Wage increases in 1980 outpaced by inflation

JOAN D. BORUM

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

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

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

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

The Hourly Earnings Index, which covers production and nonsupervisory workers in the private nonfarm economy, rose 9.4 percent in 1980—more than the 8.3-percent gain in 1979. Industry detail indicates that the largest increases in 1980 were in manufacturing (10.8 percent) and the smallest gains were in wholesale and retail trade (8.4 percent) and construction (7.5 percent). This index is developed by adjusting the basic hourly earnings series so as to exclude the effects of two types of change unrelated to wage-rate developments: changes in the proportion of workers in high-wage and low-wage industries and fluctuations in the volume of overtime work at premium rates in manufacturing (the only sector for which overtime data are available).

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

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

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>All workers</td>
<td>8.7</td>
<td>9.0</td>
</tr>
<tr>
<td>Manufacturing industries</td>
<td>8.6</td>
<td>9.4</td>
</tr>
<tr>
<td>Nonmanufacturing industries</td>
<td>8.8</td>
<td>8.8</td>
</tr>
<tr>
<td>White-collar workers</td>
<td>8.6</td>
<td>8.7</td>
</tr>
<tr>
<td>Blue-collar workers</td>
<td>9.0</td>
<td>9.6</td>
</tr>
<tr>
<td>Service workers</td>
<td>7.2</td>
<td>8.1</td>
</tr>
<tr>
<td>Union workers</td>
<td>9.0</td>
<td>10.9</td>
</tr>
<tr>
<td>Nonunion workers</td>
<td>8.5</td>
<td>8.0</td>
</tr>
</tbody>
</table>

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Collective bargaining

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

In terms of the numbers of workers affected, 1980 was a moderately heavy bargaining year. Settlements covered 3.8 million workers in 826 major bargaining units. The construction industry accounted for 20 percent of these workers; communications industry, 18 percent; primary metals industry, 11 percent; and the transportation equipment industry, 9 percent. Many of the remaining workers were in the electrical equipment, public utility, and retail food store industries.

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

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

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

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

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

Trade Secretariats provide U.S. labor
with international forum

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

The ITS, rooted in the international labor movement
of the 19th century, are a group of 16 international or-
ganizations composed of national unions from different
countries whose members work in related industries.
They are autonomous bodies and do not hold a charter
from any central organization, although they work
closely with the International Conference of Free Trade
Unions (ICFTU) and the Industrial Committees of the
International Labor Organization. Jurisdiction is demar-
cated primarily by historical development (most Secre-
tariats began as trade union organizations covering a
single craft and gradually evolved to cover entire indus-
tries) and merger. Membership has a distinctly Euro-
pean and North American flavor, although increasingly ef-
forts are being made to accommodate and augment
Third World affiliation. The Secretariats are financed by
affiliate dues.

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

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

The Shape of Transnational Unionism: International
Trade Secretariats is available for $2.50 from the Super-
intendent of Documents, Washington 20402.