Collective bargaining in 1994

The economy and job security continue to be major issues as the lightest collective bargaining calendar in a decade begins

William M. Davis

The bargaining calendar for 1994 is the lightest in a decade, with scheduled contract negotiations affecting a little more than one-fourth of the 8.2 million workers under all major agreements (those covering 1,000 or more workers) in private industry and State and local government. In every year since 1985, at least one-third of the workers under major agreements had their contracts slated for renegotiation. (See table 1.) Bargaining in 1994 will cover about 2.1 million workers under 592 major agreements that are scheduled to expire or that can be reopened during the year. (See tables 2 and 3.)

Bargaining will cover relatively few workers in both private industry and State and local government. In private industry, only one-fourth (1.4 million) of the 5.5 million workers under major agreements are slated to have their contracts renegotiated in 1994. The comparable proportion in 1993 was 37 percent. Nearly two-thirds of the private industry workers who will be affected by negotiations in 1994 are in nonmanufacturing, with the transportation (258,000 workers), construction (254,000 workers), and retail trade (162,000 workers) industries accounting for three-fourths of the total in nonmanufacturing. About 491,000 workers are in manufacturing industries, chiefly in apparel (129,000 workers), electronic and other electric equipment (96,000 workers), and food and kindred products (61,000 workers).

In State and local governments, three-quarters of a million workers are under 223 major contracts that are scheduled for renegotiation in 1994. This represents 28 percent of the 2.7 million State and local government workers under major agreements, about the same proportion as in 1993. In local governments, bargaining activity will involve some 497,000 workers under 176 contracts. In State governments, negotiations will occur for 267,000 workers under 47 agreements.

Information in this article is based on data available to the Bureau of Labor Statistics at the end of October 1993. There were 530 major agreements, covering 2.3 million workers, that either were still in the process of renegotiation on November 1, 1993, or that expired or were subject to reopening in the last 2 months of 1993. Any settlements that occurred after this article was prepared that provided for 1994 expirations or reopenings would affect the proportion of workers whose contracts are scheduled for renegotiation this year. In addition, this year's bargaining agenda will include any contract negotiations that were not concluded in 1993 and were continued into 1994.

Bargaining environment

As negotiations get underway in 1994, the pace of economic growth and its effect on the job market, as well as the impact of continuing organizational restructuring and downsizing, once again will be important issues. Job security has been the top union priority in many contract negotiations in recent years, and will be the focal point at many sessions again in 1994. Negotiators also will be concerned with the continuing problem of escalating health care costs, and will be closely watching

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the deliberations on the Administration's proposed national health care reform plan.

Contract negotiators in 1994 will be interested in recent trends in compensation costs, what their expiring contracts yielded, and the wage rate changes scheduled for 1994 based on earlier settlements. They also will be examining trends in lump-sum payment and cost-of-living adjustment (COLA) clauses.

Recent changes in compensation. As measured by the Bureau's Employment Cost Index, employer costs for employee compensation (which includes wages, salaries, and benefits) increased 3.6 percent in the year ended September 1993. The average rate of change, published quarterly, was virtually unchanged for the 12-month periods ended June 1992 through September 1993, but previously had not been that low since 1987. In the year ended September 1993, the costs for employee benefits alone rose 4.9 percent, the lowest average increase since 1987. Benefit cost increases were dampened largely as a result of slower advances in costs for health and workers' compensation insurance and pensions.

Major collective bargaining settlements reached in private industry in the 12-month period ended September 1993 provided lower annual wage-rate changes over the contract term (2.3 percent), on average, than in the agreements they replaced (3.5 percent). This relationship also existed in all but one of the previous six 4-quarter periods. The 2.3-percent level for the 12 months ended September 1993 was the lowest average annual wage rate change for settlements since the October 1987 to September 1988 period.

Similarly, in State and local government, settlements in each 6-month period from the second half of 1990 through the first half of 1993 (the latest period for which data are available) provided annual wage-rate changes over the life of the agreements that were lower, on average, than in the agreements they replaced. The average wage-rate change over the contract term for settlements in the first half of 1993 (2.2 percent, compared with 3.5 percent when the same parties previously bargained) was the second lowest for any 6-month period on record; at 1.7 percent, it was lower in the last half of 1992.

Table 1. **Workers in collective bargaining agreements covering 1,000 workers or more with contract expirations or reopenings, 1985–94**

[Workers in thousands]

Year	All workers	Workers with contract expirations/ reopenings	Percent of workers covered by expirations/ reopenings
Total			
1985	9,448	3,532	37.4
1986	9,130	3,770	41.3
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
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
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

NOTE: Data for 1985 through 1993 correspond to data published in the January *Monthly Labor Review* for respective years.

Changes under expiring and reopening agreements. Negotiators in the coming year will be concerned not only with the size of wage changes in recently negotiated agreements, but with the amount of wage changes yielded by the agreements they will be replacing. The following tabulation shows, for contracts that will expire or can be reopened in 1994, the size of specified average annual wage rate changes over the life of the contract and the average total yield that resulted by including cost-of-living adjustments (COLA's) paid through the third quarter of 1993.

	Annual wage changes: Specified	Annual wage changes: Specified plus COLA
Private industry	3.0	3.1
With COLA	2.9	3.4
Without COLA	3.0	...
State and local government	2.0	2.1
With COLA	2.9	3.4
Without COLA	2.0	...

Table 2. Collective bargaining agreements covering 1,000 workers or more, 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							
			1994		1995		1996 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	8,191	592	2,145	527	2,896	341	1,336	530	2,277
All private industries	1,180	5,492	369	1,381	375	1,971	312	1,189	158	1,027
Manufacturing	396	1,766	120	491	107	373	112	458	63	456
Food and kindred products	58	138	18	61	23	41	8	18	9	17
Tobacco products	5	13	1	1	3	11	–	–	1	1
Textile mill products	7	22	4	10	1	1	–	–	3	11
Apparel and other textile products	24	182	16	129	4	6	3	44	1	3
Lumber and wood products, except furniture	10	19	3	6	–	–	6	11	1	1
Furniture and fixtures	1	3	–	–	–	–	–	–	1	3
Paper and allied products	36	48	10	13	12	17	12	15	3	3
Printing and publishing	11	19	3	5	3	6	2	3	4	6
Chemicals and allied products	21	39	7	9	5	11	4	9	6	12
Petroleum and coal products	8	17	–	–	–	–	8	17	–	–
Rubber and miscellaneous plastics products	12	43	7	34	1	1	3	5	1	3
Leather and leather products	2	6	1	2	–	–	1	4	–	–
Stone, clay, and glass products	14	33	2	2	4	5	8	26	–	–
Primary metal industries	41	135	9	53	4	7	16	53	13	24
Fabricated metal products	16	27	4	7	4	6	4	5	4	8
Industrial machinery and equipment	22	81	7	23	6	21	6	13	3	24
Electronic and other electric equipment	33	209	10	96	15	76	6	13	3	27
Transportation equipment	67	718	14	31	18	155	25	222	10	311
Instruments and related products	4	11	1	4	3	7	–	–	–	–
Miscellaneous manufacturing industries	4	6	3	4	1	2	–	–	–	–
Nonmanufacturing	784	3,726	249	891	268	1,599	200	731	95	572
Mining	6	60	1	2	1	1	1	3	4	55
Construction	336	967	105	254	125	391	97	295	27	64
Transportation, except railroads and trucking	44	254	18	86	7	56	16	93	4	20
Railroad transportation	22	215	1	2	21	213	–	–	–	–
Trucking and warehousing	11	332	8	170	1	12	–	–	2	150
Communications	34	458	9	15	17	414	6	25	2	4
Electric, gas, and sanitary services	73	209	27	69	23	62	17	66	12	31
Wholesale trade	9	14	4	7	4	6	1	2	–	–
Retail trade, except food stores	27	102	10	27	9	54	6	17	3	8
Food stores	98	553	35	135	22	155	31	150	10	113
Finance, insurance, and real estate	26	137	11	59	4	41	1	2	10	36
Services, except health services	56	242	10	51	17	91	17	52	12	47
Health services	42	183	10	14	17	103	7	24	9	42
State and local government	678	2,699	223	764	152	925	29	147	372	1,250
State government	177	1,101	47	267	69	599	8	79	67	278
Local government	501	1,598	176	497	83	326	21	69	305	972

