

Scheduled wage increases and cost-of-living provisions in 1982

Deferred increases will average 6.3 percent, more than in any year since 1971, and are payable to 4.3 million workers; approximately 3.4 million may receive cost-of-living adjustments

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In 1982, about 4.3 million workers in private industry are scheduled to receive wage increases under major collective bargaining agreements¹ that were negotiated in earlier years. These "deferred" increases will average 6.3 percent—the highest average recorded since 1971 (7.7 percent). About 3.4 million workers covered by agreements that will be in effect during part or all of 1982 may anticipate wage changes from cost-of-living adjustment clauses. Some 2.3 million of these workers will also receive deferred increases. About 3.7 million workers will be covered by contracts expiring or with provisions for reopening in 1982, making this a relatively heavy bargaining year.²

This article focuses on deferred wage increases and cost-of-living adjustments (COLA) provided by the major agreements that will remain in effect through 1982. The analysis of deferred increases does not include contracts covering 1.2 million workers which expired before 1982, but had not been renegotiated or for which data were not available at this writing.³

Deferred wage increases

Deferred wage increases are those that are implemented in one calendar year but had been negotiated in

an earlier year, usually as part of a multiyear agreement. They include general wage adjustments covering all workers, and changes which affect only a portion of the bargaining unit such as those that alter skill differentials or premiums.

The comparatively large mean deferred wage increase in 1982 results from increases negotiated during 1981, which averaged 8.5 percent and covered 1.3 million workers. Deferred increases from contracts negotiated during 1980, which covered 2.9 million workers, averaged 5.1 percent.

The proportion of workers with cost-of-living provisions in their contracts influences the size of average deferred increases—contracts with COLA clauses generally provide smaller deferred wage increases than those without. Cost-of-living provisions covered only 21 percent of the workers under settlements reached in 1981, compared with 61 percent of those under 1980 settlements. Workers covered by 1981 agreements with COLA will receive average deferred increases of 5.9 percent in 1982, compared with 9.3 percent for those without such clauses.

The size of deferred increases varies significantly by industry and prevalence of COLA. For example, the largest increases, in both cents-per-hour and percentage terms, will occur in the construction industry, where COLA clauses are rare. About 1 million construction

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workers are scheduled to receive average deferred wage increases of 10.6 percent or \$1.52 per hour in 1982.⁴ The 159,000 construction workers covered by contracts with COLA clauses will receive deferred increases averaging 7.5 percent, compared with 11.2 percent for the 869,000 workers under contracts without cost-of-living provisions.

The metalworking industries, where COLA clauses cover 90 percent of the workers, have deferred increases averaging only 3.1 percent, or 32.1 cents per hour, for 1

million workers in 1982. (See tables 1 and 2.) For the 2.7 million workers with COLA coverage, the average deferred increase is 2.7 percent, compared with 6.6 percent for the remaining 92,000 workers.

Table 3 shows distributions of workers receiving deferred payments by month during 1982. In August, the month with the greatest concentration, 1.2 million workers, 80 percent of whom are in the steel manufacturing and telephone communications industries, are scheduled for increases.

Table 1. Workers receiving deferred wage increases in 1982, by major industry group and size of increase

[Workers in thousands]

