Negotiated wage changes in government, 1992

The smallest wage changes ever were recorded for State and local government employees as bargainers negotiated contracts in a sluggish economy, amid budget deficits and declining revenues

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Public sector negotiators faced a troubled economic climate in 1992 that often dictated the bargaining outcome. As a result, major collective bargaining settlements in State and local government provided the smallest average wage rate change since the Bureau of Labor Statistics series began in 1984. In addition, the changes were smaller, on average, than those specified in the contracts being replaced. [1]

The economy

Record budget deficits and declining revenues were among the lingering economic difficulties from the 1990–91 recession that forced several State and local government negotiators to try to freeze salaries, require employees to pay a greater share of health insurance, and consider furlough days and layoffs to balance government budgets, which is a constitutional requirement in many States and localities. To union negotiators, job security, pay, and health insurance were among the most important bargaining issues.

Because of these economic conditions, many agreements negotiated in 1992 called for salary freezes in the first part of the contract term, followed by subsequent pay raises, or included just one pay raise over the contract term. In addition, many agreements contained health care cost control and cost-sharing arrangements, such as managed health-care programs, higher employee premium payments, and higher deductibles and employee copayments.

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Wage changes in 1992 settlements

Major settlements (those covering 1,000 workers or more) in 1992 provided changes in wage rates that averaged an increase of 1.1 percent in the first year and 2.1 percent annually over the term of the contract. (See tables 1 and 2.) These were the lowest rates recorded since the series started in 1984. (See table 3.) The Bureau of Labor Statistics measure of rate changes under collective bargaining agreements excludes potential changes under cost-of-living adjustments (COLA's) and lump-sum payments. The average change is the net effect of decisions to increase, decrease, and not change wages.

In addition, 1992 was the second consecutive year in which current settlements provided wage rate changes over the contract term that were considerably lower than in the agreements they replaced. In most years from 1987 to 1990, the average rate change under current settlements was lower than under replaced contracts, but the difference was never greater than 0.5 percentage point. In 1991 and 1992, the difference was 2.3 percentage points. The following tabulation shows the average annual wage rate change (in percent) over the contract term, 1987–92:

	Current settlements	*Replaced agreements*
1987	5.3	5.8
1988	5.3	5.7
1989	5.7	5.3
1990	5.0	5.1
1991	2.6	4.9
1992	2.0	4.3

Settlements in State and local government in 1992 covered 45 percent, or 1.2 million, of the 2.7 million workers under all major collective bargaining agreements in State and local government. About 77 percent (918,000) of the workers covered under 1992 settlements will receive wage increases during the term of the contract; 21 percent (247,200), typically education workers in local government, will not receive a wage change; and 2 percent (27,100), will experience wage cuts. This is in marked contrast to the 1984–90 period, when wages were increased for 94 percent to 99 percent of workers under settlements and were cut for few, if any, workers. The following shows the percent of workers with wage rate changes over the 1984–92 period:

	Increased	*Decreased*	*Unchanged*
1984	94	0	6
1985	99	0	1
1986	98	0	2
1987	96	0	4
1988	99	*	1
1989	99	0	1
1990	99	0	1
1991	77	0	23
1992	77	2	21

* Less than 0.5 percent.

Table 1. **Average (mean) rate changes [1] in wages and compensation in State and local government collective bargaining settlements, 1992**

[In percent]

Measure	First-year changes[2]	Annual change over life of contracts[3]	Number of workers (thousands)
Wage changes (settlements covering 1,000 workers or more):			
All State and local government	1.1	2.1	1,192
State government	.5	2.0	556
Local government	1.7	2.1	636
Government function:			
General government and administration	1.0	2.2	433
Education	1.4	1.8	478
Primary and secondary	1.5	1.8	409
Colleges and universities	.6	1.6	69
Protective services	.6	2.3	94
Health services	1.0	2.4	107
Transportation	.6	2.4	63
Other[4]	2.1	3.0	18
Compensation changes (settlements covering 5,000 workers or more):			
All State and local government	.6	1.9	654
State government	.2	2.0	442
Local government	1.4	1.6	211
Government function:			
General government and administration[5]	.5	2.1	304
Education	.8	1.4	198
Other[5]	.4	2.2	152

[1] Changes include net increases, decreases, and zero change; exclude lump-sum payments and potential changes from COLA clauses.
[2] Changes under settlements reached in the period and effective within 12 months of the effective date of the contract.
[3] Changes under settlements reached in the period expressed as an average annual (compound) rate over life of contract.
[4] Includes units in food services and construction.
[5] Includes units in food services, protective services, transportation, and construction.

NOTE: Because of rounding, sums of individual employment items may not equal totals.

Back-loaded contracts. One method negotiators use to contain labor costs in a multiyear agreement is to delay all or most of a wage rate increase until after the first contract year, or "back-load" the agreement. Between 1986 and 1990, settlements in State and local government, on average, provided roughly the same wage rate increases in the first year as they did annually over the life of the contract. In 1991, the average annual change over the contract term exceeded the average first-year change by 0.5 percentage point. In 1992, when back-loaded agreements were more prevalent, the difference between the change in the first year and over the life was 1 percentage point.

