LABOR CENTER REPORTER

UNIVERSITY OF CALIFORNIA, BERKELEY
CENTER FOR LABOR RESEARCH AND EDUCATION
INSTITUTE OF INDUSTRIAL RELATIONS
BERKELEY, CA 94720
(415) 642-0323

Number 133
December 1984

MORE WAGE CONCESSIONS IN THE FUTURE?

In 1983, 32% of workers covered by major collective bargaining agreements in manufacturing took pay cuts in the first year of their contract. For the first time in many years, overall wage growth in manufacturing was slower in the union than in the non-union sector (3.6/ vs. 4.7%). Four factors explain this sudden decline in union bargaining power: the deep 1981-83 recession, deregulations, increased foreign competition and the anti-union character of the Reagan administration. One key question, yet to be answered, is whether the current weak bargaining position of organized labor, typified by the 1981-83 concessions, is permanent or simply the result of several temporary unfavorable factors. This question has been debated recently by leading labor economists and industrial relations experts. This article will summarize that debate.

REASONS FOR THE CONCESSIONS—There is general agreement among economists about the following causes of the 1981-83 concessions: (1) That recession was the deepest since the Great Depression. In many industries production cutbacks were so severe as to threaten workers previously insulated from layoffs. Concessions were presented as the only alternative to the loss of these jobs, and were, for the most part, accepted by unions. (2) In several key unionized industries, the effects of the 1981-83 recession were compounded by new industry competition, coming either from deregulation (airlines, trucking) or increased international competition (autos, steel). Companies that were accustomed to passing wage increases on to their buyers were forced to take a harder line in negotiations or lose their share of industry sales. (3) The Reagan administration actively encouraged hard-line management tactics. The breaking up of PATCO in 1981 set a precedent for hiring permanent replacements in strike situations that was followed by Greyhound and Phelps-Dodge (among others). In addition, the Reagan dominated National Labor Relations Board (NLRB) tilted strongly toward management; some of its key decisions made it possible to relocate plants without consulting the union and permitted employer tactics that were previously ruled unfair labor practices.

FUTURE OUTLOOK/ECONOMIC ENVIRONMENT—If the economy continues to grow and unemployment declines, labor's bargaining position will improve. This will make future concessions unlikely but may not permit full restoration of union/non-union differentials or continued growth of real (inflation adjusted) wages. Economists in one group view the 1981-83 recession as the primary cause of the concessions and argue that unions will recover their position as the economy recovers. They note that many features of collective bargaining contracts——cost of living escalators in particular--remain in place and will help restore wages as the economy improves. In addition, they note that many of the concessions were deferrals of scheduled wage increases, which will be recovered automatically in future contract years. Finally, they argue that the unions that did accept outright concessions are likely to demand more than simply a restoration of lost wages as the economy recovers.

Economists in another group believe that even if the economy improves, bargaining conditions have fundamentally changed in several key industries (autos, steel, airlines, trucking, telephones). The monopoly profits that could be shared with unions in the past are shrinking, forcing companies to take a hard-line approach to negotiations. Attempts to restore monopoly positions in these industries seem likely to fail—protectionism is not a lasting solution, and deregulation has been viewed as successful. Thus even if the economy improves, unions will never get the comparatively large real wage increases they got in the past.

FUTURE OUTLOOK/LEGAL AND INSTITUTIONAL ENVIRONMENT—Two key interrelated reasons for union setbacks in 1982-83 were an adverse legal environment created by the NLRB and hard-line employer attitudes. The Reagan NLRB has already made a number of decisions that set dangerous precedents. For example, in the Rossmore House case they ruled that the right of employer free speech extended to questioning union activists about why they thought a union was a good idea. This was previously viewed as coercive interrogation which illegally interferes with employees' union activity. But the Reagan board overruled this view, saying that open and active union supporters would not be intimidated by such questioning. In Reagan's second term things can only get worse as the board will be made up solely of his appointees.

An equally serious institutional development is the appearance of more hard-line attitudes toward bargaining on the part of management. Encouraged by increasingly sophisticated and aggressive management attorneys and a weak and permissive NLRB, management is more willing to take strikes and hire permanent replacements and is more actively pursuing decertification elections. Hiring permanent replacements for striking workers has long been permitted in some situations under national labor relations acts, but the practice was never widespread until recently. This change in tactics results partly from high unemployment, which leads to a larger, better trained pool of potential replacements; and partly from an increase in the number of unorganized workers who are willing to cross picket lines. The ability and willingness of management to hire permanent replacements severely reduces a union's willingness to strike, since it might result in the union being broken. This in turn reduces union bargaining power and forces the acceptance of contract terms that would have been rejected a decade ago. As long as unemployment remains high and the percent of workers organized declines, this trend toward hiring replacements will continue.

Companies are combining tougher tactics toward unions with sophisticated personnel practices directed toward unorganized workers. They are implementing in-house grievance procedures, pension and health benefit plans, profit sharing, and cooperative labor-management schemes. By giving their non-union employees rights and benefits traditionally won by unions, firms can more easily defeat union organizing campaigns. In addition to individual company efforts, legislatures and courts are also protecting certain employee rights that were once the sole domain of collective bargaining. In particular, recent court decisions have limited the firm's ability to fire employees without cause.

WHAT CAN BE DONE TO AVOID CONCESSIONS?—As discussed above, several trends must be reversed if unions are to recover their previous strength. Unemployment must be reduced, either through economic growth or public employment. The gradual dismantling of the Wagner Act must be halted either through the appointment of a more neutral NLRB or through new legislation. Finally, strategies must be developed for organizing the unorganized, since ultimately this is where bargaining strength is gained. Because some of the traditional benefits of unionism--basic employee rights, grievance procedures, etc.--are now increasingly provided by non-union employers and the courts, these organizing campaigns may have to break new ground. Either new issues must be raised (e.g., job security) or new, previously unorganized industries must be targeted (e.g., in the service sector where many basic rights and benefits have yet to be won).

--Allen Cheadle