

# Modest labor-management bargains continue in 1984 despite the recovery

*Major collective bargaining agreements in the year reflect negotiators' concerns about such issues as foreign competition and domestic deregulation; also important was the continuing moderate rate of inflation*

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Despite an expanding economy, labor-management settlements continued to be low in 1984. Negotiators grappled with pressures to reduce or eliminate labor cost increases in the face of growing import competition, the spreading effects of domestic deregulation in transportation, and structural changes in other industries. In addition, moderate inflation and concerns over job security continued to temper union demands for large wage increases.

During the first 9 months of the year, major collective bargaining settlements (covering 1,000 workers or more) in private industry provided average wage adjustments of 2.5 percent in the first contract year and 2.8 percent annually over the life of the contract.<sup>1</sup> This compares with 8.6 percent and 7.2 percent the last time the same parties bargained (2 to 3 years earlier, in most cases). Part of the decline in the "adjustments" (the combined net result of wage increases, decreases, and no changes) was traceable to settlements in construction, which covered 420,000 of the 1.4 million workers under settlements in private industry. In construction, settlements provided average wage adjustment of 0.9 percent in the first year and 1.2 percent annually over the contract life, compared with 3.2 and 3.5 percent, respectively, in the other industries.

In the fourth quarter, settlements in the auto industry covered an additional 450,000 workers, and negotiations

were continuing for 350,000 workers in the railroad industry.<sup>2</sup>

As part of their efforts to improve their competitive position, some companies that settled in 1984 won several types of contract provisions designed to limit labor cost increases. One of these was "two-tier" compensation systems, which grew in popularity in 1984. Under such systems, which vary considerably in operation, new employees are paid less than current employees, receive lesser benefits, or both. Two-tier systems are often agreed to after employers first demand reductions in wages and/or benefits for *all* workers in the bargaining unit. Such systems must be agreed to by current employees, who are usually not adversely affected by them. During 1984, two-tier pay systems were introduced into contracts covering about 200,000 employees, all of them already on the payroll.

Another approach to moderating labor costs that continued in 1984 was lump-sum payments in lieu of wage increases. Such payments help employers in several ways. For example, they usually are paid at the end of a contract or calendar year, rather than in regular paychecks; they do not increase base pay rates and so do not increase the cost of benefits that vary with base rates, such as vacation pay or overtime premiums. Lump-sum payments are currently provided for about 650,000 workers, mostly in the aerospace industry and in the automobile industry, at General Motors Corp. and Ford Motor Co.

Efforts to hold down cost increases for health insurance

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also were important in 1984. These efforts took several forms, such as increasing employee deductible and co-insurance payments, requiring a second surgeon's opinion on nonemergency operations, and offering employees coverage by Preferred Provider Plans and Health Maintenance Organizations as alternatives to "traditional" insurance plans. During the year, at least 500,000 workers were covered by settlements that included one or more of these cost containment provisions.

A question that continued to be asked—but apparently was not answered—during 1984 was whether the historical practice of pattern bargaining was ending in the industries where it existed prior to the economic difficulties and increased competition of the last few years. These difficulties had impelled some companies to press for contract terms tailored to their individual needs. The fate of pattern bargaining was uncertain because of incomplete or contradictory developments in some industries. These included General Motors' and Ford's essentially identical settlements with the United Auto Workers, followed by uncertainty regarding the outcome of the union's request of Chrysler Corp. for unscheduled bargaining in 1984; the continuation of pattern settlements in the soft coal industry despite the withdrawal of a large number of employers from their bargaining association; prolonged negotiations in the railroad industry (which has traditionally settled on a pattern basis); and continuing defections from the employer association in the steel industry that increased uncertainties regarding the degree of wage and benefit uniformity that would be attained in 1986 settlements.

### **Auto settlements**

Negotiations between the Auto Workers and General Motors Corp. and Ford Motor Co. commenced in July amidst improved economic conditions—both companies were expected to post 1984 profits exceeding the record levels of 1983. On the surface, this presaged "large" settlements, particularly because new UAW leaders would presumably want to prove their bargaining mettle by restoring some of the wage and benefit cuts the union had agreed to in 1982. However, there were countervailing factors, including the domestic manufacturers' need to invest large sums in plant and equipment to help counter increasing competition from exporters to the United States; and the possibility that Japan's voluntary limit on shipments to the United States would not be renewed when it expires on March 31, 1985. Foreign producers currently hold a 25-percent share of the domestic market.

In the end, the overriding consideration appeared to be the union leaders' conclusion that the workers' primary need was increased job security, rather than substantial increases in wages and benefits. One reason UAW President Owen Bieber and the other officers emphasized job security was that 40,000 GM and 21,000 Ford workers were still on layoff, in spite of the high production levels. Another reason was

an internal GM document obtained by the union early in 1984, in which the company projected possible future cuts in its work force, varying according to estimated increases in productivity.

There was substantial opposition to the first of the settlements, with General Motors, as workers approved it by a vote of 138,410 to 102,528 announced on October 14. The essentially identical Ford agreement was approved by a 33,312 to 18,386 vote announced on October 29.

