1995 negotiations follow the recent trend, health care workers may be facing more modest wage increases than those provided in their expiring contracts. As the following tabulation on average annual wage changes over the contract term indicates, 1992 ended a string of years in which health care workers negotiated wage changes that substantially exceeded those of all other industries combined:

	Percent change in annual wage	
Year	*All industries, excluding health services*	*Health services*
1988	2.3	4.9
1989	3.1	7.7
1990	3.1	5.6
1991	3.2	7.3
1992	2.9	3.5
1993	2.1	2.5
1994*	2.3	1.5

*First through third quarter.

The late 1980's to early 1990's was a period when health service organizations often had to provide relatively high wage increases to attract and retain skilled workers. More recently, the industry has joined the many others facing job security issues. Job security concerns revolve around workers being displaced through internal cost cutting, consolidations, or hospital closings. In addition, the growth of managed care insurance programs is raising the anxiety level of workers. Managed care programs maintain their commercial competitiveness by obtaining reduced health care costs from hospitals, which in turn cut their own costs, often through reductions in force.

Staffing issues are also important in contract talks with unions representing groups such as professional nurses. One example is the management practice of moving duties formerly performed by registered nurses to lesser skilled workers, even to the point of filling nursing vacancies with such workers. Nurses see such practices not only as threatening to their own jobs, but also as lowering the quality of care and level of safety in the health facility (especially with the continuing spread of HIV and the resurgence of communicable diseases such as tuberculosis).

In addition, nursing unions are still suffering from other losses of membership brought about by the recent Supreme Court decision in the case of *NLRB* v. *Health Care & Retirement Corp. of America*, in which the Court declared that nurses who direct less skilled employees are considered supervisors and are no longer protected by the National Labor Relations Act.

One example of the movement away from higher wages and toward job security is found in the contract, renewed early, between the League of Voluntary Hospitals and 1199. The League is an association of 33 institutions operating 55 medical facilities and employing almost 38,000 members of 1199. The new agreement extends the previous expiration date of June 1995 to June 1998. Ninety-four percent of the union members voting on the contract gave their approval, attesting to its popularity.

The new contract provided no wage increase for the first year and then increases of 3 percent for the second and third years; it also reduced hospital contributions into employee benefit funds without reducing benefits. But it goes farther in its job security provisions than the previous contract, by guaranteeing, for the life of the contract, the jobs of all covered workers who have at least 2 years' service.[7] If the economic position of an institution is such that it must reduce its work force, the "appropriateness and number of layoffs" will be determined by a four-member committee made up of two 1199 and two League representatives. Laid-off members will be entitled to up to 80 percent of their salary and will have health coverage for up to 1 year. A joint employment placement service controls the referral of laid-off union members to the institutions seeking workers. When combining or restructuring jobs, management must give 30 days' notice of such plans to the union, upon which the union may request a meeting to discuss the proposed job content or wage rate. If a disagreement results, facilitation or arbitration may be implemented.

The contract between the League and 1199 could have far-reaching effects not only in New York—where it is expected to set the pattern 1199 seeks in its other negotiations, covering almost 19,000 workers in 1995 alone—but in other areas of the country as well. This is because it provides job security, while allowing hospital management to contain labor costs in a period when hospitals are struggling to survive.

State and local government

A total of 310 major State and local government contracts covering about 1.6 million employees will expire or reopen in 1995. Negotiations are scheduled for 788,000 employees under 105 State government contracts and 772,000 employees under 205 local government contracts. Expiring contracts account for 56 percent of the approximately 2.8 million workers under all major State and local government contracts.

About 7 of 10 employees under State government contracts set to expire or reopen in 1995 are in four States: New York (219,500 employees), California (141,200), Florida (122,400), and New Jersey (70,400). (See table 10 for details on selected occupations involved.) The remainder are widely scattered. In local government, just under one-half of the employees with contracts scheduled to expire or reopen in 1995 are in three jurisdictions: New York City (248,800 employees); Chicago (68,500); and Los Angeles County (35,300). The remainder are geographically dispersed among a number of local governments.

