Collective bargaining in 1989: negotiators will face diverse issues

Agreements covering 3.1 million workers in private industry and State and local government will be on the table; talks set in communications, steel, longshore, and health care industries

William M. Davis and Fehmida Sleemi

About 3.1 million workers are under major collective bargaining agreements (those covering 1,000 workers or more) scheduled to expire or be reopened in 1989. They constitute 36 percent of the 8.6 million workers under all major agreements in private industry and State and local government.

In private industry, scheduled bargaining will cover 2.1 million of the 6.1 million workers under major agreements, or about 35 percent, compared with 38 percent in 1988 and 30 percent in 1987. In State and local government, bargaining will involve 968,000 of the 2.5 million workers under major agreements, or about 39 percent. This proportion was 42 percent in 1988 and 49 percent in 1987.

In private industry, 78 percent (1,630,000) of the workers whose contracts are slated for renegotiation in 1989 are in nonmanufacturing industries, compared with 63 percent in 1988 and 53 percent in 1987. They are concentrated in communications (534,000 workers), construction (434,000), and retail trade (240,000). Manufacturing industries with the largest number of workers under contracts slated for renewal are transportation equipment manufacturing (mainly aerospace), with 111,000 workers, and primary metals (mostly steel and aluminum production) with 107,000. (See tables 1 and 2.)

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Workers covered by public sector contracts scheduled to expire or reopen in 1989 are almost equally divided between State and local governments. At the State level, half (502,000) of the 1,029,000 workers under major agreements will be covered by negotiations during the year; three-fifths of these workers are in general administration. In local government, one-third (467,000) of the 1,457,000 workers under major contracts have agreements up for renewal; three-fifths of these are in primary or secondary education.

Information on 1989 bargaining is based on data available to the Bureau of Labor Statistics as of September 30, 1988. Thus, any settlements occurring in the fourth quarter of 1988 that provide for 1989 expiration or reopening could affect the proportion of workers scheduled for negotiations in 1989. In State and local government, for example, 919,000 workers were under 228 agreements that expired by December 31, 1988, but for which settlements had not been reached or details of new settlements had not been available by September 30. Ninety percent of these workers are under contracts that expired by the end of the third quarter. In the unlikely event that all of these contracts are settled before the end of 1988 and call for termination or reopening during 1989, bargaining activity for the year in State and local government would be extremely heavy, affecting about three-fourths of the workers under major agreements. The bargaining agenda will also include negotiations that continued into 1989 on contracts that expired or reopened in 1988 or earlier.

Table 1. Major collective bargaining agreements 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							
	Number of agreements	Workers covered	1989		1990		1991 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
All industries[3]	1,948	8,567	794	3,068	523	2,600	314	1,452	433	1,892
All private industries	1,289	6,080	503	2,100	380	1,984	241	1,173	205	975
Manufacturing	457	2,093	164	470	136	1,013	96	436	72	222
Food and kindred products	56	140	22	34	21	43	9	50	5	14
Tobacco products	3	14	2	13	—	—	1	1	—	—
Textile mill products	7	22	2	3	2	10	2	7	5	16
Apparel and other textile products	28	202	2	6	6	96	16	93	4	8
Lumber and wood products, except furniture	12	25	1	1	1	2	8	17	2	5
Furniture and fixtures	5	6	—	—	2	2	1	1	2	2
Paper and allied products	36	49	18	23	11	16	2	3	5	6
Printing and publishing	16	25	8	16	5	6	3	5	1	1
Chemicals and allied products	27	49	13	22	5	9	4	10	7	13
Petroleum and coal products	11	33	1	1	10	32	—	—	—	—
Rubber and miscellaneous plastics products	13	47	2	3	7	36	6	34	1	1
Leather and leather products	3	15	—	—	2	11	—	—	1	4
Stone, clay, and glass products	19	47	4	6	8	32	3	3	4	7
Primary metal industries	44	202	25	107	10	50	3	25	6	21
Fabricated metal products	24	49	12	22	5	16	2	3	5	8
Industrial machinery and equipment	27	87	9	25	7	22	5	6	6	34
Electronic and other electric equipment	43	231	19	73	8	31	10	96	6	30
Transportation equipment	74	832	21	111	24	594	18	78	11	49
Instruments and related products	4	12	2	4	1	6	1	1	—	—
Miscellaneous manufacturing industries	5	7	1	2	1	1	2	3	1	2
Nonmanufacturing	832	3,987	339	1,630	244	971	145	737	133	752
Mining	5	73	3	5	1	3	1	65	—	—
Construction	361	1,008	159	434	128	376	74	221	17	44
Transportation, except railroads and trucking	52	257	16	77	10	51	4	32	23	100
Railroad transportation	26	352	—	—	—	—	—	—	26	352
Trucking and warehousing	13	309	3	4	2	115	4	154	5	38
Communications	39	565	26	534	8	23	5	9	1	1
Electric, gas, and sanitary services	74	234	32	92	20	65	12	30	14	58
Wholesale trade	10	38	3	4	5	8	1	25	1	2
Retail trade, except eating and drinking places	123	576	43	210	30	164	34	141	17	63
Eating and drinking places	12	37	9	30	—	—	—	—	4	15
Finance, insurance, and real estate	23	129	6	58	10	25	3	35	4	11
Services, except hotels and health services	38	151	12	43	13	52	3	5	10	52
Hotels and other lodging places	15	104	8	50	3	39	1	9	3	6
Health services	41	154	19	89	14	49	3	12	8	11
State and local government	659	2,487	291	968	143	616	73	280	228	917
State government	186	1,029	106	502	19	137	20	101	57	415
Local government	473	1,457	185	467	124	479	53	179	171	502

[1] Totals may be less than the sum of the data for individual years because 116 agreements covering 445,000 workers have both reopenings and expirations in the reference period.

[2] Includes agreements which were due to expire between Oct. 1 and Dec. 31, 1988; agreements which expired prior to Oct. 1, 1988, but for which new agreements were not reached by then; agreements which expired prior to Oct. 1, 1988, but for which necessary information was not available; 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.

The economy

When George Bush becomes President in January, he will face mixed signals from some of the major indicators of the Nation's economic well-being, judging from data available at the time of his election. The stock market had rebounded from its low in October 1987, and unemployment remained relatively stable at about 5.5 percent during 1988. For the year ending September 1988, the price rise, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), was 4.2 percent, and the gross national product grew about 3.7 percent. However, the composite index of leading economic indicators, compiled by the U.S. Department of Commerce's Bureau of Economic Analysis to forecast movements in aggregate economic activity, pointed to an economic slowdown in 1988. For the year ending September 1988, the index increased 0.7 percent, compared with an increase of 6.7 percent for the previous 12-month period. Meanwhile, the budget and trade deficits were continuing major concerns.

Bargaining developments

Negotiations in 1989 follow another year of relative peace in labor-management relations. Through the first 9 months of 1988, there were 28 major work stoppages (strikes and lockouts involving 1,000 workers or more). At that rate, the number of stoppages in 1988 would fall below the record low of 46 set a year earlier. Fewer than

Table 2. 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]	1,948	8,567	....
Total 1989[3]	794	3,068	....
January	19	51	Tobacco, airlines
February	23	103	Food stores
March	58	178	State and local government
April	74	176	Construction
May	82	379	Communications, construction
June	278	998	State and local government, construction, health services, aluminum
July	34	66	Construction
August	73	535	Communications, local government, steel
September	66	236	Food stores, State and local government, maritime
October	34	162	Aircraft manufacturing, food stores
November	19	57	Local government, health services
December	36	130	Real estate management, building maintenance
Total 1990	523	2,600	....
January	33	107	Petroleum refining
February	28	141	Apparel and other textile products
March	44	124	Health services, construction
April	37	128	Construction
May	69	218	Construction
June	157	553	State and local government
July	25	176	Parcel delivery
August	28	148	Food stores
September	49	845	Automobiles, State and local government
October	19	51	Food stores
November	13	40	Transportation equipment
December	22	82	Local government
Total 1991 and later	314	1,452	....
Year unknown or in negotiation[4]	433	1,892	....