The major innovation in the GM contract was a Job Opportunity Bank-Security Program financed by a company obligation of \$1 billion over the life of the new 3-year contract and the succeeding contract, also expected to run for 3 years. (At Ford, with fewer employees, the obligation was \$300 million.)

The program, administered by joint committees at the national, area, and local levels, guarantees that workers with at least one year of service will not be laid off as a result of the introduction of improved technology, "outsourcing" (procuring parts from other manufacturers), negotiated productivity improvements, shifting of work from one plant to another within the company, or the consolidation of component production. Layoffs resulting from declines in sales, disposal of facilities, or other reasons are not covered.

Eligible employees facing a layoff will participate in an employee development bank and will continue to receive the pay rate for their last job or, if assigned to another job, the rate for that job. They also will continue to accrue pension credits and receive all other regular benefits until the funds are exhausted. Other assignments for bank members include job training, replacing other workers undergoing training, and moving to a job at another company plant, if there is no qualified worker with recall or rehire rights.

If the national committee determines that there are more bank members at a plant than anticipated local and area openings, it is authorized to set up special programs under which departing bank members who are age 55–61 and have 10 years of service will receive pensions calculated at unreduced rates, plus various supplements. Departing bank members who do not meet the age and service requirements will receive payments of \$10,000 to \$50,000, varying by seniority.

Other improvements in job security included—

- Increased company funding of the existing Supplemental Unemployment Benefits (SUB) program under which laid-off employees receive weekly payments for up to 2 years.
- Increased company funding of the Guaranteed Income Stream (GIS) program established in 1982, under which laid-off employees with 15 years of service who exhaust their SUB entitlement continue to draw benefits until their return to work, retirement, or the company's maximum financial obligation is reached. The maximum GIS benefit is the lesser of 75 percent of gross earnings or 95 percent

of after-tax earnings, minus \$12.50 a week (\$17.50 beginning January 1, 1985) for work-related expenses not incurred during layoff.

- Establishment of a venture capital plan under which GM will provide up to \$100 million (\$30 million at Ford) to start businesses in communities hit by closing of company plants, with hiring preference given to the displaced workers.
- A provision intended to cut overtime work by penalizing the company 50 cents per hour for all overtime hours worked in excess of straight-time hours worked. The penalty money will go into an existing skill development and training fund.
- A company promise to try to reduce average weekly overtime by 2 hours per worker.

Unlike the 1982 accord, the new 3-year contract provides a specified wage increase, ranging from 9 to 50 cents an hour, effective immediately. In a departure from tradition in the industry, the employees will receive lump-sum payments at the close of the second and third contract years, rather than specified deferred pay increases at the beginning of those years. Each of the "performance bonuses" will equal 2.25 percent of pay for all compensated hours, including overtime hours (but not overtime premium pay) and paid time off.

The union estimated that the specified increase, the two bonuses, a \$180 immediate "special payment," money resulting from continuation of the profit-sharing plan, and cost-of-living pay adjustments would yield GM workers \$11,730 over the term, assuming a 5-percent annual rate of increase in the Consumer Price Index and continuation of the projected 1984 profit level.

Under the 1982 accords, profit-sharing distributions averaged about \$700 for each GM employee and \$440 for each Ford employee, and employees of both companies received cost-of-living adjustments totaling \$1.05 an hour.

Other terms included—

- Adoption of a plan under which employees can receive bonuses of up to \$500 a year for regular work attendance. This supplements a plan adopted in 1982 under which employees with excessive unwarranted absences lose part of their benefits.
- Addition of a third type of health insurance option, Preferred-Provider-Organization, some improvements in the existing "traditional" and Health Maintenance Organization coverage, and adoption of "preauthorization" and review procedures to prevent unnecessary surgery and shorten hospital stays. During the negotiations, GM said that restrictions were vital because its health care costs had been rising about 15 percent annually in recent years and totaled \$2.2 billion in 1983.

Following the GM and Ford settlements, the UAW asked Chrysler Corp. for an unscheduled reopening of negotiations

under its contract (scheduled to expire in October 1985) to return to the same bargaining cycle as the other companies and eliminate a disparity in pay and benefit levels. Chrysler had been at the same levels until 1979, when the UAW accepted the first of three concessionary settlements (the others were in 1980 and 1981) to aid the financially stricken company. In both 1982 and 1983, Chrysler and the UAW negotiated some narrowing of the disparity.

Elsewhere in the industry, American Motors Corp. raised the possibility that it might close its only car assembly plant in the United States if labor costs at the Kenosha, WI, facility are not reduced. The company said the plant was not competitive with GM and Ford operations because of higher average hourly earnings, more restrictive work rules, and a higher ratio of union representatives to workers. The possibility of a shutdown was reinforced by a company announcement that it will spend \$587 million to build a car assembly plant in Canada, where it already has a small car plant.

The current American Motors-UAW contract for 7,300 hourly employees in Kenosha is scheduled to expire in September 1985.