Unions that will be negotiating for government workers this year include the American Federation of State, County, and Municipal Employees, the Communications Workers of America, the International Brotherhood of Teamsters, and the Service Employees International Union (each representing a diverse group of government occupations); the American Federation of Teachers and the National Education Association (Ind.), representing workers in public education; the Fraternal Order of Police (Ind.) and the International Association of Fire Fighters, bargaining on behalf of public protective service employees; and the Amalgamated Transit Union and the Transport Workers Union, representing workers employed in public transit.

In State government, nearly two-thirds of workers under contracts scheduled to expire or reopen in 1995 are general government employees in administrative, clerical, professional, supervisory, and technical occupations. The remainder are in protective services and college and university education (13 percent each), health services (9 percent), and transportation and other government services.

In local government, nearly three-fifths of workers under contracts set to expire or reopen this year are in education. The majority of these are primary and secondary school teachers. Other school employees include teachers' aides, bus

Table 10. Selected State and local government jurisdictions with contract expirations or reopeners in 1995

Government	Number of workers	Major unions
California		
General government	83,700	Service Employees
Protective services:		
Correctional peace officers	16,400	California Correctional Peace Officers Association (Ind.)
Highway patrol	4,900	California Association of Highway Patrolmen (Ind.)
Protective services and safety	3,300	California Union of Safety Employees Association (Ind.)
Forest firefighters	3,200	California Department of Forestry Employees Association (Ind.)
Health services:		
Psychiatric technicians	6,800	California Association of Psychiatric Technicians (Ind.)
Professional health and social services	3,000	State, County, and Municipal Employees
Registered nurses	2,300	Service Employees
Medical and social services	1,300	Service Employees
Physicians and dentists	1,000	Union of American Physicians and Dentists (Ind.)
Education:		
Academic support	15,200	California State Employees Association (Service Employees)
Florida		
General government	74,100	State, County, and Municipal Employees
Protective services:		
Security and corrections	16,400	Florida Police Benevolent Association (Ind.)
Law enforcement officers	2,700	Florida Police Benevolent Association (Ind.)
Health services	5,100	Florida Nurses Association (Ind.)
Education:		
Colleges and universities:		
Support personnel	13,200	State, County, and Municipal Employees
Faculty	7,700	United Faculty of Florida (NEA-Ind.)
Graduate assistants	3,200	United Faculty of Florida (NEA-Ind.)
New York		
General government	169,500	New York Civil Service Employees Association (Ind.)
Protective services:		
Security and corrections	22,000	State, County, and Municipal Employees
Law enforcement officers	3,000	Police Benevolent Association (Ind.)
Education:		
Colleges and universities:		
Faculty	21,000	United University Professions (AFT)
Graduate assistants	4,000	Communications Workers
New York City		
General government	122,000	State, County, and Municipal Employees
Education:		
Primary and secondary schools:		
Teachers	66,000	United Federation of Teachers (AFT)
Support personnel	26,900	State, County, and Municipal Employees
Paraprofessionals	13,000	United Federation of Teachers (AFT)
Chicago public schools		
Education:		
Primary and secondary schools:		
Teachers	30,000	Chicago Teachers Union (AFT)
Support personnel	3,100	Hotel Employees and Restaurant Employees
Los Angeles County		
General government	28,400	Service Employees
Health services	6,900	Service Employees

drivers, clerical workers, custodians, and cafeteria employees. General government and administration accounts for approximately three-tenths of local government employees involved in 1995 bargaining. The remaining workers are distributed among other government services, including protective services, transportation, and health care.

The last time they bargained, usually in 1993, parties to State and local government contracts scheduled for negotiation in 1995 agreed to terms that yielded annual wage changes (including COLA payments) averaging an increase of 2.5 percent over the contract life. As the next tabulation on annual wage changes over the contract term for expiring agreements illustrates, college and university employees, most of whom work for State governments, had the highest average gain, 3.6 percent. Their contracts were primarily responsible for the higher average change in State government contracts (2.6 percent) than in local government contracts (2.4 percent).

