

A review of collective bargaining in 1987

Finding solutions to mutual problems continued to challenge employers and unions, as they sought to restrain labor costs, improve productivity, increase product quality, and save jobs

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During 1987, American management and labor continued their efforts to adapt to international and domestic conditions which have been affecting labor-management relations since the beginning of the decade. On the international front, foreign manufacturers are producing quality products, often at lower prices than U.S. manufacturers, buttressing their already strong sales here and abroad. Domestic conditions include continued competition in the deregulated transportation industries, shifts in customer preferences, and changes in production and distribution methods. A major result of these conditions that bodes well for the future is an improvement in labor-management cooperation, as the parties recognize that mutual problems require mutual solutions. The solutions emanating from cooperative efforts center on ways to restrain labor costs, improve product quality, increase productivity, and preserve jobs.

Efforts to restrain labor costs are reflected in the size of settlements in private industry. During the first 10 months of 1987, for example, settlements involving 1,000 workers or more provided wage adjustments averaging 2.1 percent annually over their life, continuing the relatively low adjustments that have been characteristic since 1982.

Efforts to increase productivity and improve product quality are diverse. They include programs linking employee compensation to corporate output or financial results; revising work schedules to increase plant utilization; and new approaches to work, such as team assembly of products

and "pay-for-knowledge" plans for encouraging employees to learn new skills.

Certainly, job preservation is the paramount issue to employees in many industries, and unions have won a number of protections, including plans limiting layoffs or terminations during sales slowdowns, and, in a few instances, outright bans on plant closings, restrictions on subcontracting, and limitations on overtime work.

Another indication of the state of labor-management relations is the decline in major work stoppages (strikes and lockouts involving 1,000 workers or more) during the 1980's. Only 46 stoppages began during the first 11 months of 1987. If that rate continues, the total for the year would be the lowest in the history of the statistical series for major units, which goes back to 1947. The current record, 54 stoppages, occurred in 1985. The reduced reliance on stoppages as a bargaining tool is illustrated by the fact there were an average of 99 stoppages a year during the 1980-86 period, compared with 200 to 300 in almost every year between 1947 and 1979.

Autos

Many observers looked to the September 1987 negotiations between the United Automobile Workers (UAW) and the Nation's two largest automobile companies—Ford Motor Co. and General Motors Corp. (GM)—to establish a prototype for collective bargaining for the next few years. The UAW's primary goal was to improve job security beyond that provided by programs established in 1984. The companies' general goals were to improve their competitive

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position against foreign producers by holding labor costs down through "moderate" gains in wages and benefits and by cost-reducing changes in work rules and job assignments. They also wanted to increase employee involvement in improving product quality.

Negotiations at GM were further complicated by a cost disparity with Ford which resulted from the fact that GM was more "vertically integrated," manufacturing 70 percent of the automotive parts it used, compared with 50 percent at Ford. GM claimed this gave Ford an advantage because parts purchased from outside suppliers are less expensive than those manufactured internally. Part of the problem at GM was that the company had not increased its purchases from outside suppliers as fast as Ford had in the years preceding 1984, when both companies agreed to limit the practice.

Following its usual tactic, the UAW bargained simultaneously with both companies, then shifted the focus to one—Ford, this time, possibly because Ford was currently more profitable and thus perhaps more amenable to labor cost increases.

The Ford negotiations continued beyond the expiration date of the 1984 agreement, but there was no threat of a work stoppage because the parties had already agreed on the outline of a new job security plan. A settlement was reached on September 17; then the union resumed bargaining with GM and the parties settled on terms similar to those at Ford.

The new job security plans are called Guaranteed Employment Numbers at Ford and Secure Employment Levels at GM. According to the union, the new plans move "well beyond" the programs adopted in 1984, and will "maintain current job levels at all units in all locations and will prevent layoffs for virtually any reason except carefully defined volume reductions linked to market conditions." The companies are also permitted to lay off workers because of acts of God and other conditions beyond their control; the sale of operations as an ongoing business; and in cases where employees have been assigned or recalled to temporary jobs.

In brief, the programs provide that:

- All current employees with at least 1 year of service will be protected. Coverage will be expanded when other current employees attain 1 year of seniority; when employees hired or rehired later attain 2 years of seniority; and when employees recalled from layoff receive pay for 26 weeks in any 52 consecutive weeks.
- Protection will normally be reduced by one employee for every two who retire, quit, or die. For employees leaving because of retirement inducements or plant closings, the reduction will be on a one-for-one basis.
- At each facility, employees who would be laid off if they were not protected by the plans will be placed in a "pool." These employees will continue to receive pay and benefits and be available for training, assuming the duties of another employee in training, or accepting "nontraditional" assignments inside or outside the bargaining unit.

- Workers who decline placement in a pool or decline an assignment while in the pool will be replaced in the pool by a new hire or a recalled worker, will be subject to layoff based on seniority, and will have recall rights only to a nonpool job.
- Senior pool members will have first rights to an available job within their geographic zone. If they turn down the job, it will be offered successively to pool members until it is filled. Those who decline the offer will be laid off. If no pool member within the zone accepts the job, it can be offered to out-of-zone employees, who will not be penalized if they decline.
- In each transfer case, one protected position will be shifted from the releasing location to the receiving location.

The new programs will be implemented by January 1, 1988. They are backed by a \$500 million commitment by Ford and a \$1.3 billion commitment by GM, which has more employees than Ford.

In another approach to job security, GM agreed to a ban on plant closings, except for those announced prior to the start of negotiations. Ford agreed to continue the ban on closings it had accepted in 1984.

There also were improvements in existing plans to aid laid-off employees. The companies' financing of regular Supplemental Unemployment Benefits was increased to 24 to 34 cents per straight-time hour worked, from 21 to 33 cents (varying by fund level), and their contingent liability to the Advance Credit Account was raised by \$75 million at Ford and \$250 million at GM. This account generally provides weekly benefits to laid-off employees who have exhausted their State unemployment benefits.

In another issue crucial to job security, the contracts provided for a broader definition of "outsourcing"—the purchase of parts from outside suppliers. In addition, the parties agreed to joint local committees to address outsourcing issues, with unresolvable issues subject to appeal to a national committee; and the companies agreed to give the union 90 days' notice of outsourcing decisions affecting one job or more, instead of the previous 60 days' notice of decisions affecting 25 jobs or more.

From the companies' view, the heart of the settlements was the establishment of new national and local committees to improve product quality, operating efficiency, and job security. The committees, which could aid GM in reducing costs in its parts plants, have great latitude in their operations. Initiatives could be in such areas as identifying needed plant investments, testing of work-group concepts for production workers, and revising job classifications to closely match plant needs.

Other provisions of the 3-year contracts included:

- An immediate 3-percent specified wage increase ranging from about 33 to 55 cents an hour, compared with the 9 to 50 cents immediate increase under the 1984 agreements.

- October 1988 and 1989 lump-sum payments equal to 3 percent of employee earnings during the preceding 12 months. Under the 1984 agreements, the October 1985 and 1986 payments were based on 2.25 percent calculation rates.
- Continuation of quarterly cost-of-living adjustments (COLA) calculated at 1 cent an hour for each 0.26-point movement in the Bureau of Labor Statistics CPI-W (1967 = 100). Unlike the 1984 clause, the 1987 clause does not call for 1 or 2 cents to be deducted from each quarterly adjustment.
- Improvements in the GM profit-sharing plan to make it match the improved plan at Ford. The 1984-86 distributions per worker totaled \$5,300 at Ford and \$900 at GM, because of the differences in the formulas and in profits.
- An increase in the overtime penalty rate—to \$1.25 (formerly 50 cents) for each hour of overtime work in excess of 5 percent of all straight-time hours—to discourage excessive overtime and open new jobs. The penalty money is used to finance training programs.