Average hourly increases	Number of contracts	All private nonagricultural industries	Manufacturing						Nonmanufacturing				
			Total ¹	Selected industries					Total ²	Selected industries			
				Food and kindred products	Lumber and wood products	Paper and allied products	Stone, clay, glass	Metalworking		Contract construction	Transportation, communications, gas, and electric utilities	Warehousing, wholesale and retail trade	Services
Total	996	4,295	1,481	87	60	55	73	1,002	2,814	1,027	974	444	147
CENTS PER HOUR													
Under 15 cents	41	92	49	10				38	43	2	15	2	
15 and under 20	39	125	106				4	86	20	4	14	1	
20 and under 25	44	135	78			2		75	56		42	4	10
25 and under 30	124	117	485	3		2		449	687		646	32	
30 and under 35	67	299	238	4		8		202	61		33		
												23	2
35 and under 40	35	106	56	6		1		27	50	10	15	13	12
40 and under 45	30	88	38					18	50	6		10	31
45 and under 50	20	36	16	1				11	20		8	9	3
50 and under 60	115	375	153	20		1	62	38	222	28	42	110	39
60 and under 70	59	222	103	15	37	12	1	21	119	5	2	61	31
70 and under 80	62	248	73	13	21	13	3	14	175	47	4	120	4
80 and under 90	38	103	32	10	1	7	2	4	71	33	14	24	
90 and under 100	33	257	29	1		7		18	228	29	32	8	
100 and under 110	50	152	18	3				1	135	94	13	14	3
110 and under 120	28	84						1	83	28	44	8	3
120 and over	211	801	6		1				795	741	41	3	10
Mean increase		74.0	40.0	57.4	72.0	67.5	55.0	32.1	91.8	151.7	48.5	63.1	66.2
With cost-of-living clauses		40.9	32.9	43.6		29.9	54.0	29.8	48.1	116.6	33.3	55.6	97.8
Without cost-of-living clauses		111.8	59.8	64.3	72.0	69.0	62.9	55.5	124.4	158.1	124.8	67.4	64.1
Median increase		51.1	30.3	60.0	70.0	70.6	55.0	28.7	75.0	150.0	28.5	62.5	50.5
PERCENT³													
Under 2 percent	64	175	116	5			4	107	58	6	22	7	
2 and under 3	171	1,441	688	7		2		657	753	17	719	9	
3 and under 4	77	235	159	4				102	76	8	43	18	2
4 and under 5	44	98	43	4			10	4	18	3	3	41	8
5 and under 6	59	207	51	8				9	21	64	15	64	12
6 and under 7	73	160	64	12	7			3	16	48	2	42	4
7 and under 8	114	495	194	19	51	20		48	39	61	38	152	48
8 and under 9	127	565	124	13	1	20		4	32	161	33	36	52
9 and under 10	85	268	31	14		2		5	238	93	74	40	10
10 and under 11	39	124	7		1			3	117	87	10	19	1
11 and under 12	44	139	5	2				2	135	119	2	8	6
12 and over	99	389							389	361	14	8	5
Mean increase		6.3	4.2	6.8	7.1	7.3	6.7	3.1	7.4	10.6	4.0	7.1	8.0
With cost-of-living clauses		3.7	3.2	4.9		2.7	6.5	2.7	4.2	7.5	3.1	6.1	7.6
Without cost-of-living clauses		9.2	7.0	7.7	7.1	7.5	7.8	6.6	9.7	11.2	8.2	10.6	8.1
Median increase		6.0	2.9	7.4	7.0	8.0	7.2	2.7	7.7	10.9	2.7	7.5	8.2

¹ Includes workers in the following industry groups for which separate data are not shown: tobacco (22,000); textiles (12,500); apparel (18,000); furniture (13,000); printing (37,000); petroleum refining (2,000); chemicals (32,000); rubber (4,000); leather (33,000); instruments (25,000); and miscellaneous manufacturing (6,000).

² Includes 199,000 workers in mining industry for which separate data are not shown because of concerns on the confidentiality of earnings data, and 23,000 workers in the financial, insurance and real estate industries.

³ Percent of straight-time average hourly earnings.

NOTE: Workers are distributed according to the average adjustment for all workers in each bargaining unit considered. Deferred wage increases include guaranteed minimum adjustments under cost-of-living clauses. Only bargaining units in the private, nonagricultural economy covering 1,000 workers or more are considered in this table. Because of rounding, sums of individual items may not equal totals. Dashes indicate there are no workers having wage increases that fall within that stated range.

