

BASEMENT





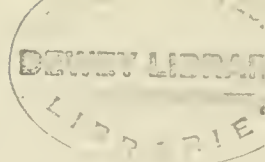


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Concession Bargaining -- 1979 to 1983:

Not Just The Same Old Thing

Kirsten R. Wever  
Massachusetts Institute of Technology  
April 1, 1983

WP#1478-83a

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## INTRODUCTION

The unions in the auto, rubber, steel and airline industries, among many others, have been forced to make wage and benefit concessions over the last three years. Sometimes concession negotiations have led to contract improvements for labor as well. But usually they have not. Whether the concessions are unilateral (on the part of labor) or bilateral, the outcome looks quite different from the contracts collective bargaining has yielded over the past three decades. The pattern of regular and continuous gains on all dimensions encompassed by collective bargaining has been broken, or at least interrupted. This essay considers how concession bargaining differs from the more standard forms of collective bargaining that have been dominant over the past thirty years, and whether concession negotiations portend fundamental changes in the way American industrial relations will be conducted in the future.

Since the late 1950s, both good and bad economic times have been paralleled by regular wage and benefit increases negotiated by American unions for their members. (Before that time, wages were more volatile because of the Depression, and due to austerity measures imposed by the government during and just after the war.) Labor has scored benefit gains in the areas of vacation time, work rules, paid holidays and supplemental unemployment benefits (SUB), among others. But wage increases have been particularly striking. (See tables 1-3, below.) In the steel industry, for instance, the average cost of labor per hour in wages and benefits

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1. Martin, Roderick, "The Effects of Recent Changes in Industrial Conflict on the Internal Politics of Trade Unions: Britain and Germany," in Crouch, Colin, and Pizzorno, Alessandro, eds., The Resurgence of Class Conflict in Western Europe Since 1968, (New York: MacMillan, 1978); C.f., Salpukas, Agis, "Steel Mood: Hopeful but Wary," in the New York Times, March 3, 1983

Table 1  
AVERAGE HOURLY EARNINGS IN AUTOS, STEEL AND RUBBER

	Autos	Steel	Rubber
1958	\$2.47	\$2.85	\$2.65
1960	2.70	2.99	2.87
1965	3.12	3.31	3.33
1970	4.06	4.04	4.08
1975	6.27	6.79	5.45
1976	6.69	7.45	5.95
1977	7.37	8.18	6.74
1978	7.95	9.03	8.17
1979	8.62	10.01	8.17

Source: "Wage Patterns and Wage Data," Bureau of National Affairs, Washington DC, 20037

Table 2  
GENERAL WAGE CHANGES IN MAJOR COLLECTIVE BARGAINING UNITS

	Private Non-Farm Industries	Manufacturing	Non-Manufacturing
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(First year changes in contracts negotiated during the year;  
median increase.)

1960	3.2	3.2	3.3
1965	3.9	4.1	3.7
1970	10.0	7.5	14.2
1975	10.0	9.2	10.2
1979	7.9	7.0	8.7

Source: Handbook of Labor Statistics, December 1980, Bureau of Labor Statistics, Washington DC, 20008

Table 3  
AVERAGE PERCENTAGE CHANGES IN WAGES AND COMPENSATION  
IN MAJOR COLLECTIVE BARGAINING SETTLEMENTS

	1979	1980	1981	1982
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(Second quarter figures: first year of contract.)

All industries	7.9	7.7	9.9	5.2
Manufacturing	9.2	6.4	7.3	2.9
Non-Manufacturing	7.4	10.2	11.2	7.1

Source: Current Wage Developments, February 1983, Bureau of Labor Statistics, Washington DC, 20008

trippled between 1973 and 1981.<sup>1</sup>

The seventies saw major increases in union-negotiated wages, particularly in the private non-farm and non-manufacturing industries, but also in manufacturing, where the average first year contract increase was 9.2% in 1979. More recently, annual union wage increases in manufacturing fell to 6.4% in 1980; it then rose to 7.3% in 1981, only to plummet down to 2.9% in 1982.<sup>2</sup> The volatility of the wage scenario in 1982 is particularly striking in manufactures. Since the end of World War II, the average gross hourly earnings of unionized and non-unionized production workers in manufacturing has increased every year. From 1975 to 1980 those increases were substantial compared with those of the previous three decades, especially considering the fact that the 1974-76 period and the late seventies were marked by economic recession. But in 1982 things were less certain. In July of 1982 the average hourly wage of US manufacturing workers was \$8.55; in August that figure had dropped to \$8.51; in September it was back up to \$8.59, but by October it had dropped again, to \$8.56.<sup>3</sup> Moreover, two fifths of the 2.7 million workers covered by 1982 collective bargaining settlements are not scheduled for any specified wage increases in 1983 at all.<sup>4</sup>

Organized labor's past economic gains have been due in part to the unions' skill at the bargaining table. Since the 1930s, collective bargaining has provided

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2. Handbook of Labor Statistics, December 1980, Bureau of Labor Statistics, Washington DC, 20008; Current Wage Developments, February 1983, Bureau of Labor Statistics, Washington DC, 20008