The settlements involved 335,000 workers at GM and 104,000 at Ford. Chrysler's contract, negotiated in 1985, expires in September 1988.

Air transportation

The National Mediation Board acted to reduce some of the labor disputes in the airlines industry resulting from continuing mergers, acquisitions, and consolidations. Under the new rules issued in August, carriers must alert the Board to possible employee representation disputes before they merge. Previously, some airlines waited until after the merger. When the Board determines that certification of a union as bargaining agent for employees of an acquired airline should be terminated, unions can now file for a new election for the combined unit of employees within 60 days after the Board's decision, if they can obtain show-of-interest cards from 35 percent of the employees.

There were collective bargaining settlements in the airline industry in 1987 accompanied by other events that added up to another tumultuous year.

Eastern Air Lines labor contracts were not subject to modifications in 1987, but the carrier and its three unions continued their recent history of dispute. During the year, Eastern called for cuts in employee compensation to improve its financial condition. The unions maintained that cuts were not warranted because its members had made such sacrifices in the past. The unions—the Air Line Pilots, the Machinists, and the Transport Workers—were also concerned about the plans of Frank Lorenzo, the chairman of Texas Air Corp., which purchased Eastern in December 1986 after Eastern's board of directors rejected a purchase offer from the unions.

Some of the 1987 developments, in chronological order, were:

- A January call by Texas Air, Eastern's parent, for cuts in Eastern's labor costs averaging 29 percent. This drew strong criticism from union leaders, who were concerned that Texas Air might attempt to force immediate bargaining by laying off employees or shifting some operations or aircraft to its nonunion airlines.
- In March, Texas Air transferred six jumbo jet aircraft from Eastern to Continental Airlines, a Texas Air subsidiary. Union leaders met briefly with Eastern executives, but were adamant that they would not reopen their contracts.
- In April, members of the Air Line Pilots picketed Eastern, charging that the company had adopted new restrictions on absenteeism that forced them to fly when they were ill.
- In June, Eastern established a new ground service subsidiary and the Machinists filed court charges that the intent was to strip employees of "hard-won rights and benefits."
- In August, trustees for the union sought a court ruling on whether their fiduciary role required them to sell Eastern stock shares in response to an offer from Texas Air. The unions had received the shares in prior years in exchange for cuts in compensation.
- In September, the Air Line Pilots won an initial court ruling that a "pay parity" contract clause automatically triggered a pay raise for the union's members after Eastern granted raises to supervisors of mechanics. Also, the Air Line Pilots accelerated efforts to organize Continental pilots. The union had been voted out after an unsuccessful 1983 work stoppage which occurred when Texas Air purchased Continental, formed a new corporate entity, and hired nonunion employees at 50 percent lower pay rates.
- In October, Eastern reported a \$67.4 million loss in the third quarter, and formal contract negotiations began with the Machinists.
- In November, Eastern laid off 3,500 employees, or about 9 percent of its work force. The reduction, which primarily affected employees in the Machinists' unit, also included nonunion employees.
- In December, the pilots were continuing to literally interpret Federal Aviation Administration aircraft maintenance requirements. The concerted action—described as a work slowdown by Eastern—followed the Federal Aviation Administration's finding that Eastern had postponed required maintenance procedures and pressured employees not to report equipment malfunctions.

United Airlines, the Nation's largest air carrier, received a purchase proposal in April from its 7,000 pilots that was maintained in varying forms for the rest of the year. In the offer letter, the union said United had engaged in "excessive diversification" and that an "employee-owned airline would result in improved service, safety, and profitability." In addition, the pilots were apparently concerned that United might be the target of a takeover by another company.

The pilots offered to let other unions participate in the purchase, but the 20,000 member Machinists unit said that it had "philosophical" objections to using cuts in employee compensation to partly finance the purchase of a healthy company. (Under the 7-year plan, financing of the purchase was to include a 25-percent cut in employee pay, contributions from union pension plans, and a 10-percent increase in productivity.) The Machinists also warned that it would bargain vigorously on compensation and working conditions, regardless of who owned the airline.

In the following months, the Air Lines Pilots Association continued to make purchase proposals, which were rejected by United.

In November, the Machinists negotiated a 3-year contract that called for wage increases totaling 11 percent and pension increases totaling 12 percent. It also gave the union the right to match or exceed any outside offer to purchase United. If anyone—including the Air Line Pilots—acquires control of 50 percent of United's stock, the Machinists may reopen contract negotiations or opt to extend the new agreement for 3 years, during which the employees would receive further 11-percent increases in wages and 12-percent increases in pensions.

Another United settlement, with the Association of Flight Attendants, provided for an immediate lump-sum payment, two 2-percent wage increases, and improvements in benefits. The accord for the 13,000 employees also reduced holiday and vacation time and extended to 7 years the period during which new employees remain in a lower pay tier.

American Airlines ended 12 months of negotiations in March, when 5,000 members of the Allied Pilots Association ratified a 3-year contract that reduced a pay gap between senior and new employees resulting from a two-tier system negotiated in 1983. The reduction—which followed some narrowing under a 1985 settlement—was accomplished by giving employees hired after November 1983 an immediate increase of 11 to 28 percent (varying by seniority, type of aircraft flown, and job classification), followed by 2-percent increases in the second and third contract years. Senior employees received only 2-percent increases in each of the 3 years.

Bargaining did not proceed as smoothly for the 10,000 workers represented by the Association of Professional Flight Attendants, who also were seeking a narrowing of a two-tier pay differential. Early in the year, the union began a corporate campaign to persuade American's financial backers to pressure the company to settle. American countered by distributing booklets to its passengers explaining its position.

After the attendants rejected American's "final offer," the company, on June 1, imposed the terms, as permitted under the Railway Labor Act. In December, union members authorized a strike, but the parties tentatively settled just before the work stoppage was scheduled to begin.

Trans World Airlines was in the Federal courts, as members of the Independent Federation of Flight Attendants sought to regain jobs lost as a result of a work stoppage. During the stoppage, which began on March 7, 1986, Trans World hired 1,270 permanent replacements, and 1,280 Independent Flight Attendants members continued working. The union ended the stoppage on May 17, 1986, without gaining a new contract, but the company refused to rehire the attendants, leading the union to file the court case.

In its ruling, the U.S. Court of Appeals in St. Louis held that union members who participated in the stoppage must be allowed to replace union members with less seniority who continued working, because the seniority system was not a bargaining issue and, therefore, remained in effect. The court further ruled that 463 trainees who were shifted into full-employment status immediately after the termination of the stoppage must be replaced by union members who participated in the stoppage, and that permanent replacements hired during the stoppage should retain their jobs.

Delta Air Lines completed the acquisition of Western Air Lines in April, after Supreme Court Justice Sandra Day O'Connor vacated the Ninth U.S. Circuit Court of Appeals' order that the companies had to submit to arbitration a dispute with the Air Transport Employees union. The union initiated the court case because it opposed the merger and wanted to force Delta to honor contracts the union had negotiated with Western. The order would have delayed the merger until Delta agreed in advance to be bound by the arbitration decision or until the decision was announced. In her ruling, Justice O'Connor said that it was necessary to complete the merger because the preparations had been too extensive to reverse.