Under 1992 settlements, 52 percent of workers were covered by back-loaded contracts, 11 percent by front-loaded contracts, and the remaining 37 percent by 1-year or multiyear contracts with the same rate of change in the first year and annually over the contract term. Back-loaded settlements averaged a wage rate increase of 0.5 percent for the first contract year and 2.6 percent annually over the life of the contract. Front-loaded settlements called for wage rate changes averaging an increase of 3.7 percent in the first year and 2.5 percent annually over the contract term. Back-loaded agreements were more prevalent in State government than in local government, and more prevalent in transportation, protective services, and health services than in general administration or education. The following tabulation presents the number and percent of workers under back-loaded contracts in 1992:

	Number	Percent
All government	617,200	52
State government	402,500	72
Local government	214,700	34
Transportation	66,800	88
Protective services	73,600	79
Health services	77,500	72
General administration	271,100	63
Education	175,800	37

Level of government and function. Local government employed approximately 636,000, or 53 percent of the 1.2 million workers covered by 1992 settlements. Wage rate changes in local government averaged a 2.1-percent annual increase over the contract term, about the same as the 2.0 percent change in State government (556,000 workers). In most years since 1984, the average change in wage rates over the contract term has been higher in local government than in State government. (See table 3.)

Settlements in education—primarily for teachers, but also for administrators and service employees—covered 40 percent (478,000) of the workers under contracts negotiated in 1992. They provided wage rate changes averaging an increase of 1.8 percent a year over the contract term. Settlements in general administration covered 433,000 workers and called for a 2.2-percent average wage rate increase; health services, 107,000 workers and a 2.4-percent increase; and protective services, 94,000 workers and a 2.3-percent increase. Unlike settlements reached before 1991, wage rate changes in education were smaller than in the rest of government in 1992, as illustrated below (data are not available for 1984):

	Percentage wage rate change in—	
	Education	All government, except education
1985	5.7	4.8
1986	6.3	5.3
1987	5.6	4.6
1988	5.7	5.0
1989	5.9	4.6
1990	5.5	4.4
1991	2.1	3.2
1992	1.8	2.3

Table 2. **Average first-year and over the life rate changes[1] in wages in State and local government collective bargaining settlements covering 1,000 workers or more, 1992**

Measure	First year[2]			Over the life of contract[3]		
	All State and local government	State government	Local government	All State and local government	State government	Local government
Total number of workers (in thousands)	1,192	556	636	1,192	556	636
Percent of workers under all settlements	100	100	100	100	100	100
With no wage changes	64	90	41	21	19	22
With wage decreases	([4])	([4])	([4])	2	0	4
With wage increases	34	10	55	77	81	73
Of less than 4 percent	19	2	35	62	75	51
Of 4 percent and less than 6 percent	12	7	16	13	6	19
Of 6 percent and less than 8 percent	2	([5])	3	2	0	3
Of 8 percent and more	1	1	2	1	1	1
Changes (in percent):						
Mean change	1.1	.5	1.7	2.1	2.0	2.1
Median change	0	0	2.0	2.3	2.3	2.1
Mean increase	3.7	4.9	3.5	2.9	2.5	3.2
Median increase	3.0	5.0	3.0	2.3	2.3	3.0
Mean decrease	–5.2	–.4	–5.6	–6.1	—	–6.1
Median decrease	–3.0	–.4	–3.0	–4.0	—	–4.0

[1] Includes net increases, decreases, and zero change. Excludes lump-sum payments and potential changes from COLA clauses.
[2] Changes under settlements reached in the period and effective within 12 months of the effective date of contract.
[3] Changes under settlements reached in the period expressed as an average annual (compound) rate over the life of the contract.
[4] Data do not meet publication standards.
[5] Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 3. **Average wage and compensation rate changes[1] in State and local government settlements, 1984–92**

[In percent]

Measure	1984	1985	1986	1987	1988	1989	1990	1991	1992
Wage changes (1,000 workers or more)[1]									
All State and local government:									
First year[2]	4.8	4.6	5.7	4.9	5.1	5.1	4.9	2.3	1.1
Annual over the life[3]	5.1	5.4	5.7	5.1	5.3	5.1	5.0	2.8	2.1
State government									
First year[2]	3.6	4.8	6.3	4.1	5.3	5.0	4.7	2.0	.5
Annual over the life[3]	3.8	4.9	6.0	4.2	5.0	4.7	4.2	3.0	2.0
Local government:									
First year[2]	5.4	4.4	5.3	5.3	5.0	5.2	5.0	2.5	1.7
Annual over the life[3]	5.9	5.7	5.6	5.5	5.5	5.4	5.2	2.7	2.1
Compensation changes (5,000 workers or more)[1]									
All State and local government:									
First year[2]	5.2	4.2	6.2	4.9	5.4	5.1	5.1	1.8	.6
Annual over the life[3]	5.4	5.1	6.0	4.8	5.3	4.9	5.1	2.9	1.9
State government:									
First year[2]	4.3	4.8	6.8	4.3	5.3	4.9	4.4	1.9	.2
Annual over the life[3]	4.0	4.8	6.0	4.3	4.9	4.6	3.9	2.8	2.0
Local government:									
First year[2]	6.0	3.7	5.6	5.4	5.5	5.6	5.4	1.6	1.2
Annual over the life[3]	6.6	5.5	6.0	5.1	5.8	5.5	5.8	2.9	1.5

