Scheduled wage increases and cost-of-living provisions in 1981

Although bargaining will be relatively light this year, most workers in major bargaining units will receive raises under contracts signed in previous years

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Nearly all workers under major collective bargaining agreements (those covering 1,000 workers or more) in the private nonfarm sector receive some wage increase each year. During 1981, there will be 2.6 million workers covered by expiring agreements or contracts with wage reopening provisions; 6.1 million are scheduled to receive "deferred" wage increases from contracts negotiated in earlier years; and 4.5 million workers under expiring and continuing agreements, with or without deferred increases, may anticipate wage adjustments from cost-of-living clauses. About 162,000 workers are covered by contracts that extend through 1981 and do not provide for any wage increase.

An earlier article presented information on the general characteristics of groups that will be bargaining this year; thus, the following discussion will focus primarily on deferred wage increases and cost-of-living adjustments (COLA) provided by the major agreements. The analysis excludes 818,000 workers whose contracts expired late in 1980 but had not been renegotiated by November 1, or for whom data were not otherwise available at this writing.²

Deferred wage increases

Multi-year collective bargaining agreements commonly provide for scheduled wage increases in each year of the contract. Deferred wage increases refer to changes that are implemented in the current year but were negotiated in prior years.

The average size of deferred wage increases has been about the same for the last few years—5.1 percent in 1978 and 1979, and 5.2 percent in 1980 and 1981. Reflecting the 3-year bargaining cycle characteristic of major agreements, larger numbers of workers were to receive deferred increases in 1978 and 1981 (6.7 million and 6.1 million workers, respectively) than in the 2 intervening years (5.2 million in 1979, and 5.0 million in 1980). Half of the workers (3.1 million) receiving such increases in 1981 are under agreements negotiated in 1980, 47 percent (2.8 million) are under contracts negotiated in 1979, and the remainder are covered by agreements reached before 1979.

Contract expirations similarly reflect the 3-year cycle. Bargaining in 1978 covered 2.5 million workers; negotiations in 1979 involved 3.5 million workers; and those in 1980 are expected to affect close to 4 million by the end of the year. Of the 2.6 million workers under contracts scheduled to expire or reopen in 1981, 260,000 are to receive deferred increases, averaging 5.6 percent. Of these, about 49,000 workers may also receive COLA payments, which will be discussed in detail in a later section, along with their deferred wage increases.

Among workers under contracts that run past 1981, 3.7 million will receive deferred increases averaging 3.4 percent and may also have COLA adjustments during the year; 2.2 million are to receive only deferred wage payments, averaging 8.3 percent; 46,350 workers may receive only COLA adjustments; and 162,000 workers are not scheduled for either COLA payments or deferred increases.

The 5.2-percent deferred wage increase amounts to an

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average 52.4 cents per hour. The highest increases, in both cents-per-hour and percentage terms, are in the construction industry, affecting about 870,000 workers: scheduled deferred wage increases average 9.7 percent or \$1.24 per hour in 1981.³ The metalworking industry, on the other hand, has negotiated increases averaging 3.1 percent, or 30.7 cents, for 2.0 million workers this year. (See table 1.) Much of the difference between these two industries is attributable to the greater prevalence of COLA adjustments as supplements to deferred increases in the metalworking industry.

Table 2 illustrates this difference in cost-of-living cov-

erage for the two groups. Eleven percent of workers under major construction contracts have COLA protection compared with 93 percent in the metalworking industry. Deferred increases in construction contracts with cost-of-living clauses (covering 98,000 workers) average 7.8 percent, compared with 10 percent for the 778,000 workers under contracts without COLA clauses. For the 108,000 workers covered by metalworking agreements without COLA provisions, the average deferred increase is 6.4 percent, compared with 2.9 percent for the 1.9 million workers with such clauses.