Immediately after Justice O'Connor's decision, Delta announced that the 6,000 Western employees represented by the Air Transport Employees would become nonunion because they were outnumbered by the nonunion Delta employees in the same job categories. Delta said that Federal labor law mandated a similar conversion to nonunion status for 2,000 employees represented by the Teamsters. Western pilots would continue to be represented by the Air Line Pilots Association because the union already represented Delta's pilots.

USAir Group Inc. moved to strengthen its competitive position—and to thwart a proposed takeover by Trans World Airlines—by acquiring other carriers. In April, the last major obstacle to USAir's planned purchase of Pacific Southwest Airlines was removed when the Teamsters and Pacific Southwest agreed to drop several provisions from their contract, including one requiring any new owner to recognize the union as bargaining agent for some 3,200 of Pacific Southwest's 5,000 employees. In return, Pacific Southwest agreed to establish a \$3.2 million fund to make

severance payments to employee choosing not to move to USAir.

In May, 2,600 USAir employees were covered by a 2-year contract negotiated by the Association of Flight Attendants. The agreement, retroactive to September 1986 and running to August 31, 1988, provides for reopening negotiations upon completion of the acquisition of Pacific Southwest Airlines and of Piedmont Aviation Inc. that also was under way.

In August, the Association of Flight Attendants won the right to represent the 940 flight attendants at Pacific Southwest after the Teamsters, which had represented the employees, withdrew from the National Mediation Board election. The withdrawal came after the Teamsters failed to convince the Board that the vote should be postponed until the Pacific Southwest-USAir merger was actually completed.

In October, the U.S. Department of Transportation approved the USAir purchase of Piedmont, opening the door to bargaining with several unions over unifying the two seniority and compensation systems. The carriers employ 38,000 people, including those not represented by the unions.

Shortly before the merger announcement, Piedmont and the Association of Flight Attendants had negotiated a 33-month contract protecting the seniority rights of the 3,000 employees when the merger occurred. The contract also provided for two wage increases totaling 75 cents an hour, and added a requirement that the attendants fly at least 60 hours a month.

Republic Airlines' stock ownership plan, in March, distributed \$33 million to 2,500 members of the Machinists union. The money was in exchange for stock the union members had received in the early 1980's in return for cuts in wages and benefits and agreeing to productivity improvements to aid the carrier in avoiding bankruptcy. Overall, a total of \$150 million was distributed to 15,000 former Republic employees in 1987. NWA, Inc., the parent of Northwest Airlines, purchased Republic in August 1986 for \$884 million, or \$17 a share, compared with a low of about \$3.50 when the shares were issued to the employees.

In August 1987, Northwest resumed negotiations with the Teamsters on a contract for a new combined unit of flight attendants resulting from the merger. The Teamsters, which had represented Northwest attendants prior to the merger, had gained the right to represent the 6,500 employees in the new unit by defeating the Association of Flight Attendants (which had represented attendants at Republic) in a 1986 representation election.

After mid-1987 elections in which the Machinists gained the right to represent a total of 20,000 employees in four units, the union began pressing Northwest to raise the compensation of the 14,000 workers who were formerly employed by Republic to the levels prevailing for the 6,000

other employees. Northwest refused to bargain for three of the units because their agreements were not yet subject to amendment under provisions of the Railway Labor Act. Bargaining was conducted for the unit of mechanics and related employees, but the carrier, in November, declared an impasse and instituted pay increases averaging 10.3 percent for 2,900 workers in the union who had been Republic employees. (A few days later, the union obtained a court order terminating the company action, and the parties were still contesting the issue at yearend.) Northwest said the action was necessary to bring "peace and efficiency" to its operations, while the union described it as a move to "divide and conquer" employees. The union also claimed that the "equalization" move resulted in benefit cuts for the former Republic workers.

Steel

The 1986 round of bargaining between the major steel producers and the United Steelworkers essentially concluded late in January 1987, when employees of USX Corp. ratified a 4-year contract, ending the longest major work stoppage in the history of the industry. The round of bargaining was of particular interest because it was the first since the companies disbanded their bargaining association, the Coordinating Committee Steel Companies, and shifted to individual company bargaining. This occurred because the companies believed their individual cost and production problems varied too much to be addressed in a uniform settlement with the union.

Although there was a 6-month work stoppage at USX, settlements at the other companies were usually peaceful. In general, the settlements, which led off with April 1986 accords at LTV Steel Corp. and National Steel Corp., provided for:

- Cuts in employee compensation that could be partly or completely offset by payouts under new profit-sharing and stock-ownership plans.
- Adoption of gain-sharing programs permitting local unions and management to develop plans for distributing cash to employees based on improvements in output, efficiency, quality, and nonlabor costs attributable to employee efforts or initiative.
- Suspension of provisions for automatic quarterly cost-of-living pay adjustments.
- Adoption of restrictions on overtime work, plant closings, and layoffs.

Specific provisions of the USX contract included a cut in employee compensation of about \$2 an hour; suspension of COLA's; reduction of the Sunday work premium to time and one-fourth, from time and one-half; and elimination of 3 of 10 paid holidays. There also were temporary 1 or 2 year cuts in paid holidays, vacations, and in shift premiums.

Other permanent provisions included a new profit-sharing plan; additional limits on contracting out; a company commitment to modernize two plants; and elimination of some jobs.

Elsewhere in the steel industry, the Steelworkers and some companies asked the Government to set up a special fund to help defray the cost of closing outmoded facilities, primarily by assuming the cost of pension and health insurance benefits for the employees losing jobs. This did not occur, partly because industry profits improved. However, the Government did act in another area, as President Reagan extended import restrictions on specialty-steel products to September 30, 1989. In the interim, the quotas will be increased and duties will be decreased, in stages.

An issue that drew attention and promised to continue into 1988 was the continuing controversy over LTV Corp.'s pension plans. The controversy began in January 1987, when the Pension Benefit Guarantee Corp. (Pension Corp.) terminated three underfunded LTV pension plans and assumed the obligation of making monthly payments to eligible retirees. The Pension Corp. said the action was in accord with its obligation to protect LTV retirees from loss of benefits resulting from bankruptcy proceedings the company had earlier entered. In assuming the benefit payment obligation, the Pension Corp. decided that its obligation was limited to continuing "basic" pension benefits, which excluded a \$400 a month supplemental benefit some early retirees had received until age 62.

The cutoff of the supplemental benefit, along with the general condition of the company, prompted the Steelworkers and the company to renegotiate the 1986 contract. Under the new contract, ratified in August, LTV agreed to pay 92.25 percent of the \$400 a month supplemental benefit to 8,000 eligible current retirees, retroactive to February 1, 1987. In return, the union agreed to a new "defined contribution" pension plan for current employees, which would not be insured by the Pension Corp. The union conceded that the new plan was not as good as the previous plan. The contract also called for employees to begin contributing \$26.82 a month toward insurance premiums; and for elimination of 500 jobs through attrition or voluntarily departures, with those who voluntarily depart receiving lump-sum payments of \$1,000 per year of service, up to \$25,000. The agreement was scheduled to run until LTV's reorganization was approved by the bankruptcy court, or until February 15, 1990, when either side could reopen negotiations on economic matters.

