Compensation gains moderated in 1993 private industry settlements

Nearly two-fifths of workers covered by major collective bargaining agreements in private industry were under new pacts in 1993; their wage gains should put little pressure on labor costs

Edward J. Wasilewski

Labor and management negotiators continued to restrain wage increases at the bargaining table in 1993, even as the Nation's economy showed signs of gradual improvement. According to data on major collective bargaining agreements covering bargaining units of 1,000 or more workers, for the second consecutive year, major settlements provided wage gains that, on average, were smaller than those specified in the contracts they replaced. (See chart 1.) In addition, the settlements in 1993 called for the lowest average wage changes since 1987. (See table 1.) Changes in compensation, covering wages and benefits, also were more modest than in recent years.

In another sign of moderate labor cost pressure, average wage changes under all major contracts in effect in 1993, including changes from recently negotiated settlements, contracts agreed upon before 1993, and the operation of cost-of-living adjustment clauses (COLA's) were the smallest since 1988.

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Settlements in 1993

A total of 395 major collective bargaining settlements were negotiated in 1993; these contracts covered 2.1 million workers, or 38 percent of the 5.5 million workers under all major contracts in private industry. This was the largest proportion of workers under new agreements since 1986. (See table 2.) Nonmanufacturing industries dominated the year's bargaining calendar with settlements accounting for 62 percent (1.3 million) of all workers with new pacts. However, new contracts were set in place in a variety of industries including: petroleum refining; coal mining; aluminum, steel, automobile, and aerospace equipment manufacturing; parcel delivery service; construction; retail food stores; and utilities.

Contracts reached in 1993 had the longest average duration—35.8 months— recorded since the Bureau of Labor Statistics began publishing this measure in 1972; this represented a small increase over the previous high of 35.6 months for settlements reached in 1991. Nearly 75 percent of workers were covered by agreements that were 3 years or longer. The contracts that were replaced had an average duration of 35.4 months.

An historically high proportion of workers—54 percent— was under settlements with a lump-sum payment provision. These provisions help curb labor costs; they are one-time payments that do not become part of the wage structure and, in some cases, are not considered when determining certain benefits. Lump-sum provisions were added in 36 agreements affecting 273,000 workers, dropped from 23 agreements for 74,000 workers, and maintained in 61 pacts covering 828,000 workers. With these changes, 39 percent of the 5.5 million workers under major private industry contracts at the end of 1993 had lump-sum payment coverage, up from 36 percent at the end of 1992. From 1987, when lump-sum coverage data were first compiled, through 1991, lump-sum coverage was between 40 and 43 percent.

COLA clauses, which link changes in wage rates to changes in consumer prices, typically as measured by the Consumer Price Index, were included in contracts covering 31 percent of workers with new pacts in 1993. Negotiators discontinued COLA's in 13 settlements covering 206,000 workers, added the provisions in 3 settlements for 7,500 workers, and continued the clauses in 54 agreements for 622,000 workers. By the end of 1993, 24 percent of all workers under major contracts had COLA coverage, down from 28 percent at the end of 1992 and 30 percent at the end of 1991. COLA coverage has dropped steadily since 1983, when it accounted for 60 percent of all workers.

Negotiated wage changes

Settlements in 1993 specified wage rate changes averaging increases of 2.3 percent for the first contract year and 2.1 percent a year over the life of the contract. Comparable changes the last time the same parties bargained, primarily in 1990, were increases of 3.7 percent for the first year and 2.9 percent annually over the life of the contract. Wage changes in settlements in 1992 also were lower than in contracts they replaced, but the differences, on average, were smaller. The 2.1-percent annual wage rate change matched the second lowest level recorded since BLS first measured such changes in 1968; the lowest was 1.8 percent in 1986.

Over the contract term, wages increased for 90 percent of workers covered by 1993 settlements, remained unchanged for 9 percent, and were cut for 1 percent. The proportion of workers covered by settlements with wage gains is the smallest since 1988, when 88 percent of the workers were covered by pacts increasing wage rates. (See table 3.) Gains for the 1.9 million workers who were scheduled for wage increases during the life of the contract averaged 2.4 percent annually, the lowest level recorded since this information was first compiled in 1968.

Chart 1. Average annual changes in wage rates over the life of the contract in current and replaced private industry collective bargaining settlements covering 1,000 or more workers, 1983–93