[1] Changes include net increases, decreases, and zero change; excludes lump-sum payments and potential changes from COLA clauses.
[2] Changes under settlements reached in the period and effective within 12 months of the contract effective date.
[3] Changes under settlements reached in the period expressed as an average annual (compound) rate over life of contract.

Duration. State and local government settlements negotiated in 1992 had a longer average duration than the agreements they replaced—26.5 months compared with 26.1 months. (See table 5.) The average duration also was longer in 1992 than in most previous years because of the comparatively large proportions of workers covered by 1992 agreements with a duration of 36 months or longer. Forty-one percent of workers (493,000) covered by settlements in 1992 were under such contracts. Settlements with a duration of 3 years or longer called for wage changes averaging an increase of 2.4 percent a year, compared with 1.8 percent a year for shorter term contracts. The lower average wage change in shorter term contracts reflects, in part, the influence of settlements in education.

Changes in compensation rates and costs

Wages are only part of the economic package that may be affected by a settlement; benefits also may change. A comparison of changes in compensation (wages and benefits) in current settlements with changes in replaced contracts and in settlements over time provides a more comprehensive analysis than a comparison based on changes in wages only. The data on compensation changes relate to major collective bargaining settlements covering 5,000 workers or more.

Compensation rate changes. The average change in compensation rates in 1992 settlements for 5,000 workers or more, which covered 55 percent of workers under all major settlements in 1992, was an increase of 0.6 percent in the first year and 1.9 percent annually over the contract term. (See table 6.) These were the lowest compensation rate changes recorded since the series began in 1984. (See table 3.) In addition, the last time the parties bargained, usually in 1990 or 1991, the settlements provided higher changes in compensation rates—4.8 percent in the first year and 4.4 percent annually over the contract term.

Compensation rate changes in State government settlements in 1992 averaged an increase of 2.0 percent annually over the contract term, compared with 1.6 percent for local government settlements. This marks a departure from the past when the average change in compensation rates over the contract term typically has been higher in local government than in State government. The change in this pattern is due to two factors: a large proportion of State government workers was covered by settlements with larger than average wage and wage-related benefit increases, which pushed up their annual average increase, and a large proportion of local government workers was covered by settlements that froze or cut wages, which reduced their annual average increase.

Compensation cost changes. The measure of change in compensation *rates* covers wages and benefits, but excludes lump-sum payments, which are not part of the ongoing rate. A second measure of change in compensation, the change in compensation *costs*, is compiled for State and local government settlements covering at least 5,000 workers. It includes lump-sum payments and accounts for the length of time that changes in wages and benefits are in effect during the contract. Under settlements involving 5,000 or more workers, the change in compensation cost over the contract term averaged an annual increase of 0.9 percent. (See table 7.) This was the lowest compensation cost increase recorded since the Bureau began measuring compensation cost changes in 1988. The following shows the percent change in compensation costs, 1988–92:

	State and local government		
	Total	*State*	*Local*
1988	3.7	3.4	4.2
1989	3.8	3.2	4.7
1990	4.2	2.6	5.1
1991	2.1	2.4	1.4
1992	.9	.9	.8

Settlements in State government, which covered 442,000 workers, averaged an increase of 0.9 percent a year, compared with 0.8 percent under settlements in local government (211,000 workers). The relatively small average increases reflected compensation cost freezes or decreases for slightly more than one-fifth of State government workers and slightly more than one-third of local government workers under 1992 settlements.

Changes in employer costs for cash payments to workers (including wages and lump-sum payments) averaged an increase of 1.0 percent a year over the life of the contract, and changes in wage costs alone averaged an increase of 0.9 percent. (Typically, relatively few State and local government workers are covered under settlements with lump-sum provisions. About 138,000 State and local government workers were covered by 1992 settlements that specified lump-sum payments. Nearly two-thirds of these workers were employed by New York State and Iowa.) Changes in benefit costs averaged an increase of 0.7 percent a year over the contract term. Following is the percentage change in compensation costs, 1988–92:

	1988	*1989*	*1990*	*1991*	*1992*
Compensation	3.7	3.8	4.2	2.1	0.9
Total cash payments	3.8	3.9	4.0	1.4	1.0
Wages only	3.7	3.8	4.0	1.4	.9
Benefits	3.5	3.3	4.4	2.2	.7

Total wage rate changes

Workers under all major collective bargaining agreements in the public sector may receive changes in their wage rates from one or more possible sources in any year: settlements that occurred in the year, settlements negotiated in earlier years, and COLA clauses. (COLA clauses call for changes in wages based on a formula typically tied to changes in the Consumer Price Index.)