[1] Totals may be less than the sum of the data for individual years because 132 agreements covering 463,000 workers have both reopenings and expirations in the reference periods.

[2] Includes agreements due to expire between November 1 and December 31, 1993; agreements that expired prior to November 1, 1993, but for which new agreements were not reached by then; agreements that expired prior to November 1, 1993, but for which necessary information had not been fully gathered; 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.

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

[Workers in thousands]

Year and month	Agreement expirations and/or scheduled wage reopenings[1]		Principal industries
	Number	Workers covered	
All years[2]	1,858	8,191	....
Total 1994	592	2,145	....
January	30	90	State government, steel
February	12	41	Food stores
March	44	253	Trucking, construction
April	50	154	Construction, apartment building operations, rubber
May	79	235	Construction, apparel
June	187	789	Electrical products, food stores, State and local government
July	33	78	Local government
August	39	138	Local government, apparel
September	42	149	State and local government, maritime, food stores
October	22	78	Food stores, amusement parks
November	16	66	Airlines
December	38	74	Local government
Total 1995[3]	527	2,896	
January	36	261	Railroads
February	17	100	Food stores
March	41	261	Local government, food stores, airlines
April	65	352	State government, construction
May	63	290	Construction, communications, electrical products
June	145	735	State and local government, construction, health services
July	26	84	State and local government
August	39	383	Communications
September	23	117	Food stores
October	24	112	Aerospace
November	11	22	(4)
December	40	185	State and local government
Total 1996 and later[5]	341	1,336	Automobiles, State and local government, food stores, construction
Year unknown or in negotiation[6]	530	2,277	State and local government, transportation equipment, parcel delivery

[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 132 agreements covering 463,000 workers have both reopenings and expirations in the reference periods.

[3] Includes three agreements covering 6,000 workers that have both a wage reopening and expiration scheduled in 1995.

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

[5] Includes six agreements covering 46,000 workers that have both a wage reopening and expiration scheduled during this period.

[6] Includes agreements due to expire between November 1 and December 31, 1993; agreements that expired prior to November 1, 1993, but for which new agreements were not reached by then; agreements that expired prior to November 1, 1993, but for which necessary information had not been fully gathered; and agreements that have no fixed expiration or reopening date.

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

Scheduled wage-rate increases

Among the 8.2 million workers under all major agreements, more than two-fifths (3.6 million) in 1994 are scheduled to receive wage-rate increases, averaging 3.7 percent, under contracts that were negotiated earlier. (See tables 4 and 5.) Those with COLA clauses in their contracts will receive smaller increases (3.5 percent), on average, than those without COLA (3.8 percent). This relationship is typical because COLA clauses are expected to generate additional wage increases. In private industry, nearly 50 percent (2.7 million) of the workers under major contracts are scheduled for wage-rate increases averaging 3.5 percent in 1994, and in State and local governments, 31 percent (835,000) of the workers are slated for increases averaging 4.6 percent. An additional 10,500 workers, all in State and local governments, are under contracts with scheduled wage-rate decreases in 1994.

Lump-sum provisions

Lump-sum payment provisions first became prevalent as a method of controlling labor costs in the early to mid-1980's. Lump sums are not part of the wage-rate structure and, thus, generally are not included in computing pay for such benefits as holidays, vacations, and pensions. They often are negotiated in lieu of, or to supplement, wage-rate changes. From the end of 1987, when lump-sum data were first compiled, through the third quarter of 1991, lump-sum provisions covered nearly one-third of the workers under major agreements. They then fell from favor with some negotiators, and coverage dropped to 26 percent by the end of 1992; coverage was up slightly, to 28 percent, at the end of the third quarter of 1993. (See table 6.) Part of the recent upturn was because of the increase in coverage (to 12 percent, from 8 percent at the end of 1992) in State and local governments.

The popularity of lump-sum provisions varied widely among industries in the private sector. All of the major agreements in the tobacco and railroad industries, for example, had such clauses as of September 30, 1993, but none of the agreements in industries such as construction, chemical manufacturing, and water transportation included them.

Cost-of-living adjustments

Unlike lump-sum payments, COLA's usually are added to the wage-rate structure, although often not until the end of the agreement or the beginning of the next one. A little more than one-fifth (1.8 million) of the workers under all major agreements had COLA clauses in their contracts as of September 30, 1993, about the same proportion as that at the end of 1992. (See table 7.)

Table 4. **Scheduled wage increases under collective bargaining agreements covering 1,000 workers or more, selected industries, 1994**

Selected industry	Number of agreements	Number of workers (thousands)	Mean increase[1]						Median increase[1]	
			Total		With COLA		Without COLA			
			Cents	Percent	Cents	Percent	Cents	Percent	Cents	Percent
Total[2]	721	3,573	63.5	3.7	55.5	3.5	65.1	3.8	58.5	3.7
All private nonagricultural industries	580	2,738	58.7	3.5	50.6	3.2	60.4	3.5	53.2	3.5
Manufacturing[3]	165	541	43.6	3.0	58.6	3.3	35.6	2.8	43.6	3.0
Food and kindred products	30	58	37.1	3.0	63.6	4.5	35.6	2.9	40.0	3.1
Apparel and other textile products	8	88	12.2	1.5	–	–	12.2	1.5	10.0	1.4
Metal products and equipment[4]	60	266	54.0	3.4	61.4	3.4	44.1	3.4	48.4	3.5
Nonmanufacturing[5]	415	2,197	62.4	3.6	45.2	3.1	64.9	3.7	58.4	3.7
Construction	188	623	76.7	3.5	–	–	76.7	3.5	70.0	3.2
Transportation and public utilities	91	888	64.8	3.8	48.2	3.2	69.9	4.0	60.4	4.0
Wholesale and retail trade	71	369	39.6	3.2	25.0	2.2	39.7	3.2	35.0	2.8
Finance, insurance, and real estate	6	45	35.5	2.7	35.5	2.6	35.3	3.1	34.2	2.5
Services	57	268	57.9	3.6	37.5	2.8	60.5	3.7	47.4	4.0
State and local government	141	835	79.2	4.6	72.9	4.6	80.4	4.6	70.5	5.1

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

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

[3] Includes workers in the following industry groups for which data are not shown separately: Tobacco (11,000); lumber (11,000); paper (31,000); printing (5,000); chemicals (12,000); petroleum (17,000); rubber (3,000); stone, clay, and glass products (31,000); instruments and related products (7,000); and miscellaneous manufacturing (2,000).

