

# Labor-management scene in 1986 reflects continuing difficulties

*Contracts providing for moderate improvement in wages and benefits, two-tier compensation, lump-sum payments, and health care cost-containment were common and industries continued to reject pattern bargaining, reflecting the various financial conditions of companies*

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The paramount issue in labor-management relations in 1986 was the same as it had been for several years—how to deal with economic problems confronting both companies and unions. The focus of negotiations was on meeting the competition, especially from foreign firms in manufacturing and from domestic firms in construction, telecommunications, and transportation. To do this, bargainers concentrated on ways to restrain labor costs, increase productivity, and preserve jobs. New approaches emerged, and longstanding bargaining patterns disappeared as both labor and management sought to adjust to the shifting conditions in all forms of economic activity, ranging from individual plants to entire industries.

Efforts to restrain labor costs are reflected in major collective bargaining settlements (involving 1,000 workers or more) in private industry during the first 9 months of the year. Wage adjustments averaged 1.9 percent annually over the life of the contract. The last time the same parties settled, generally 2 to 3 years ago, the annual adjustment averaged 2.9 percent.<sup>1</sup>

In addition to restraint in wages, several types of cost-reducing contract provisions continued to be adopted in 1986, often as alternatives to outright compensation cuts. They are discussed briefly below.

Two-tier compensation systems were adopted under con-

tracts covering more than 200,000 employees, compared with more than 700,000 in 1985.<sup>2</sup> Such systems provide for permanent or temporary lowering of wages and/or benefits for new employees. The totals are based on the number of employees on the payroll at the time of a settlement, rather than on the unknown number of new employees that will enter the lower tier in the future.

Another cost-savings approach that continued in 1986 was lump-sum payments, adopted in contracts for more than 675,000 employees, about the same as in 1985. A typical 3-year contract might provide for such payments in one or more years and specified wage increases in the other years. One cost advantage to employers results because the lump-sum payments may not be taken into account in calculating certain benefits, such as pensions.

Health care cost-containment provisions also continued to be adopted. At least 425,000 workers were affected by the adoption of such provisions in 1986, compared with at least 700,000 in 1985. Generally, the provisions aim at minimizing plan costs by monitoring aspects of health care such as length of hospital stays, fee levels, and the necessity of surgery. In some cases, employees are required to pay an increased share of the cost of coverage.

Cost-of-living allowance (COLA) clauses were terminated or suspended for 372,000 workers and established for 24,000 workers as a result of settlements during the first 9 months of the year. This contributed to lowering the proportion of workers under major agreements with COLA

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clauses to 40 percent, from 49 percent at the end of 1985.

Work stoppages continued to be used sparingly as a negotiating tactic. There were 65 major work stoppages (involving 1,000 workers or more) in the first 10 months of 1986. Although already above the record low of 52 for all of 1985, this is still below the number during each of the post-World War II years through 1980, when there were about 200 to 400 annually. Formation of labor-management teams to improve productivity and employment conditions also reflected a cooperative, rather than a combative, attitude on the part of some negotiators.

During the year, employers in industries such as steel, cans, and forest products moved from pattern bargaining toward bargaining on a company-by-company or even plant-by-plant basis, joining other industries that had adopted the approach in earlier years. Management's argument for terminating pattern bargaining was that it was no longer appropriate or practical because of sometimes sharp differences in financial conditions among companies and plants. At the same time, unions in industries such as aluminum and lumber cooperated more closely with each other in an effort to strengthen their position in bargaining with common employers.

### Telephone industry uniform terms end

The round of bargaining in the telephone industry was the first since the court-ordered 1984 breakup of the Bell System, and the major question was: Will the settlements continue to provide for uniform terms? In 1983 and before, American Telephone & Telegraph Co. (AT&T) settled with the two major unions—the Communications Workers of America (CWA) and the International Brotherhood of Electrical Workers (IBEW)—on uniform terms that set a pattern for settlements by the two unions and other unions with the 22 “operating” companies.

In 1986, AT&T again settled first with the CWA and IBEW on essentially identical terms, although the CWA did strike for 25 days. As the former Bell System operating companies completed negotiations, it was evident that contract uniformity no longer held true. There were some similarities in terms: all settlements provided for wage increases (although the amount varied) and for improvements in job security and pension plans (again with some variations). In other areas such as lump-sum wage payment, COLA, and profit sharing, there was no evident pattern.

The AT&T settlement with the IBEW emphasized job security, reflecting employee concern over the job cutbacks in the telecommunications industry resulting from the new competition among former Bell System companies and from the entry of new firms. The four job security programs, which enhanced others established in 1983, provide for company publication of annual reports informing employees of emerging jobs and the necessary skills; AT&T financing of jointly administered training of employees for the emerging jobs; procedures for employees to use in informing AT&T of

their career interests, and for transfer within their division or to other AT&T divisions; and procedures for informing active and laid-off employees of job openings, and for giving them hiring precedence over other applicants.

Economic terms of the 3-year contract included an initial increase in hourly pay rates of 2 percent at the top rate ranges and smaller increases in intermediate steps. Starting rates were not changed. In 1987 and 1988, wage rates will be increased by amounts ranging from 3 percent at the top to nothing in the starting step. All employees on the payroll at the time of the rate increases—including those at starting rates—were assured a raise of at least \$1 a week.

Other terms called for suspension of the COLA clause; a reduction in the number of pay grades and elimination of incentive pay at some manufacturing plants, with affected employees receiving lump-sum payments or increases in hourly pay rates; and creation of a “technician assistant” job to perform some “menial” functions previously performed by higher paid systems technicians, and creation of a “senior technician” job which pays 5 percent more than the systems technician job.

Following are the highlights of the 3-year accords for the regional operating companies.

*NYNEX* and the CWA (representing 40,000 employees) and the IBEW (17,000) agreed on pay increases of 2.5, 1, and 1 percent in the respective years; continuation of annual COLA, subject to a new “cap”; no profit sharing; and a health care cost-containment program.

*Bell Atlantic* and the CWA (40,000 employees) and the IBEW (12,000) agreed on a 2-percent wage increase and a \$300 lump-sum payment in the first year, a 2-percent increase in the second year, and 3 percent in the final year; annual “guaranteed” COLA ranging from 1 to 2.5 percent in the second year and 1 to 1.5 percent in the third year; no profit sharing; and a health care cost-containment program.