3. "Wage Patterns and Wage Data," 1983, Bureau of National Affairs, Washington DC, 20037

4. Davis, William M., "Collective Bargaining in 1983: A Crowded Agenda," in the Monthly Labor Review, January 1983, Bureau of Labor Statistics, Washington DC, 20008

the primary arena for labor gains. By the mid 1950s industrial relations theorists characterized the union movement and the collective bargaining system as "stable" and "mature":

To the disappointment of some, and to the delight of others, the union movement stopped expanding after the mid-50s and the overall unionization rate began to decline. Union leaders turned more toward day-to-day bargaining relationships and the working out of a modus vivendi with already organized employers. Such devices as multiyear agreements,<sup>5</sup> escalator clauses and elaborate fringe benefits became commonplace.

But the late 1970s and early '80s have seen falling profits and the highest unemployment levels since the Great Depression -- currently over 10%. Business Week reports:

Chalk up 1982 as the year of the skimpiest aftertax corporate profits since 1976. The steel industry was hit with a record \$3 billion loss, automotive companies lost an additional billion. Business Week's survey of 1,200 of the nation's largest companies, ranked by sales, shows a similar dismal pattern: profits down 16% for the year and earnings off 24% in the final quarter of 1982.<sup>6</sup>

The aggregate corporate profit margin has fallen. In the first quarter of 1980 after tax profits as a percentage of sales value were 5.5%; two years later that figure was 4.1%, and in the final quarter of 1982, it had fallen to just 3.6%. In the airline industry the annual stockholder earnings per share was -\$1.55 in 1982. The auto industry lost \$1070.3 million in profits:

In the automobile industry, the 1982 loss was \$1.1 billion, almost matching the \$1.2 billion deficit of 1981...International Harvester doubled its 1981 loss, ending \$1.2 billion in the red.

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5. Mitchell, Daniel J. B., "Collective Bargaining and the Economy," in Stieber, Jack, McKersie, Robert, and Mills, D. Q., eds., US Industrial Relations 1950-1980: A Critical Assessment, (University of Wisconsin, Industrial Relations Research Association, 1981), p. 2

6. "Corporate Scoreboard," in Business Week, March 14, 1983, p. 62

7. Ibid., p. 63

Aggregate sales in the steel industry in 1982 fell 9% below 1981 sales:

Bethlehem Steel, with red ink of \$1.5 billion, accounted for almost half of the industry's massive deficit. But the losses ran \$463 million at National Steel, more than \$300 million apiece at Armco and US Steel, and \$244 million at Republic Steel.

Aggregate steel profits in 1982 were -\$3102.3 million. 1982 profits in the tire industry fell 43% below 1981 profit levels.

Concession bargaining has been concentrated over the last few years in precisely the industries that have experienced such losses. Over the last nine months, the New York Times has reported of labor concessions in front page articles about just these industries. The unions in the auto, steel, rubber and airline sectors (and the food and commercial workers) are those most frequently involved in the concession bargaining cases of 1982. (See table 8)

Concession negotiations necessarily operate on a different set of principles than those that have informed US industrial relations in the past. First, both labor and management may have more interest in joint problem solving to allow management to keep firms and plants open and to let the unions maintain the jobs of their members. But the character of their mutual interest is negative: it is not a matter of sharing in the benefits of progress, as in the past, but of distributing the sacrifices managements deem necessary to sustain many historically dominant sectors of the US economy. Secondly, and consequently, concession bargaining often results in joint union-management programs that tie the fortunes of the workers more closely to those of their firms or plants. Such programs, ranging from "Quality of Worklife" to employee stock ownership plans, became increasingly

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8. Ibid.

popular among management circles in the late 1970s. But the implications for labor are often disturbing when profits are falling and recovery seems unlikely. Further, it is possible that the introduction of such issues will force some changes in the unions' internal structures, and in their approach to the negotiations. Thirdly, concession bargaining leads to problems concerning the rank and file's support of its leadership and the relationship between union locals and their internationals. This may also require that labor officials adopt new ways of approaching management at the collective bargaining table.

We begin by laying out the history of collective bargaining and a model that will help us to categorize the ways in which concession bargaining deviates from past modes and outcomes of industrial relations. Then we examine a set of concession bargaining cases that can be divided into two groups: one group is characterized simply by wage and benefit concessions on labor's part; in the other, both the union(s) and management gave something up at the bargaining table. Next, we analyze how concession bargaining outcomes differ from standard collective bargaining outcomes. Finally, we conclude by considering whether concession bargaining really is something new and different, and by examining the implications for organized labor, if it is.

## THE HISTORY AND STRUCTURE OF COLLECTIVE BARGAINING

Collective bargaining has always been based on fundamental antagonisms between unions and managements. But the lack of industrial harmony has centered primarily on economic issues, not ideological ones. This section will briefly describe American organized labor's sense of economically-focussed "business unionism", the nature of the relationship between labor and management during the

post-war period, and how the processes and outcomes of negotiations were shaped by the character of this relationship.

