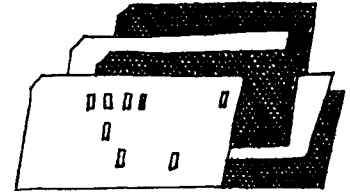


Research Summaries



Wage increases in 1980 outpaced by inflation

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Although workers' pay continued to increase at high rates in 1980, consumer prices rose at an even greater rate. All aggregate measures of wage change showed gains below those of prices, resulting in declines in real wages (wages adjusted for price inflation). Prices as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers rose 12.5 percent during 1980.

The Bureau of Labor Statistics compiles a variety of measures of wage and compensation changes. Some cover rates of pay, others study worker's earnings. Depending on the series, the data may reflect payments for benefits as well as wages and may show the influence of weekly hours and Federal tax rates. Data usually are available in both current and 1967 dollars. Historical data for some key measures are provided in table 1.

Average hourly compensation (wages, salaries, and supplementary benefits), rose 10.0 percent in 1980, the highest since 1974. However, real hourly compensation, or compensation expressed in constant (1967) dollars, fell 2.2 percent. This measure is not adjusted for employment shifts among industries and occupations.

The hourly and weekly earnings series are limited to wages and salaries, that is, they do not cover employer costs for employee benefits. These measures cover production and nonsupervisory workers in the private nonfarm sector. Both series show larger increases in 1980 than for the previous year. Nevertheless, purchasing power continued to decline, but at a decreasing rate.

The Hourly Earnings Index, which covers production and nonsupervisory workers in the private nonfarm economy, rose 9.4 percent in 1980—more than the 8.3-percent gain in 1979. Industry detail indicates that the largest increases in 1980 were in manufacturing (10.8 percent) and the smallest gains were in wholesale and retail trade (8.4 percent) and construction (7.5 percent). This index is developed by adjusting the basic

hourly earnings series so as to exclude the effects of two types of change unrelated to wage-rate developments: changes in the proportion of workers in high-wage and low-wage industries and fluctuations in the volume of overtime work at premium rates in manufacturing (the only sector for which overtime data are available).

A relatively new series—the Employment Cost Index (ECI)—provides a more exact measure of change in labor costs. The ECI covers all private nonfarm workers and is fixed-weighted at the occupation and industry level. It is not affected by employment shifts among occupations and industries with different wage and compensation levels. This series measures changes in wages, salaries, and employer costs for employee benefits for both supervisory and nonsupervisory workers. In 1980, total compensation increased 9.8 percent. Because compensation data were introduced in the first quarter of 1980, comparisons with previous years are not possible.

In 1980, overall wage and salary increases, as measured by the ECI, averaged 9.0 percent, up from 8.7 percent in 1979. Pay in manufacturing was up 9.4 percent and in nonmanufacturing, 8.8 percent. Among industries, increases ranged from 7.4 percent in finance, insurance and real estate to 11.1 percent in transportation and public utilities. Among occupational classifications, blue-collar workers registered the highest pay increases and service workers, the lowest. As in previous years, union workers received larger increases than nonunion workers. In manufacturing, pay advanced 11.0 percent for union workers, compared with 7.9 percent for nonunion workers. Corresponding gains in nonmanufacturing were 10.8 percent and 8.1 percent. The following tabulation shows rates of wage and salary change in the ECI for 1979 and 1980, by selected characteristics:

	1979	1980
All workers	8.7	9.0
Manufacturing industries	8.6	9.4
Nonmanufacturing industries	8.8	8.8
White-collar workers	8.6	8.7
Blue-collar workers	9.0	9.6
Service workers	7.2	8.1
Union workers	9.0	10.9
Nonunion workers	8.5	8.0

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Table 1. Changes in employee wages and compensation, 1970-80

[In percent]