[1] Includes all private nonagricultural industries and state and local governments.
[2] See note 1, table 1.
[3] Includes two agreements covering 3,000 workers which have both a wage reopening and expiration scheduled in 1989.
[4] See note 2, table 1.
NOTE: Because of rounding, sums of individual items may not equal totals.

100 major work stoppages have been recorded each year beginning in 1982 through 1987, when the record low was set. The use of the work stoppage as a bargaining tool has declined sharply since 1980. In all but 2 years between 1947 and 1979, there were from 200 to 470 major stoppages. There were 187 in 1980, 145 in 1981, and there have been fewer than 100 each year since 1982.

Major collective bargaining agreements in private industry that were negotiated in the first 9 months of 1988 provided wage rate adjustments averaging 2.4 percent annually over the contract life. Since 1982, settlements have called for average annual wage rate adjustments of between 1.8 and 3.6 percent over the contract term. From 1968, when the series began, to 1981, settlements provided wage rate adjustments averaging from 5.1 to 8.9 percent annually over the contract term. The size of major settlements reached in the last few years contributed to keeping wage increases, as measured by the Bureau's Employment Cost Index (ECI), proportionally smaller for all union workers than for nonunion workers in each calendar quarter except two, from the fourth quarter of 1983 to the third quarter of 1988.

In part, the size of negotiated wage rate adjustments in the first 9 months of 1988 reflects continuing economic difficulties facing many industries, including competition from abroad, competition from nonunion firms at home, and declining employment opportunities. However, measures of wage rate adjustments do not capture the changes in other forms of worker compensation that are not part of the wage rate. For example, increasing costs for health benefits have diverted funds that might have been available for wage increases.

In addition, the collective bargaining settlements series excludes lump-sum payments such as those that have been, since 1983, a significant part of settlements for many workers.[1] These payments were often introduced to curb labor costs, particularly in firms facing economic hardships. They are made in lieu of or to supplement wage increases, or to offset wage cuts. They keep down labor costs because they generally are not taken into account in calculating certain benefits, and they are one-time payments that are not added to the permanent wage-rate structure. Payments may be specified as a uniform dollar amount for all workers, a uniform percentage of earnings during a specified period, or a dollar or percent amount varying by occupation, skill, pay level, work schedule, or length of service. They may also be contingent on profit levels.

Contracts that include provisions for lump-sum payments provide smaller wage adjustments than those without lump sums, on average. For example, private industry contracts expiring in 1989 that have lump-sum provisions provided specified wage-rate adjustments averaging 1.4 percent annually over the contract term, compared with 2.6 percent for those without lump sums.

Agreements for one-third (709,000) of the workers in private industry whose contracts are slated for renewal in 1989 include lump-sum provisions. These workers are concentrated in telephone communications (265,000), food stores (106,000), and transportation equipment, mostly aerospace (93,000). Overall, about 43 percent (2.6 million) of the workers under major contracts in private industry have agreements providing lump-sum payments. (See table 3.)

Some bargainers will have to deal with problems that derived from the two-tier wage and compensation structures which they introduced in their preceding contracts in attempts to cut labor costs. These structures temporar-

Table 3. Incidence of lump-sum payment provisions in major collective bargaining agreements, October 1988
[Workers in thousands]

1988 SIC code[1]	Industry[2]	All agreements: Number	All agreements: Workers covered	All agreements: Percent of workers covered by lump-sum provisions	Agreements with lump-sum provisions: Number	Agreements with lump-sum provisions: Workers covered
	Total	1,948	8,567	33	395	2,818
	Private nonagricultural industries	1,289	6,080	43	343	2,585
10	Metal mining	3	7	63	2	5
12	Bituminous coal and lignite mining	2	66	0	0	0
15	Building construction general contractors	124	421	0	0	0
16	Construction other than building construction	94	283	0	0	0
17	Construction-special trade contractors	143	303	0	0	0
20	Food and kindred products	56	140	38	23	54
21	Tobacco manufacturing	3	14	85	2	12
22	Textile mill products	7	22	0	0	0
23	Apparel and other finished products	28	202	2	2	5
24	Lumber and wood products except furniture	12	25	63	7	16
25	Furniture and fixtures	5	6	26	1	1
26	Paper and allied products	36	49	68	24	33
27	Printing, publishing, and allied industries	16	25	0	0	0
28	Chemicals and allied products	27	49	27	8	13
29	Petroleum refining and related industries	11	33	96	10	32
30	Rubber and miscellaneous plastics	13	47	11	2	5
31	Leather and leather products	3	15	0	0	0
32	Stone, clay, glass, and concrete products	19	47	23	6	11
33	Primary metals industries	44	202	37	10	74
34	Fabricated metal products	24	49	49	8	24
35	Machinery, except electrical	27	87	60	10	52
36	Electrical machinery equipment and supplies	43	231	69	23	159
37	Transportation equipment	74	832	92	50	762
38	Instruments and related products	4	12	28	1	3
39	Miscellaneous manufacturing industries	5	7	0	0	0
40	Railroad transportation	26	352	99	24	348
41	Local and urban transit	4	11	0	0	0
42	Motor freight transportation	13	309	37	2	115
44	Water transportation	15	62	0	0	0
45	Transportation by air	33	183	26	7	48
48	Communications	39	565	51	27	288
49	Electric, gas, and sanitary services	74	234	14	9	33
50	Wholesale trade—durables	3	6	0	0	0
51	Wholesale trade—nondurables	7	32	88	3	28
53	Retail trade—general merchandise	14	61	53	4	32
54	Food stores	97	488	62	52	302
55	Automotive dealers and service stations	5	9	0	0	0
56	Apparel and accessory stores	2	6	0	0	0
58	Eating and drinking places	12	37	0	0	0
59	Miscellaneous retail stores	5	13	38	2	5
60–65	Finance, insurance and real estate	23	129	7	2	9
70–89	Services	94	409	28	20	114
	State and local government	659	2,487	9	52	233

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

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

NOTE: Because of rounding, sums of individual items may not equal totals, and percentages may not equal numerical worker ratios.

ily or permanently provide wage scales or benefits, or both, that are lower for employees hired after a certain date than for employees hired earlier. Some recent contracts have reduced the differential between tiers or eliminated the structure entirely because of problems that two-tier systems create for both employers and union leaders.

In addition to considering the general economy and trends in collective bargaining, this year's negotiators will take into account what their expiring or reopening agreements have yielded.

Expiring and reopening agreements

Private industry. The following tabulation for agreements expiring or reopening in 1989 shows total average annual wage adjustments—specified adjustments and those triggered by cost-of-living adjustments (COLA's) through September 30, 1988. It also shows average annual specified wage adjustments only (excluding adjustments from COLA clauses).

	Percent wage adjustments: *Total*	*Specified only*
Private industry	2.4	2.2
Contracts with COLA	2.5	1.8
Contracts without COLA	2.3	2.3

Wage adjustments provided by contracts expiring or reopening in 1989 are the smallest in the 15 years for which the Bureau has been compiling these data. Specified adjustments averaged 2.2 percent a year, and when COLA's through September 1988 were added to them, total adjustments averaged 2.4 percent a year. Adjustments for contracts with COLA's and for all contracts combined may change as a result of potential COLA adjustments occurring between October 1, 1988, and contract reopenings or expirations in 1989.

Contracts covering 26 percent (552,000) of the 2.1 million workers whose agreements will expire or be reopened in 1989 contain COLA clauses. For the second consecutive year, these contracts will yield larger total wage adjustments than contracts without COLA clauses. This follows 5 years during which expiring contracts that did not have COLA clauses yielded more than those that did. Part of this reversal in pattern can be traced to the difference in the rate of increase in consumer prices during the two periods. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) rose less than 4 percent a year between 1982 and 1986; the index increased 4.5 percent in 1987 and rose at an annual rate of 4.5 percent during the first 9 months of 1988. Expiring or reopening contracts for 332,000 workers (primarily in telephone communications and the steel industry) had discontinued COLA coverage; those for 38,000 workers added COLA coverage. The subject of COLA's, therefore, will be discussed by negotiators of these and other contracts this year.