*Bell South* and the CWA (65,000 employees) agreed on pay increases of 2, 1.5, and 1.5 percent in the respective years; COLA protection in the second and third years only if the CPI rises between 3 and 8 percent a year; annual “team award” payments up to 3.375 percent, based on company earnings and service to customers; and a health care cost-containment program.

*Southwestern Bell* and the CWA (48,000 employees) agreed on a wage increase and a \$400 lump-sum payment in the first year with a combined value equal to 3 percent of annual pay, a 1.5-percent pay increase in the second year and 1.5 percent in the final year; COLA protection in the second and third year only if the CPI rises between 1 and 4.5 percent a year; and no profit sharing.

*Pacific Telesis* and the CWA (44,000 employees) and the IBEW (2,000) agreed on pay increases of 2, 2.43, and 2.43 percent in the respective years; elimination of COLA; establishment of a job guarantee program; and annual profit-sharing payments.

*U.S. West.* Each of the three operating companies com-

posing US West bargained separately with the CWA, which represents the workers. Each contract called for elimination of COLA and provided for annual “team awards” based on the company’s financial and service results. The contracts called for wage increases of 1.5, 1.5, and 0.5 percent in the respective years at Mountain Bell (19,000 workers); 1 to 2.25, 0.5, and 0.5 percent at Northwestern Bell (10,000 workers); and 1.5, 1.5, and 0.5 percent at Pacific Northwest Bell (9,000 workers).

*Ameritech.* The five companies composing Ameritech, also settled separately. At Illinois Bell, the IBEW represents 12,000 employees and the CWA represents 2,300; the CWA represents all employees of the other companies.

Illinois Bell;

- A pay increase and a \$400 lump-sum payment in the first year with a combined value equal to 2.5 percent of annual pay, and 2-percent pay increases in the second and third years.
- COLA protection in the second and third years only to the extent of any CPI rise between 2 and 5.5 percent.
- Profit-sharing payments in the second and third years.

Michigan Bell (13,000 workers) and Ohio Bell (11,000):

- A pay increase and a \$500 lump-sum payment in the first year with a combined value equal to 2.75 percent of annual pay, and 2.5-percent pay increases in the second and third years.
- COLA protection in the second and third years.
- Profit sharing.

Indiana Bell (4,500 workers):

- A pay increase and a \$450 lump-sum payment in the first year with a combined value equal to 2.75 percent of annual pay, and 2.5-percent pay increases in the second and third years.
- COLA protection in the second and third years.
- Profit sharing.

Wisconsin Bell (4,000 workers):

- Pay increases of 2.5, 3, and 3 percent in the respective years.
- Elimination of COLA.
- Profit-sharing payments ranging from 2.2 to 4.4 percent in the second year and 2.2 to 5.4 percent in the third year.

### **Steel contracts reflect troubled industry**

Bargaining in steel was the most complex and difficult in the post-World War II history of the industry, as a number of forces and conditions combined to exert great pressure on employers and employees. Among them were:

- The continuing worldwide depression in steel production, leading to continuing financial losses, plant closings, and employment losses.
- The 1985 breakup of the major producers’ bargaining association, reflecting their belief that company-by-

company bargaining with the Steelworkers was the only way to overcome the different problems confronting each company.

- Union leadership facing the daunting task of negotiating more or less simultaneously with a number of companies, instead of setting an industry pattern at one bargaining table, as was done in 1983.
- LTV Corp.’s filing for protection from creditors under Chapter 11 of the Federal Bankruptcy Code, and the company’s subsequent demand that the Steelworkers increase the compensation cuts negotiated earlier in the year.
- The possibility that some of the other companies that had settled prior to LTV’s bankruptcy filing would press to reopen negotiations on further compensation cuts to maintain competitive parity with LTV.
- The test of wills between the Steelworkers and industry leader USX Corp. (formerly U.S. Steel) that moved almost inexorably toward the work stoppage that came when their contract expired on July 31.

Despite difficulties, negotiations in the industry started on a positive note, as the union and the companies (except USX) moved up the expiration date of their contracts by 2 or 3 months to pressure themselves to settle early. The first settlements were with LTV Steel Co. and National Steel Corp. Features at LTV, which had suffered losses of \$1.7 billion since 1982, included a \$3.15 an hour cut in employee compensation which the company said would actually amount to \$3.60 because of the resulting cut in Social Security and other taxes and lower administrative costs. This cut will be restored to employees under a new profit-sharing and stock ownership plan. The workers also agreed to give up the final increment (45 cents an hour) of the restoration of the \$1.25 an hour temporary pay cut under the 1983 settlements at all of the companies; 1 week of paid vacation for all employees who were eligible for at least 2 weeks; and 3 of the 10 paid holidays.

In return for these cost reductions, LTV agreed to a prohibition on subcontracting of work that can be performed by bargaining unit members, with LTV permitted to skirt the requirements only if it can prove that proposed subcontracting is consistent with past practice and the work can pass a “reasonableness test,” excluding cost considerations; a plan requiring LTV to justify overtime work; and a ban on selling facilities unless the prospective owners agree to recognize the Steelworkers as bargaining agent and negotiate an agreement acceptable to the union before the sale date.

The 39-month National Steel contract called for a 42-cent-an-hour pay cut and suspension of COLA. In return, the company agreed to a profit-sharing plan calling for annual bonuses based on hours worked during the preceding 12 months (the calculation rate ranges from 50 cents per hour if National operates at a loss to a maximum \$1.75 per hour if net income is \$300 million). In addition, the employees will receive quarterly bonuses contingent on future increases

in productivity. Restrictions on subcontracting were adopted similar to those at LTV.

The Bethlehem Steel Corp. settlement provided for a \$1.97 cut in compensation, to about \$22.50–\$23 an hour, according to the Steelworkers. The 37-month contract followed the lead of the LTV and National Steel contracts by suspending COLA's and establishing a gain-sharing plan linked to improvements in output and quality. The Bethlehem accord also established a plan for repaying employee sacrifices in cash or shares of company stock.

The LTV Corp. bankruptcy filing was the largest in the Nation's history. The business involved profitable operations in the aerospace and defense products industries, unprofitable operations in gas and oil production equipment, and particularly unprofitable operations in steel. The corporation's LTV Steel Co., formed by the merger of its Jones & Laughlin Steep Corp. and Republic Steel Corp., lost \$227 million in 1985 and \$34.7 million the first three quarters of 1986.