Between 1933 and 1945 a wave of unionization swept across the US manual labor force. The unionized proportion of the non-agricultural labor force was 11.5% in 1933, 22.8% in 1937, and 35.8% by 1947.<sup>9</sup> Public policy at the time was relatively friendly to the labor movement, and the memory of the Depression spurred a general sense of support for workers' rights to decent jobs. Earlier, American unionism had consisted of a sort of craft elite; after 1933 it became more mass-based, covering a wider range of non-craft workers. (It should be noted that this trend occurred in every part of the country except the South, where unionization levels have always been -- and continue to be -- low.)<sup>10</sup>

Both the American Federation of Labor (AFL, an association of craft unions), and the Committee (later Congress) of Industrial Organizations (CIO, a group of industrial unions), continued to grow until the mid forties. In 1955 they merged. The effect of the merger was to render this umbrella organization of unionized labor highly heterogeneous. Among the workers represented by the AFL-CIO were narrowly skilled craftspeople, organized by occupation, as well as a range of skilled, semi-skilled and un-skilled laborers, organized by industry. This heterogeneity is reflected in the tasks of the AFL-CIO, which do not include any form of bargaining with employers over wage/benefit issues, but rather focus on representing the broad interests of labor at the level of federal, state and local

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9. Rees, Albert, The Economics of Trade Unions, (Chicago: University of Chicago Press, 1962), p. 12

10. Ibid., p. 197

11. Ibid., pp. 24-5

governments, in international labor forums, and through domestic public relations.<sup>11</sup>

As Albert Rees has noted,

The prevailing spirit of the American union movement is...business unionism... where the union is primarily engaged in advancing the interests of its members through seeking improvements in their own wages, hours and working conditions, and is only <sup>12</sup> secondarily concerned with broader programs of social reform.

American unions are primarily involved in collective bargaining with employers; they accept the framework of the existing capitalist economic system.<sup>13</sup>

To some extent, American labor's focus on collective bargaining about primarily economic issues has been forced on them by legislation designed to keep the unions out of politics. In 1933 the National Industrial Recovery Act institutionalized collective bargaining as the proper arena of industrial relations. In 1935 this act was repealed, but the Wagner Act extended unions' rights at the collective bargaining table. The National Labor Relations Act, also passed in 1935, further sanctioned collective bargaining as the legitimate forum for industrial relations. But the Wagner Act was opposed and ignored by many large corporations until its constitutionality was upheld by the Supreme Court in 1937. The Taft-Hartley Act of 1948 amended the Wagner Act in ways that restored many of the rights of individual workers and employers. It also prohibited the use of dues funds for contributions to candidates for federal office.<sup>14</sup>

But American labor's sense of business unionism is not simply the result of

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12. Ibid., p. 2

13. Ibid., p. 182

14. Ibid., p. 16, pp. 20-1, p. 185; C.f., Gould, William B., A Primer on American Labor Law, (Cambridge, MA: MIT Press, 1982)



legislation. The Depression saw unacceptably high levels of unemployment; fears of a similar crisis mounted during the immediate post-war period. Selig Perlman's theory is that business unionism in the US derives from job consciousness. The primary concern of American organized labor, claims Perlman, is to establish control over and safeguard union members' jobs. Perlman writes:

The overshadowing problem of the American labor movement has always been the problem of staying organized...this fragility of organization has come from the lack of class cohesiveness in American labor.

He continues:

...the only acceptable "consciousness" for American labor as a whole is a "job consciousness", with a "limited" objective of "wage and job control"; which not at all hinders American unionism from being the most "hard hitting" unionism in any country.

There are several ways in which this concern with jobs is manifested, among them seniority rules, the regulation of entry into unions through apprenticeship programs, jurisdictional boundaries between and within unions, and the effort to maintain or increase the number of jobs within a given jurisdiction. The highly publicized "restrictive work rules", which employers have tried to combat over the past half century, were designed in part to increase the number of unionized workers within a given task group or jurisdiction.<sup>17</sup>

It is partly because of the non-political nature of the US labor movement that the strike has traditionally been "the most important source of union power." Strikes are particularly effective in good economic times. When product demand is

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15. Selig Perlman, A Theory of the Labor Movement, (New York: Kelley Publishers, 1966), p. 162

16. Ibid., p. 169

17. Ibid., pp. 121, 136

strong and profits are high the employer stands to suffer more from a temporary plant shut-down than when the economic benefits of production are low. Further, when unemployment is falling and prices are rising the unions are relatively free from economic constraints. Wage hikes will be easier to score because the threat of strike will entail greater potential losses for the employer. Moreover, firms are particularly interested in securing an adequate number of suitably skilled workers when labor markets are tight.<sup>18</sup>

From the mid to late fifties onward, the greatest political power of American unions has been at the national level -- the union "internationals" -- particularly in manufacturing sectors where industry level and pattern bargaining with giant corporations have been dominant. In the unions representing the overwhelming majority of organized workers in these sectors, only officials at the highest level have the right to authorize strikes. The international is also financially powerful; few locals can amass the funds necessary to pay strike benefits.<sup>19</sup>