In general, multiple year contracts tend to provide higher wage changes in the initial years than in subsequent years. For instance, 3-year agreements negotiated in 1981 provided average adjustments of 11.3 percent during the first year, 8.3 percent in the second year, and 6.8 percent in the third.

Cost-of-living adjustments

Fifty-six percent of workers covered by major agreements have cost-of-living protection. Two-thirds of the workers with COLA clauses will have at least one review during 1982.⁵ (See table 4.) COLA provisions are designed to help workers recover purchasing power lost through price increases. The number of workers receiv-

ing COLA increases and the proportion of purchasing power actually recovered under individual bargaining agreements depend on the specific formula used to relate wage and price increases, the timing of COLA reviews, and possible "caps" limiting the amount of COLA payments. Through the first 9 months of 1981, cost-of-living adjustments returned about three-quarters of the rise in the Consumer Price Index (CPI).

The number of workers affected by COLA clauses has been decreasing since 1977, largely because of employment declines in industries where such clauses are common. The slightly larger than proportionate drop in COLA coverage in 1978, resulted from the elimination of the COLA provision from the bituminous coal contract.

Table 2. Prevalence of cost-of-living adjustment (COLA) clauses in major collective bargaining agreements, October 1981

[Workers in thousands]

2-digit standard industry classification (SIC)	Industry	All contracts		Contracts with COLA clauses		Percent of workers covered by COLA clauses
		Workers covered	Number of contracts	Workers covered	Number of contracts	
	Total	9,027	1,912	5,080	735	56.3
10	Metal mining	39	14	35	11	89.5
11	Anthracite mining	2	1	2	1	100.0
12	Bituminous coal and lignite mining	160	1	.....	.....	.....
15	Building construction general contractors	668	168	49	9	7.4
16	Construction other than building construction	451	115	102	14	22.5
17	Construction-special trade contractors	421	193	36	20	8.6
20	Food and kindred products	305	99	94	33	31.0
21	Tobacco manufacturing	23	8	20	6	85.9
22	Textile mill products	50	20	3	2	6.4
23	Apparel and other finished products	475	52	148	6	31.1
24	Lumber and wood products, except furniture	66	15	2	1	2.4
25	Furniture and fixtures	28	17	8	6	28.9
26	Paper and allied products	88	62	2	1	2.3
27	Printing, publishing and allied industries	64	30	32	12	50.6
28	Chemicals and allied products	79	39	30	13	38.7
29	Petroleum refining and related industries	36	18	.....	.....	.....
30	Rubber and miscellaneous plastics	83	15	76	11	91.5
31	Leather and leather products	35	14	.....	.....	.....
32	Stone, clay, glass, and concrete products	87	36	70	26	80.2
33	Primary metals industries	483	113	459	99	95.0
34	Fabricated metal products	106	58	83	42	78.1
35	Machinery, except electrical	269	84	249	72	92.5
36	Electrical machinery equipment and supplies	438	99	413	81	94.3
37	Transportation equipment	1,149	103	1,004	80	87.4
38	Instruments and related products	46	14	25	5	53.8
39	Miscellaneous manufacturing industries	22	12	3	2	14.8
40	Railroad transportation	399	18	399	18	100.0
41	Local and urban transit	17	3	16	2	93.5
42	Motor freight transportation	474	19	468	17	98.8
44	Water transportation	90	19	34	7	38.2
45	Transportation by air	181	42	126	22	69.9
48	Communications	742	45	707	32	95.2
49	Electric, gas, and sanitary services	227	76	48	13	21.2
50	Wholesale trade—durables	26	17	6	3	22.9
51	Wholesale trade—nondurables	22	8	6	3	24.5
53	Retail trade—general merchandise	84	23	25	4	29.8
54	Food stores	525	99	203	36	38.8
55	Automotive dealers and service stations	13	9	1	1	9.7
56	Apparel and accessory stores	8	5	.....	.....	.....
58	Eating and drinking places	68	22	.....	.....	.....
59	Miscellaneous retail stores	17	6	8	3	46.0
60-65	Finance, insurance, and real estate	105	19	61	9	58.5
70-89	Services	353	81	23	11	6.5

NOTE: Due to rounding, sums of individual items may not equal totals, and percentages may not reflect shown ratios.