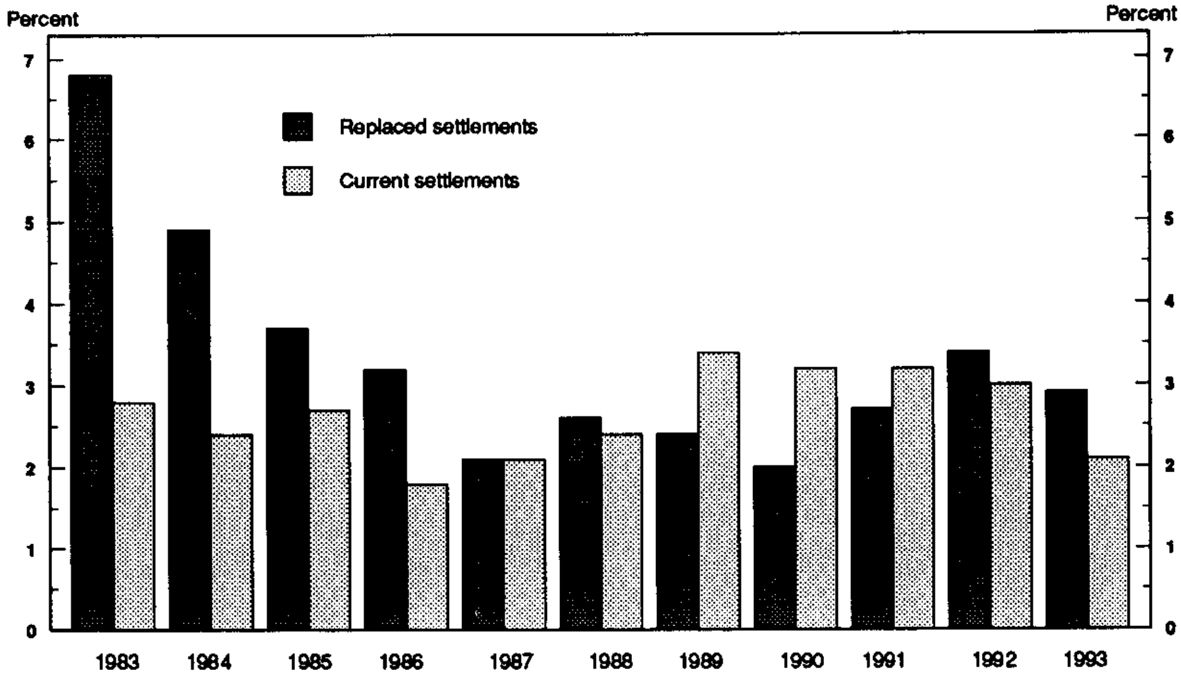

Table 1. **Average wage and compensation changes in collective bargaining agreements covering 1,000 or more workers in private industry, 1984–93**

[In percent]

Measure	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Settlements covering 1,000 or more workers:										
Changes in wage rates										
First contract year[1]	2.4	2.3	1.2	2.2	2.5	4.0	4.0	3.6	2.7	2.3
Annually over the life of the contract[2]	2.4	2.7	1.8	2.1	2.4	3.4	3.2	3.2	3.0	2.1
Settlements covering 5,000 or more workers:										
Changes in compensation rates										
First contract year[1]	3.6	2.6	1.1	3.0	3.1	4.5	4.6	4.1	3.0	3.0
Annually over the life of the contract[2]	2.8	2.7	1.6	2.6	2.5	3.4	3.2	3.4	3.1	2.4
Annual changes in compensation costs over the life of the contract[2]										
Total compensation	—	—	—	—	1.7	2.8	2.4	2.4	2.1	1.6
Total cash payments[3]	—	—	—	—	1.5	2.9	2.2	2.3	1.9	1.3
Wages only	—	—	—	—	1.6	2.9	2.1	2.1	1.9	1.3
Benefits	—	—	—	—	2.1	2.9	2.8	2.5	2.6	2.1
All contracts covering 1,000 or more workers:										
Wage rate changes[4]	3.7	3.3	2.3	3.1	2.6	3.2	3.5	3.6	3.1	3.0
Source										
Settlements reached in the year	.8	.7	.5	.7	.7	1.2	1.3	1.1	.8	.9
Settlements reached in a previous year	2.0	1.8	1.7	1.8	1.3	1.3	1.5	1.8	1.9	1.9
Cost-of-living adjustment provisions	.9	.7	.2	.5	.6	.7	.7	.5	.4	.2

[1] Changes under settlements reached in the period and effective within 12 months of the effective date of the contract. All measures exclude any cash or benefit lump-sum payments and potential changes from COLA clauses.

[2] Changes under settlements reached in the period expressed as an average annual rate over the life of the contract. All measures exclude any cash or benefit lump-sum payments and potential changes from COLA clauses.

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

[4] Changes in the period stemming from current settlements reached in the year, settlements reached in a previous year, and cost-of-living adjustment provisions.

NOTE: Average changes include net increases, decreases, and zero change. Dash indicates data are not available.

Settlements with provisions for lump-sum payments or COLA's, or both, specified smaller average changes in wages—a 1.9-percent increase—than agreements without such provisions—2.5 percent. Lump-sum payments are not included in measures of wage rate change because they are not part of the ongoing rate structure. But they are included in measures of compensation cost change discussed later. Potential wage changes generated by COLA clauses are not included in measures of wage changes under settlements because the COLA's are based on changes in prices that are not known at the time of settlement.

Settlements in manufacturing and nonmanufacturing. In nonmanufacturing, where 3 of 5 workers covered by settlements in 1993 were employed, wage rate changes averaged an increase of 2.5 percent annually over the contract term, compared with 1.5 percent in manufacturing. A smaller proportion of workers than in manufacturing, two-fifths compared with four-fifths, was covered by a lump-sum or COLA provision. Coverage by such provisions did not affect the size of nonmanufacturing wage rate changes, which averaged 2.6 percent annually in pacts with such clauses and 2.5 percent annually in agreements without the provisions. In manufacturing, on the other hand, settlements with lump-sum or COLA provisions called for wage rate changes averaging an increase of 1.3 percent annually over the contract term, compared with 2.5 percent in settlements that did not include either provision.