The bankruptcy filing had several major repercussions. One, discussed earlier, was that LTV Steel's demand for renegotiation of its contract could cause other companies that had settled to press for renegotiation. Another was that the renegotiations at LTV also influenced negotiations at USX and other steel producers. Other repercussions were a company move to have the Pension Benefit Guaranty Corp. (PBGC) assume pension payments to some retirees, and the PBGC's move to take over another company pension plan; company termination of insurance benefits to retirees, which were restored after a 5-day strike; and the indefinite closing of four plants, affecting 2,000 employees.

USX Corp. was challenged on a number of fronts, including losses at its Marathon Oil Co. and Texas Oil & Gas Corp. resulting from depressed prices; investor attempts to take over the company; continuing losses on iron ore and steel production, which had totaled \$2.37 billion since 1980, according to the company; and the work stoppage that began after the company and the Steelworkers were unable to agree on a contract. The union was seeking provisions, such as profit sharing, for recouping any wage and benefit cuts it might accept. It was also pressing for tighter restrictions on subcontracting of work.

Despite the controversy at USX, other settlements were recorded in the industry:

- Armco Inc. and the United Steelworkers agreed on terms that vary among plants, but amount to a "slight" overall cut in compensation in return for increased job security and tighter restrictions on subcontracting. The plants, employing 6,800 workers, are in Baltimore, MD, Ashland, KY, and Kansas City, MO.
- Armco settled with the Armco Employees Independent Federation for its main mill in Middletown, OH. About 4,200 workers were covered. Compensation was frozen for regular employees and cut for seasonal employees.

The 42-month contract is subject to reopening in March of 1988 and 1989 if profits are less than \$50 million during the preceding year.

- Timken, a producer of roller bearings as well as steel, negotiated a 3-year contract with the Steelworkers that ended a month-long strike at three Ohio plants. Pay was cut 45 cents an hour, but it will be restored over the term; COLA was continued; and pensions were improved.
- In Pueblo, CO, 1,200 employees of CF&I Steel Corp. will attain 38 percent ownership of the company over the 3-year term of an agreement negotiated by the Steelworkers. The negotiators also agreed on a profit-sharing plan to possibly offset an average \$1.57 an hour cut in pay, which had ranged from about \$8 to \$14, and a cut in paid vacations. The company had produced primary steel but in recent years it has become a "minimill" producing oil field pipe from remelted scrap steel. In late 1986, it also began producing rails for the railroad industry.

### **Bargaining slow in railroad industry**

Railroad industry bargaining, which began in 1984, continued at a slow pace into 1986, raising the possibility that the bargaining round could extend into 1987 for some unions. Bargaining is traditionally slow in this industry because 12 unions are involved. However, the current round has been particularly difficult, as employers attempt to become more competitive with other modes of transportation. This has led the unions to press for improved job security provisions.

The first settlement, between the 25 major carriers and the United Transportation Union, occurred in late 1985. It provided for the phaseout of 6,000 firemen and 2,000 railyard train operators through attrition. Other terms for the 90,000 workers included six wage increases totaling 10.5 percent; an immediate \$565 lump-sum payment; continuation of COLA, payable only to the extent that calculated amounts exceed specified wage increases effective on the same dates, and also subject to a maximum; an 8-percent increase in the distances crews must travel during a work shift to qualify for a basic unit of pay; a 5-year pay progression schedule for new employees, compared with the previous 1-year schedule; and elimination of cabooses on certain types of freight trains.

The first 1986 settlement covered 66,000 workers represented by the Railway Clerks (BRASC). It provided for a smaller total wage increase (about 6.5 percent) than the Transportation Union accord but larger lump-sum payments (four, totaling \$1,540 over the 31-month contract term). The wage increase did not apply to approximately 10 percent of the employees, but their lump-sum payments were larger, totaling as much as \$4,290. These employees also were excluded from receiving possible adjustments under the COLA clause, which was continued. All new employees will start at 75 percent of the top pay rate for their job and advance to the top in five annual steps; previously, new

employees attained the top rate after 3 years.

The Locomotive Engineers and the carriers agreed to end their bargaining stalemate through binding arbitration. The award provided for the same wage increases and lump-sum payment as the Transportation Union settlement. COLA was continued with the standard restrictions, and 5-year pay progression also was established. There also were cuts in some mileage pay rates.

A threatened strike by six unions was averted when President Reagan used his authority under the Railway Labor Act to appoint an emergency board to investigate the dispute and recommend settlement terms. The six unions were the Machinists, Maintenance of Way Employees, Railway Carmen, International Brotherhood of Electrical Workers, Railroad Signalmen, and Firemen and Oilers.

While the investigation was underway, the carriers settled with the Sheet Metal Workers for 4,200 employees. In addition to three wage increases totaling 6.5 percent, the workers received four lump-sum payments totaling \$1,572 over the 31-month term. The lump-sum payments were larger for apprentices and helpers, but these workers did not receive the specified wage increases and will not receive possible adjustments under the COLA clause, which was continued. Five-year pay progression now applies to all new hires.

The six unions covered by the emergency board tentatively agreed on new contracts based on the recommendations. However, the settlements were thrown into doubt when the unions accused the carriers of planning a "massive contracting out of work." According to the unions, at least six carriers planned to buy the electric power generated by diesel locomotive, rather than leasing (or buying) the actual locomotives. The unions contend that the carriers would then have service and maintenance on the locomotives performed by the owner, costing the jobs of some union members.

### **Eventful year for automakers**

The year was full of events for the auto manufacturers and their employees even though labor contracts for major companies were not scheduled for renewal. Events included a decision by Japanese auto manufacturers to continue their voluntary limit on exports to the United States, while continuing their shift toward more expensive vehicles for sale in the United States; increasing penetration of the low cost vehicle market by other foreign producers; some slowing of GM's ambitious Saturn program for countering small-car production cost and quality advantages of foreign producers; increasing cooperative efforts between domestic and foreign producers—and between Chrysler and American Motors; and announcement by GM of plans for closing less efficient plants. Some important events were:

- General Motors' efforts to cut costs were indicated by its announcement that it was stretching out the start-up schedule originally set for the Saturn manufacturing com-

plex being built in Spring Hill, TN. When the \$3.5 billion plan to establish the ultimate small car operation was announced in 1985, GM indicated that all components of the complex would be operating in 1989. Now, according to the new schedule, only the assembly plant and an engine plant will begin operating in 1989, with forging, stamping, and other plants coming later.