Measure	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Average hourly compensation:¹											
Current dollars	7.0	5.6	7.2	8.1	10.9	7.8	8.3	7.5	9.0	9.5	10.0
1967 dollars	1.3	2.1	3.7	-2	-1.1	3	3.1	.8	0.0	-2.8	-2.2
Gross average hourly earnings:²											
Current dollars	5.8	6.9	7.6	6.6	8.4	6.1	7.9	7.3	9.4	7.9	8.8
1967 dollars	4	3.2	4.2	-2.0	-3.4	-1.1	2.9	.7	3	-4.8	-3.2
Gross average weekly earnings:²											
Current dollars	3.8	7.2	7.0	6.6	6.3	6.7	7.0	7.0	9.1	7.6	7.9
1967 dollars	-1.7	3.7	3.5	-2.0	-5.3	-4	-2.0	2	3	-5.1	-4.1
Hourly Earnings Index:²											
Current dollars	6.7	7.0	6.3	6.4	9.2	7.2	7.5	7.4	8.6	8.3	9.4
1967 dollars	1.1	3.6	2.7	-2.2	-2.7	.0	2.5	.6	4	-4.5	-2.8

¹ Covers all employees in the nonfarm business sector.

² Covers production and nonsupervisory workers in the private nonfarm economy.

NOTE: Percent changes are based on seasonally adjusted data and reflect fourth quarter to fourth quarter change for average hourly compensation and December to December change for other measures.

Collective bargaining

Although limited in coverage, data on wage developments in major collective bargaining units (1,000 workers or more) are of particular interest. Currently, 9.1 million workers are in such units (9 percent of the civilian labor force). However, these agreements may set wage patterns followed by nonunion and smaller union establishments. Thus, data for the major bargaining units are often important in explaining movements in the broader series of table 1. The following analysis of major labor agreements not only provides additional information on wage changes in 1980, but also yields insights into what will take place in 1981.

In terms of the numbers of workers affected, 1980 was a moderately heavy bargaining year. Settlements covered 3.8 million workers in 826 major bargaining units. The construction industry accounted for 20 percent of these workers; communications industry, 18 percent; primary metals industry, 11 percent; and the

transportation equipment industry, 9 percent. Many of the remaining workers were in the electrical equipment, public utility, and retail food store industries.

As in the past, settlements concluded in 1980 frequently provided increases in wages and benefits for the first year of multi-year agreements that were larger than those agreed upon for subsequent years. (See table 2.) This reflects an attempt by workers to offset the erosion of real wages by inflation during the term of their expiring contracts.

Negotiated wage adjustments in agreements for 1,000 workers or more averaged 9.5 percent in the first contract year and 7.1 percent annually over the life of the agreement. Wage and benefit package settlements in bargaining units of 5,000 workers or more averaged 10.4 percent in the first contract year and 7.1 percent annually over the life of the agreement. Possible future wage increases from cost-of-living adjustment (COLA) provisions are not included in costing settlements.

After several years of relatively moderate settlements,

Table 2. Average change in major collective bargaining agreements, 1970-80

[In percent]

Measure	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Settlements											
Wage-rate (contracts covering 1,000 workers or more):											
First-year adjustment	11.9	11.6	7.3	5.8	9.8	10.2	8.4	7.8	7.6	7.4	9.5
Average annual change over life of contract	8.9	8.1	6.4	5.1	7.3	7.8	6.4	5.8	6.4	6.0	7.1
Wage and benefit (contracts covering 5,000 workers or more):											
First-year adjustment	13.1	13.1	8.5	7.1	10.7	11.4	8.5	9.6	8.3	9.0	10.4
Average annual change over life of contract	9.1	8.8	7.4	6.1	7.8	8.1	6.6	6.2	6.3	6.6	7.1
Effective wage-rate changes											
Total effective adjustment ¹	8.8	9.2	6.6	7.0	9.4	8.7	8.1	8.0	8.2	9.1	9.9
Current settlement	5.1	4.3	1.7	3.0	4.8	2.8	3.2	3.0	2.0	3.0	3.6
Prior settlement	3.1	4.2	4.2	2.7	2.6	3.7	3.2	3.2	3.7	3.0	3.5
Cost-of-living adjustment provision	.6	.7	.7	1.3	1.9	2.2	1.6	1.7	2.4	3.1	2.8

¹ Detail may not add to totals because of rounding.