Compensation cost changes

Wage and benefit changes combined are reflected in total compensation change, which BLS measures in settlements covering 5,000 or more workers. Compensation cost changes in 1993, averaging an increase of 1.6 percent annually over the term of the contract, were the lowest since BLS first used the measure in 1988. In addition to wage and benefit changes, compensation cost changes reflect specified lump-sum payments and the length of time for which the wage and benefit changes are in effect during the contract.

Table 2. **Average changes in wage and compensation rates under collective bargaining settlements covering 1,000 or more workers in private industry, 1993**

Measure	First-year change[1] (percent)	Annual change over life of contract[2] (percent)	Number of workers (thousands)	Number of settlements
Settlements covering 1,000 or more workers				
Wage changes				
All industries	2.3	2.1	2,065	395
With COLA clauses	2.8	1.4	630	57
Without COLA clauses	2.1	2.5	1,435	338
With lump sums	2.6	1.9	1,120	104
Without lump sums	2.0	2.5	944	291
With both lump sums and COLA	2.8	1.3	588	37
With either lump sums, COLA, or both	2.6	1.9	1,162	124
With lump sums but no COLA	2.3	2.5	533	67
With COLA but no lump sums	2.2	2.0	42	20
With neither lump sums nor COLA	2.0	2.5	902	271
Manufacturing	2.7	1.5	794	126
With COLA clauses	2.9	1.3	560	48
Without COLA clauses	2.3	2.1	234	78
With lump sums	2.7	1.2	593	54
Without lump sums	2.8	2.4	201	72
With both lump sums and COLA	2.9	1.2	529	33
With either lump sums, COLA, or both	2.7	1.3	624	69
With lump sums but no COLA	.7	1.2	64	21
With COLA but no lump sums	2.3	1.8	31	15
With neither lump sums nor COLA	2.9	2.5	170	57
Nonmanufacturing	2.1	2.5	1,271	269
With COLA clauses	1.8	2.3	70	9
Without COLA clauses	2.1	2.6	1,201	260
With lump sums	2.5	2.6	527	50
Without lump sums	1.8	2.5	744	219
With both lump sums and COLA	1.8	2.2	59	4
With either lump sums, COLA, or both	2.4	2.6	539	55
With lump sums but no COLA	2.5	2.7	469	46
With COLA but no lump sums	2.1	2.8	12	5
With neither lump sums nor COLA	1.8	2.5	732	214
Construction	2.1	2.6	384	139
All industries, excluding construction	2.4	2.1	1,680	256
Nonmanufacturing, excluding construction	2.0	2.5	887	130
Goods producing	2.6	1.9	1,240	267
Service producing	2.0	2.6	825	128
Settlements covering 5,000 or more workers				
Wage changes—all industries	2.4	2.0	1,386	73
Compensation changes				
All industries	3.0	2.4	1,386	73
With COLA clauses	3.2	1.7	539	16
Without COLA clauses	2.9	2.8	847	57
With lump sums	3.2	2.3	963	34
Without lump sums	2.7	2.6	423	39
With either lump sums, COLA, or both	3.2	2.3	963	34
With neither lump sums nor COLA	2.7	2.6	423	39
Manufacturing	3.3	1.6	595	23
Nonmanufacturing	2.8	3.0	791	50
Construction	3.8	3.6	134	15
All industries, excluding construction	2.9	2.2	1,252	58
Nonmanufacturing, excluding construction	2.6	2.8	657	35
Goods producing	3.4	1.9	789	39
Service producing	2.5	2.9	597	34

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

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

NOTE: Average changes include net increases, decreases, and zero change. The lump-sum measures refer to whether or not settlements have cash lump-sum provisions. All measures exclude any cash or benefit lump-sum payments and potential changes from COLA clauses. Because of rounding, sums of individual employment items may not equal totals.

Two-thirds (1.4 million) of workers covered by settlements in 1993 were in bargaining units of 5,000 or more workers. For these workers, the rate of increase in the cost of benefits, at 2.1 percent annually over the contract term, was larger than the rate of increase solely for wages or for cash payments (wages and lump-sums), which were at 1.3 percent. The gain in each of the components established an all-time low or matched the lowest level recorded. However, 57 percent of the workers under settlements in 1993 covering 5,000 or more workers may receive additional compensation changes due to contingent pay provisions in the contracts. Such potential payments are not included in specified compensation cost changes, because they depend on factors unknown at the time of settlement. For example, potential payments under COLA clauses are considered contingent at the time of settlement, as are payments that depend on the level of company profits in the future. Workers with contingent pay provisions had changes in compensation costs averaging an increase of 1.5 percent, compared with 1.7 percent for those without such provisions.