As in past years, the nonmanufacturing sector as a

Table 1. Workers receiving deferred wage increases in 1981, by major industry group and size of increase [Workers in thousands]

			L		Manufacto	uring				Nonmanufactu	Nonmanufacturing		
Average beauty increases	Number of	All private			Selecter	d industries			Selected industries				
Average hourly increases	contracts	nonagricultural industries	Total ¹	Food and kindred products	Apparel	Chemicals	Metal- working	Total ²	Contract construction	Transportation, communications, gas, and electric utilities	Warehousing, wholesale and retail trade	Services	
Total	1,002	6,073	3,103	200	455	82	1,989	2,970	873	1,437	432	162	
CENTS PER HOUR						'	['						
Under 15 cents 15 and under 20 20 and under 25 25 and under 30 30 and under 35	62 33 47 114 115	306 102 206 1,154 1,865	261 55 116 490 1,328	11 12 49 7	12 108 29	5 10 65	229 22 92 298 1,188	44 48 91 664 537	6 3 2 31	12 23 78 601 452	22 5 6 52 41	6 6 4 5 3	
35 and under 40 40 and under 45 45 and under 50 50 and under 60 60 and under 70	39 39 22 122 73	251 191 138 497 182	188 158 123 147 85	7 62 12 18 17	138 62 103 2	2 	29 25 12 46 31	62 33 15 350 97	5 3 49 53	3 6 6 21 11	34 23 2 180 21	2 4 85 12	
70 and under 80 80 and under 90 90 90 100 and under 100 100 and under 110 110 and under 120 120 and over	54 38 15 58 37 134	221 110 51 245 91 464	85 16 11 31 7 2	14 			4 1 10 2	136 93 39 214 84 463	71 48 21 117 39 427	35 41 13 63 40 34	24 3 4 9 3 2	6 2 25 2	
Mean increase With cost-of-living clauses Without cost-of-living clauses Median increase		52.4 35.6 81.6 33.9	35.5 30.5 50.0 30.4	40.0 29.3 47.1 41.6	37.3 33.6 38.9 40.0	33.3 33.9 26.8 35.0	30.7 29.6 50.3 30.4	70.0 43.2 99.3 47.5	124.3 109.7 126.1 120.0	46.2 36.9 107.1 35.0	48.7 52.9 46.4 50.0	59.7 51.4 59.8 58.2	
PERCENT ³				i	,								
Under 2 percent 2 and under 3 3 and under 4 4 and under 5 5 and under 6	47 156 96 45 81	250 2,342 743 168 401	216 1,555 278 70 215	13 49 6 6 73	12	10 49 21	201 1,447 185 21 18	33 787 466 97 186	7 36 8 14 59	10 727 440 7 29	11 8 11 68 63	6 8 8	
6 and under 7 7 and under 8 8 and under 9 9 and under 10 10 and under 11 11 and under 12	116 122 116 81 72 22 48	483 538 406 276 187 75 206	257 268 149 49 44 2	4 20 12 18	192 142 2	2	33 59 4 19	225 270 257 227 143 73 206	59 119 110 110 85 66 199	16 28 88 51 43	147 72 15 17 13 4	4 39 41 46 2 4 5	
Mean increase With cost-of-living clauses Without cost-of-living clauses Median increase		5.2 3.5 8.1 3.1	4.2 3.3 7.0 3.0	5.2 3.2 6.5 5.7	6.4 6.1 6.6 7.0	3.9 3.8 4.4 3.9	3.1 2.9 6.4 2.8	6.2 4.0 8.7. 5.5	9.7 7.8 10.0 9.1	3.9 3.4 7.2 3.0	6.3 5.8 6.6 6.4	8.4 7.6 8.4 8.6	

¹ Includes workers in the following industry groups for which separate data are not shown: tobacco (28,000); textiles (19,000); lumber (64,000); furniture (17,000); paper (41,000); printing (31,000); petroleum refining (32,000); rubber (29,000); leather (16,000); stone, clay, and glass (50,000); instruments (36,000); and miscellaneous manufacturing (16,000).