	Percent change
All State and local government	2.5
State government	2.6
Local government	2.4
Government function:	
Education	2.7
Colleges and universities	3.6
Primary and secondary schools	2.5
General government and administration	2.3
Protective services	3.1
Health care	2.7
Transportation	2.8
Other	2.3
State and local government, excluding education	2.4
State government	2.4
Local government	2.4

A mixed bargaining climate exists in State and local governments. The most recent data on State and local government employment indicates a relatively small, stable growth pattern over the 12 months ending September 1994. Total State government employment rose 1.9 percent from September 1993 to September 1994, in part due to an increase of 2.4 percent in educational employment. The increase in State government employment excluding education was 1.6 percent over the year. The number of local government employees rose 1.9 percent during the same period. The increase included a 2.3-percent rise in local education employment, mostly at primary and secondary schools. Excluding education, the gain was 1.3 percent.

Some State and local jurisdictions continue to face budget constraints and uncertainty about future revenues, factors that will affect contract negotiations in 1995. Economic drains on State and local government budgets include unfunded Federal mandates, declines in tax revenues related to defense cutbacks and decreases in property values, and decreased revenue sharing from the Federal Government for State and local government operations. Budget deficits during 1994 forced some jurisdictions to furlough or lay off employees and cut services. To bolster their budgets, particularly in areas where revenues are declining, government negotiators may seek cost-saving measures in labor contracts, including improving employee productivity and subcontracting certain functions to private contractors. Union negotiators will seek enhanced job security and modest wage increases in 1995.

Most jurisdictions continued to face rising health care costs for employees in 1994. Thus, a key concern for governments involved in 1995 negotiations will be to control health care expenses through a variety of methods, including increases in employee cost sharing and replacing traditional indemnity plans with managed health care plans. The primary health care goals of union negotiators will be to maintain a choice of services and the same level of benefits, without significant increases in employee contributions for premiums or out-of-pocket expenses.

Recent settlements suggest a more favorable bargaining climate for at least some State and local government workers with contracts set to expire in 1995. As noted earlier, for the first time since the second half of 1990, settlements reached in the first 6 months of 1994 provided wage gains that were larger, on average, than those negotiated in the replaced contracts. Both first-year changes (3.0 percent) and annual changes over the contract term (3.3 percent) were at their highest level since the 6-month period from July 1990 to December 1990. In addition, the proportion of workers with decreases or no change in their wage rates was considerably lower than in recent years.

Of course, economic conditions and other circumstances that affect bargaining vary from jurisdiction to jurisdiction and even among bargaining units within jurisdictions. The following subsections discuss the outlook for State and local governments with the greatest numbers of workers scheduled for bargaining in 1995.

New York. Eleven contracts—nine in general government and two in protective services—covering 194,500 State employees will expire on April 1, 1995, while 2 agreements with 25,000 educational employees expire at midyear. A majority of these employees are represented by the Professional Employees Federation or the Civil

Service Employees Association (Ind.). Under the expiring 4-year contracts, wages were frozen for the first 2 years, but all State employees received general wage increases of 4 percent on April 1, 1993, and April 1, 1994, and 1.25 percent on October 1, 1994. Some 102,000 general government workers in administrative, institutional, and operational occupations and 56,000 employees in professional, scientific, and technical occupations received two lump-sum payments equal to 12 hours' pay; and certain classes of employees had increases in health care costs and changes in coverage negotiated into their contracts.

According to a State spokesperson, management and the unions have exhibited a strong working relationship in the past and expect to produce financially prudent contracts in 1995. Significant runs on State revenues, coupled with decreasing income from taxes, produced a volatile economic climate in New York in the early 1990's. While the budget situation temporarily improved since the expiring contracts were negotiated, with surpluses of $1 billion for fiscal year 1993 and an estimated $14 million for fiscal year 1994, a deficit of $4 billion is projected for fiscal year 1995. Wages are likely to be a major issue in negotiations, particularly because the expiring contract had an initial 2-year wage freeze. The most prevalent concern other than wages is the potential privatization of current union jobs. Other factors that may influence the bargaining environment include a new State governor and new presidents at the two unions representing the largest number of workers.