[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 4,000 workers in the mining industry.

NOTE: Deferred 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 November 1, 1993, and thus may understate the number of workers scheduled to receive deferred increases for the entire year.

COLA clauses help provide protection for workers' wages by tying changes in wages to changes in the Bureau of Labor Statistics Consumer Price Index (CPI). Reflecting, in part, the relatively small increase in consumer prices in recent years, COLA clauses have lost much of their importance as negotiators have focused on more pressing issues, such as health care costs and job security provisions. In private industry, COLA coverage has dropped from about three-fifths of the workers in the late 1970's through the early 1980's to almost three-tenths as of September 30, 1993. (See table 8.) In State and local governments, the recent trend in COLA coverage has been different. About 2 percent of the workers under major agreements were covered by COLA clauses each year from 1984, when data on these workers were first collected, through 1987. Coverage increased to 10 percent by the end of 1991, and was 8 percent in September 1993.

State and local government

Approximately 764,000 employees are covered by 223 major State and local government contracts that will expire or reopen in 1994. Negotiations will involve about 497,000 employees under 176 local government contracts and 267,000 employees under 47 State government contracts. Expiring contracts account for 28 percent of the approximately 2.7 million workers under all major State and local government contracts.

Somewhat more than three-fourths of the employees under State government contracts scheduled for negotiation in 1994 are in three States: Florida (102,900 employees), Illinois (49,700 employees), and Ohio (43,100 employees). The remainder are scattered widely. In local government, one-fourth of the employees with contracts scheduled to expire or reopen in 1994 are employed in the Los Angeles Unified School District (65,600 employees); New York City Transit Authority (37,100); Detroit public schools (19,100); and Philadelphia public schools (19,100). 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, and the Service Employees International Union (each representing a diverse group of government occupations); the National Education Association (Ind.)[1] and the American Federation of Teachers 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, bargaining for workers employed in public transit.

In State government, 58 percent of the employees under contracts scheduled to expire or reopen in 1994 work in general government occupations: administrative, clerical, professional, supervisory, and technical. The remainder are in protective services (15 percent); health services (12 percent); college and university education (12 percent); and transportation and other government functions (3 percent).

In local government, 62 percent of the employees under contracts scheduled to expire or reopen this year are in education, with the majority being primary and secondary school teachers. Other school employees include teachers' aides, bus drivers, clerical workers, custodians, and cafeteria employees. General government administration accounts for another 16 percent of local government employees involved in 1994 negotiations; transportation, 12 percent; protective services, 7 percent; and health services and other government functions, 3 percent.

The last time they bargained, parties to contracts scheduled for negotiation in 1994 agreed to terms that yielded average annual wage changes (including COLA payments) of 2.1 percent over the contract life. Expiring or reopening State government contracts yielded annual changes that were higher, on average (2.5 percent), than those in local government (1.8 percent). In local government, primary and secondary school contracts had the lowest average wage rate change among the various local government functions for the second time since 1988, when these data were first tabulated. The "other" government function, which had the highest average wage gain, covers operations such as building maintenance and park administration. The following tabulation shows percent changes under State and local government contracts expiring or reopening in 1994:

	Percent change
All State and local government	2.1
State government	2.5
Local government	1.8
Government function	
Education	1.6
Colleges and universities	2.2
Primary and secondary schools	1.6
General government and administration	2.2
Protective services	2.9
Health care	2.3
Transportation	2.3
Other	3.2
State and local government, excluding education	2.3
State government	2.6
Local government	2.0

State and local government contract negotiations in 1994 will be affected by the continued uncertainty over national and local economic conditions. National economic conditions that may affect some State and local governments include defense cutbacks, unfunded Federal mandates, and decreased revenue sharing from Washington for State and local government operations. To the extent that governments experience revenue declines, negotiators may seek cost savings in labor contracts. Some governments are also under pressure to downsize their work forces, improve employee productivity, and transfer functions that may be performed more efficiently by private contractors.

In 1993, several jurisdictions experienced budget deficits that led to furloughs, layoffs, and cuts in services. Thus, governments involved in 1994 negotiations probably will focus on measures to boost employee productivity and the flexibility to contract-out operations. Enhanced job security and modest wage increases are likely to be the primary goals of union negotiators in 1994 contract talks. These issues are germane to most of the State and local government units involved in bargaining in 1994.

Table 5. **Deferred increases scheduled in 1994 in collective bargaining agreements covering 1,000 workers or more, by month**

[Workers in thousands]

Effective month	Workers covered	Principal industries
January–December	3,573[1]	....
January	520	State and local government, construction, apparel
February	165	Apparel
March	172	Food stores, transportation equipment
April	365	State government, food stores
May	365	Communications, construction, electrical products
June	432	Construction, electric and gas utilities, transportation equipment
July	757	Railroads, State and local government, construction
August	401	Communications
September	213	Communications, airlines
October	431	State government, health services, food stores, and aerospace
November	123	Food stores
December	233	Local government, aerospace

[1] This total is smaller than the sum of individual items because 593,000 workers are scheduled to receive two increases and 5,400 are scheduled to receive three increases in 1994. It is based on data available as of November 1, 1993, and thus may understate the number of workers scheduled to receive deferred increases for the entire year.

Table 6. **Incidence of lump-sum payment provisions in collective bargaining agreements covering 1,000 workers or more, November 1993**

[Workers in thousands]

1987 SIC Code[1]	Industry[2]	All agreements: Number	All agreements: Workers covered	Agreements with lump-sum provisions: Number	Agreements with lump-sum provisions: Workers covered	Agreements with lump-sum provisions: Percent of workers covered by lump-sum provisions
	All industries	1,858	8,191	325	2,304	28
	All private industries	1,180	5,492	269	1,988	36
	Manufacturing	396	1,766	143	960	54
20	Food and kindred products	58	138	11	16	12
21	Tobacco products	5	13	5	13	100
22	Textile mill products	7	22	–	–	0
23	Apparel and other textile products	24	182	1	3	1
24	Lumber and wood products, except furniture	10	19	–	–	0
25	Furniture and fixtures	1	3	–	–	0
26	Paper and allied products	36	48	10	15	31
27	Printing and publishing	11	19	2	4	23
28	Chemicals and allied products	21	39	–	–	0
29	Petroleum and coal products	8	17	–	–	0
30	Rubber and miscellaneous plastics products	12	43	1	3	6
31	Leather and leather products	2	6	–	–	0
32	Stone, clay, and glass products	14	33	4	4	13
33	Primary metal industries	41	135	30	112	83
34	Fabricated metal products	16	27	7	12	43
35	Industrial machinery and equipment	22	81	7	43	53
36	Electronic and other electric equipment	33	209	13	57	27
37	Transportation equipment	67	718	50	670	93
38	Instruments and related products	4	11	2	8	72
39	Miscellaneous manufacturing industries	4	6	–	–	0
	Nonmanufacturing	784	3,726	126	1,028	28
10–12	Mining	6	60	5	10	16
15–17	Construction	336	967	–	–	0
40	Railroads	22	215	22	215	100
41	Local and urban transit	3	6	2	5	79
42	Trucking and warehousing	11	332	2	150	45
44	Water transportation	14	44	–	–	0
45	Transportation by air	27	204	9	52	25
48	Communications	34	458	16	260	57
49	Electric, gas, and sanitary services	73	209	12	24	12
50-51	Wholesale trade	9	14	1	1	10
53,55–59	Retail trade, except food stores	27	102	4	12	12
54	Food stores	98	553	31	121	22
60–65	Finance, insurance, and real estate	26	137	5	41	30
70–79, 81–89	Services, except health services	56	242	6	56	23
80	Health services	42	183	11	83	45
	State and local government	678	2,699	56	315	12

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

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

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.