But national officials cannot always impose their bargaining priorities on lower levels. Walton and McKersie cite a United Autoworkers (UAW) case to illustrate this point:

Since Reuther and the other top officials in the UAW have placed primary emphasis on making major breakthroughs in the economic and fringe area, it has been inevitable that local problems have been deemphasized. A whole host of problems centering on production standards, relief time, seniority arrangements, etc., have been relegated to supplementary talks. The difficulty with the approach came into focus during the 1961 negotiations, when, after the major issues had been settled, a series of local strikes occurred over working conditions. In preparing for the 1964 negotiations

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18. Ibid., pp. 20, 36, 55-6

19. Ibid., pp. 174-5

Reuther gave top priority to working conditions and said that no agreement would be signed until the last local problem had been settled.<sup>20</sup>

Under a number of circumstances, union internationals can also suspend the charters of their locals. This right was restricted somewhat by the Landrum-Griffin Act of 1959, prescribing many of the internal affairs of the unions. Among other things, the act required public disclosure of union finances and regularized conventions and elections. It also limited the ability of higher level officials to place their locals under trusteeship. But organized labor's power in manufacturing is still concentrated at the national level, as it has been since the late 19th century.<sup>21</sup>

As evidenced by the statistics shown in the introduction, collective bargaining has generally resulted in regular wage/benefit increases for the unionized workforce. Cost of living adjustments and escalator clauses, on top of annual wage/benefit hikes, were standard contract components. Escalator clauses, which ensured wage adjustments with changes in the Consumer Price Index (CPI), provided for downward adjustments as well. But the CPI has very rarely dropped since the end of World War II, and downward adjustments can be made only to a specified floor level.<sup>22</sup>

There have been atypical cases, however, even in the fifties, when the outcome has been less favorable to labor. In manufacturing, those cases have been limited to small wage decreases under escalator clauses, paralleling minute drops in

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20. Walton, Richard E., and McKersie, Robert B., A Behavioral Theory of Labor Negotiations, (New York: McGraw Hill, 1965), p. 359

21. Op.Cit, Rees, p. 21

22. Op. Cit., Rees, p. 148

the Consumer Price Index. For example, between 1949 and 1956 General Motor's (GM) UAW workers' wages were decreased eight times by one cent, once by two cents and once by three cents. Since March of 1956 no such decreases occurred, until March 1983. Furthermore, April 1982 saw the first UAW-GM contract with no general wage increase at all, and reduced wages for new hires, since 1945. Still, the auto, steel and rubber industries saw no actual wage freezes or cuts at all through 1978.<sup>23</sup>

But in the 1950s, '60s, and most of the '70s at least the large unions in manufacturing had established seniority rules and had gained SUB clauses in their contracts. Thus, even workers with little seniority who were laid off received an average of about 40-45% of their normal wages, beyond unemployment insurance. Together, these incomes generally amounted to at least 75% of the worker's wages.<sup>24</sup> Moreover, at the time, unemployment insurance could be collected for 52 weeks in almost every state. (Currently, it runs out after 20-26 weeks in most states.)<sup>25</sup>

The unions tended to press hardest for immediate economic gains, and to avoid more cooperative ventures with management. Writing in 1982, Brett and Hammer state:

Worker participation in management outside collective bargaining has not been enthusiastically received by union leaders. Participation in Quality of Worklife programs, sociotechnical design programs, labor-management committees, and employee ownership has been perceived as a means to divide the loyalty of the rank and file, which

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23. "Wage Patterns and Wage Data," 1983, Bureau of National Affairs, Washington DC, 20037

24. Ibid., p. 149

25. The Book of the States, 1982-1983, Council of State Governments, Lexington, KY, p. 688

weakens the union, and to coopt the workers into management, which neutralizes labor as a special interest group...The entry of labor into cooperative programs has often come as a reaction to local economic circumstances, with threats of plant closures, layoffs and unemployment.<sup>26</sup>

But it was not always necessary -- indeed, it was often undesirable -- for unions to engage in anything beyond distributive bargaining over economic issues with management. For instance, Walton and McKersie point out that in the fifties,

Top UAW officials often realized that their collective bargaining gains had come not from attitudinal structuring, but from distributive bargaining. Good evidence about the distributive nature of bargaining in the automobile industry can be discerned in the sequence of union breakthrough, management response, union breakthrough, etc.<sup>27</sup>

When the economic focus of the negotiations so adequately serves the interests of the rank and file (and union leaders) there is little incentive to seek more cooperative modes of bargaining.