For the 2.7 million workers under all major contracts in effect in State and local government in 1992, the average change in wage rates was an increase of 1.9 percent—0.8 percent from settlements reached in 1992, 1.1 percent from agreements reached earlier, and less than 0.05 percent from cost-of-living adjustments. (See table 8.) This was the lowest wage rate change under all agreements since the series began in 1984 and reflected a substantial decline from 1984–90, when the annual wage rate change ranged from 4.6 percent to 5.7 percent. (See table 4.)

The average wage change in 1992 resulted from substantial drops in wage changes brought about by settlements negotiated in previous years and very modest wage rate changes specified in current settlements. The small contribution of current settlements reflects the relatively high percentage of workers not receiving an increase in the first year of their contracts in 1992, compared with earlier years. Following is the percent of workers not receiving a first-year wage increase:

	Percent
1984	19
1985	16
1986	10
1987	7
1988	7
1989	6
1990	6
1991	37
1992	64

In addition, the contribution from settlements reached in earlier years was only 1.1 percent, the lowest rate since 1984, when the series was first tabulated. (See table 4.) Because of the low prevalence of COLA provisions in State and local government agreements, the contribution from COLA's was minimal in 1992 and in earlier years. (About 58,100 workers had COLA reviews in 1992. Of these, only 22,000 had COLA increases, averaging 2.7 percent.)

Wage rate changes for workers in local government averaged an increase of 2.1 percent, compared with a 1.6-percent increase for workers in State government. (Except for 1990, the average wage rate change since 1987 for local government employees has exceeded the average change for State government employees.) The change for lo-

cal government employees was larger than for State government workers in 1992. This primarily reflected the effects of current settlements—a 1.1-percent increase for local government employees, compared with a 0.3-percent increase for State government employees.

Several factors play a role in the size of the average wage rate change. The proportion of workers receiving a wage increase and the size of the increase push up the average wage rate change. The proportion of workers with no change in wages, and the proportion whose wages decrease, coupled with the size of the decrease, moderate the overall wage rate change.

Approximately 1.1 million workers, or 42 percent of the 2.7 million workers covered by major contracts in State and local government, received increases averaging 4.4 percent, the lowest level since the data were first tabulated in 1984. (See table 4.) (This measure reflects only contracts in which the net effect of increases and decreases from all sources is a wage rate increase.) About 1.5 million, or 57 percent of workers covered by major contracts in State and local government, did not receive a wage change in 1992. Wages decreased for slightly more than 29,100 employees—1 percent of workers covered by major contracts.

As typically occurs, the average wage rate change for local government workers was higher, at 4.6 percent, than wage rate changes for State government workers, at 4.0 percent.

Specific settlements

The preceding statistics summarize wage changes in public sector collective bargaining contracts negotiated in 1992. However, the data mask the problems confronting the negotiators, as well as the variety of solutions offered as they attempted to compromise on contract terms in light of budget deficits and declining revenues. The following discussion of selected settlements in State and local governments highlights the negotiated wage

Table 4. **Average (mean) rate changes in State and local government collective bargaining settlements covering 1,000 workers or more, 1984–92**

[In percent]

Measure	1984	1985	1986	1987	1988	1989	1990	1991	1992
Average wage change[1]									
All State and local government	5.0	5.7	5.5	4.9	4.7	5.1	4.6	2.6	1.9
Source of change:									
Current settlements	1.9	4.1	2.4	2.7	2.3	2.5	2.0	.6	.8
Prior agreement	3.1	1.6	3.0	2.2	2.4	2.6	2.6	1.8	1.1
COLA provisions	(2)	(2)	(2)	(2)	(2)	(2)	(2)	.1	(2)
State government	5.4	4.5	5.6	4.3	4.1	4.0	4.7	2.5	1.6
Source of change:									
Current settlements	1.2	2.8	2.3	1.5	1.8	2.0	1.0	.3	.3
Prior agreements	4.2	1.7	3.3	2.8	2.4	2.0	3.6	1.9	1.2
COLA provisions	(2)	(2)	(2)	(2)	(2)	0.0	0.0	.3	(2)
Local government	4.7	6.5	5.4	5.3	5.1	5.9	4.6	2.6	2.1
Source of change:									
Current settlements	2.3	4.9	2.5	3.5	2.6	2.8	2.6	.8	1.1
Prior agreements	2.4	1.6	2.9	1.9	2.4	3.0	1.9	1.8	1.0
COLA provisions	(2)	(2)	(2)	(2)	(2)	(2)	.1	(2)	(2)
Average wage increase[3]:									
All State and local government	6.6	6.8	6.0	5.7	5.6	6.1	5.5	4.8	4.4
Source of change:									
Current settlements	6.6	6.9	6.7	6.0	6.2	6.3	6.3	3.7	4.4
Prior agreements	6.6	5.6	5.0	4.9	5.0	5.3	4.8	4.5	4.3
COLA provisions	1.4	1.7	1.0	1.2	1.4	1.5	1.8	2.1	2.8
State government	6.2	5.4	6.0	4.9	4.8	5.4	5.2	4.3	4.0
Source of change:									
Current settlements	4.6	4.9	6.8	4.3	5.2	5.0	6.8	2.0	6.2
Prior agreements	6.9	5.3	4.7	4.7	4.4	4.7	4.7	3.9	3.6
COLA provisions	(2)	.7	.2	.8	(2)	.0	.0	2.2	3.6
Local government	7.0	7.7	6.0	6.3	6.2	6.4	5.7	5.2	4.6
Source of change:									
Current settlements	7.7	8.1	6.7	6.9	6.8	7.3	6.2	4.8	4.2
Prior agreements	6.3	5.8	5.4	5.2	5.5	5.7	4.8	5.2	5.0
COLA provisions	1.4	2.0	1.4	1.3	1.4	1.5	1.8	1.7	2.3