State and local government. State and local government contracts expiring or reopening in 1989 provided annual wage adjustments averaging 5.1 percent. The effect of COLA's on the overall average was insignificant because COLA clauses in major State and local government agreements cover only about 3 percent of the workers. Lump-sum provisions are only somewhat more common, affecting about 9 percent of the workers under contracts up for renegotiation in 1989.

Trends in COLA coverage

The proportion of private industry workers under major agreements with cost-of-living adjustment (COLA) clauses has been declining over the last 10 years, from a peak of 61 percent in 1977. The proportion declined somewhat from 1978 through the end of 1984, dropped sharply in 1985 and 1986, declined slightly in 1987, and rose slightly, to 40 percent as of October 1988. (See table 4.) The decline stemmed from employment losses in industries in which COLA clauses were common and the suspension or elimination of COLA coverage, especially in contracts settled in 1985 and 1986. Some of the settlements that dropped COLA clauses replaced contracts that had provided little or no COLA increase.

As of October 1988, 2.4 million out of 6.1 million (40 percent) private industry workers under major agreements had COLA coverage. (See table 5.) In State and local government, COLA coverage is rare, applying to only 3 percent of the workers under major agreements.

Table 4. Workers under cost-of-living adjustment clauses in major collective bargaining agreements in private industry, 1971–89

[Numbers in millions]

Year[1]	Total workers	With COLA coverage	
	Number	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 (preliminary)[3]	6.1	2.4	40

[1] Data relate to December 31 of preceding year.
[2] Percent coverage was computed on actual rather than rounded employment numbers.
[3] Data relate to information available as of Oct. 1, 1988.

Deferred wage changes in 1989

Of the 8.6 million workers covered by major collective bargaining agreements, 2.8 million are scheduled to receive specified wage changes averaging 4.0 percent in 1989 under the terms of contracts negotiated earlier. (See tables 6 and 7.) In private industry, 2.0 million workers will receive deferred wage changes (all but 5,800 will receive increases) that will average 3.4 percent, up from last year's 3.0 percent, which was the smallest change in the 21-year history of this statistical series. Deferred wage changes, averaging 5.4 percent, are scheduled for 808,000 workers in State and local governments, compared with a 5.0-percent change in 1988.

Bargaining in key industries

Bargainers will be operating in the same general economic climate. For most, however, the local economy, or economic conditions in the industry or in the bargaining unit itself, will largely determine the outcome of individual contract talks.

The remainder of this article describes issues that will face negotiators in key industries in which the heaviest bargaining will occur this year. The issues are as diverse as the industries involved in contract talks. Job security will be a primary concern in some situations, while improvements in wages and benefits will be the most important issue in others.

State and local government. About 968,000 workers are covered by 291 major State and local government contracts that will be expiring or reopening in 1989. They include 502,000 workers under 106 State contracts and 467,000 workers under 185 local government contracts. Expiring contracts account for about 39 percent of the 2.5 million workers under major State and local government

Table 5. Incidence of cost-of-living adjustment clauses in major collective bargaining agreements, October 1988
[Workers in thousands]

1988 SIC Code[1]	Industry[2]	All agreements: Number	All agreements: Workers covered	All agreements: Percent of workers covered by COLA clauses	Agreements with COLA clauses: Number	Agreements with COLA clauses: Workers covered
	Total	1,948	8,567	29	313	2,481
	Private nonagricultural industries	1,289	6,080	40	289	2,408
10	Metal mining	3	7	0	0	0
12	Bituminous coal and lignite mining	2	66	0	0	0
15	Building construction general contractors	124	421	6	5	26
16	Construction other than building construction	94	283	3	2	8
17	Construction-special trade contractors	143	303	4	5	12
20	Food and kindred products	56	140	8	5	11
21	Tobacco manufacturing	3	14	100	3	14
22	Textile mill products	7	22	16	1	4
23	Apparel and other finished products	28	202	47	17	96
24	Lumber and wood products, except furniture	12	25	6	1	2
25	Furniture and fixtures	5	6	0	0	0
26	Paper and allied products	36	49	0	0	0
27	Printing, publishing, and allied industries	16	25	41	6	10
28	Chemicals and allied products	27	49	10	3	5
29	Petroleum refining and related industries	11	33	0	0	0
30	Rubber and miscellaneous plastics	13	47	83	9	39
31	Leather and leather products	3	15	0	0	0
32	Stone, clay, glass, and concrete products	19	47	92	16	44
33	Primary metals industries	44	202	22	13	44
34	Fabricated metal products	24	49	69	14	33
35	Machinery, except electrical	27	87	78	19	68
36	Electrical machinery equipment and supplies	43	231	63	25	144
37	Transportation equipment	74	832	91	56	758
38	Instruments and related products	4	12	28	1	3
39	Misceallaneous manufacturing industries	5	7	27	1	2
40	Railroad transportation	26	352	99	24	348
41	Local and urban transit	4	11	12	1	1
42	Motor freight transportation	13	309	95	8	292
44	Water transportation	15	62	36	4	23
45	Transportation by air	33	183	3	2	6
48	Communications	39	565	41	18	230
49	Electric, gas, and sanitary services	74	234	10	8	23
50	Wholesale trade—durables	3	6	0	0	0
51	Wholesale trade—nondurabales	7	32	77	1	2
53	Retail trade—general merchandise	14	61	39	2	24
54	Food stores	97	488	1	2	5
55	Automotive dealers and service stations	5	9	0	0	0
56	Apparel and accessory stores	2	6	0	0	0
58	Eating and drinking places	12	37	0	0	0
59	Miscellaneous retail stores	5	13	34	1	5
60–65	Finance, insurance and real estate	23	129	52	6	67
70–89	Services	94	409	9	10	37
	State and local government	659	2,487	3	24	73

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

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

NOTE: Because of rounding, sums of individual items may not equal totals, and percentages may not equal numerical worker ratios.

agreements, compared with 42 percent in 1988 and 49 percent in 1987.

Unions representing government workers include: the American Federation of State, County and Municipal Employees (AFL-CIO) which represents a variety of government workers; the National Education Association (Independent) and the American Federation of Teachers (AFL-CIO), which chiefly represent workers in public education; the Fraternal Order of Police (Independent) and the International Association of Fire Fighters (AFL-CIO), which represent many public protective service workers; and the Amalgamated Transit Union (AFL-CIO), which bargains for workers in public transit systems.

Workers in general government administration account for 62 percent of the workers under State agreements scheduled to expire or be reopened in 1989. These workers are employed in a variety of occupations including secretaries, administrators, accountants, craftspersons, and appraisers.

Primary and secondary education accounts for 62 percent of the workers under expiring local government contracts; the majority are teachers. In education, depending on the school district, all or most occupations (such as teachers, teacher aids, clerical workers, bus drivers, and cafeteria workers) may be covered under one contract or separate agreements may cover one or several job classifications.