Notwithstanding regular contract gains for the unions, by the late fifties management began to display growing determination to make fewer concessions, to bargain harder, and to get something in return for what they gave the unions. This was evident in the long and bitter 1959 strike in the steel industry, where workers had to stay off the job for over six months.<sup>28</sup>

But another possible outcome of a stalemate such as the one that occurred in the steel case was mediation. The introduction of a mediator has often allowed for adjustments in the parties' positions that were previously considered out of the

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26. Brett, Jeanne M., and Hammer, Tove Helland, "Organizational Behavior and Industrial Relations," in Kochan, Thomas A., Mitchell, Daniel, and Dyer, Lee, eds., Industrial Relations Research in the 1970s: Review and Appraisal, (University of Wisconsin, Industrial Relations Research Association, 1982), pp. 239-40

27. Op. Cit., Walton and McKersie, p. 373

28. Op. Cit., Rees, p. 199

question. This kind of mediation was performed by Richard Nixon during the steel negotiations being held at the time of the 1959-60 strike. Technical mediators can provide parties with new information that may lead them to modify their positions. Mediators can also allow the parties to analyze the "utility functions" of outcomes likely to result from particular contracts in such a way as to let both sides keep secret the detailed information involved in their negotiation calculations.<sup>29</sup>

Mediation has been useful in attaining contract agreements in almost all our major industries. But there are circumstances under which it is not likely to be effective. Brett and Hammer conclude the following:

...mediation appears to be more effective when negotiations break down because one party or the other has become overcommitted to a position, than<sup>30</sup> when they break down over economic issues, such as ability to pay...

As mentioned above, the ability to pay issue arose only occasionally until the late 1970s. But when such fundamental problems are at issue -- when the firm really does require lower labor costs in order to stay in business -- not even a skilled mediator is likely to get management to budge from its position.

Walton and McKersie divide collective bargaining into four subprocesses, defined as "distinguishable systems of activity" which together comprise the process of negotiations.<sup>31</sup> These concepts have been applied to collective bargaining negotiations in the past, particularly during the "stable" period of the late fifties and early to mid sixties. They will help us to situate concession bargaining in its

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29. Ibid., pp. 119, 158-9

30. Op. Cit., Brett and Hammer, p. 269

31. Op. Cit., Walton and McKersie, p. 1

historical context, below. The subprocesses are defined as follows:

DISTRIBUTIVE BARGAINING: "...the complex system of activities instrumental to the attainment of one party's goals when they are in basic conflict with those of the other party...(We have in mind) what game theorists refer to as fixed-sum games..."

INTEGRATIVE BARGAINING: "...the system of activities which is instrumental to the attainment of objectives which are not in fundamental conflict with those of the other party and which therefore can be integrated to some degree. Such objectives are said to define an area of common concern, a problem."

ATTITUDINAL STRUCTURING: While distributive and integrative bargaining "pertain to economic issues and the rights and obligations of the parties...an additional major function of negotiations is influencing relationships between parties, in particular such attitudes as...the motivational orientation of competitiveness-cooperativeness."

INTRAORGANIZATIONAL BARGAINING: "...the system of activities which brings the expectations of principals into alignment with those of the chief negotiator...On the union side, the local membership exerts considerable influence in determining the nature and strength of aspirations and the international union may dictate the inclusion of certain goals in the bargaining agenda...The union negotiator is probably more<sup>32</sup> subject to organizational constraint than his company counterpart."

Distributive bargaining is the "wage setting mechanism" connected with "the basic rationale for conducting labor negotiations." It concerns "issues" of "a fixed total objective value". Integrative bargaining concerns "problems" involving "possibilities for greater or lesser amounts of value which can be made available to the two parties."<sup>33</sup> The fundamental difference between the two types of bargaining is summed up by the following proposition:

Money [the subject of distributive bargaining] can be divided into units; it cannot be reformulated into an arrangement that may be an improvement for both sides [as integrative bargaining can be].<sup>34</sup>

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32. Ibid., pp. 4-6

33. Ibid., pp. 126-7

34. Ibid., p. 129

The subprocesses can entail conflicting goals. Thus, "the negotiator...behaves purposefully, attending in some balanced way to...integrative potential, desired relationship patterns, and the need for intraorganizational consensus," as well as the economics of the negotiations.<sup>35</sup>

## CONCESSION BARGAINING

The consequences of the economic crisis are overwhelmingly concentrated in most of the heavy manufacturing sectors of the economy (e.g., autos, rubber and steel), which have been the historical strongholds of organized labor. These are the industries in which union coverage has declined over the last few years. These are the industries in which international competition is most severely threatening. The proportion of the workforce that is unionized has been declining since the 1950s. Between the mid forties and mid fifties, 31-35% of American workers were unionized. In 1978, by contrast, only about 23% were unionized. In manufacturing, 79% of all plant workers were unionized in 1960-61, but only 71% in 1974-76. Unionization has always been concentrated in the Northeast, but these figures have diminished as well: in the '60-'61 period, 77% of all plant workers in the Northeast were unionized, while the figure for the South was 48%. By the '74-'76 period, these figures were 66% and 39%, respectively.<sup>36</sup> These trends are illustrated in table 4, below. Thus, it is not just concession bargaining, but a combination of concession bargaining and declining memberships that threaten American unions today.