[1] Changes include net increases, decreases, and zero change in work stoppages stemming from current settlements, agreements reached in prior years, and COLA clauses.
[2] Value less than 0.05 percent.
[3] Reflects only contracts in which the net effect of increases and decreases from all sources is a wage rate increase.

Table 5. **Average (mean) rate changes[1] in wages under State and local government collective bargaining settlements covering 1,000 workers or more by duration of contract, 1992**

Measure	All settlements	12 months or fewer	More than 12 months and fewer than 24 months	24 months	More than 24 months and fewer than 36 months	36 months	More than 36 months
Number of settlements	324	113	48	57	19	64	23
Number of workers (in thousands)	1,192	344	114	182	61	263	230
Average duration (months)	26.5	11.6	14.4	24.0	25.2	36.0	46.2
Percent wage change in:							
First contract year	1.1	.8	1.3	2.9	1.2	.9	.4
Second contract year[2]	2.9	—	.7	4.0	4.3	4.5	1.1
Third contract year[3]	2.6	—	—	—	—	2.4	3.5
Average annual percent wage change over life of contract	2.1	.8	1.7	3.5	2.6	2.5	2.3

[1] Includes net increases, decreases, and zero change. Excludes lump-sum payments and potential changes from COLA clauses.
[2] Average is based only on settlements with a duration greater than 12 months.
[3] Average is based only on settlements with a duration greater than 24 months.

terms and briefly explains important events affecting the negotiations.

California. The State approved 3-year contracts calling for an 18-month salary freeze and the establishment of a program designed to avoid mandatory unpaid furloughs over the term of the contract. Under the "personal leave bank" program, State employees bank 1 day a month for 18 months and do not receive pay for these days while the program is in effect. In addition, salaries were increased 5 percent in January 1994, and 3 percent to 5 percent in January 1995; merit salary adjustment language was retained; and the State's contributions to health care premiums were frozen at current levels. The contracts covered 128,000 State employees in 21 different bargaining units. (See *Monthly Labor Review*, January 1993, p. 31, for additional details of the terms of the contract.)

Prior to this negotiated settlement, the State had approved a fiscal year 1993 budget that imposed contract provisions as part of an effort to close a $10.7-billion spending gap without raising taxes, ending a year-long impasse with its unions. The unionized employees sued to halt the State's attempts to reduce pay and benefits; the court ruled against the cuts, but upheld the State's right to adjust its contributions to health care without obtaining legislative approval.

Florida. Almost 75,000 employees were under contracts that expired in June: 26,500 professional employees, 25,000 clerical and administrative employees, 10,200 human service employees, and 8,000 operational service employees, all represented by the American Federation of State, County and Municipal Employees (AFSCME); and 4,700 nurses, represented by the Florida Nurses Association (Ind.). The two unions and the State agreed to 3-year contracts calling for a wage and benefit freeze in the first year, and reopeners on wages and benefits in the second and third years.

An additional 19,600 workers—2,700 police officers, 13,800 correction officers, and 3,200 graduate teaching assistants—were covered by contracts which reopened in June for wage and benefit negotiations. Their unions agreed to forgo wage and benefit improvements in fiscal year 1992–93 (June 1992–June 1993).

The 1992 negotiations were conducted during a particularly severe economic downturn in Florida. In the fiscal year ended in June 1992, Florida had a revenue shortfall of $641 million. The State cut government expenditures by $533 million to meet a constitutional amendment requiring a balanced budget. Also, both State and local governments were hard hit by declines in revenues from sales tax and property tax because of severe drops in tourism and values of residential property. Tax bases also were strained by providing health services for a large population of older citizens and general government services for an influx of new residents and immigrants.