### Soft coal

New United Mine Workers President Richard Trumka entered negotiations with the Bituminous Coal Operators' Association (BCOA) with a simple mandate from his union: "No backward steps. No takeaway contracts." On the management side, BCOA head Bobby R. Brown said that too much coal was being produced and, "This has resulted in some harsh realities—depressed prices, closed mines or curtailed production, thousands of coal miners laid off." Because of these bleak conditions, Brown said that any negotiated economic gains for the 160,000 miners (including 55,000 on layoff) would have to be offset by productivity gains to prevent any further deterioration of the companies organized by the UMW. Much of the organized industry's difficulty has resulted from the growing share of the market held by foreign producers and by nonunion domestic producers and the easing of the petroleum crisis, which has slowed the increase in coal use that had started to develop. In addition to these conditions, the bargaining also was complicated by the fact that 100 of the 132 member companies had dropped out of the BCOA, apparently expecting to negotiate more lenient individual settlements with the UMW. The union countered this strategy by announcing that it would not bargain with the dropout companies until the BCOA settled, which led many of the companies to agree to be bound by the BCOA contract. Others who did not so agree nevertheless settled immediately after the BCOA, on the same terms. The net result was continuance of uniform pattern settlements in the Eastern and Midwestern coal fields, where the UMW holds sway.

The 40-month contract provided for revisions expected to increase job opportunities for UMW members:

- New language ensures that miners will not lose their bidding rights to a job at their mine if it is leased to another company.
- Mine owners are now required to give local union officials copies of warranties covering on-site work, enabling the officials to determine if employees of outside firms are improperly performing warranty work.
- The contract now provides that UMW members will perform all work "of the type" customarily done at the mine. This replaced a provision that the union claimed the operators had misused to improperly contract out work.
- Companies are now required to notify the union of the sale of a mine where a UMW contract is in effect and to furnish proof that the buyer will abide by the contract.

In addition to a number of improvements in benefits, the October accord provided a total of \$1.40 an hour in wage increases, compared with \$3.60 over the 40-month term of the prior contract. The \$1.40 increase ranged from 11.2 percent for the lowest paid workers to 9.9 percent for the highest paid workers.

The problems of the soft coal industry paled in comparison with those in the hard coal fields of Eastern Pennsylvania, which have been in decline for many years. The UMW bargained early in the year for the 1,100 remaining workers it represents and accepted a 1-year contract, instead of the usual 3-year contract, to give the operators some "breathing room." Terms included improvements in vacation and sick pay and a 12-cents-an-hour increase in pay, which ranged from \$9 to \$15.

### Airlines

In 1984, some air carriers operated at a profit, while others continued to experience financial difficulties. As in trucking, Federal deregulation of the industry was a major reason for these difficulties. Under the Airline Deregulation Act of 1978, routes were deregulated on January 1, 1982, and fares were deregulated on January 1, 1983. This has led to the formation of a number of new, nonunion, low-cost carriers that offer intense competition to established carriers, triggering fare wars, rapid shifts in operating areas, bankruptcies, and cuts in employment. One result has been a spate of concessionary wage settlements, as workers acceded to employer requests for aid in improving their competitive ability, and employers gave workers part ownership, a share of profits, or a voice in management. Some of the 1984 settlements that included concessionary provisions (while usually resulting in an overall increase in compensation) were at—

- United Airlines, where three unions were involved. The 37-month contract for 8,500 members of the Association of Flight Attendants included a two-tier pay system under which pay rates for new employees were cut 25 percent during their first 7 years in the 14-year pay progression schedule. Mechanics and related employees, represented by the Machinists, agreed to a 3-year contract that cuts pay rates for new employees during their first 5 years on the job.
- Pacific Southwest Airlines, where 3½-year contracts for 3,600 members of the Teamsters, Air Line Pilots, and other unions called for a 15-percent cut in employee compensation and changes in work rules intended to increase productivity 15 percent. In exchange, the company agreed to place 15 percent of its stock in a trust fund for the workers and to make annual payments to a profit-sharing plan equal to 15 percent of pretax profit before interest expenses.
- Northwest Airlines, where a settlement for 3,000 flight attendants represented by the Teamsters provided a 6-month wage freeze, followed by wage increases of 6 percent on July 1 of 1984 and 1985 and 3 percent on July 1, 1986. The 3-year contract also established a dual pay system under which attendants hired after January 1, 1984, will be paid 30 percent less than the current rates for employees already on the payroll. After 6 years of service, the new employees will move up to the higher pay schedule. Health insurance was revised to cover 80-90 percent of "usual and customary charges." instead of 100 percent.
- Piedmont Airlines, where settlements for 3,000 members of four unions provided for establishment of two-tier pay systems. The settlements also changed work rules—such as by increasing maximum monthly flying hours to 85, from 80, for members of the Air Line Pilots Association—and deferred the first of three pay increases to the sixth month of the contracts, which are subject to modification in 1987.
- Republic Airlines, where members of 6 unions approved a "partnership plan" that called for extension through 1986 of a 15-percent pay cut and deferral of scheduled pay increases that had been scheduled to end on May 31, 1984. In exchange for the extension, adoption of a two-tier pay system, and planned productivity improvements, Republic agreed to establish profit sharing and to give the workers shares of stock, increasing their share of ownership from 20 percent to about 30 percent.
- Western Airlines, where members of four unions agreed to a 22.5-percent pay reduction extending through 1986, in place of a 10-percent cut negotiated in 1983 scheduled to expire in November 1984. Members of another union, the Air Line Pilots, agreed to extend through 1986 the temporary 18-percent cut they had accepted in 1983. All five contracts, involving 10,000 workers, also called for changes in work rules to increase productivity. In exchange, the unions gained two seats on the carrier's board of directors (bringing their total to 4), shares of company stock, and a profit-sharing plan.
- Frontier Airlines, where 5,000 workers represented by several unions agreed to decreases in pay and benefits, and adoption of two-tier pay systems. The pay reduction