- General Motors announced that it would shut down nine plants and parts of two others by 1990. The action will affect about 26,000 hourly employees represented by the Auto Workers and 3,000 nonunion salaried employees. The plants are located in Michigan, Illinois, Ohio, and Missouri. The company also announced "incentives" to resign or retire that could be offered to any salaried employee in its North American operations. At the time, the company had 133,000 salaried employees in the United States and 9,000 in Canada. Industry observers generally contend that General Motors is overstaffed, compared with Ford and Chrysler, which have been reducing their white-collar staffs since the early 1980's.
- The concept of health care cost containment that is being widely adopted by U.S. industries received a boost when General Motors reported that it had reduced its costs by \$213 million in 1985. The company said that a major factor in the reduction was offering employees the choice of a health maintenance organization, a preferred provider organization, or "traditional" health insurance, subject to special utilization review procedures. According to a company official, the corporation's health care costs had been rising an average of 14 percent a year during 1973–84; in 1984, the expenditure for health care was \$2.3 billion.
- Ford and General Motors distributed \$380 million in lump-sum performance bonuses to 560,000 employees covered by the 1984 contracts. The payments, equal to 2.25 percent of a worker's earnings during the prior 12 months, averaged \$700 for the 450,000 General Motors employees and \$750 for the 110,000 Ford employees.
- Chrysler and the Auto Workers announced plans to negotiate cost-cutting plant-by-plant supplements to their master agreement to counter the growing competitive threat from foreign manufacturers. The first supplemental agreements covered the Trenton, MI, engine plant, the Chrysler Electronics City and Chrysler Military-Public Electronics Systems in Huntsville, AL, and the Jefferson Assembly Plant in Detroit, MI. All of the new agreements provide for a team approach by employees (now called "technicians"); much closer cooperation between the company and the union; job classifications (three for production and seven for skilled trades specialists) utilizing "capability progression pay" for performing broader duties; elimination of the wearing of neckties for nonbargaining unit employees, timeclocks for bargaining unit employees, and separate parking lots and cafeterias for

the two groups; and cuts in the number of supervisors and union representatives.

- Chrysler distributed more than \$550 million in cash and stock to 87,500 U.S. and Canadian employees under its Employee Stock Ownership Plan. The plan was set up in 1981 as part of an agreement in which UAW-represented employees accepted cuts in compensation to aid the company. The 66,000 employees in the United States will each receive as much as 183 shares of stock or \$8,200 in cash if they participated in all 4 years.
- A legal challenge to a Chrysler-Mitsubishi Motors Corp. joint venture was removed when the National Labor Relations Board ruled that the companies had not entered into a "prior recognition" contract with the UAW. The National Right To Work Legal Defense Fund had contended that the parties had already entered into a labor contract for workers to be hired to operate the Bloomington-Normal, IL, plant, scheduled to open in 1988. After the decision, the fund withdrew its charge, saying it had accomplished its purpose: assuring that there was, in fact, no prior recognition. Planned output of the new Diamond-Star Corp. plant is 240,000 subcompact cars a year, to be shared equally by the two companies.
- Perhaps the most unusual development in the industry was the announcement that American Motors Corp.'s (AMC) Kenosha, WI, plant will assemble large rear-drive Chrysler cars. The work will be done on an assembly line not being used because of slow sales of AMC cars. The other line in the plant will continue to assemble AMC cars. Chrysler said the action was necessary because of the conversion of its St. Louis plant from large cars to vans and the unexpected continuing high demand for large cars.
- Volkswagen of America, Inc., and the UAW settled for 2,200 workers at the New Stanton, PA, assembly plant, and 750 at the South Charleston, WV, plant. The Pennsylvania contract provided for the pay increase necessary to attain equality with Ford and General Motors. The final increase, in 1988, will equal the initial increase resulting from the union's 1987 negotiations with Ford and GM. The South Charleston agreement provides for pay increases but emphasizes measures to aid the workers after the plant's scheduled closing in mid-1987.
- The UAW suspended its organizing drive at the Honda plant in Marysville, OH, blaming the spread of "misinformation" about the union by some employees, a large increase in new employees, and confusion over an unfair labor practice charge the union had filed against Honda. Despite the apparent setback indicated by the suspension of organizing, the UAW vowed that it would resume the campaign when conditions stabilized and "put even more people and resources" into the renewed effort. Commenting on the organizing suspension, a Honda spokesman said, it is now "clear to the Auto Workers that a majority of our associates are just not interested in a union."

- Fuji Heavy Industries and Isuzu Motors Ltd. broke with Japanese auto industry tradition and formed a joint venture for car and truck production. The parties will produce vehicles at a plant in the United States that will serve the American market. The plant is expected to initially employ 1,600 workers and produce 120,000 vehicles a year. General Motors, the chief stockholder of Isuzu, and Nissan Motor Co., the chief stockholder of Fuji, will not receive any cars from the plant.

### **Aerospace provides for 'productivity' payments**

The 1986-87 round of negotiations in the aerospace industry, unlike the previous bargaining round in 1983-84, started against a background of large government and commercial production orders. In view of the resulting increase in profits, the two major unions in the industry, the Machinists and the Auto Workers, set goals of eliminating some of the contract provisions they considered distasteful but had accepted in 1983-84 to ease the financial problems of the companies.

In a 1986 prebargaining meeting, Auto Workers delegates called for resumption of specified annual wage increases in place of the annual lump-sum payments to employees provided by the expiring contracts. The delegates also criticized the two-tier pay systems adopted in 1983-84, contending that the practice of paying new employees less than current employees adversely affected employee morale and output and corporate profits. To back their argument, they cited two settlements which provided for termination of two-tier systems. One, in 1984, at Hughes Aircraft Corp. in Tucson, AZ, eliminated a two-tier system adopted in 1981. According to a Hughes official, the major difficulty with the system was that it reduced the company's ability to compete effectively with other employers for new workers. The other, in 1985, was at a General Dynamics Corp. missile plant in Pomona, CA.

Despite their generally high 1986 profits, the aerospace companies called for employee restraint in compensation demands, pointing out several developments that were reducing their ability to compete effectively in foreign markets, including foreign nations' decisions to purchase U.S. aircraft and other products only if their manufacturers participate in the production or if part of the cost is offset by U.S. purchases of other products from them.

As generally happens in collective bargaining, the result was a compromise. The pattern-setting settlement between the Machinists and the Boeing Co. retained lump-sum payments in place of specified pay increases, but the lump sums were larger than in the prior agreement. The first "productivity payment," in December 1986, equaled 12 percent of pay for all hours paid from October 4, 1985, to October 3, 1986. In December of 1987 and 1988, there will be similar payments, calculated at 5 percent of earnings during the preceding October-to-October period. Under the 1983 agreement, the employees received three annual payments

each calculated at 3 percent of 12-month earnings.