But concession bargaining is often one of management's easiest solutions to

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35. Ibid., p. 353

36. Op. Cit., Rees, p. 18



Table 4  
DECLINE IN UNION MEMBERSHIP

		1960	1964	1970	1974	1978
All Unions	Number of Unions	187	189	185	175	74
	Number of Members (thousands)	18,104	17,919	20,690	21,584	21,742
	Percent of Members	100	100	100	100	100
Manufacturing Unions	Number of Unions	111	108	100	98	94
	Number of Members (thousands)	8,839	8,342	9,173	9,144	8,119
	Percent of Members	48.8	46.6	44.3	42.4	37.3
Non-manufacturing Unions	Number of Unions	165	101	104	101	96
	Number of Members (thousands)	8,350	8,125	9,198	9,520	9,998
	Percent of Members	46.1	45.3	44.5	44.1	46.0
Public Sector Unions	Number of Unions	34	59	60	64	62
	Number of Members (thousands)	915	1,453	2,318	2,920	3,626
	Percent of Members	5.1	8.1	11.2	13.5	16.7

Source: Handbook of Labor Statistics, December 1980, Bureau of Labor Statistics, Washington DC, 20008

the financial problems imposed by declining demand, international competition, or low productivity. As McKersie and Cappelli note in a recent article about concession bargaining,

[The reason why]...there are so many concessions now...[concerns] the structural change in the economy. The industries undergoing concession bargaining have experienced several years of severe structural change. Many industries have suffered excess capacity because of permanent fall in demand (as in tires and autos). Some have seen the entry of large numbers of low-cost competitors because of deregulation (trucking and airlines). Others are damaged by low-cost foreign competition (steel and autos). These problems have led to a fall in the demand for the industry's product, and a subsequent fall in the demand for labor; current levels of employment cannot be maintained at current cost levels because of the shift in demand. These problems have been building in many cases throughout the seventies; the recession simply made them worse.

But it must be kept in mind that in cases where demand has fallen permanently, management may not have much interest in keeping plants open. Thus, firms may not even bring up the possibility of concession bargaining to begin with, even when the firm's economic predicament is severe. It is in these situations that the union's bargaining power is negligible.

The tire industry provides a good example. In the mid to late seventies, demand shifted from bias to radial tires. The three largest tire firms (Goodyear, Goodrich and Uniroyal) were at the time based principally in the North. Akron was the tire producing center of the United States. But each of these firms built most of their new radial plants in the South, usually recruiting non-union labor at lower wages than their Northern workers. Having already planned to reduce the capacity of their bias tire production facilities, these firms allowed their own plants to compete among each other. In the end, the plants whose productivity was lowest

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37. McKersie, Robert, and Cappelli, Peter, "Concession Bargaining," paper delivered at the 30th annual Conference of the Industrial Relations Center, McGill University, March 1982, pp. 23-4

were closed. In the meantime, United Rubberworkers (URW) locals were placed in direct competition with each other. Massive layoffs were inevitable, and survival translated into working harder than fellow union members at other plants belonging to the same firm.<sup>38</sup>

By eliciting labor concessions at the collective bargaining table, it is possible for management immediately to cut labor costs. This in turn allows firms to direct more money into further investments, subsidiaries or other enterprises, or into new product lines, sometimes in different regions or countries. Alternately, lower labor costs may allow a company to cut product prices. Concession bargaining is attractive to management, then, to the degree that these alternative strategies help restore profitability. It appeals to labor insofar as layoffs and/or plant closings can be avoided, and management concessions elicited, in return for wage/benefit cuts or freezes.

From the union standpoint, the main issue in concession bargaining concerns jobs. Employment security is threatened, usually explicitly, by the very initiation of concession negotiations. This has been the case during the entire post-war period.<sup>39</sup> Often these negotiations begin well in advance of contract expiration in response to management's claim that jobs or the firm or plant are in immediate jeopardy. Thus, the unions always try to ascertain in as much detail as possible the immediate financial position of the firm or plant in question.<sup>40</sup> How they then proceed to bargain with management will depend on the particular negotiators and

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38. Cappelli, Peter, "Concession Bargaining and the National Economy," Conference Paper, Industrial Relations Association Conference, December 1982

39. Op. Cit., Rees, p. 59; "Human Resources Information Center," Bureau of National Affairs, Inc., 1931 25th Street N. W., Washington DC, 20037

40. Op. Cit., McKersie and Cappelli

issues involved. But "hard" bargaining of the kind typically pursued by both managers and unions (particularly the giant manufacturing unions) may not be appropriate under these circumstances. If concessions are to be agreed upon, then final-offer-first strategies are likely to fail. Concession bargaining involves so many non-wage/benefit-related issues and potentials that negotiations are likely to concern particulars, and both sides will probably adjust their positions throughout the course of the bargaining. Recent negotiations in the steel industry provide an example of the long process of give and take involved. The details of concession bargaining outcomes, illustrated in table 8, for example, give us an idea of the intricacy and length of the negotiations behind them.