Massachusetts. About 40,000 State employees represented primarily by the National Association of Government Employees and AFSCME continued to work under a contract that expired in 1989. A labor agreement reached in December 1990 was not funded by the Massachusetts legislature;

hence, the agreement was not implemented. The incoming governor refused to honor the contract because it had been negotiated during the term of the previous governor. The unions then sued the State to enforce funding of the contract; the court decided for the State. At the end of 1992, the parties were still negotiating.

New York. Members of the Civil Service Employees Association, an affiliate of AFSCME, ratified a new 4-year agreement covering 110,000 State employees in administrative services, institutional services, and operational services bargaining units. State employees had been without a contract for 15 months—one of the longest impasses in the parties' bargaining history—and without a negotiated wage increase since April 1990.

Because of the financial difficulties of the State, negotiators agreed to a wage freeze in the first 2 years (1991 and 1992) of the 4-year contract. The accord provided for:

- wage increases of 4 percent in April of 1993 and 1994, and 1.25 percent in October 1994;
- lump-sum payments in December 1993 and September 1994 equal to the amount of about one and a half days' pay;
- a $5.2-million increase in the State's annual payment to the union's drug, dental, and optical benefits fund; and
- tighter restrictions on the use of workers' compensation; and the elimination of a supplemental compensation payment program.

(See *Monthly Labor Review*, August 1992, p. 60, for additional details of the terms of the contract.)

Court professional employees (3,700) and corrections officers (22,000) represented by AFSCME agreed to essentially the same contract terms as did the administrative, institutional, and operational employees, except they will not receive lump-sum payments. In addition, the correctional officers resolved a controversial "lag payroll" issue when the State agreed to give back 5 days of pay that previously had been withheld until workers ended employment with the State.

State university system professors (21,000) represented by the United University Professions, an American Federation of Teachers (AFT) affiliate, ratified a 4-year agreement retroactive to July 1991. The contract provided pay raises of 4 percent in July of 1993 and 1994, and 1.25 percent in January 1995.

At the end of 1992, the State still was negotiating with the Public Employees Federation for a contract covering 53,000 professional and technical employees. The dispute was sent to factfinding following a failed attempt at mediation.

Ohio. The State of Ohio and AFSCME signed a 25-month agreement for about 35,000 administrative, correctional, human services, mental health and retardation, transportation department, and regulatory employees. The accord came with the assistance of a factfinder, who decided some 50 major and minor economic issues.

The contract provided for only one wage increase, 5 percent in July 1993, in exchange for the retention of step and longevity increases, which

Table 6. **Average annual rate changes[1] in compensation in State and local government collective bargaining settlements covering 5,000 workers or more, 1992**

Measure	All State and local government	State government	Local government
Total number of workers (in thousands)	654	442	211
First-year changes[2]			
Percent of workers under all settlements:	100	100	100
With no wage changes	71	91	30
With wage decreases	2	0	8
With wage increases	26	9	62
Of less than 4 percent	22	5	59
Of 4 percent and less than 6 percent	3	4	0
Of 6 percent and less than 8 percent	1	0	3
Of 8 percent and more	0	0	0
Wage change (in percent):			
Mean change	.6	.2	1.4
Median change	.0	.0	2.0
Mean increase	2.7	2.4	2.9
Median increase	2.8	.2	2.8
Mean decrease	−4.9	—	−4.9
Median decrease	−4.9	—	−4.9
Annual changes averaged over life of contract[3]			
Percent of workers under all settlements	100	100	100
With no wage changes	23	22	24
With wage decreases	2	0	8
With wage increases	75	78	68
Of less than 2 percent	6	0	18
Of 2 percent and less than 4 percent	60	73	33
Of 4 percent and less than 6 percent	7	4	14
Of 6 percent and more	1	0	3
Changes (in percent):			
Mean change	1.9	2.0	1.6
Median change	2.3	2.3	2.0
Mean increase	2.7	2.6	2.9
Median increase	2.5	2.5	2.6
Mean decrease	−4.9	—	−4.9
Median decrease	−4.9	—	−4.9

[1] Changes include net increases, decreases, and zero change; exclude lump-sum payments and potential changes from COLA clauses.

[2] Changes under settlements reached in the period and effective within 12 months of the effective date of the contract.

[3] Changes under settlements reached in the period expressed as an average annual (compound) rate over life of contract.

NOTE: Because of rounding, sums of individual items may not equal totals. Average denotes mean, unless otherwise specified.

Table 7. **Distribution of workers under State and local government collective bargaining settlements covering 5,000 workers or more, by annual (mean) change[1] in compensation costs over the life of the contract[2] and in the costs of components, 1992**

Measure	All State Local government	State government	Local government
Total workers (in thousands)	654	442	211
Percent change in compensation cost	.9	.9	.8
Percent of workers under all settlements	100	100	100
With no wage change	22	22	20
With wage decreases	5	0	16
With wage increases	73	78	64
Of less than 2 percent	62	73	39
Of 2 percent and more	11	4	25
Percent change in cost of components of compensation:			
Cash payments to workers[3]	1.0	.9	1.1
Wages	.9	.9	1.1
Benefits	.7	.7	.7

[1] Change include net increases, decreases, and zero change; exclude lump-sum payments and potential changes from contingent pay provisions.
[2] Changes under settlements reached in the period expressed as an average annual (compound) rate over the life of contract.
[3] Cash payments include wages and lump-sum payments.