After failing to block the new pension plan and the supplemental benefits in a July hearing in bankruptcy court, the Pension Corp. in September took the unprecedented action of restoring the three pension plans it had terminated in January, making LTV fully responsible for funding and administering the plans. Kathleen P. Utgoff, executive director of the Pension Corp., said the provisions of the LTV-Steelworkers 1987 agreement amounted to an illegal

subsidy of LTV pensions, with the agency financing basic benefits and the company financing only the supplemental benefits. This, she claimed, was a de facto continuation of the old pension plan—a violation of the Employee Retirement Income Security Act of 1974, the law that established the Pension Corp. to protect retirement benefits. Utgoff also noted that circumstances had changed, with LTV earning \$271.7 million before taxes in the first half of 1987, compared with a year-earlier loss of \$576.2 million.

In the wake of the restoration, LTV began making benefit payments, but the Pension Corp. said that early retirees were not receiving the full amount and started court action in October to force a change. LTV's position was that restrictions under its bankruptcy proceedings prevented full pension payments.

Meatpacking

Bargaining in the meatpacking industry was conducted under the same economic condition that has prevailed in recent years: declining demand, leading employers to cut production costs to stay in business. Cost cuts were achieved by shutting down less efficient plants; revamping production and distribution methods; attempting to shift work to nonunion plants; and persuading unionized employees that cuts in compensation were needed to protect their jobs.

In 1984, the United Food and Commercial Workers—the dominant union in the industry—adopted a policy of vigorously resisting the cuts that began in 1982, concluding that they only postpone plant closings. The union also pressed for restoration of past cuts.

Not surprisingly, the divergent goals of labor and management have resulted in clashes out of proportion to the size of the industry. According to the union, its members participated in 158 work stoppages in the industry from 1983 to 1986. About 40,000 workers were involved.

One of the major work stoppages in 1987 occurred in Dakota City, NE, where 2,800 employees of IBP (Iowa Beef Processors), Inc. were off the job for about 7 months before a settlement was reached. The stoppage was not unique in the bargaining relationship: each settlement since 1969 has been preceded by a work stoppage.

From the beginning of the negotiations, IBP had called for reductions in employee compensation, while the union had just as adamantly called for increases, particularly because IBP—the Nation's largest beef processor—"sets the wage pattern" for the industry, according to the union. The union said it was vital for it to "maintain a presence" at the plant because it is the only IBP plant where the union represents employees.

As the stoppage progressed, IBP began hiring replacement workers while the union pressed a publicity campaign in which it accused the company of substantially underreporting job-related accidents and illnesses to the Department of Labor's Occupational Safety and Health Administration (OSHA).

In July, OSHA completed an investigation initiated in response to a complaint filed by plant employees, and proposed a record \$2.59 million fine against IBP. The company disputed the finding and indicated it would appeal the proposed penalty.

Within a week after the OSHA announcement, IBP and the UFCW agreed on a 4-year contract under which workers hired prior to December 14, 1986, remain at their prestoppage wage rate until the 33rd month of the agreement, when they will receive a 15-cent-an-hour increase, to \$8.35 in slaughtering, and to \$8.05 in processing. Workers hired later, start at \$6 an hour and receive a 15-cent progression increase every 3 months until they reach \$7.60 for slaughtering and \$7.45 for processing. This two-tier pay system drew criticism from United Food and Commercial Workers leaders at other companies, who said it sets an unwelcome precedent for the industry. However, the local union responded that the equivalent of a two-tier system had actually been in effect under the prior agreement because high turnover resulted in about 20 percent of the work force always being at the starting rates of \$6.20 for slaughtering and \$5.90 for processing, which applied during the first 2 years of employment. According to a union official, the 1987 agreement provides for raising the \$7.60 and \$7.45 rates if necessary to maintain parity with averages in the industry.

Other terms included:

- Changes in safety provisions, such as increased employee participation in plant inspections, the hiring (by IBP) of a consultant to study operations and recommend changes, and giving employees full access to their medical records.
- Establishment of a pension plan under which 5-year employees become eligible for benefits at the beginning of the fourth contract year. Benefit levels will be set by a joint committee and financed by annual company payments equal to 4 percent of profits.
- An increase in major medical insurance coverage, to \$150,000, from \$30,000.
- Adoption of insurance coverage for dental care, prescription drugs, and alcohol and drug abuse treatment.
- A provision for extending the agreement (with additional wage increases) for an additional 4 years, if both parties agree.

As part of the settlement, IBP also agreed to rehire all the workers involved in the work stoppage, giving them precedence over 2,200 replacement workers, who also were assured jobs.

John Morrell & Co. was involved in a work stoppage at its Sioux City, IA, plant that began on March 10, after the company and Food and Commercial Workers Local 1142 were unable to agree on a new contract for about 750 employees. At that time, Morrell wanted a \$1.25 an hour cut

in the \$9 base rate, while the union was seeking an 80-cent increase.

The dispute escalated in May, when 2,500 employees at the company's Sioux Falls, SD, plant joined the stoppage in sympathy with the Sioux City employees. The action by Food and Commercial Workers Local 304A in Sioux Falls followed a Supreme Court decision not to hear an appeal by Morrell that union power to engage in sympathy strikes be curbed. The case began when Local 304A engaged in two brief stoppages in sympathy with Food and Commercial Workers members involved in a stoppage at Morrell's Arkansas City, KS, plant. The Arkansas City stoppage ended when the parties agreed on a new contract.

As the 1987 stoppages at Sioux City and Sioux Falls continued, Morrell hired an increasing number of replacement workers. The next major development came early in November, when the Sioux Falls employees reported for work but were turned away, which, the union claimed, changed the stoppage into a lockout, making the strikers eligible for State unemployment benefits.

In Cudahy, WI, uncertainty about the future of the Patrick Cudahy, Inc. plant increased as a work stoppage that began on January 3 continued with no end in sight. Smithfield Foods Co., which purchased the plant in 1984, reported in September 1987 that it had lost \$5 million as a result of the stoppage, although it was continuing to operate the plant, using replacement workers. The stoppage centered on management's call for cuts in employee compensation it contended were necessary to compete in pork processing, countered by Food and Commercial Workers demands for restoration of wage rate cuts the workers had accepted in 1982 and 1984. In December, Cudahy filed for protection under Chapter 11 of the Federal bankruptcy code and laid off 700 employees, most of whom had been hired to replace participants in the work stoppage.

Elsewhere, a nearly 4-year dispute between ConAgra Inc. and the Food and Commercial Workers ended when the company agreed to pay a total of \$6.6 million in back pay and medical expense reimbursements to employees who lost their jobs when the company purchased Armour & Co. in 1983. The settlement, negotiated by ConAgra, the Food and Commercial Workers, and the National Labor Relations Board, also provided for the rehiring of up to about 525 employees, with retroactive seniority.

The 1983 purchase involved 39 plants, but the 1987 consent agreement only applied to 13 plants covered by a master labor contract between the Food and Commercial Workers and Armour & Co. In the complaint the union filed with the National Labor Relations Board in February 1984, the union charged that ConAgra had discriminated against the former Armour & Co. employees when it purchased the plants from Greyhound Corp., dismissed the entire work force, reopened the plants under the name ConAgra/Armour, and hired new employees. Reportedly, wage rates for the new nonunion workers ranged from \$5.50 to \$6.50 an hour,

compared with the \$10.69 standard rate then prevailing in Food and Commercial Workers contracts with major meat processors.