California. Some 141,200 California State employees, about one-half of whom are represented by the Service Employees Union, work under contracts scheduled to expire on June 30, 1995. Eight pacts are scheduled to expire in general government, five in health services, four in protective services, and three in education. Coalition bargaining for general government, health services, and protective service employees in 1992 produced agreements that provided a 5-percent general wage increase on January 1, 1994; a cost-of-living adjustment of 3 percent to 5 percent based upon the Consumer Price Index for Urban Wage and Clerical Workers on January 1, 1995; a freeze in health care contributions over the term of the contract; and the creation of a leave bank under which 1 day a month of a worker's pay was banked for a period of 18 months and then exchanged as either vacation time or cash at the discretion of the appropriate State department.

California's recovery from the 1990–91 recession continues to lag behind that of other States in the region and nationwide. Continued fiscal strains at the State level may affect negotiations.

Florida. A contract covering approximately 74,100 general government employees in professional, operational, administrative, and clerical units is set to expire on June 30, 1995, while contract reopeners for 19,100 protective service workers—law enforcement officers and security and corrections employees—are scheduled on that same date. Some 24,100 employees of the State university system and 5,100 professional health care employees will also be involved in negotiations in 1995. Under 2-year contracts negotiated in 1992, general government employees represented by the State, County, and Municipal Employees Union received a 3-percent wage increase on October 1, 1993, and a 4-percent increase on November 1, 1994, from a scheduled wage and benefit reopener. The 3-year agreements covering protective service employees, who are represented by the Police Benevolent Association (Ind.), contained the same provisions as the general government workers' contracts, except for the additional wage and benefit reopener on June 30, 1995.

As a result of continued budgetary problems in the State, major changes to the expiring agreements may be difficult to negotiate. Budget drains include higher costs for the incarceration of prisoners and State support for an increasing number of immigrants.

New York City. The New York City Board of Education and two unions will renegotiate the collective bargaining agreements of about 66,000 teachers and 39,900 support personnel in the city's primary and secondary schools. Nine separate accords are involved. The expiring agreements reached in October 1993 provided wage increases of 2 percent on April 1, 1993, and April 1, 1994, 3 percent on October 1, 1994, and 1.84 percent of the rates in effect immediately prior to October 1, 1994, on April 1, 1995. The contracts also increased payments to the union-administered welfare fund. In addition, each employee was scheduled to receive from $175 to $590 in withheld wages, as stipulated in a May 1991 amendment to the contracts negotiated in March 1991. Half of that withholding will be paid on September 1, 1995, and the remaining half on September 1, 1996.

Approximately 122,000 general government employees work under pattern agreements set to expire on March 31, 1995. The State, County, and Municipal Employees Union represents 112,000 workers, and the Communications Workers Union bargains for 10,000 employees who work in a variety of clerical and administrative positions. Coalition bargaining for these employees produced agreements in 1993 that included general wage increases of 2 percent on

July 1, 1993, and July 1, 1994, and 3 percent on December 1, 1994. The settlements also provided an immediate $700 lump-sum payment, to be included in earnings for pension calculations; increased payments to the welfare fund; and a total of $20 million in equity fund payments for all New York City employees for any special adjustments made during the contract term.

In October 1994, New York City's municipal labor unions and Mayor Rudolph W. Giuliani agreed to a plan designed to close an estimated $1.1 billion gap in the city's $31.6 billion budget for the year beginning July 1994. The plan included reductions in health care costs, among which were a switch to a managed care plan, program cuts, and the elimination of 7,600 jobs. To help achieve the job cuts without layoffs, enhanced severance packages will be offered to workers from a pool of approximately 70,000 eligible employees who volunteer to leave their jobs. Excluded from this offer will be teachers, police officers, firefighters, and members of other uniformed services, whose jobs will not be cut. A planned budget revision also was scheduled, to cut about $200 million from the Board of Education. This financially restrictive climate will permeate negotiations on new agreements for city employees, making major financial gains for employees unlikely.

Chicago public schools. Two contracts covering 33,100 teachers and support personnel in the city's primary and secondary schools are set to expire on August 31, 1995. About 30,000 faculty members are represented by the Chicago Teachers Union (an affiliate of the American Federation of Teachers), while the Hotel Employees and Restaurant Employees represent 3,100 cafeteria workers. The teachers' expiring 2-year contract froze wages over the contract term, but did offer teachers the opportunity to work 5 additional paid days each year. The pact also instituted employee contributions for health care for the first time, totaling 1.5 percent of a teacher's annual salary.