Settlements in selected industries

For nearly all industries, average annual wage changes over the contract life were lower in settlements reached in 1993 than in the contracts they replaced. (See table 4.) Such widespread moderation despite the generally improving economy suggests that negotiators may have been influenced more by specific industry or company concerns than by the performance of the overall economy. In addition, the new agreements often included innovative provisions that are not reflected in measures of wage and benefit changes. For example, many steel contracts called for union representation on company boards of directors and contained provisions that barred layoffs and gave companies greater staffing flexibility. Workers under several airline contracts received part ownership of the company in exchange for concessions on wages and work rules.[1] This section summarizes the wage and benefit changes in settlements in selected industries.

Transportation equipment. Approximately 506,000 workers were covered by 32 settlements in the transportation equipment manufacturing industry, accounting for 64 percent of the workers under all 1993 manufacturing settlements. The majority of the workers were employed by automobile or aerospace equipment manufacturing firms.

The industry's 1993 settlements provided lower wage rate changes than those negotiated in the contracts they replaced. Specified wage changes averaged increases of 3 percent for the first contract year, compared with 3.5 percent in previous contracts, and 1.3 percent annually over the life of the contract, compared with 1.6 percent previously.

Wage rates increased for 456,000 workers, or 90 percent of those covered by 1993 settlements; the increases ranged from 0.3 percent to 6.4 percent annually over the term of the contracts. Wages were frozen for the remaining workers. Lump-sum payments, COLA's, or both were provided for 482,000 workers, or 95 percent of workers covered by settlements.

Of the workers covered by settlements in the transportation equipment industry, 391,000, or 77 percent, were in automobile manufacturing. They were covered by contracts between the United Automobile Workers (UAW) and the "Big Three" automobile manufacturing companies, General Motors, the Ford Motor Co., and the Chrysler Corp. In September, Ford led the 1993 round of bargaining, with a 3-year agreement for 95,000 workers. Following the pattern set by Ford, Chrysler and the 56,000 workers represented in contract negotiations signed an agreement in October, and General Motors and 240,000 workers settled in November. The pacts called for an immediate 3-percent general wage increase; a 25-cent per hour wage increase for skilled workers; lump-sum "performance bonus" payments in 1994 and 1995 equivalent to 3 percent of the previous year's "qualified earnings"; and benefit improvements, including a $4 increase over the term of the contract in the basic-monthly pension per year of service. The COLA clause was continued, providing quarterly wage adjustments of 1 cent per hour for every 0.26-point change in the CPI. To help cover the costs of other contractual benefit improvements, 22 cents was diverted from the quarterly COLA wage adjustment, an increase from 14 cents in the previous contract's COLA clause. Under the new pact, $1.34 of the $1.39 COLA "float" accumulated under the former contract was folded into the base wage rates after the 3-percent wage increase; the remaining 5 cents of the float was continued into the new contract.

All three auto manufacturers continued their profit sharing and employer-paid health care plans. Under their previous profit-sharing plans, Ford workers received $1,300 and Chrysler workers, $4,725; General Motors workers did not receive a profit-sharing payment. The firms also agreed to fully restore funding for job security and supplemental unemployment benefits provided by the 1990–93 agreements. In an important difference in the settlements, Ford and Chrysler continued the $600 annual Christmas bonus. At GM, 32 hours of pay for the shutdown during the week of July 4 was substituted for the Christmas bonus.

Aerospace equipment manufacturing companies employed 18 percent, or 92,000, of the workers covered by the industry's 1993 settlements. These companies included Lockheed Corp., United Technologies, McDonnell Douglas, and The Boeing Co. (Boeing's agreements covered its engineering and technical workers represented by the Seattle Professional Engineering Employees Association [Ind.]. The company settled in 1992 with its largest union, the Machinists.)

The settlements concluded in 1993 reflected the industry's economic difficulties resulting from cuts in defense spending and lack of demand in the airline industry. The agreements called for lower wage rate changes, on average—an increase of 2.9 percent in the first year and 2.4 percent annually over the life of the contract—than those specified in contracts they replaced—4.8 percent and 3.5 percent. In addition, 88 percent of workers were covered by 1993 settlements that included lump-sum provisions, COLA clauses, or both, while virtually all workers were covered by such provisions under the expired contracts.

Construction. A little more than 384,000 construction workers were covered by 139 contracts negotiated in 1993, accounting for 19 percent of the 2.1 million workers under all major 1993 settlements. Construction settlements provided wage changes averaging increases of 2.1 percent in the first year and 2.6 percent annually over the life of the contract. (Actual wage rate increases in construction settlements over the contract term may be somewhat lower because contracts for three-tenths of the workers have the option to divert some or all of the increase to benefit funds.) None of the settlements contained a lump-sum provision, and only one, covering 2,000 workers, included a COLA clause.

The last time the same parties bargained, primarily in 1990, they agreed to average wage rate changes of 3.0 percent in the first year and 3.4 percent annually over the contract life. While the average wage changes in 1993 settlements were lower compared with expired contracts, they were slightly higher than those agreed to in 1992 bargaining, perhaps reflecting the improving conditions in the construction industry. The value of new nonresidential construction, the sector employing most of the union work force, rose for the second consecutive year in 1993. Also, at 14.3 percent, the average 1993 unemployment rate for the private sector construction industry was at its lowest level since 1990, when it was 11.1 percent.