The type of concessions management usually asks of the unions fall into several categories. Wage cuts can go as deep as 33%. Freezes cover a period of up to five years.<sup>41</sup> Other concessions concern things like COLA's, severance pay, pension plans, work hours, labor productivity, unpaid forced vacations, work shifts, work rules and holiday pay. The list is a varied one, but for the purposes of a failing enterprise or plant, its components amount to the same thing: cutting labor costs.

If management's economic bind is serious enough to warrant labor concessions, unions can ask for management concessions of two sorts. First, a union can ask for future wage/benefit improvements to be granted sometime after the immediate crunch. This approach assumes that the economic fragility of the firm/plant is not chronic. Alternately, organized labor can focus on immediate non-economic gains. For example, unions could ask for job rotation plans or

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41. Bureau of National Affairs databank on concession bargaining, processed by Peter Cappelli, Sloan School of Management, Massachusetts Institute of Technology, January 1983

flexible work hours. A more radical approach might be to demand increased worker control over production at the shop floor level, or labor involvement in management decisionmaking (e.g., regarding future investment plans or long term strategy).

Management invariably promises in return for labor concessions to guarantee jobs and avoid plant closures if possible. On occasion, the unions can score more tangible gains, including profitsharing programs, employee stock ownership plans, extra severance pay, job placement services, board representation, open books, salary or bonus incentives, advance notice of plant shutdown, the return of labor concessions with interest, preferential treatment (over non-union labor), advance notice of layoffs, job sharing and increased management-labor cooperation. (However, management's attitude toward making concessions to labor is not enthusiastic. A 1982 Business Week survey of American businesspeople concluded that only 2% were prepared to make concrete employment guarantees in return for even substantial labor concessions.<sup>42)</sup>

The newspapers alone tell us much about the circumstances surrounding concession bargaining and about the outcomes of the more publicized negotiations. Some of these cases will be considered below. But in order to gain a rough idea of the range of industries in which these kinds of negotiations are occurring, and of what is typically involved, it is necessary to use a broader set of cases. The Bureau of National Affairs (BNA), the most prominent industrial relations research organization in the US, annually collects extensive data on collective bargaining

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42. Op. Cit., "Corporate Scoreboard," p. 66

43. The BNA has been the nation's primary publisher of information on labor relations and collective bargaining over the last five decades. The only other major contract library in the US is maintained by the Bureau of Labor Statistics (BLS); the BNA library is almost twice as extensive in its coverage of contracts. C.f., Op. Cit., "Human Resources"

cases across all industries and regions of the US.<sup>43</sup> We have examined these data for the period between the third quarters of 1981 and 1982 in order to isolate the concession bargaining cases among the BNA's sample. This four quarter period coincides with the period during which aggregate annual union wage increases fell from above 9% to below 3%, as noted in the introduction.<sup>44</sup>

We defined concession bargaining to include any case of collective bargaining in which the bargaining unit for the firm claimed that it was impossible financially to increase wages and/or benefits. According to this definition, the BNA data included 210 cases of concession bargaining. These varied widely in terms of the severity of the firm's (plant's) economic plight, the extent and kind of concessions management was demanding from the union(s), the willingness of the union(s) to make these concessions, and the ability of the union(s) to gain something in the bargain. In 52 of the 210 cases labor was able to elicit some kind of quid pro quo in return for their concessions. The industries and unions involved in these 52 cases are listed in tables 5 and 6, below.

By far the most common management concessions are profitsharing and employee stock ownership plans. (See table 7, below.) (There are different kinds

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44. These data were processed at the Sloan School of Management, MIT, by Peter Cappelli. Cappelli describes them as follows: "BNA asked its reporters...to report all cases where negotiations were 'in distress' -- including those where attempts were made to reopen contracts or to seek rollbacks. Between the third quarters of 1981 and 1982 210 cases of concession bargaining were reported...this sample is representative of the population of concession negotiations in the economy as a whole...with respect to its distribution across industry groups." Op. Cit., Capelli. It is impossible to tell exactly how representative these data are, since the BLS provides no consistent information on concession negotiations against which we could check the BNA data. But aside from the fact that these cases comprise only a limited sample, they are interesting to us insofar as they include much information on the 'declining' industries in which union wages have been falling over the last two years or so.

Table 5

INDUSTRY CONCENTRATION OF CONCESSION  
BARGAINING CASES WITH UNION GAINS

<u>INDUSTRY</u>	<u>NUMBER OF CASES WITH GAINS</u>
Trade Contractors	2
Food	3
Printing	2
Chemicals	2
Petroleum Products	1
Rubber and Plastics	3
Leather and Products	1
Primary Metals	9
Nonelectrical Machinery	5
Electrical/Electronic Machinery	1
Transportation Equipment	8
Trucking	1
Air Transport	3
Wholesale Non-durables	3
Retail Building Supplies	2
Food Stores	1
Furniture, Furniture Stores	1
Miscellaneous Retail	4
<b>Total</b>	<b>52</b>