was 11 percent for the workers represented by the Air Line Employees Association, while the Air Line Pilots agreed to a 3.5-percent cut and continuation of an 8.1-percent cut negotiated in 1983 and scheduled to end in 1984. Despite these changes, Frontier requested additional cuts later in 1984 and the unions were considering the possibility of buying the company.

- Eastern Air Lines, where 6,200 flight attendants, represented by the Transport Workers, in January 1984 agreed to modifications of a 2-year contract negotiated in November 1983. In the major change, employees were required to put 18 percent of 1984 earnings in a Wage Investment Program in return for shares of Eastern stock. Late in 1983, members of three other unions reached similar modification agreements, all of which specified that employees would receive all wage increases (which varied by union) already scheduled for 1984. All of the modification agreements called for changes in work rules to improve productivity and for the unions to have a total of 4 members (out of 19) on Eastern's board of directors. In September 1984, there were indications that Eastern planned to ask the unions to continue the investment requirement, at the 18-percent rate or at another level through 1985 and possibly beyond.
- Braniff Airways, which resumed operations in March, 22 months after it had filed for protection under Chapter 11 of the Federal bankruptcy code. The 1,900 employees, members of five unions, returned under 5-year contracts with the Hyatt Corp. (the new owner) that called for substantial cuts in pay and benefits. Despite these concessions, Braniff lost \$80 million during the next 8 months and pared operations and employment.

In other developments—

- Pan American World Airways, after losing \$120 million in the first half of the year, froze employee pension service credits at their current levels, drawing bitter criticism from leaders of five unions, who pointed out that the carrier had also not made required payments to the pension plan in the two preceding years.
- Continental Airlines rebounded, showing a profit of \$17.6 million for the third quarter, compared with a loss of \$77.2 million a year earlier. Continental's ability to earn a profit was apparently enhanced by its actions in 1983, when it sought protection under Chapter 11 of the bankruptcy code, abrogated all labor contracts, reduced its work force by two-thirds, and reduced pay by about 50 percent. In mid-1984, the contract abrogation was upheld by the bankruptcy judge.
- American Airlines in October raised its inducement to employees for retiring or quitting to one year's pay, from \$10,000, for those on the payroll when two-tier pay systems were negotiated in 1983. Departure of these employees will save money for American because they are

paid substantially more than those hired after the 1983 settlement. Unlike some of the other airlines, American is profitable; it earned \$227.9 million in 1983.

## Aircraft, aerospace

Settlements in 1984 for aircraft and aerospace workers generally featured two contract provisions negotiated by the Boeing Co. and the Machinists in October 1983—two-tier pay systems and lump-sum payments in lieu of specified wage increases. A smaller number of workers were under settlements that also followed Boeing's lead in giving some cost-of-living pay adjustments only to higher-paid workers. This was done to restore at least part of the percentage pay differential between the lowest and highest grades that had narrowed over the years as a result of all employees receiving the same cents-per-hour adjustments. All of the settlements increased employee compensation, moderated to some extent by the new features. Companies that negotiated lump-sum and/or two-tier pay systems in 1984 included—

- McDonnell Douglas Corp., which negotiated 3-year contracts with the Machinists and the Auto Workers that provided for two-tier pay and annual lump-sum payments equal to 3 percent of earnings during the preceding 12 months. In addition, pay compression will be relieved by paying cost-of-living adjustments only to the highest paid 75 percent of the workers or by providing specified pay increases only for skilled workers.
- Rockwell International Corp.'s Space Division, which negotiated a 3-year contract with the Auto Workers that provided for 3-percent (of earnings) lump-sum payments in August of 1984 and 1985 and a 3-percent specified pay increase in July 1986. Under the accord, new employees have to wait longer before progressing to the maximum rate for their job grade and will not receive automatic cost-of-living pay adjustments during their first year on the job.
- General Dynamics Corp.'s Aerospace Division, which negotiated a 3-year contract with the Machinists that provided for 3-percent lump-sum payments in the first and second years and a 3-percent wage increase in the third. Skilled employees will receive three additional lump-sum payments.
- Cessna Aircraft Co., which negotiated a 38-month contract with the Machinists that provided for September 1985 and September 1986 lump-sum payments equal to 1.5 percent and 2 percent, respectively, of earnings during the preceding 12 months.
- United Technologies Corp.'s Sikorsky Aircraft Division, which negotiated a 3-year contract with the Teamsters that provided for 3-percent pay increases at the beginning of each year, plus an immediate lump-sum payment equal to 3.5 percent of 1983 earnings.