NOTE: Because of rounding, sums of individual employment items may not equal totals.

the State had sought to eliminate. Other terms included enhanced job security, changes in the health plan, increases in the State's contributions to health care premiums, a longer waiting period before eligibility for disability benefits, and expanded sick leave eligibility to include caring for family members living in the employee's home. Other terms were similar to the AFSCME agreement. (See *Monthly Labor Review*, May 1992, p. 52, for additional terms of the contract.)

A 23-month contract for about 4,000 health care and social services employees represented by the Service Employees International Union provided one wage increase of 5 percent in July 1993. Other contract terms were similar to the AFSCME agreement.

Local governments. Following is an account of highlights of bargaining activity in several local governments.

Chicago. The Chicago Board of Education and the American Federation of Teachers voluntarily reopened their contract (which was scheduled to expire in July 1993) and negotiated a salary adjustment for 30,000 teachers. The board had requested the reopening in 1991 to renegotiate wage increases scheduled for the 1991–92 school year (in 1990, the parties had agreed to wage increases of 7 percent in September of 1990, 1991, and 1992). As a result of the reopener, the teachers (who already had received the 1990 increase) accepted a 3-percent increase retroactive to December 1991 and deferred for 6 weeks the 7-percent increase scheduled for September 1992. (See *Monthly Labor Review*, May 1992, p. 52, for additional details of the terms of the contract.)

The Chicago Board of Education and the Service Employees International Union did not settle on a contract for 4,000 clerical and custodial employees. The contract had expired December 31, 1991.

Chicago and AFSCME signed a 42-month agreement for 7,000 white-collar employees. Terms called for wage increases of 3 percent retroactive to January 1992, 3 percent in January of 1993 and 1994, and 1.5 percent in January 1995; enhancements in life insurance benefits; several changes in health-care coverage, including cost-containment measures; and a program allowing employees to pay for day-care expenses from pretax income. (See *Monthly Labor Review*, January 1993, p. 33, for additional details of the terms of the contract.)

Also, the city did not reach agreements with six other unions, representing nearly 27,000 employees, whose contracts expired December 31, 1991. The Fraternal Order of Police bargained for 10,300 police officers; the Fire Fighters, for 4,500 firefighters; the Service Employees, for 4,000 clerical and custodial workers; and three other unions, for 7,500 blue-collar employees and school crossing guards. The city and the Amalgamated Transit Union began negotiations on a contract that was to expire December 31, 1992, for 10,000 Chicago Transit Authority employees.

Los Angeles County. The county and the Service Employees negotiated new agreements covering 27,000 clerical workers, supervisors, social services workers, technical personnel, paramedics, artisans, and blue-collar employees. The 2-year contracts provided wage increases of 2 percent in July 1992 and August 1993, and froze other economic and health care benefits during the contract term.

The County began negotiations on a contract that was to expire December 31, 1992, covering 1,550 firefighters represented by the Fire Fighters. Also, under a wage reopener, the County started negotiating wage terms for 2,200 deputy probation officers represented by AFSCME.

Los Angeles County was hit hard by the economic downturn that affected California in 1992. Also, the county's economy, already reeling from massive cuts in defense spending that created significant job losses in southern California, was dealt an additional blow from the April riots. In addition, the softening of the tourist and film industries—two economic mainstays of the region—contributed to the county's economic problems in 1992.

New York City. The city's Metropolitan Transportation Authority reached a 38-month agreement with the Transport Workers Union for some 32,000 workers. The contract provided:

- wage increases of 2 percent retroactive to May 1991, 2.5 percent in September 1992, and 2 percent in May 1993;
- a modified wage progression schedule for new hires;
- contract language to apply cost savings from the new progression schedule to health and welfare coverage;
- health and welfare coverage at existing benefit levels; and
- an immediate cash payment by the Transportation Authority of $5 million to the union's health and welfare fund so the fund could meet current obligations.

(See *Monthly Labor Review*, August 1992, p. 60, for additional details of the terms of the contract.)

New York City began negotiations with the United Federation of Teachers, representing 86,100 public school employees who had worked without a contract for more than a year. The union was bargaining to gain salary parity with teachers in other school districts in the metropolitan region. In addition, the city and a coalition of public employee unions bargained to replace expired contracts that cover approximately 200,000 clerical, blue-collar, administrative, social service, skilled trades, and institutional service employees. The parties did not reach a settlement in 1992.

In 1991, when the majority of contract talks between the city and its unions began, negotiators faced budget deficits, declining tax revenues, layoffs and furloughs, and cutbacks in city services. The difficult economic conditions continued into 1992, affecting the pace and outcome of negotiations for some 320,000 city workers.