Contracts reached in 1993 were shorter in duration—30.5 months—than those being replaced—31.6 months. However, as the following tabulation indicates, nearly three-fifths of construction workers covered by 1993 settlements were under contacts that were 36 months or longer.

	Percent of workers	*Annual wage change (percent)*
Contract duration		
All contracts	100	2.6
12 months or less	17	1.6
Longer than 12, but less than 24 months	6	.9
24 months	12	3.2
Longer than 24, but less than 36 months	8	2.2
36 months	45	3.0
Longer than 36 months	13	2.8

Bargaining in 1993 was concentrated in the Mid-Atlantic and East North Central regions, which together accounted for 60 percent of the workers under construction settlements.[2] As the following tabulation illustrates, average wage gains varied considerably by region, perhaps reflecting local economic conditions.

	Annual wage change (percent)	*Percent of workers*
All construction settlements	2.6	100
Mid-Atlantic	3.4	33
Interregional	2.8	4
West North Central	2.8	3
Pacific	2.6	10
South Central	2.5	3
East North Central	2.2	27
Mountain	2.0	5
South Atlantic	2.0	8
New England	1.1	7

Among the three types of construction activity, bargaining was heaviest in general building, covering 43 percent of the workers. Heavy and highway construction, such as road and tunnel work, followed with 31 percent. The remaining 26 percent of the workers were in special trades activities. The special trades sector had the highest average annual wage change over the contract life, an increase of 2.7 percent, followed by building construction, 2.6 percent, and heavy-highway, 2.4 percent.

Wholesale and retail trade. Settlements reached in 1993 in wholesale and retail trade covered 257,000 workers, some 236,000 of whom worked in food stores. The remaining 21,000 workers were employed in department stores, restaurants, automotive dealerships, drug stores, and wholesale trade. These contracts provided wage rate changes averaging increases of 1.6 percent in the first year of the agreement and 2.3 percent annually over the term of the contract.

All retail food store workers were covered by contracts between the United Food and Commercial Workers and local and regional chains. Contracts called for wage changes averaging an increase of 2.3 percent annually over their term, the same as in the rest of wholesale and retail trade, and considerably lower than the 3.9 percent specified in contracts being replaced.

Lump-sum amounts were paid to 55 percent of workers covered by food store settlements. Since the Bureau began compiling the data in 1987, changes in wage rates in food store settlements with lump-sum provisions generally have been smaller, on average, compared with those in settlements without lump-sum coverage. In 1993, wage rate changes in settlements with lump-sums averaged an increase of 0.7 percent in the first contract year and 2 percent annually over the contract term. In settlements without lump-sum provisions, wage changes averaged an increase of 2.6 percent both in the first year and annually over the contract term.

United Parcel Service. A 4-year agreement, ratified in early November, provided wage increases of $2.25 an hour and a company contribution of an additional $1.80 per hour to employees' health and welfare and pension funds over the life of the agreement to the 169,000 workers represented by the International Brotherhood of Teamsters.[3] The United Parcel Service (UPS) is the largest single employer that negotiates with the Teamsters union.

UPS and the Teamsters had agreed to a temporary contract extension, which the parties could cancel with 5 working days' notice, following the expiration of their contract on July 31. Despite the problems that a strike would have caused for the union's strike fund, the Teamsters notified UPS that the union planned to cancel the extension September 30 due to lack of progress on a new agreement. The absence of a ratified contract also was beginning to affect the company: the Teamsters' strike threat prompted some customers to move or threaten to move their business to other shippers. A tentative national agreement was reached September 27.

The new agreement called for wages to increase 60 cents per hour in the first year of the contract and 55 cents per hour in each of the remaining 3 years. Contributions to the health and welfare fund were raised 25 cents per hour in each year of the contract, and payments to the pension fund were increased 15 cents per hour in the first year, 20 cents per hour in the second and third years, and 25 cents per hour in the fourth year. Wage and benefit increases were identical for full- and part-time workers. The union said the new contract "provides high enough benefit fund contributions to enable most plans to establish 25-and-out pension benefits."[4] Under the expired 1990 agreement, wages increased 50 cents per hour in each year of the contract and contributions to benefit funds rose 35 cents per hour each year.

In April 1996 and 1997, full-time workers may receive a $100 lump-sum payment ($50 for part-time workers) if the annual change in the CPI-W (1982–84=100) for the January 1995 to January 1996 period and the January 1996 to January 1997 period is more than 3.4 percent above the percent increase in wages and benefits combined for each year. This contingent lump-sum payment clause replaced the previous COLA formula, which provided a 1-cent wage change for each 0.6-point change in the CPI-W (1982–84=100) in the second and third contract years with a maximum payment of 20 cents per hour annually.[5] In 1990, full-time workers received a $1,000-signing bonus and part-timers received $500. The 1993 contract did not guarantee lump-sum payments.

Electric, gas, and sanitary services. Approximately 88,000 workers were covered under contracts reached during 1993 in the electric, gas, and sanitary services industry. Nearly one-half of the workers were covered by pacts at four companies: Pacific Gas and Electric Co., Commonwealth Edison of Illinois, Southern California Edison Co., and Florida Power and Light Co. Most of the workers covered by these four settlements were represented by the International Brotherhood of Electrical Workers.