During the coming negotiations, bargainers will be interested in recent changes in wages and benefits in other government contracts. State and local government settlements reached during the first 9 months of 1988 provided wage adjustments averaging 5.3 percent over the life of their contracts, compared with 5.2 percent in the agreements they replaced. Settlements reached between January and September 1988 varied by level of government as well as government function. Average annual wage adjustments over the term of the agreements were higher in local than in State government contracts (5.4 and 5.1 percent, respectively). Contracts for education employees in local government provided wage adjustments averaging 5.9 percent over the life of the agreements. This reflects continuing efforts to improve education by providing salary incentives to attract and retain teachers. When settlements for education employees are excluded, local government settlements provided lower average annual wage adjustments over the contract life than settlements in State government. Following are average annual wage adjustments over the life of contracts reached during the first 9 months of 1988 (in percent):

All State and local government	5.3
State government	5.1
Local government	5.4
Education	5.7
Colleges and universities	4.6
Primary and secondary schools	5.9
General government and administration	5.2
Protective services	5.0
Health care	5.7
Transportation	4.6
State and local government, excluding education	5.1
State government, excluding education	5.5
Local government, excluding education	4.9

Negotiators will also be concerned with what their expiring contracts yielded. On average, State and local government contracts subject to renegotiation in 1989 provided average wage adjustments of 5.1 percent annually over their terms. Expiring local government contracts yielded average annual wage adjustments of 5.5 percent, and State government contracts yielded 4.7 percent. Expiring agreements for workers in primary and secondary education provided larger annual adjustments over the contract life than those for all other groups and also were primarily responsible for making the average wage adjustment higher in local government than in State government. Following are average annual adjustments over the life of contracts expiring or reopening in 1989 (in percent):

All State and local government	5.1
State government	4.7
Local government	5.5
Education	5.7
Colleges and universities	5.1
Primary and secondary schools	5.8
General government administration	4.7
Protective services	4.7
Health care	4.9
Transportation	5.3
State and local Government, excluding education	4.7
State government, excluding education	4.7
Local government, excluding education	4.9

Three States account for 44 percent of the State government workers under contracts slated for 1989 talks. They are: Florida (91,000 workers), New Jersey (73,000), and Massachusetts (56,000). In contrast, scheduled bargaining activity is geographically dispersed on the local level. For example, Chicago has the largest number of workers (46,800) covered by expiring local government contracts, accounting for 7.5 percent of the total.

Florida State government workers are covered by 10 contracts scheduled to expire or reopen for negotiations in June 1989. The American Federation of State, County and Municipal Employees (AFL-CIO) represents 90 per-

Table 6. Scheduled deferred wage changes under major collective bargaining agreements in 1989, by industry

Selected industry	Number of agreements	Number of workers (thousands)	Mean change[1] Total: Cents	Total: Percent	With COLA: Cents	With COLA: Percent	Without COLA: Cents	Without COLA: Percent	Median change: Cents	Median change: Percent	Mean increase: Cents	Mean increase: Percent
Total[2]	681	2,830	60.2	4.0	32.7	3.0	67.7	4.3	41.9	3.9	60.3	4.0
All private nonagricultural industries	481	2,022	48.6	3.4	32.7	3.0	54.9	3.6	35.0	3.3	48.8	3.4
Manufacturing[3]	150	600	28.1	2.8	26.9	2.7	29.2	3.0	26.0	3.0	28.1	2.8
Food and kindred products	27	89	28.4	2.7	23.5	1.6	28.9	2.8	22.4	2.2	28.4	2.7
Apparel and other textile products	21	188	24.3	3.5	27.9	4.0	20.5	3.1	25.0	4.0	24.3	3.5
Petroleum and coal products	10	32	44.2	3.0	0	0	44.2	3.0	44.2	3.0	44.2	3.0
Stone, clay, and glass products	10	34	30.2	2.9	30.3	2.9	27.0	2.4	31.0	3.0	30.2	2.9
Metalworking	38	174	23.4	1.9	22.9	1.8	26.3	2.3	18.0	1.5	23.4	1.9
Nonmanufacturing[4]	331	1,422	57.3	3.7	39.2	3.4	61.6	3.8	41.9	3.7	57.6	3.7
Construction	182	523	74.3	3.8	(5)	(5)	(5)	(5)	70.0	3.8	74.3	3.8
Transportation and public utilities	53	301	52.8	3.8	30.2	2.4	75.6	3.6	30.0	2.4	52.8	3.0
Wholesale and retail trade	51	282	36.6	3.9	39.0	4.4	36.4	3.9	39.0	3.8	37.7	4.0
Finance, insurance, and real estate	13	87	49.4	4.5	52.6	4.7	38.6	3.6	50.0	4.4	49.4	4.5
Services	31	163	60.1	4.4	51.2	4.6	62.2	4.3	41.2	4.4	60.1	4.4
State and local government	200	808	89.1	5.4	32.2	2.7	91.9	5.6	71.8	5.0	89.1	5.4

[1] Changes 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: lumber (17,000); furniture (2,000); paper (14,000); printing (11,000); chemicals (13,000); rubber (11,000); leather (11,000); instruments (1,000); and miscellaneous manufacturing (4,000).

[4] Includes 65,000 workers in the mining industry for which data are not shown separately to ensure confidentiality of data.

[5] Data by COLA coverage do not meet publication standards.

NOTE: Workers are distributed according to the average adjustment for all workers in each bargaining situation considered. Deferred wage increases include guaranteed minimum adjustments under cost-of-living clauses. Because of rounding, sums of individual items may not equal totals.

Table 7. Deferred wage increases[1] scheduled in 1989 in major collective bargaining agreements, by month

[Workers in thousands]

Effective month	Workers covered[2]	Principal industries
January–December	2,824[3]	....
January	519	State and local government, construction
February	207	Bituminous coal, petroleum
March	90	(4)
April	268	Food stores, construction
May	129	Construction
June	453	Construction, apparel, electrical products
July	666	State and local government, construction
August	269	Parcel delivery, food stores
September	254	State and local government
October	151	Apparel, State and local government
November	38	(4)
December	70	Food stores

[1] Excludes decreases received by 3,300 workers in May and 2,500 workers in June.

[2] Includes 808.000 workers under State and local government agreements.

[3] This total is smaller than the sum of individual items because 237,000 workers are scheduled to receive two increases and 26,000 are scheduled to receive three increases in 1989. It is based on data available as of October 1, 1988, and thus may understate the number of workers scheduled to receive deferred increases for the entire year.

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

cent of these workers in various classifications; the balance are represented by three independent organizations—the American Nurses' Association, Police Benevolent Association, and National Education Association.

Contracts for the American Federation of State, County and Municipal Employees (AFSCME) (excluding one for university workers) which were negotiated in June 1987, with reopeners in June 1989, provided 3-percent general wage increases during the first and second years and 3- to 5-percent merit increases during the first year for select classifications. The AFSCME also represents 11,000 university support personnel and the National Education Association represents 1,500 graduate students who are employed by the State universities. Contracts for both groups expire in June 1989. The 1987–89 AFSCME contract for university employees provided a 3-percent wage increase on July 1, 1987, and merit increases ranging from 3 to 6 percent on January 1, 1988. A subsequent reopener in June 1988 yielded an additional 4.5-percent raise and established a "pretax" health insurance program. The 1987–89 National Education Association agreement for graduate students provided a 4.5-percent general wage increase. The students received another 4.5-percent raise, following a reopener in June 1988.

The American Nurses' Association also negotiated a 3-year contract in June 1987; it provided a 4.5-percent general wage increase during the first and second year. In addition, an education fund was established. The pact with the Police Benevolent Association provided a 3-percent general wage increase and 5-percent merit increase on July 1, 1987. This 3-year agreement also provided for wage reopeners in 1988 and 1989. The reopener in 1988 increased wages by an additional 3 percent retroactive to July 1, 1987.

Negotiations for the Florida State government workers began November 1988. Some of the issues involved are general wage changes, attendance and leave, and health insurance improvements.

About 73,000 New Jersey State government employees are covered by 14 contracts that are scheduled to expire in 1989: 69,000 are under 12 contracts expiring in June. The Communications Workers of America (CWA) represents 45 percent of the workers, including administrative, clerical, primary and "higher level" supervisors, and professional employees. The American Federation of State, County and Municipal Employees represents 29 percent of the workers, most of whom are employed in health care and rehabilitation, services, or craft occupations, or are nonfaculty university employees. The remainder are represented by various other unions.