The COLA provision was revised to provide for incorporating the \$1.14 an hour allowance into base pay rates, which will raise the level of some benefits linked to the level of base rates and increase overtime pay because premium pay only applies to base rates. The COLA clause will now cover all employees. Under the previous agreement, employees in the lowest pay grades were excluded from coverage to relieve a compression of the percentage pay differential between the highest and lowest pay rates that had developed over the years. Employees in these grades had also been affected by the institution of a lengthened pay progression schedule, including the addition of new, lower starting steps. Under the 1986 settlement, these employees will be permitted to overcome the pay differential by increasing their skills through company-financed courses.

In addition to improvements in pensions, health insurance, and other benefits, the contract also provides for a joint committee to develop pilot programs for introducing new technology into plants. The programs, designed to protect jobs, are subject to veto or cancellation by the union.

The Machinists also gained a union shop provision at Boeing's Seattle, WA, and Portland, OR, plants. This was not possible at the Wichita, KS, plant because of a State right-to-work law prohibiting employees from being forced to join unions.

Later Lockheed Corp. settled with the Machinists for 30,000 workers. Terms were similar to those at Boeing.

### **Metal contracts**

*Copper.* In the copper mining and processing industry, it was clear from the outset that negotiations would result in compensation cuts for the 8,500 active employees. The only question was how much the cut would vary among companies. The 14 unions composing the Nonferrous Industry Coordinating Committee had agreed to tailor settlements to fit the varying financial condition of the individual companies, rather than following the past practice of demanding uniform terms at all companies. The major problem confronting the negotiators was the worldwide oversupply of copper and the resulting decline in prices that began in 1981. When the 1986 negotiation started, the price of copper was about 60 cents a pound, compared with the 75 to 85 cents the companies contended they needed to break even, and the peak of \$1.30 a pound in 1980.

A problem facing the unions was that the companies—Kennecott Corp., in particular—took a stronger bargaining stand than in the past, influenced to some extent by Phelps Dodge Corp., which had refused to follow Kennecott's leadoff settlement in 1983 and maintained more-or-less normal output during the resulting strike by using management employees and some returning strikers. As the strike dragged on, there was increasing opposition to the unions. Finally, in a 1984 National Labor Relations Board election, the vote was 87 for continued union representation and

1,908 against the unions. Early in 1986, the National Labor Relations Board rejected the union's objections to the company's tactics during the election and certified the vote results. In 1985, Phelps Dodge, unlike the other producers, earned a profit, aided by a reported compensation cut of about \$2 an hour it had imposed on the workers no longer represented by the unions.

The first 1986 settlement in the industry was with Newmont Mining Corp., where pay was cut 20 percent, to a range of \$9 to \$12.60 an hour at one Arizona operation and to a range of \$8.88 to \$13 at the other operation. The cut for the 3,000 employees could be partly or completely eliminated, or even exceeded, by payments the employees could receive under a new bonus plan linked to the price of copper. Other cost reduction provisions included elimination of the COLA clause and addition of deductibles and co-insurance to the health insurance plan.

ASARCO agreed to a 3-year contract calling for an immediate pay cut of \$3.50 an hour, of which 75 cents will be restored in the second year and \$1 in the final year, termination of COLA, and the addition of health insurance deductibles.

At Kennecott, which had been seeking to reopen its contract since mid-1984, compensation was cut \$5.40 an hour, or about 22 percent, because the company insisted that its labor costs were as much as \$5 higher than the other producers. The cut was partly offset by an immediate \$1,000 payment to the 2,100 active employees. Other terms included elimination of COLA, establishment of health insurance deductibles, elimination of dental and vision benefits, cost-reducing changes in work rules, and a reduction in the number of job grades, resulting in expanded duties for employees. From the workers' viewpoint, the positive result of their giveups was Kennecott's assurance that it will continue a \$400 million plan to modernize and reopen its mine in Bingham Canyon, UT. The mine, which was closed in 1985 because of high costs, is expected to employ 2,000 workers when it reopens in 1987, compared with 7,000 in 1981. There had been some concern that the reopening plan might be modified or terminated because of the adverse effects of low petroleum prices on Kennecott's parent, Standard Oil (Ohio), which is controlled by British Petroleum. Standard Oil did move to cut its losses on Kennecott operations by selling its two-thirds interest in Chino Mines Co. in New Mexico to Phelps Dodge Corp. (The remaining one-third ownership of the mine was held by a subsidiary of Mitsubishi Corp. of Japan.) Standard Oil also sold its Ray Mines Division in Arizona to ASARCO.

*Aluminum.* In a departure from past practice, talks at the Aluminum Co. of America, Reynolds Metals Co., and Kaiser Aluminum and Chemical Corp. stretched over a full year. Contracts at all three companies had been scheduled to expire on May 31, 1986, but the Steelworkers settled with

Kaiser in February 1985 because the company was suffering severe financial losses resulting from industrywide overproduction and increased energy costs. The 3-year contract provided for a \$4.50 an hour cut in compensation.

The Steelworkers contended that problems were less severe at Alcoa and Reynolds, and contracts were not renewed until mid-1986. Prior to the start of negotiations, the Steelworkers vowed not to accept cuts in employee compensation unless the companies could prove that they were in "dire economic circumstances." The Steelworkers and the Aluminum, Brick and Glass Workers, the other major union in the industry, also strengthened their bargaining position by more closely coordinating their bargaining demands and tactics. The Steelworkers represents about 7,000 workers at Alcoa, 3,600 at Reynolds, and 15,000 workers at a number of smaller companies. The Aluminum, Brick and Glass Workers represents 8,000 workers at Alcoa and 6,000 at Reynolds.

The union's settlements with both companies provided for a 95-cent-an-hour cut in compensation, which reportedly had averaged about \$24 an hour. The cut was applied differently by the unions, but there were a number of common terms:

- Extended vacations—10 weeks of paid time off employees had received once every 7 years—were eliminated.
- Vacation bonuses—amounts ranging from \$30 to \$112.50 a week, depending on when regular annual vacations were taken—were eliminated.
- The COLA clause was revised to provide a 1-cent-an-hour quarterly pay adjustments for each 0.3-index point rise in the BLS-CPI-W (1967=100) in excess of 3 percent a year. The unions forecast that resulting pay increases will total 48 cents an hour over the contract term. Previously, the calculation rate was 1 cent for each 0.26-point rise in excess of 2.3 percent a year for the Aluminum Workers and in excess of 1.5 percent a year for the Steelworkers.
- Joint committees to consider establishing profit-sharing plans.