Wage rate changes under all 1993 settlements in the utility industry were lower, on average, than those called for in the expired contracts. Average specified wage rate changes for the first year and annually over the life of the contracts called for increases of 2.7 percent and 2.8 percent. Corresponding changes under the replaced contracts were 3.7 percent during the first year and 3.6 percent over the contract term. The average changes specified under 1993 settlements also were the smallest since 1988. Although the wage rate changes called for in 1993 settlements were low for the industry, they were still highter compared with the average gains of 2.3 percent for the first year and 2.1 percent annually over the term of the contract in all other industries combined, continuing a pattern that has been demonstrated since the data were first tabulated in 1982.

Settlements for utility employees tend to have a small proportion of workers covered by COLA clauses or lump-sums provisions. This was the case again in 1993 for COLA's. Two settlements for 10,600 workers dropped their COLA coverage, no settlements added them, and two pacts for 3,000 workers continued COLA provisions. However, an unusually large proportion (20 percent) of workers were under settlements that added lump-sum coverage. No settlements dropped lump-sum provisions and settlements covering 5 percent of the workers maintained lump-sum provisions. A comparison of settlements in 1993 with and without such provisions suggests there may have been some substitution of lump-sum payments for guaranteed wage boosts. Changes in wage rates for settlements with lump-sum payment provisions averaged an increase of 2.6 percent annually over the term of the contract, compared with 2.9 percent for those without such provisions.

Table 3. **Percent of workers under collective bargaining settlements covering 1,000 or more workers in private industry with increases, decreases, and no change in wage rates over the contract term, 1982–93**

Year	Percent of workers with—			Average wage rate change[1] (percent)	Average wage rate increases[2] (percent)
	Wage rate increases	Wage rate decreases	Zero change		
1982	64	1	35	3.6	5.7
1983	73	13	14	2.8	4.2
1984	84	12	4	2.4	3.1
1985	85	3	12	2.7	3.5
1986	79	9	13	1.8	2.7
1987	85	4	11	2.1	2.6
1988	88	2	11	2.4	2.7
1989	97	(3)	3	3.4	3.5
1990	97	(3)	3	3.2	3.3
1991	93	(3)	7	3.2	3.5
1992	92	2	6	3.0	3.3
1993	90	1	9	2.1	2.4

[1] Changes under settlements reached in the period expressed as an average annual rate over the life of the contract. Data include net increases, decreases, and zero change.

[2] Net increases under settlements reached in the period expressed as an average annual rate over the life of the contract.

[3] Less than 0.5 percent

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

Petroleum refining and coal mining. Contract negotiations were concluded in 1993 for a majority of the unionized work force in two of the Nation's energy-producing sectors, petroleum refining and bituminous coal mining. About 16,550 workers were under eight major collective bargaining agreements in refineries, and 60,000 coal miners had their major contracts renewed.

Workers in the petroleum industry were represented primarily by the Oil, Chemical and Atomic Workers Union. Companies at the bargaining table included American Oil (AMOCO), Sun Oil, Chevron, Mobil, Shell, Texaco, Exxon, and Ashland Oil. Settlements were reached in February for all of these companies except Exxon, which reached an agreement in May.

Pattern bargaining is characteristic in the petroleum refining industry. While bargaining is conducted separately at each company, union goals on issues such as wages and pension and health benefits are determined at the national level through the union's National Oil Bargaining Policy Committee. Generally, a settlement covering the major economic terms is reached at one company and adopted by the others in the industry. Similar to the 1990 bargaining round, the lead agreement in 1993 was negotiated with AMOCO.

The 1993 contracts provided wage increases of 3.5 percent in the first and second years, and 3.7 percent in the third. Under the previous contracts, which were negotiated in 1990, wages were boosted 5.3 percent in the fist year, 5 percent in the second, and 4.5 percent in the third year. The new 3-year agreements also provided a minimum of 12 weeks unpaid leave for the birth or adoption of a child, or serious illness of a child, spouse, or parent. Health insurance premiums will be paid on a company/employee split of 80/20 percent, or the company will increase its monthly contributions for health insurance by $20 in the first year and $25 in the second and third years.

Late in 1993, a 5-year contract was hammered out in the coal mining industry with the help of W. J. Usery, a special mediator appointed by Labor Secretary Robert B. Reich. As part of the settlement between the Bituminous Coal Operators Association and the United Mine Workers Union, some 17,000 union members who participated in "selective" strikes against some of the coal companies returned to work.

At issue in the 7-month walkout, which began in May, was "double-breasting," the practice of unionized employers operating nonunion subsidiary firms. The pact gave union members the right to bid for jobs at a signatory company's nonunion operations. Laid-off miners will be entitled to 60 percent of all new jobs created at a company's new, existing, or newly acquired facilities.