³ Percent of straight-time average hourly earnings.

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

² Includes 24,000 workers in mining and 42,000 in finance, insurance and real estate for which separate data are not shown.

whole has higher deferred increases, in both cents-perhour and percentage terms, than the manufacturing sector—6.2 percent (70.0 cents), compared with 4.2 percent (35.5 cents). Again, some of this difference may reflect expectations of increases resulting from COLA clauses. Of the 3.1 million workers in the manufacturing sector with deferred increases scheduled in 1981, 2.3 million have COLA provisions in their contracts, with deferred increases averaging 3.3 percent, compared with 7 percent for those without COLA protection. In the nonmanufacturing sector, 3 million workers are scheduled for deferred increases. The 1.5 million with COLA clauses in their contracts will average gains of 4.0 percent, while those without will average 8.7 percent.

Deferred wage increases in 1981 for the combined transportation and communication industries average 3.7 percent (44.8 cents), and cover nearly 1.4 million workers. Mean increases of 6.4 percent (37.3 cents) are scheduled for 455,000 workers in the apparel industry, while 432,000 workers in trade will receive average wage gains of 6.3 percent (48.7 cents) during the year.

Table 3 shows concentrations of workers receiving deferred payments by month during 1981. A large portion of the 712,000 workers with increases due in April are under the Teamsters' Master Freight agreement. Some 585,000 construction industry workers receive increases during May, June, and July, and 262,000 workers in the apparel industry are scheduled for payments in June.

-digit standard		All co	ntracts	Contracts with	Percent of		
industry classification (SIC)	industry	Workers covered	Number of contracts	Workers covered	Number of contracts	workers covered by COLA clauses	
	7	9,333	1,989	5,318	771	57.0	
	Total	9,333 56	14	44	l 'ii	79.5	
10	Metal mining		1 1	2	1 1	100.0	
11	Anthracite mining	2	1 1	2	'	0.0	
12	Bituminous coal and lignite mining	160	1 1				
15	Building construction general contractors	685	170	49	9	7.2	
16	Construction other than building construction	471	118	68	11	14,5	
17	Construction-special trade contractors	432	201	51	21	11.7	
20	Food and kindred products	313	99	99	34	31.6	
21	Tobacco manufacturing	28	8	24	6	88.0	
22	Textile mill products	46	19	3	2	6.5	
23	Apparel and other finished products	486	55	156	10	32.2	
		ce	15	3	2	4.2	
24	Lumber and wood products, except furniture	66 28	17	10	7	35.9	
25	Furniture and fixtures				2	3.8	
26	Paper and allied products	98	66	4	8	34.7	
27	Printing, publishing, and allied industries	63	33	22			
28	Chemicals and allied products	83	44	23	12	27.4	
29	Petroleum refining and related industries	37	19			0.0	
30	Rubber and miscellaneous plastics	83	15	68	10	81.5	
31	Leather and leather products	38	16	, , ,		0.0	
32	Stone, clay, glass, and concrete products	91	36	67	23	73.2	
33	Primary metals industries	476	118	450	103	94.6	
34	Fabricated metal products	116	59	91	42	78.5	
	Machinery, except electrical	289	93	270	82	93.4	
35		448	103	408	80	90.9	
36	Electrical machinery equipment and supplies		103	1,140	87	94.3	
37	Transportation equipment	1,209			7	57.3	
38	Instruments and related products	49	16	28	′	57.3	
39	Miscellaneous manufacturing industries	23	13	4	2	15.9	
40	Railroad transportation	432	18	432	18	100.0	
41	Local and urban transit	16	4	15	3	93.3	
42	Motor freight transportation	476	20	468	17	98.3	
44	Water transportation	95	19	36	7	37.5	
45	Transportation by air	176	43	138	27	78.6	
48	Communications	734	42	662	26	90.2	
46 49	Electric, gas, and sanitary services	224	77	32	12	14.2	
50	Wholesale trade — durables	44	26	12	8	27.5	
50 51	Wholesale trade — ourables	17	4	2	i	13.2	
		85	23	29	6	34.2	
53	Retail trade — general merchandise	532	105	334	51	62.7	
54	Food stores					82	
55	Automotive dealers and service stations	18	11	2	1	1 7/-	
56	Apparel and accessory stores	8	5			0.0	
58	Eating and drinking places	80	25			0.0	
59	Miscellaneous retail stores	18	7	8	3	43.4	
60 - 65	Finance, insurance, and real estate	126	21	46	9	36.5	
70 - 89	Services	376	83	20	10	5.4	