## Construction

Construction settlements were the primary factor in holding down wage settlements in private industry during the first 9 months of the year (see above). There was, however, no single reason for the small wage increases—or the decreases—in the industry, because bargaining in construction, generally conducted on a State, part-State, or metropolitan area basis, is particularly sensitive to local economic conditions. Among the factors that affected the size of 1984 construction labor contracts were the demand for real estate in the area and the intensity of competition from nonunion firms, which usually have lower pay and benefit levels and less restrictive work practices than unionized firms.

The variation in the reasons for low settlements was matched by the variation in the provisions of the settlements. In some cases wages and/or benefits were cut for all workers, in others, only for new employees, for projects started after particular dates, for all employees on particular projects, or for employees only while engaged in residential building.

## Petroleum refining

The Oil, Chemical and Atomic Workers entered 1984 negotiations with the major oil companies in a weakened position stemming from then-rising petroleum prices and shrinking markets. The lower demand had led the oil companies to close 83 refineries in the preceding two years, to cut employment—and to take a stronger-than-usual stand in bargaining with the union. The union also faced a longer-standing problem, the high degree of automation in the industry, which severely curtails the effect of strikes by permitting a limited number of management employees to maintain operations.

The Gulf Oil Corp. settlement, in January, set a pattern for settlements with other companies. Wages were increased by 20 cents an hour immediately and 35 cents at the beginning of the second year. Based on the reported previous average hourly earnings of \$13.61, the increases amounted to 1.5 and 2.5 percent, respectively.

The OCAW did not win its demand that Gulf assume the full cost of health insurance premiums, but the company did agree to raise its monthly contributions toward family coverage by \$10, effective immediately, and by an additional \$5 a year later. Gulf had been paying \$151.50 of the \$174 a month cost, which was expected to rise to \$212 on February 1. Gulf's obligation for single employees remained at \$57 a month, which covered the full cost for these workers.

The difficult conditions in the industry also were reflected in the reported delays the union experienced in settling local issues with some companies, which apparently pressed to cut costs by revising work rules. Overall, the bargaining involved 338 contracts and 50,000 workers.

## Longshore settlements

Early in the year, the International Longshoremen's Association (ILA) settled with East and Gulf Coast stevedoring companies for 50,000 workers. This was followed by an August settlement between the International Longshoremen's and Warehousemen's Union (ILWU) and the Pacific Maritime Association for 10,000 dockworkers on the West Coast. Revisions of pay guarantee plans were important in both sets of negotiations, but particularly in the ILA talks, where employers' longstanding complaints of excessive costs and resulting loss of business led to some changes in their Guaranteed Annual Income plan (GAI). The changes included "tightening of eligibility requirements" at the port of New York and New Jersey (where the guarantee is 2,080 hours of work or pay per year for eligible employees); and cuts in the guarantee, to 1,500 hours' pay or work per year, from 1,800, in Hampton Roads, VA, and to 1,500 hours, from 1,900 in Philadelphia. At ports from North Carolina to Florida, GAI was raised to 1,725 hours a year, from 1,250, but now is reduced by the amount of holiday and vacation pay.

These changes were specified in supplements to a 1984 "master" contract for all ports that included terms that the parties had already agreed on in 1983, including \$1-an-hour wage increases on October 1 of 1983, 1984, and 1985 and a \$1.25-an-hour increase in employer payments to benefit funds.

In midyear, the ILA filed suit against Delta Steamship Lines after the ocean carrier started shifting its calls to non-ILA ports, contending that cargo handling was too costly at ILA ports. The ILA viewed Delta's action with concern because it could, if upheld by the courts, induce other carriers to follow suit. The ILA's legal contention was that Delta was bound to call only at ILA ports under terms of a contract the ILA had reached with an employer bargaining association when Delta was a member, although it subsequently withdrew.

In November, another dispute was under way in the port of New York and New Jersey, as a Federal Maritime Commission administrative law judge said that local firms were subject to excessive costs because their assessments for employee benefits were based on the volume of cargo handled, rather than hours worked. Both the ILA and the employer association then appeared before the Commission to begin an appeal of the opinion, which resulted from an action initiated by the port authority.

On the West Coast, the settlement was more routine, as the ILWU and the PMA agreed on a total increase of \$2.50 in straight-time hourly pay rates: This will average out to more per work hour because workers are paid 6 hours at straight-time rates and 2 hours at time-and-one-half rates for a normal 8-hour workday. The pay guarantee also was improved, to 38 hours a week (from 36) for "fully registered" workers and to 28 hours (from 24) for others.

## Railroads

Bargaining for 350,000 rail employees was initiated in April, when 13 unions, acting under provisions of the Railway Labor Act, filed "Section 6" notices with the major railroads, specifying their wage and benefit demands. The demands included six 5-percent wage increases over a 3-year period that would begin on July 1, continuation of the automatic cost-of-living pay adjustment formula without the existing "cap," increases in overtime pay and improvements in paid holidays, personal leave days, health and welfare benefits, and pensions. Some of the unions also proposed contract changes that would be limited to their members, such as adoption of restrictions on contracting out work.