The contract, approved December 14, 1993, called for a $500 "back-to-work" bonus for striking workers; wage increases of 50 cents an hour (retroactive to February 1, 1993, for nonstriking workers), and 40 cents an hour in the second and third years; and annual payments of $1,000 to offset the annual health care deductible. The agreement expires August 1, 1998, and the union retains the sole option of reopening negotiations only for additional wage and pension increases in the fourth and fifth years of the contract. Either side may re-open on health care issues in the fourth and fifth years or if national health care legislation is enacted.

Table 4. **Average changes in wage rates annualized over the life of the contract under collective bargaining settlements covering 1,000 or more workers, selected industries, 1988–93**

[In percent]

Industry	1988	1989	1990	1991	1992	1993	
						Settlements	Replaced contracts
All industries	2.4	3.4	3.2	3.2	3.0	2.1	2.9
Mining	(1)	(1)	4.9	(1)	(1)	(1)	(1)
Construction	2.6	3.0	4.2	2.9	2.4	2.6	3.7
Building construction	2.7	3.0	4.0	2.7	2.3	2.6	3.7
Heavy construction, excluding building	2.8	2.9	4.2	3.1	2.2	2.4	2.8
Special trade contractors	2.4	3.1	4.5	3.0	2.8	2.7	3.4
Manufacturing	2.1	3.2	2.1	3.1	2.6	1.5	2.1
Food and kindred products	2.2	3.1	3.4	3.2	2.6	2.6	2.7
Tobacco products	(1)	(1)	—	(1)	(1)	—	—
Textile mill products	2.7	4.0	4.2	4.1	4.4	4.0	4.4
Apparel and other textile products	4.1	(1)	3.5	(1)	2.5	(1)	(1)
Lumber and wood products, except furniture	2.8	(1)	(1)	(1)	3.3	—	—
Furniture and fixtures	(1)	(1)	(1)	(1)	(1)	—	—
Paper and allied products	1.7	1.9	2.1	1.7	2.7	1.1	1.4
Printing and publishing	(1)	3.2	3.5	1.6	(1)	(1)	(1)
Chemicals and allied products	2.7	3.5	4.0	4.1	3.7	3.0	3.8
Petroleum and coal products	2.5	(1)	5.0	—	—	3.6	4.9
Rubber and miscellaneous plastics products	1.3	(1)	(1)	.9	(1)	(1)	(1)
Leather and leather products	(1)	—	(1)	(1)	—	(1)	(1)
Stone, clay, glass and concrete products	2.5	2.6	3.0	(1)	1.9	2.7	2.8
Primary metal industries	1.4	3.7	4.7	(1)	.8	1.1	3.4
Fabricated metal products	2.2	2.2	2.3	2.0	2.0	.8	1.5
Industrial machinery and equipment	1.2	1.7	1.3	1.2	(1)	.7	1.3
Electronic and other electric equipment	1.8	2.8	.9	(1)	(1)	(1)	(1)
Transportation equipment	.8	4.2	1.4	3.7	(1)	1.3	1.6
Instruments and related products	(1)	3.0	(1)	(1)	(1)	—	—
Miscellaneous manufacturing industries	3.5	(1)	—	(1)	(1)	(1)	(1)
Nonmanufacturing [2]	2.5	3.4	4.0	3.3	3.0	2.5	3.5
Railroad transportation	—	—	—	2.9	4.1	(1)	(1)
Trucking and warehousing	1.0	(1)	(1)	(1)	(1)	(1)	(1)
Airlines	.7	4.6	4.6	4.3	.9	.4	2.8
Communications	1.8	2.4	3.0	(1)	3.5	3.4	2.9
Electric, gas, and sanitary services	2.8	3.7	4.0	4.4	3.9	2.8	3.7
Wholesale and retail trade	3.2	3.5	3.7	3.3	3.3	2.3	3.9
Food stores	2.8	3.2	3.8	3.4	3.2	2.3	3.9
Finance, insurance and real estate	4.7	4.8	2.9	(1)	3.7	2.2	4.0
Services	4.3	6.1	5.3	4.9	3.4	2.6	4.3
Health services	4.9	7.7	5.6	7.3	3.5	2.5	5.0

[1] Data do not meet publication standards.

[2] Includes mining and construction, shown above.

NOTE: Average changes include net increases, decreases, and zero change under settlements reached in the period expressed as an average annual rate over the life of the contracts. Excludes lump-sum payments and potential changes under cost-of-living adjustment clauses. Dash indicates no observations.

Primary metals. Wage rate changes in 1993 settlements were noticeably lower than in the contracts being replaced due in part to persistently depressed economic conditions and job losses in the industry. Specified wage rate changes averaged an increase of 0.8 percent for the first year and 1.1 percent annually over the life of the agreement. When the same parties previously bargained, contracts provided average changes of 7 percent for the first year and 3.3 percent annually over the term of the contract. Twenty settlements were reached in the industry in 1993 covering 70,300 employees.