Florida. Contracts covering 102,900 State employees will expire or reopen on June 30, 1994. (See table 9.) Ninety percent of the workers—those in general government, protective services, and health services—are covered by a 2-year contract which provided a wage increase of 3 percent on October 1, 1993, and contains a wage reopener in June 1994. It expires June 1995. Others with contract negotiations are employed in the State university system.

In early 1993, Florida's economic activity improved as construction work to repair the wreckage wrought by Hurricane Andrew gave the State a small stimulus. Now, however, the State's economy is being buffeted by a tourism slump, cutbacks in defense spending, and military base

Table 7. **Incidence of cost-of-living adjustment (COLA) clauses in collective bargaining agreements covering 1,000 workers or more, November 1993**

[Workers in thousands]

1987 SIC Code[1]	Industry[2]	All agreements: Number	All agreements: Workers covered	Agreements with COLA provisions: Number	Agreements with COLA provisions: Workers covered	Agreements with COLA provisions: Percent of workers covered by COLA provisions
	All industries	1,858	8,191	223	1,751	21
	All private industries	1,180	5,492	178	1,530	28
	Manufacturing	396	1,766	141	1,045	59
20	Food and kindred products	58	138	4	9	6
21	Tobacco products	5	13	5	13	100
22	Textile mill products	7	22	1	4	16
23	Apparel and other textile products	24	182	15	91	50
24	Lumber and wood products, except furniture	10	19	1	1	7
25	Furniture and fixtures	1	3	–	–	0
26	Paper and allied products	36	48	–	–	0
27	Printing and publishing	11	19	3	4	23
28	Chemicals and allied products	21	39	3	8	20
29	Petroleum and coal products	8	17	–	–	0
30	Rubber and miscellaneous plastics products	12	43	9	33	77
31	Leather and leather products	2	6	–	–	0
32	Stone, clay, and glass products	14	33	7	11	33
33	Primary metal industries	41	135	8	23	17
34	Fabricated metal products	16	27	7	12	44
35	Industrial machinery and equipment	22	81	13	62	77
36	Electronic and other electric equipment	33	209	12	119	57
37	Transportation equipment	67	718	51	651	91
38	Instruments and related products	4	11	1	4	37
39	Miscellaneous manufacturing industries	4	6	1	2	25
	Nonmanufacturing	784	3,726	37	485	13
10-12	Mining	6	60	–	–	0
15-17	Construction	336	967	3	6	1
40	Railroads	22	215	–	–	0
41	Local and urban transit	3	6	–	–	0
42	Trucking and warehousing	11	332	3	162	49
44	Water transportation	14	44	4	14	31
45	Transportation by air	27	204	1	2	1
48	Communications	34	458	7	189	41
49	Electric, gas, and sanitary services	73	209	6	12	6
50-51	Wholesale trade	9	14	1	2	11
53,55-59	Retail trade, except food stores	27	102	1	3	2
54	Food stores	98	553	–	–	0
60-65	Finance, insurance, and real estate	26	137	4	64	47
70-79, 81-89	Services, except health services	56	242	6	32	13
80	Health services	42	183	1	1	1
	State and local government	678	2,699	45	221	8

[1] There are no major collective bargaining agreements in SIC's 13, 14, 46, 47, 52, 57, or 67.
[2] Includes all private nonagricultural industries and State and local government.

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.

closings. These problems suggest a difficult bargaining environment in 1994, when negotitaions should focus primarily on wages as most of the employees are under a reopener that covers wages alone.

Illinois. Contracts covering 49,700 Illinois State employees expire on June 30, 1994. The American Federation of State, County and Municipal Employees negotiates contracts for most of the workers, who are in administrative, clerical, human services, supervisory, and technical positions.

When the expiring contracts were negotiated in 1991, the State and unions agreed to "back-load" the contract to accommodate the fiscal situation in Illinois. (Back-loading delays all or most of a wage rate increase beyond the first year of a multiyear pact to hold down labor costs.) At that time, the Nation was slowly emerging from the 1990–91 recession and Illinois sought to maintain financial equilibrium by concentrating wage increases in the last 2 years of the contract. Contract terms called for wage increases of 2.5 percent on July 1, 1992, 2 percent on January 1, 1993, and 5 percent on July 1, 1993. Major benefits remained unchanged throughout the contract term.

Bargaining goals for 1994 negotiations had not been established by the time this article was prepared.

Ohio. Contracts covering 43,100 Ohio State employees expire January 31, 1994, with most of the workers represented by the State, County and Municipal Employees union. Later in the year, pacts expire for 4,000 State health care and social workers and 2,500 Ohio State University clerical and technical employees.

When the expiring contracts were negotiated in 1991 and 1992, Ohio faced budget deficits approaching $100 million. (The State expected to suffer a $50 million deficit in its 1992–93 fiscal year). During the last bargaining round, the State, County, and Municipal Employees and the State concentrated more on insurance benefits. In exchange for only one wage boost of 5 percent in the second year of a 25-month contract, the State increased its contribution to medical, dental and vision insurance coverage.

Los Angeles Unified School District. Contracts for five bargaining units covering 65,600 school employees will expire in 1994. The last round of negotiations for these bargaining units reflected the precarious financial position of the school district. The United Teachers of Los Angeles (an affiliate of the National Education Association [Ind.] and the American Federation of Teachers) which represents 33,000 teachers, negotiated a 2-year agreement with a first-year pay reduction of 10 percent (8 percent through furlough days and 2 percent from a salary reduction), strict health care cost-containment measures, and a wage and benefit reopening provision in July 1993 that the union decided not to act upon. The Service Employees, which represents 29,500 operational support personnel, instructional aides, and teaching assistants, also negotiated 2-year contracts providing reductions in annual pay through furloughs in the first contract year, ranging from 4 to 26 days depending on salary level and work year; strict health care cost-containment measures; and a clause protecting workers from layoffs, reductions in hours or assignments, and furloughs as a result of lost revenue or costs incurred due to a strike or other concerted activity by another bargaining unit. The same terms were negotiated for 1,400 skilled crafts personnel who are represented by the Los Angeles County Building and Construction Trades Council.