Note: Major collective bargaining agreements are union-management contracts in the private nonfarm economy covering 1,000 or more workers (5,000 or more workers for wage and

benefit data). Data referring to settlements exclude possible increases under cost-of-living adjustments provisions, except for minimum increases guaranteed in the contract.

construction industry agreements provided for above-average wage adjustments in 1980. Wage-rate increases, averaged 13.6 percent in the first contract year and 11.5 percent annually over the life of the contract in construction, compared with 8.4 and 6.0 percent, respectively, in all other industries. However, cost-of-living adjustment clauses tend to be less common in the construction industry, presumably putting more pressure on negotiated wages, compared with industries where COLA clauses are more pervasive.

The actual amount workers will receive under contracts with COLA clauses depends, of course, on the rate of inflation in the coming years. Formulas for adjusting wage rates and the frequency of potential adjustments vary by contract, but the most common yield is 1 cent for each 0.3-point change in the CPI, reviewed quarterly. Throughout 1980, the average COLA increase was 62 percent of the CPI rise. This rate of return varies, depending on the specific COLA formulas in effect and the rate of price change. As of January 1, 1981, COLA clauses covered 5.3 million workers, or 58 percent of those under major bargaining agreements.

The average wage change put into effect during 1980, prorated among all workers in major bargaining units, was 9.9 percent, higher than the 9.1-percent adjustment for 1979. Settlements reached during the year resulted in about 3.6 percentage points of the 1980 increases, while increases negotiated earlier and deferred to 1980 accounted for 3.5 percent, and increases under COLA clauses accounted for 2.8 percent. □

Trade Secretariats provide U.S. labor with international forum

Despite the AFL-CIO's nonmembership in the major international labor organizations, American unions continue to exert some international influence through their affiliation with the so-called International Trade Secretariats (ITS). In the *Shape of Transnational Unionism: International Trade Secretariats* published by the Labor Department's Bureau of International Labor Affairs, John P. Windmuller, professor of industrial and labor relations at Cornell University, briefly outlines the history, organization and function of these Secretariats.

The ITS, rooted in the international labor movement of the 19th century, are a group of 16 international organizations composed of national unions from different countries whose members work in related industries. They are autonomous bodies and do not hold a charter from any central organization, although they work closely with the International Conference of Free Trade

Unions (ICFTU) and the Industrial Committees of the International Labor Organization. Jurisdiction is demarcated primarily by historical development (most Secretariats began as trade union organizations covering a single craft and gradually evolved to cover entire industries) and merger. Membership has a distinctly European and North American flavor, although increasingly efforts are being made to accommodate and augment Third World affiliation. The Secretariats are financed by affiliate dues.

Windmuller groups ITS activities into seven categories: information and research services, solidarity actions, regional activities, aid to special groups, relations with intergovernmental agencies, establishment of minimum standards and development of transnational labor-management relations. The activity the affiliated unions find most immediately useful is the information and research services that provide comparative data on conditions of employment in different countries. The Secretariats have also had some success in coordinating international action on behalf of its members; for example, the internationalization of the boycott by the Amalgamated Clothing and Textile Workers in the United States against the J. P. Stevens Co. Regional activities (union organization in the Third World) have been less successful due to the resistance of national governments, outdated labor legislation in developing countries and educational and cultural barriers. This relatively low level of unionization in the developing countries has retarded the establishment of worldwide minimum standards of safety and pay. The development of transnational collective bargaining has proven the most elusive of ITS goals, since the heterogeneity of most Secretariats does not lend itself to the easy formation of a united position on any issue, and no legal framework for international bargaining exists.

Windmuller contends that "as a group, the Secretariats continue to be an important element in international labor, perhaps even the most important." Nevertheless, he sees structural changes ahead if the Secretariats are to effectively respond to the increasing diversification of their membership. He goes on to say that while continued American participation in the ITS indicates general satisfaction with the Secretariats' activities, several problems among U.S. affiliates and the ITS could arise over such issues as relations with Communist labor organizations, relations between Secretariats and their regional equivalents, and transnational bargaining. Windmuller concludes by cautioning against overly-optimistic appraisals of the benefits American unions can expect from ITS membership.

The *Shape of Transnational Unionism: International Trade Secretariats* is available for \$2.50 from the Superintendent of Documents, Washington 20402. □