Although the 13 plants remain nonunion, the Food and Commercial Workers did win a 1987 representation election at one of the other former Armour plants, located in Mason City, IA. About 300 employees are in the new bargaining unit. The only other organized plant in the chain is in Louisville, KY.

The unsettled condition of the industry also was illustrated by developments in Ottumwa, IA, where Geo. A. Hormel & Co. announced in February that it would close its local plant in August because of excess capacity in the industry and because the \$10.70 an hour base wage rate of its employees was not competitive with rates at other companies, such as the \$5.80 at nonunion IBP plants.

The final closing was preceded by a shutdown of animal slaughtering at the plant in March 1986 after employees refused to cross picket lines set up by employees involved in work stoppages at other Hormel plants. After the August 1987 final closing, Excel Corp. entered into a lease-purchase agreement, reopened the plant, and began hiring a new work force expected to eventually total 800 people. This threw Local 431's representation rights into doubt because its members hired by Excel might not constitute a majority of the new work force. Accordingly, Local 431 began an organizing drive among the new employees.

Excel's move into pork processing at Ottumwa also signaled the start of a major competitive challenge to Occidental Petroleum Corp.'s IBP Inc. unit, the industry leader in both beef and pork processing, and a generally acknowledged leader in process innovations and resistance to union contract demands. Excel is a unit of Cargil Inc.

There was a bright spot at Wilson Foods Corp., which was moving toward profitability after emerging from Chapter 11 bankruptcy proceedings in 1985. The turnaround was attributed to a cut in hog slaughtering and a major shift into production and distribution of processed foods. Despite the improved financial results, Wilson officials cautioned that the company was "still strapped for funds." They also said that the company is handicapped because some of its plants are older and its wage rates are higher than those of its competitors.

Aerospace

The round of bargaining in the aerospace industry, which led off with an October 1986 settlement between the Boeing Co. and the Machinists, was almost closed in August 1987, when the union settled with General Dynamics Corp.'s Convair Division. Still outstanding was a contract at McDonnell Douglas Corp.'s Long Beach, CA, plant, where members of United Auto Workers (UAW) Local 148 had earlier engaged in a "work to the rules" or "build it by the book" job action that slowed production of the company's commercial aircraft. Members of Machinists locals at nearby plants had supported the job action until July, when they accepted

terms similar to those McDonnell Douglas had unilaterally put into effect for the UAW-represented workers earlier in the year, following a bargaining impasse that was partly attributable to leadership clashes within the local union.

During the round of bargaining with the Machinists and the UAW, the various aerospace companies had pressed for moderate settlements to help them compete more effectively with foreign aircraft manufacturers, which have recently won an increasing share of world markets. The companies also cited cuts in purchases of military aircraft. The unions' bargaining objectives included specified wage increases in each contract year, replacing the annual lump-sum payments adopted in the previous bargaining round. The union also sought to end provisions, adopted in the 1983-84 settlements, that excluded lower paid employees from receiving COLA's to relieve a compression of the percentage differential between these employees and higher paid employees that had resulted from all workers receiving uniform cents per hour COLA's.

In St. Louis, the settlement between McDonnell Douglas Corp. and the Machinists provided for an immediate 3-percent wage increase and a lump-sum payment equal to 3 percent of earnings during the preceding 12 months. This is to be followed by a 2-percent lump-sum in the second year and a 4-percent lump-sum in the final year. The COLA clause was revised to cover all employees, as the union had sought.

Another settlement, between Rockwell International Corp.'s Aerospace Group and the UAW for operations in California, Ohio, and Oklahoma, provided for an immediate wage increase of 3 percent plus a 15-cent immediate COLA adjustment (which did not apply to employees in some progression steps of lower grades). The lump-sum payments were 2 percent of 12-month earnings in December 1987, 6 percent in August 1988, and 5 percent in August 1989.

A 3-year settlement between United Technologies Corp.'s Sikorsky Aircraft Division in Connecticut and the Teamsters provided for wage increases of 2.5, 2, and 1.5 percent in the respective years and lump-sum payments in each year equal to 2.5 percent of previous year's earnings. The agreement did not contain a COLA clause.

Longshore and offshore maritime

On the West Coast, the Pacific Maritime Association and the International Longshoremen's and Warehousemen's union settled on contracts for 9,000 workers. There was no wage change in the first contract year, but the ship loaders and unloaders benefited from a new method of calculating pay for work in excess of the normal 8 hours per day. Wage increases of 40 cents an hour were scheduled for the second and third years and employees with at least 5 years of service were assured 38 hours of work per week, a 2-hour increase. Shorter service employees continued to be guaranteed 28 hours of work.

Employees rejected the tentative July settlement in the first balloting, reflecting their concern over some of the

contract changes intended to aid management in controlling labor costs, but narrowly approved it on the second, conducted in September. The changes included greater flexibility in work scheduling and shift lengths; a wage progression plan under which new hires and casual employees will move to the top rate (\$19.43 in the first contract year, \$19.83 in the second year, and \$20.23 in the third year) after 5,000 hours of experience; and elimination of "penalty overtime pay" of 1.5 times their normal overtime rate for marine clerks working during meal periods or for hours in excess of 10 per day.

On the East and Gulf coasts, the International Longshoremen's Association and the various shippers associations presumably expected 1987 to provide respite from the complex and fragmented contract bargaining of 1986. However, a crisis, requiring further bargaining, arose in August, when the Federal Maritime Commission declared that the bargaining parties' "50 mile rule" on handling container cargo discriminated against some shippers and ordered it removed from all tariffs within 90 days. Under the rule, adopted in 1959 and the target of several court actions since then, packing and unpacking of containers within 50 miles of a port had to be performed by International Longshoremen's Association members. The carriers had agreed to the rule in return for the right to freely automate operations. In 1985, the Supreme Court had found that the rule addressed a valid work preservation objective under the Labor-Management Relations Act of 1946. In supporting its decision, the Maritime Commission conceded that it had no jurisdiction over International Longshoremen's Association contract provisions, but asserted that it did have the right, under three laws, to control shippers tariffs.

After the ruling, the International Longshoremen's Association and management reopened negotiations on the issue that were expected to continue into 1988.

Elsewhere in the maritime industry, a total of 11,000 workers aboard deep sea vessels were covered by two settlements. One, between the Seafarers and the American Maritime Association, comprising seven shipping lines, provided for a 2-percent wage increase in each of the 3 contract years, and for additional increases if the BLS CPI-W rises more than 10 percent.

The other settlement, between the National Maritime Union and the Maritime Service/Tanker Service Committee for 6,000 sailors aboard 120 vessels, also called for a 2-percent increase in each of the 3 years, but the initial increase was diverted to bolster the union's welfare plan. Both settlements also improved some benefits.

Shipyards

The Nation's private shipyards continued to experience financial difficulties in 1987 that resulted in shutdowns, bankruptcies, and some cuts in employee compensation. Management officials attributed the industry's problems to increased pressure from the government to reduce their bids on Navy ships, to a Navy move to perform more repair work

in its own shipyards, and to a lack of orders from commercial shipping companies.

The first 1987 settlement in the industry occurred in January, when a Metal Trades Council negotiated a 3-year contract with the Ingalls Shipbuilding Division of Litton Systems Inc. The agreement, which covered 6,000 employees in Pascagoula, MS, froze the base wage rate at \$11.28 an hour, but the workers received an immediate \$1,000 lump-sum "productivity incentive payment," to be followed by \$250 to \$500 payments, varying by hours worked, in the second and third years.