In the last round of negotiations, 3-year agreements were ratified on June 20, 1986, for employees (except those in universities) represented by the American Federation of State, County and Municipal Employees and on September 15, 1986, for those represented by the Communications Workers of America, replacing contracts that had expired the previous June. Wages were increased 6 percent in October 1986 and 5 percent in October 1987 and 1988. Vision care benefits were increased from $25 to $35 per year. The contract for nonfaculty university employees, represented by AFSCME, was ratified on January 1, 1987. It provided a 6-percent general wage increase retroactive to October 1986 and 5 percent in October 1987 and October 1988. Three-year agreements with terms identical to the CWA and AFSCME (nonuniversity) contracts were also negotiated for the other unions with ratification dates varying between June 1986 and October 1986, replacing contracts that expired in June 1986.

Approximately 55,550 Massachusetts State government employees are covered by nine contracts scheduled to expire throughout 1989. Sixty-four percent of these workers are jointly represented by the Service Employees International Union and the American Federation of State, County and Municipal Employees; 28 percent by the National Association of Government Employees and the remainder by various other unions. Settlements providing similar wage terms were negotiated between May 1986 and November 1987. The contracts increased wages 13 percent over the contract term, raised the evening shift differential from 25 to 50 cents, restructured grades and titles, and increased the employer contribution to dental insurance from $5 to $6 per week.

It is not unusual for contract talks for State and local government workers to extend well beyond the expiration date of the preceding contract. In part, this reflects the time-consuming bargaining process in the public sector.

After an agreement is negotiated by the executive branch, it is frequently sent to the legislature or a special agency for appropriation of funds. There were 826,000 government workers under 190 agreements that expired prior to October 1, 1988, but for whom new contracts had not been concluded by that time. These include 193,500 workers in a variety of government functions in New York State. They are covered by eight contracts which expired in 1988. There also are 48,000 workers, about half of whom are in protective services, under 16 New York City contracts which expired in 1987. In addition, there were 93,000 workers under 39 agreements that expired or were reopened on October 1 or later. Some of these contracts may not be renegotiated by year's end. Thus, the 1989 bargaining scene in State and local government will include both contracts scheduled for talks during the year and some that expired earlier. If previous years' experience holds true, some contracts expiring or reopening in 1989 will not be resolved before the end of the year.

Telephone communications. Contract negotiations in 1989 will cover about 531,000 workers in telephone communications who constitute 96 percent of the workers under major contracts in the industry. The Communication Workers of America (CWA) and the International Brotherhood of Electrical Workers (IBEW) will negotiate with American Telephone and Telegraph Co. (AT&T) for long distance operations, and with seven regional companies for local operations. These companies are Pacific Telesis, US West Communications, Southwestern Bell, Bell South, Ameritech, Bell Atlantic, and NYNEX.

The previous round of negotiations in 1986 was the first following the January 1984 court-ordered breakup of AT&T. Before 1986, AT&T settled with the CWA and IBEW on essentially identical terms that set a pattern for settlements by the two unions and other unions with the 22 "operating" companies. Following the breakup, AT&T retained long distance services and its telephone manufacturing business but was divested of the 22 operating companies. These companies retained local operations and kept their identities but were formed into seven regional firms known as "Baby Bells." During the 1986 negotiations, some of these companies negotiated on a regional level and some on a company-by-company basis.

In 1986, AT&T was the first to reach a settlement. Its separate contracts with the CWA and IBEW provided similar terms. They emphasized job security, reflecting employee concern over job cutbacks in the communications industry resulting from competition among former Bell system companies and new firms.

Economic terms of the 3-year contracts included an initial increase in hourly pay rates of 2 percent for top rate ranges, smaller increases in intermediate steps, and no change in starting rates. In 1987 and 1988, adjustments ranged from no change in the starting step to a 3-percent increase at the top. Other terms called for suspension of the COLA clause, a reduction in the number of pay grades, and elimination of incentive pay at some manufacturing plants.

When subsequent negotiations between the unions and the former Bell system operating companies were concluded, contract uniformity no longer existed. The size of the wage increases set by these contracts varied. Some provided for lump sum payments and for profit-sharing plans. Cost-of-living clauses were maintained in some contracts, but modified or suspended in others.

Since AT&T was forced to divest itself of three-fourths of its $150 billion in assets in 1984, it has consolidated numerous operations, cut overall costs by 3 percent a year, slashed losses in computer operations by 70 percent through restructuring, and invested in new equipment to improve its long distance business.[2]

Many local service companies have sought opportunities to diversify. Some have ventured into nonregulated areas like cellular service and publishing the 'Yellow Pages' outside of their regions. Regulated phone service, however, remains their major source of income.

The interests of AT&T and "Baby Bells" are coming into conflict as regional companies push for regulatory freedom to enter AT&T's key markets. AT&T is attempting to keep them out of long distance operations. At the same time, it is trying to persuade the Federal Communications Commission to relax the stringent regulations on long distance rates.

On January 17, 1988, in preparation for coming negotiations, the CWA and the IBEW reached an agreement with AT&T for coordinated bargaining in 1989. Wages and benefits will be negotiated nationally and other aspects of the contract will be negotiated locally. There will be separate talks for "operations" and for "manufacturing." In contrast to the AT&T negotiations, some of the "Baby Bells" will negotiate on a regional level for wages and benefits and on a local level for other issues, while others will bargain on a company-by-company basis.

Recent developments in the industry—such as increased competition, diversification, restructuring, and automation—strongly suggest that job security will again be a paramount issue. Wage rates, lump-sum payments, COLA clauses, and profit-sharing provisions will also be addressed.

Construction. Approximately 434,000 construction workers are covered by 159 major contracts expiring or reopening in 1989. These workers account for 43 percent of all workers covered by major construction industry agreements. April, May, and June will be the most active months, with contracts covering 76 percent of the workers terminating or reopening during this time. Although expiring construction contracts cover workers throughout the Nation, this year's bargaining calendar is concentrated in the Midwest and West (primarily California). These two regions account for 66 percent of the workers under construction agreements up for negotiation.

In the construction industry, individual companies are generally members of national employer associations, such as Associated General Contractors or National Electrical Contractors Association. Local or regional branches of these associations represent area members in collective bargaining. Union workers typically are organized by craft—electricians, carpenters, or operating engineers, for example. Settlements in a region often have similar economic terms regardless of craft, reflecting the area's economic conditions, such as the amount of construction activity and the extent of nonunion competition.

The value of new nonresidential construction increased from $81.1 billion in 1984 to $95.3 billion in 1985 but remained at around $91 billion to $92 billion each year for the next 2 years. The value for the first 9 months of 1988 was $68.5 billion, compared with $67.1 billion for the same period in 1987. While the value of nonresidential construction has not changed much over recent years, employment in the construction industry has shown some improvement. In September 1988, the seasonally adjusted unemployment rate for construction workers was 9.2 percent, compared with 11.9 percent a year earlier. The seasonally adjusted employment figure for nonsupervisory construction workers was at 4.2 million in September 1988, up from 3.9 million in September 1987.

Construction settlements ratified during the first 9 months of 1988 reflected economic trends in the industry. Nationally, they provided average annual wage adjustments of 2.7 percent over the life of the contract, compared with 2.5 percent allowed by the contracts they replaced.

The national average, however, masks regional variations. As the following tabulation shows, average annual wage adjustments over the life of the contract ranged from 0.1 percent in the Mountain region and 0.3 percent in the South Central region, where employment and market activity were down, to 4.8 percent in the Mid-Atlantic region, where the industry was strong. These figures correlate with trends in State employment figures for the construction industry. States that showed significant employment losses included Arizona, Colorado, and Texas, which are in the Mountain and South Central regions, while States with gains included New York and New Jersey in the Mid-Atlantic region. California and Illinois also posted employment gains over the last year. Average annual wage adjustments provided by settlements reached in the first 9 months of 1988 (in percent) are shown below:

All agreements	2.7
Northeast	4.6
New England	4.2
Mid Atlantic	4.8
Midwest	3.2
East North Central	3.4
West North Central	1.0
South	1.1
South Atlantic	1.6
South Central	.3
West	1.9
Mountain	.1
Pacific	2.4
Interregional	3.2

Settlements reached in the first 9 months of 1988 also varied by type of activity. Contracts covering workers involved in heavy construction (other than building) provided a 3.0 percent average annual wage adjustment over the contract term, compared to 2.8 percent for workers in general building construction and 2.5 percent for those in special trades.