*Can manufacturers.* The major can manufacturers adopted the same bargaining tactics as the steel industry, bargaining individually with the Steelworkers but, unlike steel, settling on essentially identical terms. The companies had contended that pattern settlements were not appropriate because they were suffering varying degrees of difficulties resulting from increasing competition from lower cost nonunion manufacturers, rapid technological change, and increasing use of alternative packaging materials. The union countered that the companies were profitable, unlike most steel producers, and prevailed on the issue of settlement uniformity, although some of the terms were not particularly satisfactory to the 13,600 employees.

The contracts, running to February 19, 1989, do not provide for specified wage increases, but the workers did re-

ceive a \$400 immediate lump-sum payment, to be followed by \$300 payments in 1987 and 1988. Initially, the employees had opposed annual lump-sum payments, but they accepted the proposal and ended their 16-day strike after the companies agreed to continue the COLA provision. According to the union, hourly pay at the companies at the time of settlement ranged from \$12.25 to \$15.93.

One cost-reducing change provides for new employees to be paid 20 percent less than the regular rate for their job during their first 2 years of service. Other terms favorable to the employers included adoption of a health care cost-containment program that includes a mail order generic drug plan and a medical expense audit plan giving employees a share of overcharge refunds.

In addition to pension improvements, the container workers also were able to retain their provision for extended vacations: 13 weeks of paid time off once every 5 years for employees with at least 15 years of service. (In other years, employees receive regular annual vacations ranging up to 5 weeks after 25 years of service.) This left the containers as the only major industry with extended vacations. Employees in the steel and aluminum industries gave up their somewhat different plans in 1983 and 1986, respectively.

Two other important aspects of the accords were establishment of a product promotion program financed by voluntary payroll deductions and establishment of a joint committee to decide if "special treatment" is necessary to preserve plants that continue to make three-piece cans.

The companies covered by the settlements are Continental Inc.; American Can Co.; National Can Corp.; and Crown Cork and Seal Co. American and Continental later settled on similar terms for 3,000 employees represented by the Machinists.

### **Airlines struggle for economic stability**

The airline transportation industry continued efforts to attain economic stability in the wake of deregulation, but the end was not in sight for the mergers, shifts in service areas, and fare wars racking the industry. There were only a few settlements during the year, but they reflected efforts of both employers and employees to survive the intense competition.

In a related development, the Department of Labor issued rules giving job preference to workers who lose their jobs as a result of the Airline Deregulation Act of 1978. Under the new rules, all airlines must list their job openings on a central register and airlines that existed when the law took effect must give preference to applicants with rehiring rights. Preferential hiring is limited to persons who were employed by an airline for at least 4 years prior to 1978. The preferential hiring plan, which was authorized by the deregulation act, will extend for 3 years, rather than the planned 10 years, because the startup was delayed by legal challenges by airlines.

The first contract settlements in the year, and perhaps the



most important, were at Eastern Airlines which has suffered a succession of crises since 1979.

The two settlements, involving the Air Line Pilots and the Transport Workers were similar in terms and employee intent: to thwart Texas Air Corp.'s purchase offer by strengthening the financial condition of Eastern.

The Air Line Pilots' 28-month contract called for a 22-percent permanent pay cut, replacing the 20-percent cut that had been in effect since January 1984, and had been scheduled to expire in January 1986. To some extent, the permanent cut could be offset by a possible 1988 distribution equal to 5 percent of any 1987 profits. Other terms included increased flying hours; a two-tier pay system under which new employees are paid 20 percent below regular rates during their first 5 years on the job; a cut in paid vacation time; and employee assumption of part of health insurance premiums.

At TWA, the Independent Association of Flight Attendants ended a 2½-month strike without accepting the company's final offer. The union apparently ended the stoppage because the carrier was hiring replacements and some strikers had returned to work. At the strike's termination, TWA indicated that all but 600 of the jobs had been filled by replacements and returning strikers. At the start, the strike involved 6,000 employees. The issue that led to the strike was the union's contention that TWA was seeking compensation cuts from Flight Attendants larger than those accepted earlier by members of the Machinists and Air Line Pilots unions. The unions agreed to the cuts to aid financier Carl Icahn's efforts to buy TWA in the face of another purchase offer from Texas Air Corp.

There also was a settlement at a profitable carrier, as Delta Air Lines and the Air Line Pilots negotiated a 30-month contract for 4,200 flight crew members. Included in the accord was a provision for a temporary two-tier pay system, which a union official said the company insisted on "for the perception" among its other employees who are nonunion and were already covered by such systems, as well as for the resulting cost savings. (Delta showed a \$47.3 million profit for the fiscal year ending June 30, but this was a sharp drop from the \$259.5 million for the preceding year.) Under the two-tier plan, new pilots will be paid 66 percent of the rates applicable to those already on the payroll. After completing 5 years' service, the lower tier employees will move into the upper tier. Other terms included an increase in flying hours to 80 a month, from 75, and cuts in vacation and leave time which the union said will enable Delta "to compete effectively in the deregulated marketplace." In return for the cost savings, Delta agreed not to downgrade or eliminate jobs as a result of the productivity improvements.

### **Dockworkers talks fragmented**

Negotiations between the International Longshoremen's Association (ILA) and Atlantic and Gulf Coast stevedoring firms and shippers were complex and fragmented. Unlike

past bargaining when the ILA negotiated uniform wage terms for Atlantic and Gulf ports, local conditions dictated negotiations on wages and other conditions as well. In the South, where nonunion labor has made substantial inroads, employers argued that they were unable to compete effectively with nonunion firms paying \$4.50 to \$7 an hour less than the basic \$17 ILA wage rate. Economic conditions, including a depressed oil market and reduced grain shipments in the Gulf area, also have complicated labor-management problems.

Although ILA contracts were not scheduled to expire until September 30, 1987, the West Gulf Maritime Association and 5,000 workers represented by the ILA reached agreement on wages (previously negotiated on a national basis) and local issues in April. The pact provided for pay cuts of \$3 an hour for handling break bulk cargo and \$5 an hour for bulk cargo, effective October 1, 1986. The Guaranteed Annual Income program was eliminated, work crew sizes were reduced, and the formula for paying for work on holidays was made less liberal. The South Atlantic Employers Association and 4,000 ILA members agreed to a similar pact in May, except that the \$3 pay cut would apply to both break bulk and bulk cargoes and the Guaranteed Annual Income was reduced, rather than eliminated. Other smaller Gulf agreements were patterned after these settlements.