Fully experienced new employees will start at \$8.28 an hour and move to the \$11.28 top rate over a lengthened progression schedule of 6,000 hours worked. Inexperienced new employees will progress from \$8.28 to a maximum of \$10.53 over the same period.

Todd Shipyards Corp. and the Seattle (WA) Metal Trades Council agreed on a 34½-month contract replacing the "final offer" terms Todd had imposed on December 1, 1986, after the employees had rejected the offer. Contract provisions included a \$1.50-an-hour reduction in the \$13.50 base rate under the prior agreement; lump-sum payments calculated at 50 cents for each hour worked from July 1, 1986, to November 30, 1986, and 25 cents for each hour worked from December 1, 1986, to March 31, 1990; possible annual profit sharing; continuation of COLA; and a stretch-out of pay progression for new employees.

Later in the year, Todd filed for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code. The filing covered shipyards in Los Angeles, CA, and Galveston, TX, as well as in Seattle.

On the East Coast, Newport News Shipbuilding and Dry Dock Co. and the United Steelworkers negotiated a 46-month contract that provided for an immediate \$1,000 lump-sum payment, an \$800 payment in December 1988, and a 3-percent wage increase in February 1990. Under the prior 43-month agreement, the employees had received three wage increases totaling nearly 25 percent.

The settlement, which covered 16,600 employees, also established a health care cost containment program and raised the pension rate for each year of credited service to \$18 a month, from \$15.

Apparel

Bargaining was light in the apparel industry, involving 45,000 employees, but two of the year's settlements were notable for establishing parental leave. Such leave has become increasingly important with the growth of two wage-earner families and the resulting difficulties in caring for children.

The new provision in the July agreement between the Ladies Garment Workers and associations of ladies undergarment manufacturers provided for up to 6 months of unpaid job-protected leave for either parent and applied to births and adoptions. Union President Jay Mazur said that

parental leave will be a goal in all future negotiations because "the American family is changing and it is vital that society respond to those changes by guaranteeing parents the right to care for their newborn infants."

The other settlement establishing parental leave was in men's and boys' apparel manufacturing, involving the Clothing and Textile Workers and the Clothing Manufacturers Association. The new provision permits a parent to take up to 6 weeks of unpaid leave every 2 years for the birth or serious illness of a child. The employee will continue to be covered by health insurance during the period and will be assured of a job when the period ends.

The 3-year accord, which covered more than 40,000 workers, also improved wages and benefits, and continued to bar covered employers from moving work to nonunion companies and purchasing garments abroad. The Clothing Manufacturers Association, which had wanted to eliminate this provision, said that the longer duration of the new agreement—3 years, compared with 2 years for the preceding one—would at least give it more time for developing counters to increasing competition from foreign producers.

Pulp and paper

Bargaining shifted to a company-by-company basis on the West Coast, as the Association of Western Pulp and Paper Workers settled with Weyerhaeuser Co. and Boise Cascade Corp. Previously, these companies and others had bargained as a unit.

The leadoff 1987 settlement at Weyerhaeuser did not increase wages, but did call for an immediate \$650 lump-sum payment and for annual incentive payments in each of the 3 contract years ranging up to 4 percent of the individual's earnings during the preceding 12 months. The payments were to be based on product quality, output, costs, and safety.

Wage rates were also not increased in the Boise Cascade agreement, but the employees received an immediate \$1,100 lump-sum payment, to be followed by second and third year lump-sums equal to 2 percent of employee earnings during the preceding 12 months. The company benefited from a reduction in the number of circumstances in which employees received \$6.75 meal tickets for working overtime. Eligibility for call-in and call-back pay also was restricted.

Meanwhile, a bargaining impasse continued between International Paper Co. and the United Paperworkers at mills in Mobile, AL, Jay, ME, DePere, WI, and Lock Haven, PA. The stalemate, which threatened to spread to other company mills as additional contracts expired, resulted in a work stoppage that began on various dates at the four mills.

Previously, the union negotiated separately with each of the mills. However, a company demand for labor-cost cuts to enable it to compete more effectively led to a shift in union tactics. Under the new approach, union President Wayne E. Glenn supervised bargaining on four issues:

premium pay for overtime work, subcontracting, contract duration, and return-to-work rights for participants in the work stoppage, which was to continue until a combined tally of workers at the mills showed a majority in favor of a settlement.

Other industries in brief

Railroads. The round of railroad bargaining that began in 1984 continued into 1987, as four unions settled during the first 10 months of the year for 11,000 employees of the Class I carriers and Amtrak. The settlements were similar to the earlier ones, calling for wage increases totaling about 10.5 percent plus lump-sum payments, or about 6.5 percent plus larger lump-sum payments, and continuation of COLA payments. At yearend, bargaining was continuing for 25,000 workers.

Elsewhere in the industry, the Federal Government concluded its sale of Conrail by distributing 10.3 million shares of its stock to 92,000 active and retired rail workers. The number of shares distributed ranged from 10 to 270 and averaged 220, worth \$8,415, according to Conrail. Conrail was created in 1976 to continue the freight operations of bankrupt Northeastern and Midwestern rail lines. The trade-off leading to the distribution occurred in 1979, when the employees agreed to compensation cuts in exchange for the Conrail shares.

Rubber. National contracts between the major rubber companies and the United Rubber Workers were not scheduled to expire until 1988, but there were local settlements in 1987 that reduced employee compensation at two plants that were threatened with closing.

Developments at Firestone Tire & Rubber Co. began in October 1986 when the company gave the Rubber Workers the required 6 months contractual notice that it planned to close tire plants in Oklahoma City, OK, Des Moines, IA, and Bloomington, IL. Resulting negotiations at the Oklahoma City plant led to a March 1987 settlement that cut wages by a reported \$3.66 an hour and assured continued operation of the plant, which makes tires for passenger cars and light trucks.

Late in 1987, the Edwards Warren Tire Co. purchased the Bloomington plant and began negotiating with Rubber Workers Local 787.

Continued operation of the Des Moines plant also was assured, at least for the foreseeable future, when employees agreed to a cut in compensation of more than \$3.50 an hour, in addition to a similar cut in 1986. Firestone officials declined to forecast how long the plant would remain open explaining, "we're in an exceptionally dynamic business," precluding long-range planning.

After the Firestone accord, Rubber Workers members at the Armstrong Tire Co. plant in Des Moines also moved to avert a planned closedown by agreeing to a compensation cut "in the \$5.40 an hour range," according to an official of

Local 164. Armstrong had informed the union that a cut was necessary for the plant to remain competitive with the Firestone plant. Both plants make farm tires, among other types. At year end, employees at all Armstrong plants were revoting on the terms, following a rejection on the first vote.

Construction. The AFL-CIO's Building and Construction Trades Department and the National Constructors Association developed model language to be voluntarily incorporated into labor contracts between the Association's 20 member companies and individual unions. The uniform language is designed to counter the increasing competition from nonunion companies by improving work efficiency and quality.

The approach, which does not deal directly with wage rates, calls for provisions such as flexible daily and weekly work hours; seven standard unpaid holidays; elimination of premium pay for night and weekend work; prohibition of work stoppages for the duration of the contract in exchange for expedited grievance procedures; and increased use of trainees and preapprentices instead of fully qualified workers.