Negotiators in 1989 will note not only what transpired in 1988 but what their expiring contracts yielded. Construction agreements expiring or reopening in 1989 yielded an average wage adjustment of 2.9 percent per year over the term of the contract. These averages are virtually the same as the parties specified in the contract because very few construction contracts provide for cost-of-living adjustments and none has lump-sum payments. As with 1988 settlements, there were regional differences, with adjustments ranging from 0.6 percent annually in the South Central region to 5.3 percent in New England. The following tabulation shows average annual wage adjustments under contracts expiring in 1989 (in percent):

All agreements	2.9
Northeast	4.3
New England	5.3
Mid Atlantic	3.8
Midwest	2.9
East North Central	3.1
West North Central	2.6
South	1.0
South Atlantic	2.5
South Central	.6
West	2.2
Mountain	2.1
Pacific	2.3
Interregional	3.5

The wage adjustments provided by expiring contracts also varied by type of construction. Contracts for special trades yielded annual wage adjustments of 3.3 percent, compared to 3.2 percent for general construction and 2.3 percent for heavy construction (other than building).

The average duration of construction settlements reached in the first 9 months of 1988 was 29.7 months, compared with 24.9 months for the contracts they replaced. In part, this difference reflects the common practice 2 and 3 years ago of delaying final contract settlements (while continuing to work under the terms of the last agreements) because of uncertainty about economic conditions. When a new contract was finally reached (sometimes months later), it specified an expiration date on an anniversary date of past expirations, shortening the contract duration. This lag in contract conclusions was common practice in 1986 and 1987 but was less pronounced in 1988. Sixty-five percent of the workers covered by contracts expiring or reopening in 1989 are under agreements that were reached in 1986 or earlier, 24 percent are under agreements negotiated in 1987, and the balance are under 1988 settlements.

Recent contracts have reflected efforts by unionized employers and their unions to compete with nonunion contractors. To match a practice used by nonunion contractors, some agreements in the last few years have included "helper" classifications which allow lower wages for those who do not fully perform the skilled work of the craft. Some agreements allow contractors to continue paying the old wage rates on projects begun prior to the new contract. Others have dual wage scales with lower wage rates for small projects in which nonunion competition is more prevalent. Although nonunion competition will influence the terms of many construction agreements this year, the economic state of the industry locally and prospects for the future will undoubtedly be the overriding concern on both sides of the bargaining table.

Wholesale and retail trade. Some 244,000 workers in the wholesale and retail trade industry are covered by 55 major contracts that are scheduled to expire or have reopening provisions next year. About 178,000 of these workers are covered by 31 major food store contracts. The balance of workers under expiring agreements in the industry are employed in eating and drinking places, department stores, drug stores, and automotive dealers, or in wholesale trade.

Seventy-three percent of the workers under agreements in trade expiring in 1989 are represented by the United Food and Commercial Workers. The remainder are represented by a variety of unions including the Hotel Employees and Restaurant Employees; the Retail, Wholesale and Department Store Workers; the International Association of Machinists; and the International Brotherhood of Teamsters.

The trade agreements that are expiring or reopening in 1989 provided wage adjustments averaging 2.4 percent a year over the contract term. There were no industrywide pattern-setting agreements. Settlements varied by region.

Bargaining over food store agreements will dominate negotiations in trade. Workers covered by these agreements account for 36 percent of those under major food store agreements. Expiring food store agreements yielded average annual adjustments (including COLA's through September 1988) of 1.9 percent over their term. They varied substantially from decreases of 2.6 percent to gains of 6.6 percent. Contracts for three-fifths of the workers called for lump-sum payments instead of, or in conjunction with, increases, or to offset decreases in base rates of pay. For contracts with lump sums, the annual wage adjustments (excluding lump-sum amounts but including any cost-of-living increases) averaged 0.4 percent, compared with 4.1 percent for contracts without lump-sum payments.

Besides reviewing the results of their expiring agreements, negotiators will note recent negotiations in the industry. Settlements providing lump-sum payments covered one-half of the food store workers for whom new contracts were concluded during the first 9 months of 1988. Wage adjustments under these settlements averaged 1.1 percent over the term, compared with 4.1 percent in settlements without lump-sum provisions. Overall, adjustments in food stores averaged 3.1 percent.

Many contracts reached in the early 1980's in trade established two-tier wage or benefit systems. Some had been considered permanent and others temporary. Recently, two-tier structures have been modified or eliminated because of problems associated with them, for example, morale and high turnover. It is likely that two-tier structures will be on the table in many negotiations in trade this year.

In addition, negotiators will be concerned with the replacement of national chains by regional ones, the growth of nonunion competition, and the practice of leveraged buyout, whereby some of the assets of the company being acquired may be sold to help pay the cost of the takeover. Food store chains are particularly vulnerable to leveraged buyouts because they consist of many small units which can be sold individually to another chain or operator. Many leveraged buyouts have led to the sale of real estate, store closings, and job losses. This has prompted union negotiators to seek contract provisions assuring job security in the case of buyout or takeover.

The use of part-time workers is another issue that may be addressed at the bargaining table. Part-time workers are usually paid less and receive fewer benefits than their full-time counterparts, so their use helps keep employers costs down. However, this practice reduces opportunities for full time workers to work overtime.

Longshore. Contracts covering about 19,000 Atlantic and 7,000 Gulf Coast longshore workers represented by the International Longshoremen's Association (ILA) will expire on September 30, 1989. Another contract covering 2,000 longshore workers on the Great Lakes expires on December 31, 1989. Bargainers will have to deal with continuing problems: (1) competition among the ports for scarce tonnage; (2) inroads by non-ILA ports; and (3) reduced shipments of some types of cargo (particularly in the South).

The parties will also have to deal with the thorny problem of handling containerized cargo, supposedly resolved in their 1959 contract, when they agreed that ILA members would pack and unpack shipborne containers within 50 miles of a port. Their resolution has been challenged in the courts and by the Federal Maritime Commission, however, and the issue is still in litigation.

Historically, the ILA negotiated uniform wage terms for Atlantic and Gulf Coast ports. However, this year's expiring pacts, settled in 1986, contain wage terms that differed from port to port, reflecting the need to adapt to different local conditions. In general, contracts in the southern ports provided pay cuts while those in northern ports yielded pay increases.

1. Southern ports. Although contracts were not to expire until September 30, 1986, the West Gulf Maritime Association and 5,000 ILA members reached agreement on wages and local issues in April 1986. Southern employers had argued they were unable to compete effectively with nonunion labor, which was more prevalent in the South than in the North. A depressed oil market and reduced grain shipments also complicated bargaining problems. The 1986 pact provided for pay cuts of $3 an hour for handling break bulk cargo (that is, individual goods) and $5 an hour for bulk cargo, effective October 1, 1986. The Guaranteed Annual Income program was eliminated. This program had guaranteed ILA members a specified number of hours of pay each year even if work was not available. This sometimes amounted to a full year's pay. Work gang sizes and pay for holidays were reduced.

The South Atlantic Employers Negotiating Committee and the ILA negotiated a similar contract for 3,000 workers in May 1986. It provided for a $3-an-hour pay cut for handling both break bulk and bulk cargoes, and a reduced Guaranteed Annual Income. Other smaller area agreements were patterned after these settlements.

2. Northern ports. Negotiations on the North Atlantic Coast began in June 1986 for about 15,000 ILA workers. Negotiators included the New York Shipping Association, the Boston Shipping Association, and the Carriers Container Council. The Council of North Atlantic Shipping Associations (representing the ports of Baltimore, Philadelphia, Hampton Roads, and Providence) had joined in the negotiations initially but broke away from the talks in July. Settlements were not concluded until November 1986, although various tentative agreements were reached earlier.