Philadelphia, PA, area. The city of Philiadelphia and AFSCME negotiated a settlement for 15,000 white- and blue-collar workers. The 4-year contract froze wages for 33 months; reduced paid sick leave for new hires to 15 days (formerly, 20 days); increased the city's flexibility in contracting out services; increased input by the city in the administration of the union's health plan; and reduced "significantly" the city's contributions to the health care plan. (See *Monthly Labor Review*, January 1993, p. 32, for additional details of the terms of the contracts.)

Prior to the agreement, the financially beleagured city had imposed on the AFSCME-represented workers a 4-year contract that attempted to save $1.1 billion over 5 years by freezing wages for the first 2 years, followed by wage increases of 2 percent in the third year and 4 percent in the fourth; taking over the union-run health plan; and cutting paid sick leave and holidays.

Less than an hour before a strike deadline, the Philadelphia Teachers Federation, an AFT affiliate, ratified a 2-year contract with the city for 13,000 teachers and 7,000 paraprofessional and other nonprofessional workers. The contract called for a 16-month pay freeze, followed by a 3-percent wage increase in January 1994; and provided $19 million over the contract term to maintain existing health and welfare benefits.

The Southeastern Pennsylvania Transportation Authority and the Transport Workers approved an agreement covering 5,150 transit employees. Terms included wage increases of 3.5 percent in July of 1993 and 1994, and in Decem-

Table 8. **Average (mean) rate changes in State and local government collective bargaining agreements covering 1,000 workers or more, 1992**

[In percent]

Characteristic	Average wage increase[1]	Average wage change[2]
All State and local government	4.4	1.9
Source of wage change:		
Current settlements	4.5	.8
Prior agreements	4.3	1.1
COLA provisions	2.7	(3)
Government function:		
General government and administration	4.2	1.9
Education	4.4	2.0
Primary and secondary[4]	4.5	2.1
Colleges and universities[5]	3.6	1.1
Protective services	4.3	1.2
Health services	5.2	1.9
Transportation	4.7	3.4
Other[6]	3.8	.7
State government	4.0	1.6
Source of wage change:		
Current settlements	6.2	.3
Prior agreements	3.6	1.2
COLA provisions	3.6	(3)
Local government	4.6	2.1
Source of wage change:		
Current settlements	4.2	1.1
Prior agreements	5.0	1.0
COLA provisions	2.3	(3)

[1] Reflects only contracts where the net effect of increases and decreases from all sources is a wage rate increase.

[2] Includes net increases, decreases, and no change in wages stemming from current settlements, agreements reached in a prior period, and COLA clauses. Because of rounding and compounding, sums of individual items may not equal totals.

[3] Value less than 0.05 percent.

[4] All are in local government except for one contract covering Hawaii's Board of Education and the State primary and secondary school teachers.

[5] All are in State government except for one contract covering Los Angeles County and employees of Los Angeles Community College.

[6] Includes units in construction, libraries, and building cleaning and maintenance services.

ber 1994; a lump-sum payment of $500 in May 1992; a modified pension formula; and increases in sick leave pay, disability pensions, and dental benefits. (See *Monthly Labor Review*, July 1992, p. 38, for additional details of the terms of the contract.)

An additional 9,500 city employees—2,500 represented by the Fire Fighters and 7,000 by the Fraternal Order of Police—negotiated with the city to replace contracts that expired June 30, 1992. After reaching an impasse, the parties submitted the two disputes to arbitration. □

Footnotes

[1] Data on private industry settlements reached in 1992 were published in "Collective bargaining agreements in 1992," *Monthly Labor Review*, May 1993, pp. 22–33.

Comparisons between major collective bargaining settlements for State and local government with those for private industry should note differences in occupational mix, bargaining practices, and settlement characteristics. Professional and other white-collar employees, for example, make up a much larger proportion of the workers covered by government than by private industry settlements. Lump-sum payments and cost-of-living adjustment clauses, on the other hand, are less common in government than private industry settlements. Also, State and local government bargaining frequently excludes items such as pension benefits and holidays that are prescribed by law; these items are typical bargaining issues in private industry. (For a more detailed description of how occupational mix and industry activity affect the comparison, see Richard E. Schumann, "State and local government pay increases outpace five-year rise in private industry," *Monthly Labor Review*, February 1987, pp. 18–20.)

What's in a name?

The first requirement for a resuscitation of industrial relations is a name change. Although the term industrial relations has a long and honored history, in recent years it has acquired an overly narrow and out-of-date meaning that is an increasing handicap for the field. The most attractive replacement is employment relations. The virtues of this term are that it continues to emphasize the field's emphasis on relations between employers and employees but at the same time broadens the focus of the field from the industrial sector of the economy to the totality of employment relations.

—Bruce E. Kaufman

The Origins and Evolution of the Field of Industrial Relations in the United States, (Ithaca, NY, Cornell University, School of Industrial Relations, ILR Press, 1993), p. 167.