Elsewhere in the industry, the International Brotherhood of Electrical Workers and the National Electrical Contractors Association negotiated a national agreement intended to help recapture work from nonunion companies. The new agreement, available to contractors on a project-by-project basis, covers electrical transmission and related substation work. It gives employers increased flexibility in assigning employees, scheduling work, and staffing; provides for expedited resolution of grievances without work stoppages; and contains a number of provisions beneficial to employees on subcontracting and preservation of work.

Farming. In August, the Farm Labor Organizing Committee negotiated an initial contract with 20 Ohio cucumber growers. Campbell Soup Co. also was a party to the agreement because its Vlasic Foods unit buys the growers' output.

The agreement provides for an incentive plan under which the 650 migrant workers could earn \$70 to \$100 more per week based on the value of the crop picked and the percentage of usable cucumbers. Previously, pickers received half the value of the crop picked, or about \$250 to \$300 a week for the 5-week harvest.

The accord, which was subsequently accepted by other growers in Ohio and Michigan, was the fourth the union negotiated with cucumber and tomato growers, bringing a reported total of 2,700 workers out of the 50,000 migrant workers in the region under contracts.

The union's president, Baldemar Valasquez, said the union had held some merger discussions with the older and larger United Farm Workers union in California to enhance efforts to organize farmworkers, particularly those in five Middle Western States and in Florida and Texas.

Migrant and permanent farmworkers throughout the Nation benefitted from a new field sanitation standard issued by the Department of Labor's Occupational Safety and Health Administration. Under the standard, farmers with more than 10 employees are required to provide them with potable water, toilets, and handwashing facilities.

Brewing. The AFL-CIO's boycott of the Adolph Coors Co. ended in August, when company president Peter Coors and Federation president Lane Kirkland announced an agreement permitting Coors employees to "freely choose union representation or refrain from doing so." This meant that if enough employees show interest, a representation election could be held at the company's brewery in Golden, CO, and at its new plant in Elkton, VA, when completed. The accord also specified that the Virginia project, and future projects, will "be undertaken either by union signatory contractors or by a negotiated project labor agreement."

When the dispute began in 1976, employees were represented by an AFL-CIO affiliate. The union charged that Coors started the dispute by using polygraph tests and other means to delve into employees' personal affairs. According to the company, the dispute was over seniority and work assignments. As the stoppage moved into 1977, the work force, consisting of replacement workers and some returning union members, participated in a representation election in which the union was ousted. In April 1977, the AFL-CIO initiated the boycott, which Coors conceded has hurt sales, particularly as the company moved into the eastern market in recent years.

After the 1987 procedural agreement, the Federation used its Organizing Responsibilities Procedure to select the Machinists as the most appropriate union to undertake the campaign at Golden. Competing with the Machinists was the Teamsters union, which had announced plans to organize the employees prior to reaffiliating with the AFL-CIO.

Electrical appliances. In Cleveland, TN, a 4-year work stoppage against Magic Chef, Inc.'s kitchen range plant ended when the AFL-CIO's Industrial Union Department persuaded the Maytag Co. to negotiate with the Molders and Allied Workers union. Maytag had purchased the plant in 1986.

The new contract gave the 600 original participants in the stoppage three options: return to work and receive two payments totaling \$8,500; retire immediately, with a \$500 a month supplement to their basic pension until they attain age 62, if their age plus years of service totaled 70 or more; or not to return to work or draw a pension in exchange for an \$11,000 buyout payment.

Printing. The longest dispute settled in 1987 was at Arcata Graphics, in Kingsport, TN, where the Aluminum, Brick and Glass Workers won the right to represent 2,000 employees. The company was known as the Kingsport Press

in 1963 when members of five printing unions became involved in a work stoppage they blamed on unfair bargaining tactics used by the company. As time passed, the AFL-CIO initiated a national boycott campaign, Kingsport continued to hire replacement workers, and the unions were ousted in a 1967 election.

The Aluminum, Brick and Glass Workers attributed its representation success to increased employee concern over job security after Arcata Graphics terminated some workers and replaced them with lower paid temporary workers.

Cement. The Boilermaker union's Cement Division credited a new international organization of unions with initiating a corporate campaign that led to settlement of contract disputes that ran 3 years with two domestic companies. The new organization, the Cement World Congress, was formed by the AFL-CIO's Industrial Union Department and the International Chemical, Energy, and General Workers Federation to counter the growth of transnational companies in the industry.

The two firms, General Portland Cement Co., a unit of a French company, and Missouri Portland Cement Co., a unit of a Swiss company, in 1984 contended that cuts in labor costs were necessary because of economic problems in the industry.

The 1987 settlement with General Portland included two 2-percent wage increases over the 2-year term, and guaranteed Supplemental Unemployment Benefits for layoffs resulting from subcontracting. The 3-year Missouri Portland contract provided for a \$500 lump-sum payment, two wage increases totaling 40 cents an hour, and adoption of severance pay.

Textiles. Although only about 650 workers were involved, the Amalgamated Clothing and Textile Workers saw great significance in its victories in representation elections at J. P. Stevens & Co.'s plants in Port Huron, MI, and Drakes Branch, VA. It was the union's first victory at the company since the end, in 1980, of a 17-year dispute over the union's right to represent Stevens employees in several southern plants.

Retail Food

Labor-management relations in the retail food industry continued to be dominated by factors that often led to conflicts. Management, citing the need to compete with lower cost store chains, pressed the United Food and Commercial Workers, the dominant union in the industry, for cuts in compensation, changes in work rules, and increases in the number of lower paid part-time employees. Union members accused some companies of setting up low cost chains to compete against their own stores, forcing employees to accept cuts in labor costs or lose their jobs. During the year, settlements commonly included cost-reducing provisions, but store closings also were common.

One move to aid terminated employees was a national severance pay plan established by Safeway Stores Inc. and the Food and Commercial Workers. The adoption of the plan was triggered by the closing of Safeway's Dallas (TX) Division to help reduce a debt the company incurred in 1986 while warding off a takeover attempt. The new plan only applies when Safeway sells a complete division and the new owner does not retain the workers and negotiate a contract with the Food and Commercial Workers. Coverage is limited to full-time employees with at least 1 year of service. Provisions include up to 8 weeks' severance pay, varying by length of service; the right to transfer to other divisions, with preferential hiring rights over job applicants who have never worked for Safeway; continued company payments into the pension funds of closed divisions for employees within 1 year of retirement; and joint union-management efforts to obtain government retraining funds.

Federal pay

The 1.5 million Federal white-collar employees did not receive a salary increase in 1986, breaking the pattern of the last few years, but they did receive a 3-percent increase in January 1987. Under the Federal Pay Comparability Act of 1970, the President's Pay Agent (a triad consisting of the Secretary of Labor and the directors of the Office of Management and Budget and the Office of Personnel Management) reported in 1986 that a 23.79-percent pay increase was necessary to bring white-collar pay up to the level for comparable jobs in the private economy, based on the results of the annual National Survey of Professional, Administrative, Technical and Clerical Pay conducted by the Bureau of Labor Statistics. Under the Act, an increase would normally have been effective in October 1986. However, the President using his authority under the Act, proposed a 2-percent increase, effective in January 1987. This was later raised to 3 percent under the omnibus spending bill.