The tentative "master" agreement for 7,700 workers in New York and about 500 in Boston, reached in September 1986, provided a 2-year wage freeze and a $1-an-hour pay increase in the third contract year. It increased employer payments to health and welfare funds by 20 cents an hour (to $2.70) and to pension funds by 25 cents (to $4) in the third contract year.

As the September 30 expiration date neared, however, local issues had not been resolved, and the Council of North Atlantic Shipping Associations ports had not agreed to a tentative "master" agreement. The New York and Boston Shipping Associations proposed a 45-day extension of existing agreements, but the proposal was rejected. On October 1, longshore workers from Maine to Virginia went on strike. They returned to their jobs on October 3, after all employer groups agreed to a 45-day extension to last until November 17. Two days later, the New York Shipping Association reached tentative agreement on "local" issues.

The Council of North Atlantic Shipping Associations reached a tentative "master" agreement with the ILA for about 6,800 workers in October 1986. Terms were similar to the pacts for New York and Boston except for a $1-an-hour pay cut for handling bulk cargo.

In November, a coastwide ratification of "master" agreement terms was approved by workers in New York, Hampton Roads, and Boston. Other Northeast ports subsequently settled on similar terms.

Bargaining with the ILA for a new master agreement to replace the contracts set to expire in 1989 began on September 14, 1988. These talks involved eight of the nine ports (with the ninth as an observer) and were requested in July by ILA President John Bowers in anticipation of an unfavorable court ruling regarding "Rules on Containers." These rules had sought to preserve work historically performed by longshore workers, within 50 mile zones, for ILA members. The contract provided for a reopening should the "Rules on Containers" be abrogated in court. Concerned over the potential abrogation of the "Rules on Containers," the employers agreed to joint bargaining in hopes of overcoming this obstacle as well as dealing with the complex issues facing the industry.[3]

Subsequently, the U.S. Court of Appeals for the District of Columbia has upheld a decision by the Federal Maritime Commission that invalidated the rules, but the rules continue to be enforced pending a hearing by the Supreme Court.

During the next round of talks, the employers are expected to focus on ways to increase productivity, for example, changing work rules and reducing gang size. The union will attempt to improve wages and benefits. The employers have already proposed a 5-year pact, contrasted with an 18-month pact sought by the ILA.

Health care. About 89,000 health service workers are under major collective bargaining agreements scheduled to expire in 1989. Of these, 45 percent are covered by the agreement between the League of Voluntary Hospitals and Nursing Homes of New York and Local 1199, Drug, Hospital and Health Care Employees, a unit of the Retail, Wholesale and Department Store Union. This agreement, which covers 40,000 workers at 34 hospitals, nursing homes, and 13 other health care facilities in New York City, expires in June. Terms of the League contract can be expected to set the pattern for an additional 15,000 Local 1199 members who work at 47 non-League institutions that have "me too" agreements. In addition, in the last round of bargaining, settlement terms similar to the League's were provided in contracts covering 6,500 workers at five other hospitals—four operated by the Roman Catholic Archdiocese of New York, and Beth Israel Medical Center—and in a contract with the New York Association of Voluntary Nursing Homes covering 5,000 employees at 10 facilities.

The League–Local 1199 contract covers workers in many diverse occupations. These include: service workers—attendants, and kitchen and laundry workers; maintenance workers—painters, plumbers, and electricians; clerical staff—clerks, secretaries, receptionists; and technical and professional staff—x ray, laboratory, and operating room technicians, licensed practical nurses, social workers, and dietitians.

The League's 1986 agreement called for a 4-percent wage increase in the first year, and additional wage increases in the second and third years, equal to 4 percent and 5 percent, respectively, of the wage rate at the beginning of the contract. Because of a surplus in pension funding, the hospitals' pension payment was reduced to 7 percent of base pay from 8 percent of gross pay, and pension benefits were increased 10 percent for future retirees. Past retirees received a one-time lump sum payment of 10 percent of their annual pension benefit. In a key area of work scheduling, the 1986–89 agreement retained the prior agreement's provision that allowed employees to be off every other weekend, regardless of work schedule. This issue was a serious point of contention during the 1984 negotiations.

Other health care bargaining will be for 18 major contracts covering hospitals, nursing homes, medical clinics, and other health facilities throughout the country. Employees will be represented by the American Nurses' Association (registered nurses), the Service Employees International Union, the United Steelworkers of America, and the National Union of Hospital and Health Care Employees (which broke from the Retail, Wholesale and Department Store Union in 1984).

Bargainers in health care will have to address two opposing pressures: third party cost-control efforts and labor shortages. The industry has been under constraints from both State and Federal Governments to hold down costs and to change methods of pricing health care to patients. The Social Security Act was amended October 1983, establishing a prospective payments system for health care for those covered by the Federal Medicare program, and the State-administered Medicaid program. Under this system, the governments will pay only specified predetermined amounts for certain procedures for hospital inpatients. Labor costs are included in these payments. Costs above the reimbursed amounts must be absorbed by the health facility. If, however, costs are below the amount, the difference is retained by the facility. While 40 percent of health care is paid by government through Medicare and Medicaid programs, reimbursements have not kept pace with the cost of providing care. To avoid financial losses, hospitals are having to increase their fees to privately insured patients to make up for losses on government-insured patients.

On the other hand, institutions have had to loosen their purse strings to hire and retain health care employees. More of these employees are needed because of the increasing health care needs of an aging population. In addition, more highly trained workers are needed because of the increasing use of new and sophisticated technologies.

Many health care jobs, especially nursing, traditionally had been held by women. However, with other careers open to them proportionally fewer women than in the past have been attracted to health service occupations. In addition, the negative aspects of the field—shift work, irregular workweeks, and sometimes unfavorable working conditions have caused shortages of workers. This has been especially true in the nursing profession and in large hospitals in urban areas on both coasts.

Primary metals. About 107,000 workers employed in the primary metal industries are under major agreements that expire in 1989. About 80,000 of these workers are employed in steel production and 25,000 in aluminum manufacturing. They account for one-half of all steelworkers and three-fourths of all aluminum workers covered by major agreements.

1. Steel. The last round of negotiations in the steel industry began in 1986. It was marked by the breakup of "coalition bargaining" that had been the industry pattern since 1956. Prior to 1986, the United Steelworkers of America had negotiated uniform contracts with the largest steel companies which bargained together as the Coordinating Committee Steel Companies. These contracts set the pattern for subsequent contracts with nonmember companies.

Starting in 1986, each steel company negotiated separately with the Steelworkers and the resulting settlements no longer all had the same expiration date. Settlements occurred between April 1986 and January 1987. A contract between the Steelworkers and USX Corp. (formerly a contract pattern setter), for example, was not reached until the conclusion of a 6-month walkout in January 1987; it does not expire until 1991. Steelworkers' contracts with three companies account for three-fifths of the workers under steel industry agreements slated for negotiations in 1989: Bethlehem Steel (30,000 workers), Inland Steel (11,500 workers), and National Steel (7,200 workers). Each of these agreements expires on August 1, 1989.

As a result of fragmented bargaining, the terms of the last set of steel industry contracts also varied by company.

Two-thirds of the workers under expiring steel industry contracts took pay cuts ranging from 0.9 to 5.4 percent annually over the contract term and averaging 2.5 percent annually. One-fourth of the workers had their wages frozen over the contract term. Contracts providing either wage cuts or a wage freeze typically provided an assortment of profit-sharing and stock option plans to try to offset the decreases or compensate for wage freezes. The remaining workers under steel agreements reached in 1986 received wage increases; they were employed by specialty steel manufacturers.