Table 3. Workers receiving deferred increases in 1981 in bargaining units covering 1,000 workers or more, by month

[Workers in thousands]

Effective month	Principal industries affected	Workers covered	
Total		6.073 1	
January	Construction, oil refineries	334	
February	Transportation equipment	155	
March	Automobiles, apparel, and food stores	443	
April	Trucking	712	
May	Construction, trucking	405	
June	Construction, apparel	942	
July	Construction	631	
August	Communications	1.184	
September	Automobiles	1,113	
October	Transportation equipment, apparel, and farm implement	418	
November	Food stores, apparel	156	
December	Electrical equipment	102	

¹This total is smaller than the sum of individual items because 489,600 workers will receive more than one increase. This total is based on data available as of Nov. 1, 1980, and thus may understate the number of workers receiving deferred increases for the entire year.

The two heaviest months are August and September when 1.2 and 1.1 million workers, respectively, receive increases. Workers in the steel and telephone industries account for 80 percent of those scheduled for increases in August, while auto industry agreements provide wage increases for 772,000 workers in September.

For contracts with 5,000 workers or more, the 1981 average increase in the cost of both deferred wages and benefits is 5.5 percent, compared with the 1980 average of 5.3 percent and the 1979 average of 4.7 percent. (See table 4.)

Cost-of-living adjustments

Fifty-seven percent of workers covered by major agreements have cost-of-living protection. COLA clauses are designed to help workers recover purchasing power lost through price increases. The number of workers receiving COLA increases and the proportion of purchasing power actually recovered under individual bargaining agreements depends on the specific formula used to relate wage and price increases, the timing of COLA reviews, and possible "caps" limiting the amount of COLA payments.

While deferred wage changes affect the largest portion of workers, cost-of-living increases may be larger than deferred increases in 1981. If inflation continues as it did during 1979 and in 1980, COLA payments are likely to have a significant impact on the total wage changes occurring during the year. More than four-fifths of workers with COLA clauses will have at least one review during 1981. (See table 5.)

The number of workers affected by COLA clauses has been decreasing since 1977 because the number of workers covered by major agreements has declined, but the proportion under contracts having this protection

has remained fairly constant. The following tabulation shows the number of workers (in millions) under cost-of-living provisions from January 1, 1971-81:

Year	Workers	Year	Workers
1971	3.0	1977	6.0
1972	4.3	1978	5.8
1973	4.1	1979	5.6
1974	4.0	1980	5.4
1975	5.3	1981 ⁵	5.3
1976	6.0		

Many of the workers covered by cost-of-living provisions are members of large unions. The Auto Workers represent the largest number of workers (1,092,000) under major agreements with cost-of-living provisions. Other important unions providing COLA protection are: the Communications Workers (600,000), the Teamsters (533,000), the Steelworkers (498,000), and the Machinists (314,000). These five organizations account for 57 percent of workers under major agreements with COLA clauses. Remaining unions each represent fewer than 200,000 workers with COLA provisions.

Adjustment formula. The rate of inflation is only one of several factors that control the size of cost-of-living adjustments. Rates of adjustments, caps, and indexes used also affect how well the formula protects workers' purchasing power. In 1979, COLA clauses returned about half the lost purchasing power caused by the 13.4-percent price rise that year. Through the first three quarters of 1980, COLA adjustments returned about two-thirds of the loss.