The 2 million military personnel also received the equivalent of a 3-percent increase in January 1987 under laws linking their pay levels to those for the white-collar employees. About 465,000 blue-collar trades workers received an increase of up to 3 percent during the fiscal year ending September 30, 1987. Their pay is raised at various times during a year, based on the results of local surveys of wages for similar private industry jobs. However, their potential increase is "capped" at the same percentage amount as for white-collar workers.

Later in 1987, the Pay Agent presented to the President its finding on a salary increase that would normally be effective in October 1987. The increase, based on the Bureau's 1987 survey, was 23.74 percent. However, President Reagan again used his authority under the Pay Comparability Act to propose an alternate increase of 2 percent, effective in January 1988.

In a legal decision regarding the pay-setting procedure, the Supreme Court let stand a U.S. Court of Appeals denial

of a challenge to the President's power to propose alternatives to the findings of the Pay Agent. The challenge was initiated by the American Federation of Government Employees.

The law had authorized either House of the Congress to vote the President's decision, which presumably would have required the President to implement the Pay Agent's annual finding. However, in 1983, the Supreme Court ruled that vetoes by a single House were unconstitutional.

Postal workers who have the right to bargain collectively—but not to engage in work stoppages—fared better than Federal Government workers in 1987, as 650,000 of them settled with the U.S. Postal Service, a quasi-government agency. The unions involved were the American Postal Workers (350,000 employees), the Letter Carriers (235,000), and the Mail Handlers unit of the Laborers union (50,000). The current contract for the fourth major union, the Rural Letter Carriers (75,000 employees), was not scheduled to expire until January 1988.

The chief issues on the bargaining table were union demands for "substantial" wage increases and liberalization of the COLA formula and the Postal Service's demand for increased use of casual labor to reduce operating costs. In the end, the unions agreed to continuation of the existing COLA formula and smaller wage increases than they had been seeking. In return, the Postal Service agreed not to expand the use of casual employees.

The bargaining led off with a settlement by the Mail Handlers. The other unions, bargaining jointly, denounced it as inadequate and reached an accord which provided for larger wage increases. In the end, all of the employees were covered by the same terms because the Mail Handler's contract included a "me too" provision assuring that the workers would receive any further improvements in wages and benefits negotiated by the Letter Carriers and American Postal Workers.

Specified increases in annual pay ranged from \$1,700 to \$1,866, or about 7 percent over the 40-month term, plus semiannual COLA's that the unions estimated will total 11 to 12 percent, based on their projection of the future movement of the BLS CPI-W.

Under the prior 3-year contracts, which were set through arbitration because the parties did not settle before the deadline stipulated by the Postal Reorganization Act of 1970, specified wage increases and COLA's raised annual pay for incumbent employees by a total of nearly \$3,200. New hires received a smaller increase.

Teamsters return to AFL-CIO

The 12.6 million member AFL-CIO, which has been attempting to counter declining union membership in recent years, gained about 1.7 million members, increased organizing ability, and increased political strength when it agreed to the Teamsters' request to reaffiliate with the Federation. In the 30 years since the Teamsters had been ousted

from the Federation for refusing to sign a code of ethics, Teamsters' officers had repeatedly been charged with corruption, and four of the last five presidents had been convicted of crimes.

At the time of the November 1 reaffiliation, the Federal Government was seeking to place the Teamsters in trusteeship for alleged law violations. In addition, Teamsters' President Jackie Presser was awaiting trial on charges of paying \$700,000 to "ghost employees."

Despite these problems, AFL-CIO President Lane Kirkland welcomed the Teamsters back into the fold. He noted that Presser was the only member of the union's general executive board under indictment and that, while charged, he had not been convicted. Kirkland said that if convicted, Presser would immediately be removed from his position as a member of the Federation's Executive Council, which was expanded to 36 members to accommodate him.

There was the possibility of further strengthening of the Federation, as Kirkland announced that he had talked with United Mine Workers President Richard Trumka about affiliation. Another reported possibility for affiliation was the National Education Association.

In the area of organizing, one of the major developments was the resurgence of unionism in the Nation's air traffic control system. In June balloting by 10,800 flight controllers, nearly 70 percent favored representation by the National Air Traffic Controllers Association, a new organization affiliated with the Marine Engineers.

Although the victory was important in terms of the number of new union members, it was more important to organized labor as a symbol in its efforts to regain strength in its relationship with management. In the years after President Reagan fired more than 11,000 controllers for participating in an illegal 1981 work stoppage, labor leaders have frequently contended that the action contributed to the stronger stance taken by management in dealing with unions.

National Air Traffic Controllers Association officials attributed the favorable vote to the same problems that triggered the 1981 stoppage: complaints of overwork at some of the Federal Aviation Administration facilities, inadequate staffing, forced overtime, and insensitive management. Officials of the new union conceded that the 1981 stoppage was a mistake and noted that the organization's constitution prohibits work stoppages.

There also were other developments concerning unions and their leaders:

- Thomas W. Gleason, age 86, retired as president of the International Longshoremen's Association and was succeeded by John M. Bowers. Gleason was the oldest labor union president in the Nation.
- Murray H. Finley retired as president of the Amalgamated Clothing and Textile Workers and was succeeded by Jack Sheinkman, who had been secretary-treasurer and co-chief executive since the Amalgamated Clothing Workers

of America and the Textile Workers Union of America merged to form the union in 1976.

- The Furniture Workers merged into the Electronic Workers, which changed its name to International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers.
- The Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees changed its name to the Transportation-Communications Union.
- The Seafarers chartered the Travel Employees Union to organize travel agents. Mona Molles, president of the new union, said travel agents would be particularly interested in getting pension and insurance benefits. Reportedly, there are 200,000 travel agents in the United States.

Legal rulings

During the year, the Supreme Court issued a number of decisions bearing on labor-management relations, collective bargaining, and employment. In these decisions the Court held that—

- States can require employers to pay severance benefits.
- States can require employers to provide pregnancy leave.
- States are permitted to deny unemployment benefits to women who leave their jobs because of pregnancy and are unable to return because the job has been filled.
- Judges can order strict promotion quotas to end “long-term, open, and pervasive discrimination.”
- Government units can voluntarily adopt plans for correcting gender-based imbalances in their hiring and promotion of employees.

- Workers with contagious diseases are covered by the Rehabilitation Act of 1973.
- Suits over retirement and disability benefits must be tried under the Federal Employee Retirement Security Act of 1974, rather than under State law.
- Public employers may search their employees’ offices if they have “reasonable suspicion” of work-related wrongdoing.
- Companies must bargain with the existing union when they acquire another company and there is “substantial continuity” in operations.
- Employers must make a “reasonable” effort to accommodate a worker’s religion in regard to holidays and other matters but need not accept the worker’s suggestion on how to do so.

Elsewhere in the legal system, the National Labor Relations Board reversed its 1971 decision and ruled that construction firms can not repudiate prehire agreements, which require employers to hire only union members for a project. Repudiations are permitted at termination of a collective bargaining agreement or when employees covered by a contract vote to oust the union representing them.

Within the Federal Government, the Department of Justice ruled that contractors performing construction work on projects financed by the Department of Housing and Urban Development (HUD) are required to pay the prevailing wage under the Davis-Bacon Act only if the financing is used for actual construction, rather than site acquisition or the purchase of services, material, and equipment. HUD had requested the Justice Department to review a 1985 Department of Labor decision that the prevailing wage rule applied if HUD financing was used for any aspect of a project.