The June 1986 agreement between Bethlehem Steel and the Steelworkers cut wages by 8.09 percent, suspended the cost-of-living adjustment clause, and eliminated three holidays. To help offset these cuts, a profit-sharing plan was introduced that provided cash or shares of a new issue of dividend-bearing stock. The profit-sharing plan distributes 10 percent of profits up to $100 million and 20 percent of any higher amount among employees. If these payments did not equal the wage and benefit cuts, the difference would be paid in shares of stock. The parties also provided for local talks to develop cash distributions based on tonnage shipped, work hours per ton, product quality, and nonlabor cost reductions attributable to workers.

The 1986–89 accord reached with the Inland Steel Corp. provided no wage changes, and suspended the cost-of-living adjustment clause, but established a profit-sharing plan for hourly employees.

Under the 1986 National Steel contracts, workers sustained a 42-cent cut in wages; the 11-cent cost-of-living adjustment that had gone into effect in February 1986 was eliminated, and the cost-of-living clause was suspended. In return, a profit-sharing plan was introduced. This plan provided a minimum annual bonus ranging from 50 cents per hour worked if the company loses money, up to $1.75 per hour if net income is $300 million or more. Workers are also eligible for quarterly bonuses based on increases in productivity. Separate plans at the company's three locations took into account: (1) increased local tonnage shipped; (2) local reductions in the labor force; and (3) corporatewide cuts in the labor force.

The economic climate for the 1989 contract talks has improved since the last agreements were negotiated. According to the American Iron and Steel Institute, the steel industry overall earned a small profit in 1987—the first aggregate net income since 1981.[4] This economic turnaround results from many factors including (1) company reorganizations; (2) the modernization, phasing out, or closing of obsolete plants; (3) cutbacks in exports to the United States under Voluntary Restraint Agreements with European countries and Japan; and (4) labor-management cooperation aimed at improving company profits while at the same time preserving jobs. For the first 10 months of 1988, the industry worked at 89 percent of capacity, compared with 77 percent for the same period in 1987.

The results of the profit-sharing plans have been mixed, depending on the specific provisions, as well as the financial state of the company. Some plans have generated only modest returns to workers while others have more than offset the cuts provided by the 1986 pacts.

Uncertainty about the future, however, will continue to plague the industry. Steel is overproduced, in large part because of the expansion of steel facilities in third world countries. The U.S. companies will be competing against these low cost producers as well as subsidized producers in developed countries. These factors will undoubtedly be reflected in bargaining.

2. Aluminum. Four major contracts expire on June 30, 1989. The Aluminum Co. of America (ALCOA) will negotiate two contracts: one with the Aluminum, Brick and Glass Workers for 8,000 workers, and another with United Steelworkers of America for 7,000 workers. Similarly, contract talks are scheduled for Reynolds Metals Co. with the Aluminum Workers for 6,000 workers and the Steelworkers for 4,000 workers.

During the last bargaining round, in 1986, settlements were preceded by a 4-week strike by both unions at ALCOA. The unions coordinated their bargaining with two companies but limited their June walkout to ALCOA because of the company's "attitude" and because of its position as the "major company in the industry," according to a Steelworkers' representative.

The pacts were all settled in July with similar terms. They provided no general wage changes over the contract term. The quarterly cost-of-living adjustment clause was changed from providing adjustments of 1 cent for each 0.26-point change in the Bureau of Labor Statistics' Consumer Price Index (CPI-W) to 1 cent for each 0.3-point change in the index, but only after the index had risen by 3 percent each year. In addition, cost-of-living increases that had not been incorporated into the wage rate were reduced. The contracts also eliminated extended vacations of 10 weeks once every 7 years and the vacation bonus.

In mid-1988, the parties began negotiations to replace pacts expiring in 1989.[5] This was the first time they had agreed to meet so far in advance of expiration in hopes of reaching an early accord. Tentative settlements with Reynolds Metals Co. and Alcoa were reached in early December 1988.

Aerospace. Contracts covering approximately 86,000 aerospace workers will expire in the spring and fall of 1989.[6] These workers make up 41 percent of all workers covered by collective bargaining agreements in the aerospace manufacturing industry. The Boeing Co. has expiring contracts with two unions—The International

Association of Machinists and Aerospace Workers (Machinists) which represents 40,000 workers, and The United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), which represents 3,000 workers. Lockheed Corp. will negotiate three contracts for 26,600 workers represented by the Machinists. Other companies scheduled for bargaining in 1989 are McDonnell Douglas, Avco Corp., United Technologies, and Teledyne Industries.

The 1986 settlements between Boeing and the Machinists set the pattern for the other contracts in the industry. The Boeing-Machinists accord increased the size of lump-sum payments provided in the previous accord. Under the prior contract, negotiated in 1983, Boeing workers had received lump-sum payments each year based on 3 percent of their previous year's earnings. The 1986 contract provided lump-sum "productivity payments" each December based on pay for all hours paid for during the 12 months ending the previous October. The payment in December 1986 was 12 percent of pay; in December 1987 and 1988, it was 5 percent of pay.

The contract provided for quarterly COLA adjustments to be offset by a 40-cent "prepaid COLA." As of September 30, 1988, the 40 cents had been offset and the COLA clause had yielded an additional 31 cents; further COLA increases may be generated by the four remaining quarterly reviews scheduled before the contract expires in October 1989. The COLA clause in the 1986 agreement restored coverage to all employees; under the previous contract, lower paid workers had been excluded from coverage. The 1986 contract also permitted employees in lower grades to increase their skills through company-financed courses.

The aerospace industry has undergone many changes in recent years. Competition and deregulation in air transportation have opened up new commuter routes and created demand for new aircraft. In addition, many other factors including lower fuel prices, increased safety fears about old airplanes, and tougher noise regulations are contributing towards the decision by airlines to replace some of the old airplanes with bigger and better ones.

The backlog of unfilled orders for aerospace products rose from $139 billion in August 1987 to $160.7 billion by August 1988, ensuring continued production activity for the next few years.[7] Overall sales, however, are expected to level off in 1988 because of a decrease in orders for military products.

Employment in the aerospace industry has been about 1.3 million workers for each year from 1986 through 1988. In 1988, about one-half of these workers were employed in the production of civilian and military aircraft, one-fifth in the manufacture of missiles and space vehicles, and three-tenths in making other related products. Recent concerns about the size of the defense budget have generated the expectation that spending on military aircraft will be reduced. The Aerospace Industries Association of America has estimated that this would result in a 4.9 percent work force reduction in the military aircraft production sector in 1988.[8]

It is expected that negotiations in 1989 will be conducted on a company-by-company basis. Bargaining will be influenced by such factors as a potential work force reduction stemming from automation, increasing foreign competition for aerospace/aircraft contracts, and future defense spending. Companies will attempt to hold down costs to stay competitive and to adapt to any defense budget reductions. The companies, therefore, may try to maintain lump-sum provisions and two-tier wage structures, while the unions will probably seek wage rate increases and the elimination of dual wage structures.

IN SUMMARY, the issues facing this year's bargainers are as diverse as the industries involved in contract talks. Job security will be a primary concern in some situations, while improvements in wages and benefits will be the most important issue in others. □

FOOTNOTES

[1] Beginning in mid-1989, the Bureau is planning to publish a new measure of adjustments in compensation, including lump-sum payments, for major collective bargaining settlements.

[2] See John J. Keller and associates, "AT&T: The Making of a Comeback," *Business Week*, Jan. 18, 1988.

[3] For a more detailed discussion of the containerization issue, see George Ruben, "Collective bargaining and labor management relations, 1988," this issue, pp. 25–39.

[4] *Annual Statistical Report for 1987* (American Iron and Steel Institute, 1988).

[5] For a detailed discussion of developments in aluminum industry contract talks in 1988, see "Collective bargaining," p. 30.

[6] For a detailed discussion of aerospace negotiations in 1988, see "Collective bargaining," pp. 36.

[7] U.S. Bureau of the Census, "Manufacturers, Shipments, Inventories and Orders," August 1988, Series M-3.

[8] Carl Pascale, "1987–1988 Aerospace Industry Employment Survey" (Aerospace Industry Association of America, Inc.).