been incorporated in the Master Freight Agreement, a pattern-setting master contract that covers 300,000 workers (see box). Here again, future earnings have been sacrificed for short-term financial gains at many plants.

Meatpacking. In the late 1950s and early 1960s, the U.S. meatpacking industry experienced far-reaching structural changes that resulted in plant closings and massive layoffs. As in many other manufacturing industries, the problems faced by meatpackers were especially evident at the "Big Four"—Swift, Armour, Wilson, and Cudahy—which at one time had dominated the industry. A large increase in the number of meatpacking firms that had occurred, especially among the difficult-to-organize small firms, had resulted in financial problems at many plants, in addition to significant work-rule changes. The Big Four and other unionized meatpacking plants, even within Armour and Swift, The Big Four and other unionized meatpacking firms continued to experience financial difficulties, which were exacerbated by the addition of underlying structural changes in the industry. Many firms diversified into other areas of food processing or specialized in later stages of meat processing and marketing, at the same time phasing out feedlot and slaughter operations. While the incidence of union concessions activity tends to rise during recessions, concessions have been isolated almost exclusively to financially troubled firms and plants. Typically, union concessions have been accompanied by a variety of other short-term and long-term responses to financial crisis, and they have not directly spilled over to more healthy firms and industries.

The 1981 and 1982 concessions probably do not represent a fundamental change in union-management relations—other terms of union power erosion or increased cooperation. Although recent concessions are concentrated in high-wage and highly organized industries, the number of firms and workers affected is small compared with total U.S. employment; the situations themselves are recognized as exceptional by other unions in unaffected industries.

It is premature to conclude that the current wage concessions, and coincident de-escalation of wages, will have long-lasting effects on the U.S. economy. However, those who would look to changes in the union-management relationship as a driving force may be disappointed. A long-term impact on wage inflation would have to come from changes in economic and market conditions, worker organization, and labor market structures. The recent measured rate of wage de-escalation has not, thus far, been dissimilar from the post-1973 recession experience. Yet, the seeds are now being sown by declines in price inflation for a more long-lasting slowdown in wage inflation than normal cyclical effects would suggest. Concessions are consistent with the process of and the market problems that have developed in key industries.

Union Wage Concessions

daniel A. Littman

I figured it's going to save jobs. It was like a do-or-die situation. If I didn't get that contract, I'd probably still be working, but two years from now, I probably wouldn't be.1

During the past several months, the climate of U.S. industrial relations has been characterized by the willingness of some union contracts to make significant wage, fringe-benefit, and work-rule concessions. Unions have accepted wage concessions at such major employers as General Motors, International Harvester, Armour, Unisys, and Pan Am. While a majority of the roughly 1.1 million members of the International Brotherhood of Teamsters accepted an indefinite pay freeze in negotiations with Trucking Management, Inc.3, and the Chicago Regional Truckers Association,4 while wage concessions have occurred with some regularity in the postwar period, they seem to be considerably more widespread in 1982. The recent automobile, trucking, and airline concessions eventually could affect one million workers. In marked contrast to previous experience, the 1982 concessions are occurring in high-wage industries, strengthening the view that something unusual is taking place with respect to wage inflation.

2. The Teamsters' contract includes COLA.

Some portion of the unionized labor force has accepted temporary pay cuts or freezes in return for major concessions, including wage concessions, and their wages may be considered as concessions, more they are more accurately viewed as union concessions, and that wage concessions are, of course, part of wage-setting mechanisms (e.g., gain sharing); and/or contractions in labor-force mobility. Wage concessions are, of course, part of wage-setting mechanisms (e.g., gain sharing); and/or contractions in labor-force mobility.

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Economic Commentary

June 28, 1982

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what extent the current labor-cost slowdown (shown in chart 1) is attributable to economic factors or to the wage-setting process itself. Much of the recent discussion of wage concessions has focused on the possibility that fundamental changes in the wage-setting process and labor relations are taking place. Some analysts interpret the concessions as a move toward increased mutual cooperation and away from an unpredictable adversarial relationship; others view the concessions as part of an erosion of union power. Still others say the recent concessions are a temporary development, arising from financial crises and recession and acting within a traditional bargaining framework. Yet, most analysts believe that the concessions are of far-reaching significance to the U.S. economy. This Economic Commentary discusses the current union concessions and questions what extent the recent labor-cost slowdown in New England, where relatively high unit costs of production prevailed. Included are profit sharing, prior notice and temporary cessation of activity, shut-downs of specific firms or plants. Examples include profit sharing, prior notice and temporary cessation of activity, shut-downs of specific firms or plants.

Historically, most concessions have been firm- or plant-specific episodes with little immediate impact on wage settlements in the industry to which each affected firm belongs. Every industry, without regard to financial or structural reasons in the industry as a whole, inevitably contains some financially weak firms, and concessions made to such weak firms typically do not spread to the relatively healthy firms in the industry.

Industry-Wide Concessions

Industry-wide concessions affect substantial portions of the firms and workers in a given industry. Such concessions are comparable only to the high levels of structural change and financial distress in the domestic textile industry. As did the continued and extensive structural change in other U.S. industries, the domestic textile industry was examples of other potential methods of contract avoidance or spillover effects of these contract provisions into other industries, even such a closely related one as apparel. Despite the recent concessions and other short-term responses to adverse conditions, the domestic textile industry continued to decline at a rapid pace through the mid-1980s. Yet, concessionary bargaining did not recur to any significant degree. It may be supposed that union resistance played a role, as did the continued and extensive structural change of the industry—financially weak firms closed, while healthier firms adapted and diversified.

Motor Vehicles

The underlying sources of structural change and financial distress in the U.S. automobile industry include competition, wage and other cost differentials, outdated production facilities, and structural changes in the consumer market for high fuel costs. The industry's problems have been exacerbated by back-to-back recessions and high domestic interest rates. All U.S. automobile producers warranted wage concessions to decline at a rapid pace through the mid-1980s. In return for these wage cuts and freezes, job security, cessation of plant closings, and future reinstatement of foregone wages. There were no significant spillover effects of these contract provisions into other industries, even such a closely related one as apparel. Despite the recent concessions and other short-term responses to adverse conditions, the domestic textile industry continued to decline at a rapid pace through the mid-1980s. Yet, concessionary bargaining did not recur to any significant degree. It may be supposed that union resistance played a role, as did the continued and extensive structural change of the industry—financially weak firms closed, while healthier firms adapted and diversified.

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