Dashes indicate absence of cost-of-living coverage.

The following tabulation shows the total number of workers and those under cost-of-living clauses (in millions) on January 1, 1971-82:⁶

Year	Workers		Year	Workers	
	With COLA	All		With COLA	All
1971	3.0	10.8	1977	6.0	9.8
1972	4.3	10.6	1978	5.8	9.6
1973	4.1	10.4	1979	5.6	9.5
1974	4.0	10.2	1980	5.4	9.3
1975	5.3	10.3	1981	5.3	9.1
1976	6.0	10.1	1982	5.1	9.0

Five unions account for 57 percent of the workers under major agreements with COLA clauses. The Automobile Workers represent 962,000; the Communications Workers, 609,000; the Teamsters, 513,000; the Steelworkers, 486,000; and the Machinists, 310,000. Each of the remaining unions represents fewer than 200,000 workers with cost-of-living provisions.

Adjustment formula. The most common rate of adjustment is 1 cent per hour for each 0.3-point rise in the CPI. Members of the Steel Industry Coordinating Committee⁷ and companies which follow the steel contract pattern use this formula.

In addition, the 1979 Automobile Workers agreements provided COLA payments at this rate using a combined U.S.-Canadian index for the first 2 years, but changed the formula to 1 cent for each 0.26-point rise at the beginning of the 1981 contract year. COLA clauses

Table 3. Workers receiving deferred increases in 1982 in bargaining units covering 1,000 workers or more, by month

[Workers in thousands]		
Effective month	Principal industries affected	Workers covered
Total		14,295
January	Construction	331
February	Metalworking	169
March	Metalworking, trade	276
April	Construction, metalworking, food stores	275
May	Construction	455
June	Mining, construction	795
July	Construction, utilities, food stores	547
August	Primary metals, communications	1,204
September	Mining, food stores	339
October	Transportation equipment	292
November	Construction	133
December	Mining	254

¹ This total is smaller than the sum of individual items because 775,000 workers will receive more than one increase. This total is based on data available as of Oct. 1, 1981, and thus may understate the number of workers receiving deferred increases for the entire year.

in rubber industry contracts provide 1 cent for each 0.26-point increase in the CPI beginning in 1981, the second year of the agreements. The Bell System operating companies and manufacturing firms that follow their contract pattern specify changes of 55 cents per week plus 0.65 percent of each employee's weekly rate for each 1-percent movement in the CPI.

Timing, "caps", and indexes. COLA clauses provide reviews of changes in the CPI at regular intervals to deter-

Table 4. Timing of 1982 cost-of-living reviews in major contracts, by year of contract expiration and frequency of review

[Workers in thousands]

Type of contract, by expiration and frequency of cost-of-living review	First quarter		Second quarter		Third quarter		Fourth quarter		Full year ¹	
	Number of contracts	Workers covered	Number of contracts	Workers covered	Number of contracts	Workers covered	Number of contracts	Workers covered	Number of contracts	Workers covered
All contracts										
Total	358	2,187	338	2,044	344	1,969	290	1,124	532	3,439
Quarterly	282	1,846	274	1,839	249	1,008	234	892	289	1,866
Semiannual	53	240	28	72	39	154	34	91	75	316
Annual	23	101	36	133	56	807	22	141	143	1,203
Other ²	...	...	...	...	...	...	...	...	25	55
Contracts expiring in 1982 ³										
Total	87	1,123	47	960	30	158	3	4	103	1,177
Quarterly	53	960	43	942	16	107	2	3	53	960
Semiannual	29	138	2	14	13	48	0	0	31	152
Annual	5	24	2	4	1	3	1	1	11	47
Other ²	...	...	...	...	...	...	...	...	8	18
Contracts expiring in later years										
Total	271	1,064	291	1,084	314	1,811	287	1,120	429	2,262
Quarterly	229	885	231	897	233	901	232	890	236	905
Semiannual	24	102	26	58	26	106	34	91	44	164
Annual	18	77	34	129	55	803	21	140	132	1,156
Other ²	...	...	...	...	...	...	...	...	17	37

¹ Includes only those reviews through the termination of the present agreements; does not assume the continuation of existing reviews after contract expiration dates.