Negotiations for 31,000 ILA dockworkers on East Coast ports began in June. Participants included the New York Shipping Association; the Council of North Atlantic Shipping Associations, representing Baltimore, Philadelphia, Hampton Roads, and Providence; and the Boston Shipping Association. Also participating were representatives from the Carriers Container Council, an organization representing ship operators who carry containers, and the JSP Agency, a unit that administers a fund that insures local longshore benefit plans. In July, the Council of North Atlantic Shipping Associations disassociated itself from these talks, apparently concluding that it could best achieve its wage goals through separate negotiations.

A tentative agreement for more than 9,000 workers was reached by New York and Boston employers with the ILA in September. The tentative "master" pact provided for a 2-year pay freeze with a \$1 hourly pay hike in the third year and increased employer payments to health and welfare funds and pension funds of 20 cents an hour (to \$2.70) and 25 cents (to \$4), respectively, in the third contract year.

Local issues, however, remained to be resolved. As the September 30 contract expiration approached, the New York Shipping Association and Boston Shipping Association proposed a 45-day extension of existing agreements, but this was rejected. On October 1, longshore workers from Maine to Virginia went on strike. They returned to their jobs on October 3, after all employer groups agreed to a 45-day extension to remain in effect until November 17. Two days later, the New York Shipping Association reached tentative

agreements on "local" issues.

The Council of North Atlantic Shipping Associations reached a tentative "master" agreement with the ILA in October which provided terms similar to those for New York and Boston except that there was a \$1 an hour pay cut for handling bulk cargo.

In November, a coastwide ratification vote on "master" agreement terms resulted in approval by workers in New York, Boston, and Hampton Roads. Other northeast ports subsequently settled on similar terms.

### Other settlements

*Farm and construction equipment.* The year was hardly satisfactory for the major farm construction equipment companies or their employees. The companies continued to lose money while attempting to adjust to growing international competition and the depression in the domestic farm economy. Members of the Auto Workers, the dominant union in the industry, accepted a virtually no wage increase settlement with Caterpillar Tractor Co. and struck Deere & Co. to back their demands for job and income security. The current shifts in ownership, plant closings, and breakup of pattern bargaining in the industry contrasts with the situation that prevailed a few years ago.

Developments in the farm and construction equipment manufacturing industry included:

- A settlement between the Pension Benefit Guarantee Corp. (PBGC) and Allis-Chalmers Corp. under which the PBGC will continue paying pension benefits to 9,600 retirees in return for a promissory note and shares of company stock. The PBGC and UAW members had initiated legal cases against Allis-Chalmers after the company terminated a number of pension plans in 1985, following the sale of its farm equipment business to Deutz-Allis of West Germany. At its peak in the 1950's, Allis-Chalmers employed more than 20,000 workers in manufacturing farm equipment. In 1983, when employment stood at 2,000, the UAW agreed to a cut in compensation in an unsuccessful attempt to help reverse Allis-Chalmers' decline.
- International Harvester Co. changed its name to Navistar Corp. The company, which now manufactures only trucks, sold its farm equipment business to Tenneco Inc.'s J. I. Case unit in 1985. UAW contracts for J.I. Case plants expire in February 1987.
- Caterpillar Tractor Co. and the UAW agreed on a 28-month contract that did not provide for any specified wage increases. The provision for quarterly cost-of-living adjustments was continued, but a total of 23 cents an hour will be diverted to help finance a new job training program. Under a new Protected Employee Group Program, 90 percent of the workers will be immune from layoffs, excluding layoffs resulting from labor disputes, sale or cessation of operations, conditions beyond the company's control, and all those lasting fewer than 6 weeks.

- About 4,300 workers struck three plants of Deere & Co. after the company and the UAW were unable to settle on a new contract. Deere responded by closing 10 other plants employing 7,700 workers represented by the union. The work stoppage also caused another controversy as the UAW contended that the locked-out employees were eligible for State unemployment benefits. Deere's position was that the action was actually a strike at all 13 plants because it had a master contract for all the plants and because of the interdependence of the plants. When the stoppage began, Deere reportedly had an inventory of farm equipment equal to 9 months' production. The company, the largest in the industry, lost \$107.4 million during the first 9 months of its latest fiscal year.
- Caterpillar Inc. and the Machinists settled for 2,400 workers at a construction equipment parts plant in Joliet, IL, ending a month-long strike. Terms of the 32-month contract included a wage freeze, an immediate \$180 lump-sum payment and an additional \$400 payment in December, and a cut in the number of job classifications.

*Timber industry.* In the western timber industry, a reversal of bargaining approaches occurred prior to the start of negotiations, as the employers chose to negotiate on a company-by-company and even mill-by-mill basis and the two dominant unions chose to form a joint organization. Previously, the "Big Seven" companies, comprising the Western States Wood Products Employers Association, had settled with the unions on pattern terms that were then followed by other companies. The breakup of the bargaining association came after the member-companies decided their differing financial conditions required a change in tactics.

The two unions, the Woodworkers and the Lumber, Production and Industrial Workers unit of the Carpenters, formed the U.S. Forest Products Joint Bargaining Board to strengthen their bargaining effort and move toward uniform contracts and provisions in the West and the South. (Contracts in the expanding southern timber industry, which generally expire in 1987, provide lower pay and benefits.)

Bargaining also was influenced by earlier developments, beginning with Louisiana-Pacific Corp.'s 1983 refusal to accept the pattern terms, leading to a strike and, finally, to the unions' losing the right to represent the employees. In addition, in 1985, Potlatch Corp. and Pope & Talbot, Inc., closed mills and reopened them only after the unions agreed to concessions.

The first 1986 settlement, ending a 6-week strike at Weyerhaeuser Co.'s Oregon and Washington operations, provided for a pay cut of \$2.90 an hour and a benefit cut of \$1 over a 2-year term. Previously, compensation averaged \$18.19 for mill workers and \$22.36 for loggers, according to the company. To some extent, the cut will be reduced by a new profit-sharing plan, which will operate on a mill-by-

mill basis. When profits exceed 5 percent, a third of the additional profit will go to the workers in the form of a permanent increase in base wage rates. When the base wage rates have increased by \$1.20, the workers' share of profits will drop to 10 percent, be distributed quarterly, and not affect wage rates. Seniority was retained as the basis for promotions and layoffs; Weyerhaeuser had been pressing for a "competency" system. The company also agreed to moderate its plan to contract out logging operations, which, reportedly, would have eliminated 3,300 jobs.