Management's reported goals included a freeze on pay, adoption of a two-tier pay system under which new workers would start at 56 percent of the current starting rate, and revision of work rules to enhance the railroads' ability to compete with the deregulated trucking industry. The Interstate Commerce Commission's role in rail rate setting was reduced by the Staggers Rail Act of 1980, but the railroads are still more regulated than trucking or airline transportation.

As the year was closing, the unions and management were still bargaining. This followed the usual practice in the industry—protracted negotiations that finally end in settlements seemingly just before the time for serving new Section 6 notices.

## Trucking

Although the Teamsters' National Master Freight Agreement is not scheduled to expire until March 31, 1985, there were a number of major developments in 1984 that could cause a break in the 20-year history of pattern bargaining in the industry. Many of these changes were attributable to the Motor Carrier Deregulation Act of 1980, which ended most of the Interstate Commerce Commission's authority to regulate the entry of new firms, operating areas, cargos, and rates. This has led to an influx of small nonunion carriers whose lower operating costs have altered the industrywide bargaining relationship between the Teamsters and Trucking Management, Inc., the industry's leading employer association. This, in turn, has led to the demise of many unionized carriers and substantial layoffs of Teamsters members.

There was a continued increase in the number of firms the union has allowed to reduce wages and benefits below levels required by the master freight agreement, viewing this as preferable to a shutdown or loss of jobs. The reductions took a number of forms, including cuts in wages and benefits, and cuts made in exchange for company stock.

Another development that will complicate the 1985 talks was continued growth in the number of unionized firms establishing separate corporate entities to reduce costs by employing nonunion owner-operators.

Management's unity also continued to deteriorate, as Trucking Management, Inc., reported that many member companies had quit the association during the preceding 30 months, apparently because they believed that TMI was dominated by larger, more profitable companies and that they could negotiate more lenient terms on their own or by forming new associations.

The Teamsters did negotiate one important—and controversial—trucking contract in 1984. The accord reached for 90,000 employees of United Parcel Service supersedes the balance of a contract negotiated in 1982 that did not provide for any specified pay increases. The contract, which was similar to the master freight agreement, had been scheduled to expire on May 31, 1985. Teamsters' President Jackie Presser said the early negotiations were undertaken with UPS—which earned \$490 million in 1983—to give the workers some immediate money to offset 93 cents an hour in scheduled 1982, 1983, and 1984 cost-of-living pay adjustments that had been diverted to help the company meet cost increases for maintaining benefits, as required in the 1982 contract. He also said that the workers had probably gained a better contract now than they would have by following past practice and waiting to pattern their settlement after the 1985 master freight settlement.

The UPS settlement met immediate opposition, led by the Teamsters for a Democratic Union, a longstanding dissident group within the Teamsters' ranks that accused Presser of negotiating the contract in secret and accelerating the ratification process to prevent the union members from thoroughly studying the terms. The accelerated vote charge was upheld by a judge in a court test, and he ordered a revote, in which the contract was approved 44,337 to 18,989.

The contract provisions included immediate lump-sum payments of \$1,000 for full-time employees and \$500 for part-timers, pay increases of 68 cents an hour on September 1, 1984, 50 cents in September of 1985 and 1986, and benefit improvements backed by a guarantee of any further changes needed to match any benefit improvements in the master freight agreement.

The contract also provides for continuation of dual pay system under which part-time workers earn about \$4 per hour less than full-time workers. Much of the opposition to the contract had centered on this provision. Reportedly, half of the employees are part-timers.

## Steel

Although contracts between the United Steelworkers and steel producers do not expire until 1986, there were a number of developments in 1984 that will have a bearing on forthcoming negotiations.

In the economic area, profits at the producers where the union holds bargaining rights were generally small or non-existent. President Reagan rejected an International Trade Commission recommendation to impose quotas and addi-

tional tariffs on countries exporting steel to the United States, but he did pledge to negotiate with the exporting nations on voluntarily reducing their share of the market to 18.5 percent, from the current 25 percent. There were moves by Japanese producers to buy into domestic firms; and more plant closings. Also, "mini mills," which are specialized producers—usually having nonunion work forces—now hold about 20 percent of the market and are expanding.

In the labor relations area, one fact that will bear directly on the 1986 talks was further erosion in the number of firms in the Coordinating Committee Steel Companies, the association that has set the settlement pattern for the industry. The withdrawal of National Steel Corp. increased the possibility that the pattern would be less widespread in 1986. As National Steel President Robert D. McBride said, "We want greater flexibility to deal with issues most important to our company." (One example of the kinds of contract variations that could occur in 1986, or earlier, was Wheeling-Pittsburgh Steel Corp.'s announced plan to offer shares of company stock to employees if they agreed to continue cuts in wages and benefits that had been scheduled to end in 1985. The cuts, negotiated in 1983, were similar to those the union negotiated with other steel companies.)