The Associated Administrators of Los Angeles (Ind.), which represents 1,700 administrators, ratified a 2-year agreement that required a 9-percent first-year pay cut, a switch in medical benefits from a Preferred Provider Organization arrangement to a Health Maintenance Organization/ point-of-service plan, and a switch in dental benefits from an indemnity plan to a point-of-service plan.

Over the last 2 years, the school district, the second largest in the country, has faced severe economic difficulties. The district has not received sufficient financial resources to remain solvent. In fact, there have been discussions about placing the school district into State receivership. It has come under pressure because of decreased tax revenues and the need to provide increased services for a growing and increasingly diverse student population. Although the Los Angeles school district is similar to many other big city

Table 8. **Workers under cost-of-living adjustment (COLA) clauses in major collective bargaining agreements in private industry, 1971–94**

[Numbers in millions]

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

[1] Data relate to December 31 of preceding year.
[2] Percent coverage was computed on actual rather than rounded employment numbers.
[3] Preliminary. Data relate to information available as of November 1, 1993.

Table 9. **Government entity, employment, and union in selected State and local government jurisdictions with contract expirations in 1994**

Government jurisdiction	Number of workers	Major unions
Florida:		
General government		
Administrative, clerical, human services, supervisory and technical	69,700	State, County and Municipal Employees
Protective services		
Security and corrections	15,600	Florida Police Benevolent Association (Ind.)
Law enforcement officers	2,700	Florida Police Benevolent Association (Ind.)
Health services	4,700	Florida Nurses Association (Ind.)
Education		
Colleges and universities		
Faculty	7,000	United Faculty of Florida (NEA–Ind)
Graduate assistants	3,200	United Faculty of Florida (NEA–Ind.)
Illinois:		
General government	46,000	State, County and Municipal Employees
Health services	1,400	Illinois Nurses Association (Ind.)
Education		
Colleges and universities	2,300	State, County and Municipal Employees
Ohio:		
General government	35,400	State, County and Municipal Employees
Protective services	1,200	Fraternal Order of Police
Health services	4,000	Service Employees
Education		
Colleges and universities	2,500	Communications Workers of America
New York City Transit Authority:		
Subway and surface transit workers	32,000	Transport Workers Union
Hourly surface transit employees	2,100	Amalgamated Transit Union
Administrative, clerical, professional and technical	3,000	State, County and Municipal Employees
Los Angeles Unified School District:		
Education		
Primary and secondary schools		
Teachers	33,000	United Teachers of Los Angeles (NEA–Ind. and AFT)
Support personnel	29,500	Service Employees
Administrators	1,700	Associated Administrators of Los Angeles (Ind.)
Craftworkers	1,400	Los Angeles County Building and Construction Trades (Ind.)
Philadelphia public schools:		
Education		
Primary and secondary schools		
Teachers	13,100	Philadelphia Federation of Teachers (AFT)
Support personnel	6,000	Philadelphia Federation of Teachers (AFT)
Detroit public schools:		
Education		
Primary and secondary schools		
Teachers	10,500	Michigan Federation of Teachers (AFT)
Support personnel	4,300	American Federation of Teachers
Custodians	2,200	State, County and Municipal Employees
Administrators	1,100	Organization of School Administrators (Ind.)
Paraprofessionals	1,000	Detroit Federation of Paraprofessionals (AFL–CIO)

school districts trying to cope with increased demands for resources to fulfill its mandate, it is unique in that it has come so close to bankruptcy.

New York City Transit Authority. In 1994, the Authority will negotiate four contracts covering 37,100 employees. The largest unit covers 32,000 subway and surface transit workers represented by the Transport Workers Union. The other units cover 2,100 hourly surface transit employees represented by the Transit Union and 3,000 administrative, clerical, professional, and technical employees represented by the State, County, and Municipal Employees and the Communications Workers unions.

The Transport Workers and the Transit Union ratified similar retroactive 38-month contracts that provided wage increases of 2 percent on May 1, 1991, 2.5 percent on September 1, 1992, and 2-percent on May 1, 1993; and increased shift pay and selected benefits. The contract negotiated by the State, County, and Municipal Employees and Communications Workers provided wage increases of 1 percent on October 1, 1991, and 2 percent on July 1, 1993, and benefit improvements.

Philadelphia public schools. The Philadelphia Board of Education will renegotiate five collective bargaining agreements, covering about 19,100 employees, most of whom are teachers represented by the Philadelphia Federation of Teachers (an affiliate of the American Federation of Teachers). The last contracts were 2-year accords that provided a wage increase of 3 percent on September 1, 1993, and a freeze on benefits.

Detroit public schools. The Detroit Board of Education will renegotiate six collective bargaining agreements in 1994, covering 19,100 school employees, including 10,500 teachers represented by the Michigan Federation of Teachers (an affiliate of the American Federation of Teachers). The teachers' expiring 2-year contract, reached after a 27-day work stoppage, provided wage increases of 4 percent on July 1, 1992, and 3 percent on July 1, 1993, and an annual payment of $900 for each employee who had adequate health care coverage elsewhere.

Local school district collective bargaining in Michigan in 1994 may be difficult and should be very interesting. The State abolished the property tax as a source of revenue for school districts in 1993, thereby eliminating two-thirds of school districts' funding. A new funding mechanism has yet to be created and until one is, public school collective bargaining is likely to be hampered as school districts seek funds to keep operating. The resolution of this situation will have national repercussions in the ongoing debate about the future of the Nation's public schools, their mandates, and funding sources.

Specific industries

Construction. Approximately 254,000 construction workers are under 105 major agreements that are scheduled to expire or be reopened during 1994. The workers involved account for 26 percent of the workers under all major construction agreements. As is usually the case in construction, the majority (72 percent) of the workers are in contracts which terminate in March, April, and May. Much of the bargaining activity will be concentrated in the Midwest and Northeast where 59 contracts for 176,400 workers will be renegotiated. The plurality of the workers under expiring or reopening collective bargaining agreements are employed in special trades construction (for example, plumbing, heating and air conditioning; painting; masonry work; and carpentry).

Employers in the industry are usually represented by local or regional branches of national employer associations, such as the United Association of Plumbers and Pipe Fitters or the Mechanical Contractors Association. Workers are generally organized along craft lines such as pipe fitters, painters, welders, and so forth, and negotiations are usually conducted on a craft-by-craft basis.

According to preliminary data from the Bureau of the Census, the value of new construction put in place during the first 9 months of 1993 increased 6.4 percent over that of the same period in 1992. Although the largest gain was in residential construction, the value of new nonresidential construction, the portion of the industry in which most union construction workers are employed, rose 3.4 percent. Employment conditions in the industry have shown some improvement as well. Seasonally adjusted employment in construction was 4.6 million in September 1993, up slightly from 4.4 million 1 year earlier. The unemployment rate declined to 14.2 percent (seasonally adjusted) for September 1993, compared with 17.4 percent a year earlier, but it was still high relative to other industries and to the national unemployment rate of 6.7 percent in September 1993.