Seventy-one percent (50,000) of workers covered by these settlements were in the steel industry. Wage rate changes specified under steel settlements averaged 0.4 percent for the first year and 1.2 percent annually over the term, sharply lower than the corresponding changes in the replaced contracts, which were negotiated in 1989 or 1990. Many of these previous contracts, which called for changes in wages averaging increases of 9.3 percent in the first year and 4.5 percent annually over the contract term, restored wage cuts in agreements negotiated in the mid-1980's. Lump sum provisions were negotiated for 97 percent of the workers under 1993 settlements. Of workers covered by steel settlements, 52 percent had 6-year contracts, with a wage reopener after the third year.[6]

Approximately one-fourth of the workers — 17,000 — covered by the 1993 settlements in primary metals were in the aluminum industry. The 1993 negotiations were conducted amid depressed economic conditions in the industry due to excess capacity and falling prices of aluminum products. Four settlements were reached with two major aluminum producers, Aluminum Company of America and Reynolds Metals Co. The workers were represented by two unions, the United Steelworkers of America, and the Aluminum, Brick, and Glass Workers International Union.

In 1992, amid economic difficulties, the same parties extended the contracts, which were due to expire, by 1 year hoping that economic conditions in 1993 would improve. The 3-year 1993 pacts called for lump-sum payments ranging from $300 to $1,300 and a wage increase of 25 cents per hour in June 1993. Employees may choose to receive an additional 25-cent per hour wage increase or the company will match up to 3 percent of the employee's contribution to the 401(k) savings plan. The monthly pension benefit for future retirees was increased by $2 per year of service in June 1993. The accord also instituted a new managed health care program in January 1994, with deductibles and out-of-pocket expenses for out-of-network services. A gainsharing plan based on the financial performance of the company and the attainment of local goals was substituted for the previous profit-sharing plan. In addition, the COLA clause, which provided a 1-cent wage increase for every 0.3-point change in the BLS CPI above 3 percent was maintained.

All major contracts

Wage changes under all major contracts in effect during 1993 averaged a 3-percent increase, which was the smallest average change since 1988. It was the second consecutive year in which wages advanced at a slower pace than in the preceding year; changes in 1991 and 1992 averaged 3.6 percent and 3.1 percent.

Changes in wage rates put into effect in any year come from three sources: settlements reached during the reference year, settlements reached before the reference year, and the operation of COLA provisions. In 1993, the 3-percent wage change was composed of the following: 0.9 percent from settlements reached during 1993, 1.9 percent from agreements reached earlier, and 0.2 percent from COLA's.

About 4.8 million of the 5.5 million workers under all major contracts received wage increases in 1993. Their average wage increase, 3.5 percent, was the lowest since 1988, when wage increases averaged 3.4 percent. The moderate gains from each of the sources of increases contributed to the relatively low overall level of increase in 1993. Agreements reached during the year specified increases in 1993 averaging 3.2 percent for 1.7 million workers. Settlements negotiated in previous years called for increases in 1993 averaging 3.4 percent for 3 million workers, and COLA reviews yielded an average increase of 1.3 percent for 872,000 workers.

Approximately 296,000 workers were covered by COLA provisions that did not trigger a wage increase because the CPI did not rise enough to generate an increase. COLA's in 1993 yielded wage increases that amounted to 48 percent of the CPI movement during the review period.

Wages were frozen for approximately 600,000 workers in 1993, and wages were cut an average of 5.7 percent for 79,000 workers. All the cuts stemmed from settlements reached in 1993.

IN SUM, moderation characterized collective bargaining agreements reached in 1993 as average wage gains were lower than those specified in replaced contracts and below those provided in settlements in recent years. It is too early to determine whether further improvements in the Nation's economy will spark a reversal of these trends in 1994, or whether conditions in specific industries and companies will continue to dictate the terms of settlements.

Footnotes

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[1] For more detail on the 1993 settlement terms, including some of the innovative provisions, see various issues of *Compensation and Working Conditions*, a monthly publication of the Bureau of Labor Statistics; and Michael H. Cimini, Susan L. Behrmann, and Eric M. Johnson, "Labor-management bargaining in 1993," *Monthly Labor Review*, January 1994, pp. 20–35.

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

[3] This membership total does not include the 7,000-member Chicago and 3,000-member Northern Illinois locals, which negotiated identical wage and benefit agreements, but negotiated and ratified the contracts separately.

[4] "Teamsters members ratify UPS contract by more than 2–1," *News from the New Teamsters*, Nov. 8, 1993.

[5] BLS defines COLA clauses as provisions that tie wage rate changes to changes in consumer prices. The UPS-Teamster clause is not considered a COLA clause because it provides fixed lump-sum payments, but not wage changes, contingent upon changes in the CPI.

[6] BLS measures a contract's duration as the time from the effective date to the expiration date, or first wage or wage and benefit reopening date.

True challenges

There are two common views concerning the future of labor. One view, voiced by many labor relations analysts, argues that external factors will ultimately determine the fate of labor unions in the United States. . . . . The second view holds that dramatic change in the Nation's labor laws will "save" the labor movement. . . . The first view implies that environmental changes will forever conspire against the survival and growth of unions. The second view suggests that laws alone can convince workers to join, participate in, and foster unionism. Thus, both views place the fate of the labor movement in the hands of those external to it. As a result, neither accurately captures the true challenges facing the labor movement over the next decade.

—Dave Weil
Turning the Tide: Strategic Planning for Labor Unions
(New York, Lexington Books, 1994), p. 255–56