Another reduction in the association's membership occurred when LTV Corp. merged its Jones and Laughlin Steel Corp. unit with Republic Steel Corp. to form the Nation's second largest steel concern, LTV Steel Co. This left only five companies in the coordinating committee, down from 10 a decade earlier, with the possibility that there could be more defections. The five companies were U.S. Steel Corp., LTV Steel Co., Bethlehem Steel Corp., Inland Steel Co., and Armco Inc.

On the union side, there was new leadership, as Lynn Williams was elected president, succeeding Lloyd McBride, who died in 1983. Williams faced the daunting problems of declining membership and maintaining or increasing worker compensation in a troubled industry.

### West Coast forest products

More than 14,000 employees were covered by 32-month contracts between the Association of Western Pulp and Paper Workers and several pulp and paper companies that called for an immediate lump-sum payment of \$1,000 to each employee, followed by specified wage increases of 4 percent at the beginning of the second year and 4.5 percent at the beginning of the final year. The union also agreed to give up mandatory shutdowns on Christmas and Independence Day and to changes designed to hold down the company's health insurance costs, including adoption of higher deductibles and coinsurance payments.

In the lumber industry, uncertainty increased regarding the future of pattern bargaining after Louisiana-Pacific Corp. employees voted to end union representation at 17 of 19 mills that had been on strike for 15 months. As a result,

the 1,700 workers continued to work at the compensation levels Louisiana-Pacific had put into effect in 1983, which were lower than those the other companies had negotiated with the union, an affiliate of the Carpenters and Joiners. Prior to 1983, Louisiana-Pacific had accepted the same terms as the other companies. The company's decision to go-it-alone in 1983 was based on its contention that wage and benefit concessions were necessary to enable it to compete with lower-cost mills opening in the South. This led to the strike, which became less effective over time, as more and more strikers returned to work, joining management employees and new hires in operating the mills.

### Meatpacking

During the last few years, labor-management relations in the meatpacking industry have been chaotic, and will apparently continue so until the industry's level of employee compensation stabilizes and marginal firms either improve efficiency and profitability, or shut down. During 1984, there were further developments in the difficult movement toward stability, which might be aided if uniform wage and benefit levels are agreed to when contracts for several major pork processors expire in August 1985. Contract expirations in beef processing, which are less concentrated in the year than those in pork processing, began in January 1985.

- Wilson Foods Corp., which drew much attention in 1983 when it used the provisions of Chapter 11 of the Bankruptcy Code to shed its labor contracts, emerged from Chapter 11 proceedings in March 1984 when the court approved a reorganization plan. The plan included termination of a salaried employees' pension plan, which Wilson said was overfunded, and establishment of a new plan. In November, leaders of the Food and Commercial Workers union accused the company of hiding the fact that its officers had received large salary increases after the 5,000 workers represented by the union had reacted to the contract abrogation by negotiating new 2-year contracts in 1983 that cut pay by 25 percent. Wilson, located in Cedar Rapids, IA, is the Nation's largest pork processor.
- In Waterloo, IA, a Federal bankruptcy judge approved the decision of employee-owned Rath Packing Co. to abrogate its labor contract and cut pay and benefits. The January ruling cleared the way for the pork processing firm to seek an infusion of money from new owners. In November 1983, when it filed for protection under Chapter 11, Rath listed \$56.7 million in assets and \$91.6 million in liabilities. In October 1984, the plant had about 375 production employees, down 700 from a year earlier. The workers are represented by the United Food and Commercial Workers.
- In Billings, MT, Pierce Packing Co. reopened a pork processing plant after members of the United Food and Com-

mercial Workers and Operating Engineers unions agreed to wage and benefit cuts. Pierce had shut the plant down in 1983 after the unions had refused to indefinitely extend a 1-year, \$1.90 an hour wage cut negotiated in 1982. At the time of the reopening, Pierce was operating under the Chapter 11 bankruptcy protection it had petitioned for in 1983.

- Another plant reopened, in Independence, IA, financed in part by \$3,000 investments by each employee. The balance of the financing came from city and State grants and from private investors. The new operation, Iowa Ham Canning, Inc., succeeded Cudahy Specialty Foods, which closed the plant in 1983. The new, nonunion operation was expected to employ about 100 people within a year.
- In Madison, WI, Oscar Mayer imposed a 23-percent pay cut for 2,600 workers that opened the way for George A. Hormel and Co. to lower wages for 1,800 workers in Austin, MN. The Oscar Mayer reduction of \$2.44 an hour in base wages came after Food and Commercial Workers members had three times rejected a demand for adoption of the \$8.25 rate prevailing at other companies. The cut will continue until the company's current contract expires in August 1985. Imposition of the pay decrease will also lead to a reduction at Hormel, whose contract permits a reduction when a lower wage becomes an "industry-wide standard." Under a 1984 arbitration decision, Hormel won the right to implement a lower wage based on the average of reduced rates at three of the five major companies in the industry, with the union to select the three companies.

### **Farm and construction equipment**

The only major firm that bargained in this industry in 1984 was International Harvester Co., where a contract with the Auto Workers expired on September 30 but a settlement had not been attained at this writing. When a settlement is reached, it could influence the union's 1986 bargaining with Caterpillar Tractor Co. and Deere & Co. Historically, these companies, and others in the industry where the union holds bargaining rights, have bargained more or less simultaneously and agreed to similar contracts but this pattern was disrupted in 1979, when most firms settled, but International Harvester, hit by a 172-day strike, did not settle until 1980.