While there has been some improvement in the economic health of the construction industry recently, the average annual wage rate change under major construction settlements reached during the 12 months ended September 1993 (2.4 percent) was little changed from the average yield for the same period back to September 1989. As the following tabulation shows, average annual wage changes over the contract term in settlements reached during the 12 months ended September 1993, varied by geographic region.[2] Changes ranged from 1.1 percent in the New England region to 3.3 percent in the Mid-Atlantic region. Such geographic diversity among annual wage rate changes in construction settlements suggests that local economic conditions may be a factor in contract deliberations.

	Percent change
All agreements	2.4
Northeast	2.9
New England	1.1
Mid-Atlantic	3.3
Midwest	2.2
East North Central	2.2
West North Central	2.6
South	1.6
South Atlantic	1.3
South Central	2.6
West	2.4
Mountain	2.0
Pacific	2.5
Interregional	2.2

Geographic differences also exist in the average wage rate changes under contracts expiring in 1994. As the tabulation below indicates, these contracts, which were reached primarily in 1991, specified average annual wage changes over the term ranging from 1.1 percent in the Mountain region to 3.2 percent in New England.

	Percent change
All agreements	2.7
Northeast	3.0
New England	3.2
Mid-Atlantic	3.0
Midwest	2.8
East North Central	2.8
West North Central	2.1
South	2.0
South Atlantic	2.0
South Central	1.9
West	1.8
Mountain	1.1
Pacific	2.0
Interregional	3.0

The average annual wage rate change over the contract term in expiring contracts was about the same for the various types of construction—increases of 2.6 percent in heavy construction (such as highway and pipeline work) and in special trades construction, and 2.5 percent in general building construction.

Negotiators in 1994 will be watching for signs of whether the recent gains in construction activity will continue. They will also be studying the possible effects of the Economic Stimulus Plan that was enacted in 1992; the plan was reported to have both positive and negative effects on various segments of the construction industry. Even if economic conditions improve, new construction settlements are likely to continue to provide relatively modest wage and benefit gains. One recent trend that could pick up momentum is the interest in labor-management cooperation funds. Over the past year, contracts often established such a fund or increased employer contributions to existing funds. These funds are used to carry out programs essential to the industry, including developing skills through training programs, enhancing worker productivity, improving the quality of work life for employees, and addressing safety and health issues.

Trucking. Contract negotiations for approximately 170,000 workers are set for the first half of 1994. Most of these workers are represented by the Teamsters and are covered by the National Master Freight Agreement expiring March 31. Trucking Management Incorporated (TMI) and the Motor Carriers Labor Advisory Council are the two largest employer groups that negotiate under the National Master Freight Agreement, which covers over the road, or long distance hauling, and local cartage. Teamster members covered under the Joint Area Cartage Agreement in Chicago generally have settled on the same economic terms as the National Master Freight Agreement, but conduct a separate ratification vote. Four units not associated with the National Master Freight Agreement, including the Chicago Truck Drivers (Ind.)–Master Cartage Agreement in Chicago, are also scheduled for contract talks in the first half of the year.

During the last round of National Master Freight talks in 1991, the parties negotiated new wage and benefit terms before the contract expiration. The 3-year agreement provided hourly wage increases of 50 cents in the first year, and 45 cents in the second and third years for local hauling. Over the road drivers received mileage increases of 1.25 cents in 1991, and 1.125 cents in 1992 and 1993. Weekly employer contributions to the benefit funds were increased $18 per week in 1991, and $12 in 1992 and 1993.

In 1993, two companies that were signatory to the National Master Freight Agreement negotiated special 1-year contracts with the Teamsters. These agreements demonstrate the flexibility of the National Master Freight Agreement and some of the special problems that employers face. Teamsters employed by Preston Trucking Co., a subsidiary of Yellow Freight, voted to approve a 9-percent cut in pay to assist the carrier in improving its financial position. Under the National Master Freight Agreement, trucking companies may seek pay cuts of up to 15 percent if approved by 75 percent of the Teamster members working at the company and a profit-sharing plan is established. The Preston package was reported to produce savings of $26.2 million for the company, while the profit-sharing plan would provide extra payments to employees if profits were realized by the March 31, 1994 expiration. Northwest Transport and the Teamsters negotiated a 1-year experimental agreement which allows the carrier to pay 85 percent of the National Master Freight wage rate when competing against nonunion carriers only. Northwest operates primarily in the Southern U.S. where the competition is mostly nonunion and trucking wages are lower, according to a Teamsters spokesperson. Since the agreement became effective in early 1993, Northwest Transport has hired between 200 and 300 new employees.

According to the Teamsters union, this year's bargaining agenda will include continued efforts to eliminate double-breasting (where trucking companies have both a union and a nonunion shop competing for business), increased employer contributions to the pension fund, and health care issues. Employers are expected to seek work rule flexibility related to using part-timers, having drivers load and unload vehicles, and increasing the use of railroads for long haul runs. Differences in the type of trucking involved, work rules, and economic health suggest that the United Parcel Service contract reached last year is not expected to set the pattern for the Master Freight settlement.

Wholesale and retail trade. About 169,000 workers in the wholesale and retail trade industry are covered by 49 contracts that are scheduled to expire or be reopened in 1994. Eighty-three percent of the workers are represented by the United Food and Commercial Workers. The remainder are represented by the International Brotherhood of Teamsters; the Service Employees International Union; the International Association of Machinists; the Automobile Workers; the International Ladies' Garment Workers; and the Hotel Employees and Restaurant Employees.

In their last bargaining round, the parties agreed to wage terms that varied by type of business and region, with wage changes ranging from cuts averaging 3.9 percent per year to increases of 6.9 percent per year. For all of trade, the expiring contracts provided wage changes averaging an increase of 3.1 percent per year over their term.

The most recent settlements in the industry, for the 12-month period ended September 1993, also provided a broad range of annual wage changes over the contract term, from decreases of 2.9 percent to increases of 6.9 percent. All agreements in trade called for wage changes averaging an increase of 2.8 percent over their life.

Bargaining in food stores will dominate negotiations in trade. Thirty-six percent of all major food store agreements are slated for renewal in 1994, affecting 135,000 workers. These workers account for one-fourth of all workers under major contracts in food stores. As in recent years, discussions at the bargaining table in 1994 are likely to focus on practices related to keeping union firms competitive with their nonunion counterparts. Unionized food stores have been losing market share recently as consumers have turned increasingly to nonunion food store chains and discount warehouse outlets in search of cheaper prices. Because supermarkets are labor-intensive, firms paying lower wages and providing fewer benefits than their competitors have a large cost advantage.

One means of curbing labor costs that continues to be an issue in food store negotiations are two-tier wage and benefit systems. These systems specify that employees hired after a certain date receive lower wages and/or benefits, or are under less favorable work rules, than employees hired earlier. 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, which have generally agreed to two-tiered systems only as a last resort short of job losses, are anxious to eliminate them. Furthermore, as time passes, lower-tier employees become more numerous and can exert increasing pressure on both union leaders and employers for elimination of two-tier systems. Consequently, elimination or modification of two-tier systems could be an issue for some negotiators. However, some employers may wish to establish a two-tier system to help restrain costs.