² Includes monthly, combinations of annual and quarterly, combinations of annual and

semiannual, and reviews dependent on levels of the Consumer Price Index.

³ Contracts that have at least one review in the year.

NOTE: Dashes indicate data not available.

mine if there are to be wage adjustments. Quarterly reviews are the most common; they cover 2.1 million workers, including those in the steel and automobile industries. Annual reviews affect 1.6 million workers, most notably in communications—Bell System agreements provide for reviews in August 1982. Semiannual reviews cover nearly 1.3 million workers, including more than 400,000 workers each in the railroad and trucking industries; in both industries, the frequency of review was changed from annual to semiannual in the 1978 and 1979 agreements.

“Caps”, or maximum limits may also affect the amounts of cost-of-living adjustments. Slightly more than 1.1 million workers have such caps in their contracts. Currently, the largest single group with limits on COLA adjustments are the 400,000 workers in the railroad industry.

In addition, the amounts of cost-of-living increases are affected by the index used in the formulas. Contracts covering about 80 percent of the workers under

COLA provisions use the BLS Consumer Price Index, U.S. “all cities” average. About 265,000 workers are under contracts with clauses using individual city indexes. Automobile industry contracts, covering 695,000 workers, use a combination of the U.S. and Canadian indexes because bargaining units in both countries are involved.

Minimums or “guaranteed COLA”, which provide a “floor” for the size of wage change under the provision, cover 547,000 workers. These amounts are negotiated at the time the contract is agreed upon and do not depend upon CPI movements. Therefore, they are included in our tabulations as specified wage changes.

GIVEN THE CURRENT economic climate, it is possible that some of the increases discussed above will not be implemented as scheduled. During 1981, there were a number of contract reopenings that provided for suspension of COLA provisions, wage decreases, or delays in instituting previously negotiated increases. □

— FOOTNOTES —

¹ Major collective bargaining units are those which cover 1,000 workers or more in the private nonfarm sector.

² For an analysis of the bargaining schedule for 1982, see Mary Anne Andrews and David Schlein, “Bargaining calendar will be heavy in 1982,” *Monthly Labor Review*, December 1981, pp. 20–30.

³ These units include 870,000 workers covered by 185 agreements which expired or reopened prior to Oct. 1, 1981, but for whom settlements were not reached or for which information was not available in time to be included in these tabulations. About half of these workers were in railroad industry agreements. Another 284,000 workers were covered by 108 agreements expiring or reopening between Oct. 1 and Dec. 31, 1981, after the closing date for this article.

⁴ About 481,000 construction workers will receive deferred increases under settlements in which the parties agreed to a total wage and

benefit package, with the final allocation between wages and benefits to be determined by the union. Because the final division was not known at the time this article was prepared, the entire package has been treated as a wage increase and may be overstated.

⁵ For more detailed information about cost-of-living provisions offsetting inflation, see Victor J. Sheifer, “Cost-of-living adjustment: keeping up with inflation?” *Monthly Labor Review*, June 1979, pp. 14–17.

⁶ The data for 1982 are based on information available as of Oct. 1, 1981.

⁷ The firms are Allegheny Ludlum Industries, Inc.; Armco Steel Corp.; Bethlehem Steel Corp.; Inland Steel Co.; Jones and Laughlin Steel Corp.; National Steel Corp.; Republic Steel Corp.; United States Steel Corp.; and Wheeling-Pittsburgh Steel Corp.