### **Postal service**

Bargaining for 600,000 postal employees began in April but ended up in binding arbitration, with a decision expected to be announced at yearend. The United States Postal Service led off the unsuccessful bargaining with four unions in April by calling for a cut in wages, asserting that the average postal worker earned \$23,031 a year (\$27,920 including benefits), 10 to 25 percent more than workers in comparable jobs in private industry. Later, the USPS made a specific 3-year proposal that included a pay freeze for current em-

ployees, a lower pay scale for new hires, a less liberal cost-of-living pay adjustment formula, and other changes, all of which were denounced by the unions. Negotiations continued intermittently until after the current contracts expired on July 20, when the quasi-government agency announced that it was going to reduce the pay rates for new employees by more than 20 percent. Before the scheduled August 4 effective date, Congress enacted legislation prohibiting the cut.

Despite this easing of the tension, the parties were unable to reconcile their differences, leading to the first broad use of the arbitration procedures of the Postal Reorganization Act of 1970.

### **Government workers**

During the year there were several developments affecting Federal workers' pay.

In January, 1.4 million white-collar employees received a 3.5-percent pay raise that would normally have been effective in October 1983 but was delayed by President Reagan under authority of the Federal Pay Comparability Act of 1970. Later in 1984 the increase was raised to 4 percent, as Congress legislated a 0.5-percent increase retroactive to January. The 2 million military personnel also received the equivalent of a 4-percent increase in January, under laws linking increases in their pay levels to those for white-collar workers. About 450,000 blue-collar workers also received up to a 4-percent increase sometime during the fiscal year ending September 30, 1984. Their pay is raised at various times during the year based on the results of local surveys of wages for similar private industry jobs. However, their potential increase was "capped" at the level for the white-collar workers.

In August, the President's Pay Agent (a triad consisting of the Secretary of Labor, the Director of the Office of Personnel Management, and the Director of the Office of Management and Budget) reported that an 18.2-percent pay increase would be necessary to bring the white-collar employees to pay parity with employees in similar jobs in private industry, based on the annual National Survey of Professional, Administrative, Technical and Clerical Pay conducted by the Bureau of Labor Statistics. However, the President again used his authority under the law to propose a 3.5-percent increase and to defer it from October 1984 to January 1985. Blue-collar workers received a matching increase, while military personnel received a 4-percent increase.

Wage and benefit increases for State and local government workers were larger in fiscal year 1985 than in the preceding fiscal year. This is apparent from the Bureau of Labor Statistics' Employment Cost Index, which showed that during the third quarter of the calendar year—when most governments begin their fiscal year—State and local government workers' pay increased 3.4 percent in 1984, compared with

3.0 percent in 1983. Similarly, their compensation—pay plus benefits—rose 3.5 percent during the third quarter of 1984, compared with 3.2 percent in the third quarter of 1983.

### Legal developments

Perhaps the most important legal ruling in 1984 from the viewpoint of both labor and management came in February, when the Supreme Court held that employers filing for reorganization in Federal bankruptcy court may temporarily terminate or alter labor contracts even before the judge has heard their case. In the case, *NLRB v. Bildisco & Bildisco*, the Court also held that the termination or alteration could be made permanent if the employer can persuade the judge that the agreement burdens chances of recovery.

The ruling drew sharp criticism from AFL-CIO President Lane Kirkland, who viewed it as giving management an unwarranted tool for ousting unions or forcing compensation concessions on them.

Later, Kirkland endorsed legislation that modified the bankruptcy code to require a firm or bankruptcy trustee to attempt “to reach mutually satisfactory (contract) modifications” before going to the court. If they are unable to agree on modifications, the judge is permitted to put the employer’s proposal into effect only if the union has rejected it “without good cause” and “the balance of the equities

(among the union, management, and other vested parties) clearly favors” the proposal.

From organized labor’s point of view, things did not turn out as well at the National Labor Relations Board, as it handed down a series of rulings favoring management. Labor’s charges of pro-management bias were countered by defenders of the rulings, who claimed that the board was simply correcting a pro-union bias that had developed during the Carter Administration.

In the decisions, the board held that—

- The National Labor Relations Act did not preclude managers from asking workers about union activities.
- The board cannot order an employer who has committed unfair labor practices to negotiate with a union that is not supported by a majority of the workers in a bargaining unit.
- An employer may shift operations to a nonunion plant it owns to escape the higher labor costs of a union contract, if the contract does not specifically ban such relocation.
- It is contrary to Federal labor law for the board to intervene in a labor-management dispute before the parties have exhausted their own arbitration procedures.
- Employers are no longer required to publicize the fact that an employee can solicit another employee for union activities while at work if both are on their own time, such as during a lunch period. □

————FOOTNOTES————

<sup>1</sup>Preliminary statistical information for all of 1984 is scheduled to be released on January 24, 1985. Both the first 9 months and 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 essentially based on information available in early December for bargaining units of 1,000 workers or more.