Negotiators also may raise the issue of the use of part-time workers to help operate stores which stay open for long hours. Employers favor this practice because part-timers often have lower wage rates and are eligible for fewer benefits than full-time employees, thus lowering their labor costs. Unions oppose the increasing use of part-timers. In addition to putting more of their members on a lower wage and/or benefit tier, it reduces the need for overtime, thereby restricting opportunities for full-time employees to increase their earnings.

Provisions for lump-sum payments are another cost-cutting practice likely to be on the bargaining agenda. Thirty-two percent of the workers with contracts expiring in 1994 have lump-sum provisions. These contracts yielded annual wage changes averaging an increase of 2.0 percent, compared with 3.4 percent in expiring contracts without such provisions. (The average annual wage change yielded by all expiring contracts in food stores was 2.9 percent annually over the contract term.) During the 12 months ended September 30, 1993, one food store settlement, covering 1,500 workers, did not renew its lump-sum provision. However, five units, covering 23,000 workers, introduced a lump-sum payment, and seven settlements for 20,000 workers maintained the clause. Additionally, two of three first-time contracts specified lump-sum payments. Fifteen contracts for 118,500 workers remained without lump-sum payment provisions.

Apparel. Contracts covering 70 percent (129,000) of the workers under major agreements in the apparel industry expire in 1994. Ninety-one thousand workers are employed in the women's apparel industry under agreements expiring in the spring, and 38,000 workers in the men's apparel industry are under agreements terminating in August.

Bargaining in the women's apparel industry will be between the International Ladies' Garment Workers Union and 47 associations of manufacturers, including The New York Coat and Suit Association, United Better Dress Association, Atlantic Apparel Contractors, and the Greater

Blouse, Skirt and Undergarment Association. The employer associations represent companies that design and manufacture women's dresses, sportswear, blouses, suits, coats, belts, rainwear, and other women's outerwear.

In the men's apparel industry, the parties at the bargaining table will be the Amalgamated Clothing and Textile Workers Union and the Cotton Garment Manufacturers Association, which includes men's apparel manufacturers such as Arrow, Hathaway, Manhattan, Jay-Mar Ruby, and Cotler companies. The companies make men's shirts, trousers, and similar garments, or have garment distribution and retail centers in Maine, and in the Mid-Atlantic, Southern, and Central States.

Although negotiators represent different unions and employer groups, they face similar economic conditions. Employment in the apparel industry has been declining steadily, from a peak of 1.4 million workers in 1973 to 977,000 in September 1993. From 1991, when the expiring contracts were negotiated, the number of workers declined by 67,000. Over the last decade, the apparel industry has faced growing competition from lower priced imports. The Department of Commerce estimates that the volume of imports nearly tripled over the 1980–92 period, from 2.4 million to 7.1 million square meter equivalents, and that the rate of increase has been accelerating in recent years.

In the last round of bargaining, the Ladies' Garment Workers Union reached settlements with the New York Coat and Suit Association and the Infants', Children's and Girls' Sportswear and Coat Association in June 1991 that set the pattern for other women's apparel agreements. These contracts provided wage increases of 4 percent in each of the 3 contract years, increased employer financing of pension, health and welfare, and prescription drug funds, established 6 months of unpaid leave for a serious illness in the family, and provided reimbursement for the difference between jury duty pay and daily earned pay. The COLA clause was maintained, although no COLA payments had been made under the terms of the four prior contracts because the CPI had not increased sufficiently to generate a payment. Similarly, no COLA payments were made under the terms of the 1991 accord.

The Cotton Garment Agreement, negotiated in September of 1991, provided for wage increases of 70 cents an hour over the 3-year contract term; enhancements in the company-paid health care plan, including introduction of a vision care plan, a new prescription drug plan, and increased benefits for doctors' visits in the office, home, and hospital; and a 25-cent increase in the monthly pension rate per year of credited service.

Continuing efforts by labor and management to address problems of declining employment and cutbacks in production will provide the backdrop for negotiations in both segments of the industry. Specific contract demands are expected to be formulated soon.

Electronic and other electrical equipment. About 96,000 workers who make a wide variety of electronic and electrical equipment, including appliances, industrial power and communications equipment, and electronic medical systems, are covered by contract talks this year. Expiring contracts between the General Electric Co. and 13 unions, which make up the Coordinated Bargaining Committee, account for nearly 50,000 of these workers. The Coordinated Bargaining Committee also represents six unions with 4,900 workers slated for bargaining at Westinghouse Electric Corp., the other major industry employer involved in bargaining in 1994. Another 3,900 workers, represented by the Federation of Westinghouse Independent Salaried Unions, are scheduled for contract talks with Westinghouse. The contracts at General Electric expire in June and those at Westinghouse terminate in August. Contracts at the other employers are slated for renegotiation throughout the year.

Since establishment in 1965, the Coordinated Bargaining Committee has served as a vehicle for formulating a common set of bargaining proposals among its member unions with contracts at General Electric and Westinghouse. In both the 1988 and 1991 bargaining rounds, however, negotiations resulted in somewhat different contract terms at the two companies. In 1991, General Electric and its two major unions, the International Union of Electronic, Salaried, Machine and Furniture Workers and the United Electrical Workers of America settled on new terms just 2 hours before their contracts were set to expire. (Historically, these two unions, which bargain for their members at General Electric nationwide, set the pattern for the other unions which negotiate separate local contracts.)

The 3-year pacts specified wage increases of 3.5 percent in the first year and 2.25 percent in the second and third years. High-skilled workers received an additional pay raise. The cost-of-living adjustment formula was improved, but 3.5 cents of the June 29, 1992, payment was diverted to help pay for medical benefits. Among other changes, the monthly pension benefit was increased and a new pension option provided lifetime income for employees between the ages of 50 and 59 who were adversely affected by plant closures. Health care improvements included an increase in the major medical lifetime maximum benefit from $750,000 to $1 million, a new mail-order prescription plan, enhanced dental, vision, mental health, and substance abuse benefits, and establishment of an optional long-term care insurance plan. Health care cost containment provisions required employees to pay higher copayments, increased their maximum out-of-pocket expenses, and established a weekly payment for employees whose employed spouses enrolled under General Electric's dependent coverage plan and declined coverage under their employer's health care plan.

Westinghouse and three of its largest unions agreed to new pacts in August of 1991, setting a pattern for the other unions which bargain as part of the Coordinated Bargaining Committee. The new contracts called for wage rate gains of 2.5 percent in the first and second years and 3 percent in the third, and an enhancement of the cost-of-living adjustment formula. Health insurance changes included a new managed care option, a program of preventative medicine, and establishment of a long-term care insurance program. Employees under the Alternate Health Care option were required to pay an annual family deductible of $300, a copayment of 15 percent for services rendered, and an annual out-of-pocket family maximum of $1,200. Other provisions included extension of the early retirement supplemental payments, and establishment of additional incentives to encourage early retirements.

Recent trends in the industry and expectations about the future will help determine the negotiating agenda for all the parties in the industry scheduled for contract talks. Bargainers will note that collective bargaining settlements in electronic and other electrical equipment reached in the 12 months ended September 1993 provided average annual wage rate changes over the contract term that were higher than those specified in all settlements—an increase of 3 percent, compared with 2.3 percent.