Probably the most obvious determinant of COLA payouts is the rate of adjustment used in various contracts. The most common rate is 1 cent per hour for each 0.3-point rise in the CPI. This provision covers 2

Table 4. Workers receiving deferred wage and benefit increases in 1981 in bargaining units covering 5,000 workers or more, by size of increase

[Workers in thousands]

Percentage increase	Workers covered
All settlements providing deferred changes 1	4,588
Under 3 percent	907
3 and under 4	1,552
4 and under 5	547
5 and under 6	277
6 and under 7	447
7 and under 8	266
8 and under 9	168
9 and under 10	103
10 and under 11	72
11 percent and over	250
Mean increase (percent)	5.5
Median increase (percent)	3.9

¹ This total excludes workers who receive a deferred benefit change only.

Note: Only bargaining units in the private, nonagricultural economy are considered in this table. Because of rounding, sums of individual items may not equal totals.

Table 5. Timing of 1981 cost-of-living reviews in major contracts, by year of contract expiration and frequency of review [Workers in thousands]

	First quarter		Second quarter		Third quarter		Fourth quarter		Full year '	
Type of contract, by expiration and frequency of cost-of-living review	Number of contracts	Workers covered	Number of contracts	Workers covered	Number of contracts	Workers covered	Number of contracts	Workers covered	Number of contracts	Workers covered
All contracts						I		İ		
Total Quarterly Semiannual	293 209 61	2,621 1,801 648	258 183 36	2,554 1,734 615	266 169 39	2,693 1,696 205	207 153 33	2,465 1,663 610	476 213 99	4,536 1,812 1,279
AnnualOther 2	23	171	39	205	58	793	21	193	143 21	1,372 73
Contracts expiring in 1981 3										
Total Quarterly Semiannual Annual Other 2	84 59 21 4	674 143 441 90	38 33 3 2	91 75 6 10	20 16 1 3	44 33 4 7	2 2 	12 12	102 59 24 11 8	748 143 447 120 39
Contracts expiring in later years										
Total Quarterly Semiannual Annual Other ?	209 150 40 19	1,947 1,659 207 81	220 150 33 37	2,463 1,659 610 195	246 153 38 55	2,650 1,663 201 786	205 153 33 19	2,453 1,663 610 180	374 154 75 132 13	3,788 1,669 832 1,252 34

¹ Contracts that have at least one review in the year

assume the continuation of existing reviews after contract expiration dates.

Note: Because of rounding, sums of individual items may not equal totals. Dashes indicate that there is no coverage for a particular review in the quarter.

million workers. Members of the Steel Industry Coordinating Committee⁶ and companies which follow the steel contract pattern use this formula. In addition, 821,000 workers in the auto industry presently have their COLA payments adjusted at this rate, but this formula will be changed to 1 cent for each 0.26-point rise in the third contract year. COLA clauses in rubber industry contracts provide 1 cent for each 0.26-point increase in the CPI beginning in 1981, the second year of the agreements. The Bell System operating companies and manufacturing firms that follow their contract pattern specify changes of 55 cents a week plus 0.65 percent of each employee's weekly rate for each 1-percent movement in the CPI. This method applies to 721,000 workers.

Timing, "caps," and indexes. The timing of reviews also affects the average rate of return from COLA clauses for a given period. Quarterly reviews are the most common; they cover 2.1 million workers, including those in the steel and automobile industries. Annual reviews affect 1.7 million workers, most notably in communications—Bell System agreements provide for reviews in August of the second and third contract years. Semiannual reviews cover nearly 1.4 million workers, including more than 400,000 workers each in the railroad and trucking industries. In both of these industries, the frequency of review was changed from annual to semiannual when the current contracts were negotiated.