After the Weyerhaeuser settlement, other producers settled on 2-year contracts that generally provided for smaller compensation cuts, reflecting Weyerhaeuser's contentions that its labor costs were higher. All of the companies maintained that cuts in compensation (which amounted to about 40 percent of operating costs, according to an official of one company) were necessary because of increasing competition from lower cost operators in the region, in the South, and in Canada.

*Coal mining.* Concern about the viability of some of the Nation's industries is, perhaps, heightened by a look at an industry such as anthracite coal mining, where the latest collective bargaining settlement covered fewer than 1,500 miners. This contrasts with the peak year of 1917, when the industry employed 180,000 workers. The decline has been caused by several factors, some of which are applicable to other industries currently suffering serious problems, including failure to modernize operations; bitter, debilitating labor-management strife; changes in customer preference; increasing availability of alternate fuels; and the vertical course of anthracite veins which seem to preclude major advances in technology.

The settlement for United Mine Workers members in the hard coal region of Northeastern Pennsylvania provided for an increase of about \$1 an hour in rates that ranged from \$10.10 to \$12. There were improvements in insurance and vacation benefits. The limited size and profitability of the industry apparently prevented any increase in the \$30 a month pension being drawn by 7,800 retirees.

### **Government employees**

A major development was the legislated revamping of the pension plans for Federal civilian workers and military personnel. President Reagan had called for changes, describing the plans as expensive and overly generous. According to critics, one reason for the excessive cost was that the plans permitted retirement at a young age. Civilian employees could retire at age 55 after 30 years' service with a pension equal to 56.25 percent of average annual pay during their three highest consecutive years. Military personnel could leave with 50 percent of average pay after 20 years' service, regardless of age.

For workers covered by the new civilian plan, the Federal Employees Retirement System (FERS), the age requirement

will be increased, in stages beginning in 2003, to 57 in 2025. The plan automatically covers employees with fewer than 5 years' civilian service on December 31, 1986. It combines Social Security benefits, limited benefits from the existing plan (the Civil Service Retirement System, or CSRS), and returns from an optional thrift savings program to which the Government and employees will both contribute. (The Government will pay in a minimum amount equal to 1 percent of an employee's pay even if the employee does not participate.) All other employees will have the option of staying in CSRS or being covered by the FERS.

Employees choosing to stay in the CSRS will continue to be covered by provisions for annual cost-of-living adjustments in pensions equal to the rise in the BLS Consumer Price Index (CPI). During their career, they will be permitted to channel up to 5 percent of their pay into a government securities investment fund. The Government will not pay into the fund on their behalf.

Workers covered by the FERS will receive automatic cost-of-living adjustments in the CSRS portion of their pension. The annual adjustments will be the actual rise in the CPI if it is less than 2 percent, 2 percent if the rise is 2 to 3 percent, and the rise minus 1 percentage point if the rise is 3 percent or more. The adjustments begin at age 62. At that age, retirees will also begin receiving the same annual cost-of-living adjustments in their Social Security benefit as retirees in private industry.

The Military Retirement Reform Act of 1986 provides, for employees retiring prior to age 62, benefits ranging from 40 percent of pay after 20 years' service to a maximum of 75 percent after 30 years. Those retiring at age 62 or later will receive benefits ranging from 50 percent of pay after 20 years' service to a maximum 75 percent after 30 years. Annual cost-of-living adjustments will equal the 12-month rise in the CPI, minus 1 percentage point. At age 62, the benefit will be restored to the amount the retiree would have received if the 1 percentage point withholding had not occurred. Thereafter, any annual adjustments will again be reduced by 1 percentage point.

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 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 National Survey of Professional, Administrative, Technical and Clerical Pay conducted by the Bureau of Labor Statistics. Under the Act, an increase would normally be 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 will receive 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 amount as for the white-collar workers.

Postal employees, whose compensation is set through collective bargaining, received wage increases averaging \$869 a year or 3.5 percent in 1986. Their contracts expire in July 1987.

In State and local government, the Bureau of Labor Statistics' Employment Cost Index showed that wages and salaries rose 4.6 percent during the first 9 months of 1986, about the same as during the same period of 1985. Compensation (pay plus benefits) showed a more significant change, a rise of 4.4 percent during the first three quarters of 1986, compared with 4.9 percent during the same period a year ago. These data are for union and nonunion employees combined; separate data are not available.

#### **AFL-CIO offers new benefits**

The AFL-CIO began trying to reverse the decline in union membership, vitality, and influence found by the Federation's Committee on Evolution of Work, by implementing some of the Committee's recommendations. The findings and recommendations, which followed a 2-year study, were contained in a report entitled "The Changing Situation of Workers and Their Unions."

One of the Federation's first actions was to establish an

Office of Comprehensive Organizing Strategies and Tactics. Its function is to promote wider use of "corporate" or "comprehensive" campaigns against recalcitrant employers and help member unions develop campaign capabilities by conducting demonstration projects, advising and assisting affiliates, conducting training, and developing training material for organizers.

The Federation also began implementing the Committee's recommendation to develop a package of benefits to be offered to union members and, later, to "associate members"—individuals not covered by union contracts. According to the Federation, this will build good will for unions and aid in organizing campaigns, as well as benefit associate members. Associates would be members of particular unions and would pay reduced dues but would not have voting rights.

The first benefit was a "union privilege" Mastercard credit card requiring no entrance or annual fees and interest rates lower than other national cards. The card will bear the particular union's identification to make merchants aware of the volume of business coming from trade unionists. The card holder can skip payments in January and September and for up to 2 months if he or she is on strike for more than 30 days. Issuance and payment collection will be handled by the Bank of New York.

Another benefit offered to union members now and scheduled to be offered to associate members in the future is a low cost legal services plan. It provides for free initial consultation, free examination of legal documents, free followup, and a 30-percent discount on future services.

The credit card and legal services plans, and others, such as life insurance, health protection, and retirement investment counseling will be administered by a new nonprofit corporation, Union Privilege Benefit Programs, established by the AFL-CIO and headed by Ray Denison, the Federation's former legislative director. □

#### —FOOTNOTES—

<sup>1</sup> Preliminary statistical information for all of 1986 is scheduled to be released on January 27, 1987. Both the first 9 months and the full-year figures exclude possible pay adjustments under cost-of-living formulas because such adjustments are contingent on the future movement of a

consumer price index.

<sup>2</sup> This article is based on information available early in December for bargaining units of 1,000 workers or more.