Reflecting, in part, company reorganizations, plant closings, and decreased military and commercial airline business, employment in the industry has declined from an average of 1.6 million workers in 1991 to 1.5 million workers in September 1993 (seasonally adjusted). (Employment reached its highest level at 1.9 million workers in 1984 and has been declining since that time.) Companies are now looking for ways to convert some of their defense-oriented operations to civilian production, but the switch over could take years. The slow transition, coupled with company efforts to remain competitive, suggest that job security will be an important bargaining item for some of the parties.

The recent plight of the defense-related segment of the industry has been offset to some extent by gains in other areas. Fueled by lower interest rates and the resulting reduced payments for home mortgages and credit-card debt, sales of consumer durables such as appliances and televisions were stronger than overall economic growth through the first three quarters of 1993. Analysts are divided, however, over whether the pickup will last, with some suggesting that pent-up demand has been satisfied and that tax increases will dampen sales. Others are confident that low interest rates, increased home construction and remodeling, and new products will keep growth strong. Demands for wage and benefit improvements in contract negotiations will be influenced by which of these forecasts the parties expect to be correct.

Building management. In 1994, 57 percent (53,900) of workers under major collective bargaining agreements in the building management industry are scheduled to bargain for new contracts. All of the expiring agreements are in Chicago and New York, and the Service Employees International Union (covering 51,400 employees) and the International Union of Operating Engineers (covering 2,500 employees) represent the employees at the bargaining table.

The expiring contracts yielded an average wage gain of 3 percent per year over the contract term, ranging from no wage change to an average annual increase of 4.4 percent.

In Chicago, the Building Owners and Managers Association and the Service Employees Union (representing 12,000 janitors, elevator operators, and security personnel in three separate contracts) last concluded negotiations in May of 1993. Their 1-year agreements, which expire at the beginning of April, called for no change in wage rates, but increased monies to the health and welfare fund and to the pension plan. Also in Chicago, the Apartment Building Owners and Managers Association of Illinois (for fireproof high-rise apartment buildings) and the Chicago Real Estate Owners Council (for walk-up apartment buildings) approved 2-year contracts with the Service Employees Union (representing 6,000 cleaning workers) in January of 1993 providing wage increases of 3.5 percent in the first contract year and 3 percent in the second year and kept the same financing levels for the health and pension funds. Their agreements expire at the end of November.

In New York, the Realty Advisory Board on Labor Relations, Inc. (bargaining on behalf of owners of residential co-ops, condominiums, and rental units or their representatives) and the Service Employees Union (representing doorkeepers, porters, elevator operators, maintenance workers, and working superintendents in one master contract) previously negotiated a contract in May of 1991, ending a 12-day strike by 30,000 building service workers that had disrupted life for several hundred thousand residents of Manhattan apartment buildings.

The union had proposed reducing the workday from 8 hours to 7, but the owners' representatives balked, saying that would require the hiring of more workers. (The 8-hour workday allows owners to have front door coverage 24 hours a day, in three shifts). Management had sought a number of concessions that the union found unacceptable. Among them was a proposal to create a lower wage scale for new workers and for employees who changed jobs. The owners also sought the right to switch some full-time positions to part time.

The chief issue leading to the work stoppage, however, was the amount of the wage increase. The settlement essentially split the difference with the finalized pact calling for wage increases of $56 to $64 per week, depending on classification, over 35-1/2 months. The new pact also contained a cost-of-living clause (the CPI did not rise enough to trigger any payment over the contract term), an increase in the maximum monthly pension from $550 to $600; an increase in lifetime medical coverage from $2 million to $2.5 million, and other benefits. The proposals to reduce the workday, implement a two-tiered wage scale, and switch some positions to part-time jobs were dropped. The current agreement expires in late April.

Two smaller units will also be bargaining. The contract between the Builders Institute of Westchester County in New York State and the Service Employees, covering 3,400 workers, expires in mid-September; and a pact between the Realty Advisory Board on Labor Relations, Inc. in New York City and the Operating Engineers, covering 2,500 workers, expires at the end of December.

Airlines. Four airline contracts, covering 27,000 workers, become amendable under the Railway Labor Act in 1994. Two additional airline units that had been scheduled for bargaining in 1994 began negotiations early. Northwest Airlines' agreement with the Air Line Pilots Association, which had been scheduled to reopen on March 1, was renegotiated last year along with the airline's other union contracts as part of its efforts to refinance debt and lower labor costs. United Airlines and the Machinist's union, also scheduled to open talks this year, began bargaining early to discuss an employee buyout of the carrier. This was the largest group set for talks in 1994 with 26,500 workers. (No settlement had been reached by the time this article went to press.) Pilots at Continental voted in mid-1993 for representation by the Independent Association of Continental Pilots (Ind.) and the parties are likely to be bargaining over their first contract in 1994. In addition, Federal Express and its pilots will be continuing contract discussions in 1994, following a representation election victory by the Airline Pilots Association last year.

While the small profits, after a period of losses, reported by some airlines for the third quarter of 1993 might be the beginning of a turnaround, the U.S. airline industry has been facing significant financial problems for the past 3 years. According to airline executives, the industry had been consistently below the Standard and Poors industrials in return on equity in recent years. Leverage, as measured by the ratio of total debt to total assets and one indicator of financial strength, increased in the industry from 65 percent in 1989 to almost 85 percent in 1992. Since 1989, the costs-per-available-seat-mile have exceeded revenue-per-passenger-mile and many of the carriers have not been able to narrow the gap. Surplus capacity in the industry has depressed revenue as troubled carriers are motivated to discount fares to attract passengers.

Experts believe that airfares will continue to be driven down by the bankrupt and near bankrupt carriers and low cost competitors still entering the industry. For example, last summer, Southwest Airlines began offering very low fares between East Coast cities and the Midwest in an attempt to gain market share where they had not previously flown. Other carriers followed Southwest by offering deeply discounted fares to the same cities, although their costs are higher than Southwest's.

Airlines have been reducing capacity, initiating personnel layoffs and across-the-board salary cuts, and canceling aircraft orders to stem their loses. Some carriers have sold off less profitable routes, and are unloading subsidiary businesses, such as food services and maintenance facilities, using contractors to provide these services. These measures often mean a loss of jobs for the unions. To help protect workers, the unions have participated in talks with carriers to discuss employee buy-outs of the airlines, giving them some control in the management decisions affecting their jobs. Chief negotiators for the Airline Pilot and the Machinist unions have also been appointed to the National Commission to Ensure a Competitive Air Line Industry with representatives from the carriers, the financial community, and transportation experts. The Commission was appointed by the President and sent its recommendations to the White House and the Congress last August. The recommendations included encouraging more employee ownership in the industry. The union members of the Commission reportedly were also seeking restrictions on setting prices under costs and were encouraging other members of the commission to recommend specific solutions to the industry's problems, regardless of whether these answers involved re-regulation or continued deregulation.

Contract talks this year are very likely to center on the economic health of the carriers and their ability to continue operations, with work rule changes, employee ownership, and job security, the primary areas of concern.

As 1993 drew to a close, some of the major economic indicators suggested that the Nation's economy may be strengthening. Nevertheless, bargainers in 1994 are likely to face the same issues that have confronted those in labor contract negotiations during the past several years. □

Footnotes

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

[2] 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.