"Caps," or maximum limits, may also affect the

amounts that may be received from COLA clauses. Slightly more than 1.2 million workers have such caps in their contracts. The largest single group—431,000 workers in the railroad industry—may receive a maximum 8-percent adjustment during the year.

In addition, the amounts generated are affected by the price index used in the COLA formula. Contracts covering nearly 80 percent of the workers under COLA provisions use the BLS Consumer Price Index, U.S. "all cities" average. About 340,000 workers are under contracts with COLA clauses using individual city indexes. These include 125,000 workers covered by agreements using the Los Angeles-Long Beach Index, primarily those with the Food Employers Council in Southern California. Automobile industry contracts, covering 821,000 workers, use a combination of the U.S. and Canadian indexes because bargaining units in both countries are involved.

Minimums or "guaranteed COLA" payments also affect the amount of money generated by clauses because they provide a "floor" for payments. For purposes of this analysis, these minimum payments are not treated as COLA increases because they do not depend upon CPI movements; however, they are included in the tabulations of negotiated wage changes. More than 300,000 workers have guaranteed minimums in their contracts, and about 172,000 workers are under contracts with both minimums and caps on the COLA amounts that may be paid.

² Includes monthly, combinations of annual and quarterly, combinations of annual and semi-annual, other, and reviews dependent upon levels of the Consumer Price Index.

³ Includes only those reviews through the termination of the present agreements; does not

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For an analysis of the bargaining schedule for 1981, see David Schlein, "Contracts in six key industries scheduled to expire in 1981," Monthly Labor Review, December 1980, pp. 22-31.

² Bargaining units for which information was not available: 274 agreements which expired or were reopened prior to Nov. 1, 1980, covering 640,000 workers; and 55 contracts which expired or were reopened between Nov. 1 and Dec. 31, 1980, covering 178,000 workers.

³ About 477,000 construction workers will receive deferred increases under settlements in which the parties agreed to a total wage and benefit package, with the ultimate allocation between wages and benefits to be determined by the union. Because the final division was not known at the time this article was prepared, the entire package in

these cases has been treated as a wage increase, that may be overstated.

⁴ For more detailed information about cost-of-living provisions offsetting inflation, see Victor J. Sheifer, "Cost-of-living adjustment: keeping up with inflation?" *Monthly Labor Review*, June 1979, pp. 14-17.

³ The data for 1981 are based on information available as of Nov. 1, 1980.

⁶ The firms are Allegheny Ludlum Industries, Inc.; Armco Steel Corp; Bethlehem Steel Corp.; Inland Steel Co.; Jones and Laughlin Steel Corp.; National Steel Corp.; Republic Steel Corp.; United States Steel Corp.; and Wheeling-Pittsburgh Steel Corp.

Industrial relations—a declining art?

... Unlike in many countries, industrial relations in America are not a subject of great public concern. Among many academics is the (rather complacent) feeling that all the interesting questions in industrial relations have been examined. It is no longer a field in which to "make a name".

The problem for many industrial relations institutes has been exacerbated by their specialization in a non-growth area: private sector unionism. The proportion of the private sector which is unionized is falling as, in all probability, is the absolute number of unionists there. But this decline could itself provide work for industrial relations institutes as unions build up their defenses in a fight for survival. And the institutes are not entirely lacking in the ability to adapt. Their extension services are busy training practitioners, especially those in the public sector where unionism and collective bargaining have of late grown rapidly. In many ways traditional industrial relations is now the preserve of the practitioner rather than of the researcher.

While the scope of industrial relations has narrowed considerably, interesting work is still being done on its mainstay of collective bargaining. Much of it is more theoretical and quantitative than that of the past and much concerns the public sector. Industrial relations as an area of study is alive in America but only just. Its survival is ensured by the emergence of (a few) able young scholars who combine a sensitivity for institutional detail with technical competence. But advances in many areas once the preserve of industrial relations are likely to come from the basic disciplines.

—DON J. TURKINGTON
Industrial Relations Teaching and Research
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New Zealand, Victoria University of
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