The Chicago public school system, the third largest in the country, has more than 400,000 students enrolled and an annual budget exceeding $2 billion. Because of the ongoing struggle on the part of State public school systems to remain financially solvent, Illinois legislators passed a law requiring balanced budgets for educational institutions before they open each year. The start of the 1993 school year in Chicago was delayed 1 week while legislators scrambled to enact a solution to a $300 million budget shortfall. The State eventually approved a $410 million bailout through the issuance of bonds. The funds raised from the sale of the bonds are keeping the school system solvent through the 1994–95 academic year. The expiring contracts, containing the wage freeze and first-time employee contributions for health care, were reached under difficult negotiations after the bailout plan was enacted.

The budget problems led the school system into a restructuring phase, significantly reducing the number of central administrative staff and replacing many principals who opted for early retirement. The school system once again is expecting a budget deficit of around $300 million for the 1995–96 school year, which will undoubtedly influence negotiations. Employees will be seeking to avoid layoffs or furloughs and may look for wage increases after the freeze in the last contracts. Previously, many union members were supervised only by the central administration; in 1995, the school board may seek to give principals greater authority over those union jobholders at individual schools. Other factors that may change the dynamics of 1995 bargaining include a new school superintendent, who entered the position when negotiations on the old contract were concluding, and changes in the composition of the Board of Education.

Los Angeles County. The Service Employees Union and Los Angeles County will be renegotiating contracts for approximately 28,400 employees under six collective bargaining agreements in general government and an additional 6,900 employees under three pacts in health services during 1995. The current 2-year contracts for workers in general government, which expire on September 30, provided a wage increase of 2 percent on October 1, 1993. The pacts contained several cost-saving measures, including a deferral of overtime pay from October 1, 1993, to June 30, 1994, with its redemption starting in August 1995 as cash or paid vacation time; the elimination during 1994 of the practice of permitting employees who use no sick leave from January to June to "cash out" 3 days of sick leave; and the elimination of county payments to workers' deferred compensation savings plans for the fiscal year ended September 30, 1994.

Severe budget constraints at all levels of government in California will limit the parties' ability to negotiate substantial wage and benefit changes. A recent law enacted by State voters restricted the ability of local governments to levy property taxes, thereby reducing revenue growth at a time when more services are being demanded. Because California is still recovering from the 1990–91 recession, increased funding for local governments from the State is unlikely, while a significant portion of whatever money is provided by the State is earmarked for spending on education. The prevailing economic conditions reportedly will shift the focus of bargaining from wage changes to noneconomic enhancements, including job security.

IN SUM, a review of the bargaining environment suggests that conditions in private industry differ by industry and company; in the public sector, they differ by jurisdiction. Improvements in wages and benefits may be a primary goal where job growth and healthy profits or budgets exist, but job security is still likely to be an important issue for most negotiators. □

Footnotes

ACKNOWLEDGMENT: Other members of the Division of Developments in Labor-Management Relations who contributed to this article are economists Phyllis Brown, Charles Muhl, John Steinmeyer, Edward Wasilewski, Jr., and Lisa Williamson. William Davis prepared the tables.

[1] Regions and the States they comprise (including the District of Columbia) are the following: 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; South Central—Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, Texas; Mountain—Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada; Pacific—Washington, Oregon, California, Alaska, Hawaii.

[2] Unions are affiliated with the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO), unless indicated as independent (Ind.).

[3] U.S. Department of Commerce, *U.S. Industrial Outlook, 1994—Telecommunications Services.*

[4] The Retail, Wholesale and Department Store Employees Union voted to merge with the United Food and Commercial Workers Union in 1993, but the merger will not be completed until 1997.

[5] The American Train Dispatchers Association merged with the Brotherhood of Locomotive Engineers in 1991, reducing the number of rail unions to 10.

[6] For further details, see *Compensation and Working Conditions*, August 1991, January 1992, May 1992, October 1992, and January 1993.

[7] Under the previous contract, job security provisions guaranteed any laid-off members first rights to job openings at any of the member institutions. In addition, laid-off members who participated in training programs were guaranteed an income supplement funded by the League.