Table 6

UNIONS GAINING QUID PRO QUOS

<u>UNION</u>	<u>NUMBER OF CASES AMONG 52 FROM THE BNA SAMPLE</u>
United Food and Commercial Workers	5
United Rubber Workers	3
United Steelworkers of America	2
United Steelworkers	2
International Brotherhood of Temasters	6
United Autoworkers	10
International Union of Electricians	3
Airline Pilots' Association	3
International Asso- ciation of Machinists	4
<b>Other</b>	<b>14</b>
<b>Total</b>	<b>52</b>

Table 7

BILATERAL CONCESSIONS  
(PROFITSHARING AND STOCK OWNERSHIP PLANS)

FIRM	UNIONS	UNION CONCESSION(S)	MANAGEMENT CONCESSION(S)
The Daily News, New York, NY	Allied Printers	COLA waived 1600 layoffs	Profitsharing Extra Severance Pay for layoffs
Gravure Corp., Louisville, KY	GAIU Engravers	Five year wage freeze	Profitsharing
Goodrich Co., Akron, OH	United Rubberworkers (URW)	Two year wage reductions COLA freeze	Guarantee plant will stay open for three years Profitsharing
McCreary Tire and Rubber Co., Indiana, PA	URW	Give up two years of COLA	Value of COLA in stock at retirement Representative of union on Board of Directors
Buxton Co., Agawam, MA	International Ladies' Garment Workers Union (ILGWU)	Lower raise rate Rule changes	Profitsharing
Weirton Steel, Weirton, WV	Independent Steelworkers' Union	Limit future investments	Employee Stock Ownership
International Harvester Co., Chicago, IL	United Autoworkers (UAW)	Wage Freeze COLA deferral Cut 11 paid holidays Changes in Supplemental Unem- ployment Benefits	Greater say in management Profitsharing Six months' notice of permanent plant shut-down
American Motors Co., Milwaukee, WI	UAW	Give up 21 days' pay Give up three pay raises	Concession returned in 1985 with 10% annual interest
American Motors Co., Toledo, OH	UAW	Give up 28 days' pay Give up two pay raises	Concession returned in 1985 with 10% annual interest



Table 7, continued

FIRM	UNION	UNION CONCESSION(S)	MANAGEMENT CONCESSION(S)
American Motors, Jeep, Toledo, OH	UAW	COLA deferral	Employee investment plan
Packard Electric Div., General Motors Clinton, MS	International Union of Electricians (IUE)	Wage concessions	Profitsharing Discount on cars Moratorium on plant closings
Boss Linco Lines, Inc., Cheektowaga, NY	International Brotherhood of Teamsters (IBT)	Wage Concessions	Stock purchase plan effected when managing employees took over firm several months ago
Eastern Airlines Miami, FL	IBT Airline Pilots' Association (ALPA) International Association of Machinists (IAM)	Wage and benefit freeze through 1982 Additional 5% wage cut for five year profitsharing plan	Profitsharing Employees get corporate bonds at 12% interest, which can be resold in 1988
General Motors, Detroit, MI	UAW	Wage Concessions	More generous profitsharing Productivity discount Reversal of four plant closings Better SUB Guaranteed Income Stream New health committee
Great Atlantic and Pacific Tea Co., Philadelphia, PA	United Food and Commercial Workers (UFCW)	Wage concessions before settlement	20 stores to reopen under new name and employee management Profitsharing
Chatham Supermarkets, Detroit, MI	UFCW	Wage Cuts	Profitsharing

Source: Bureau of National Affairs, Databank on Concession Bargaining Negotiations, processed by Peter Cappelli, Sloan School of Management, Massachusetts Institute of Technology, January 1983

of profitsharing programs. The type introduced in any given setting will depend substantially on the structure of the business in question. If plants are considered to be separate profit centers, it is to plant profitability that workers' gains are tied. It is often the case, as in the tire industry, that firms are profitable while some of their plants are not. Where the firm is the profit center, profitsharing plans could lead to worker gains even though their plant may be in the red. Gainsharing plans, common among our cases, distribute savings in labor costs throughout the firm based on the employee's wage/salary as a percent of the total wage bill.)

Profitsharing plans had been negotiated in almost one fifth of the cases where unions got something in return for their concessions. Employee stock ownership plans occurred in about 10% of these cases. By contrast, the next most common kinds of management concessions were vague discussions of greater labor-management cooperation and promises of six months' notice of plant shutdown. But each of these came up in only two of the 52 cases with union gains.

Aside from the concentration of profitsharing and stock plans, no other factor obviously distinguished this 25% of the concession bargaining cases from the other 75%, in which only labor made concessions. A glance at the industries involved shows that the profitsharing and stock plan cases could not be distinguished from the other 75%, in which management made no concessions. Moreover, the types of concessions made by the unions in return for the stock plans and profitsharing programs were no different than those made in the other cases of concession bargaining. Labor concessions almost always included wage

freezes or cuts, and COLA deferrals or waivers.

The 210 examples of concession bargaining were overwhelmingly concentrated in a handful of industries: autos, steel, airlines and non-electrical machinery. (See figure 8.) Given this industry concentration, it is not surprising to find that two of the unions most frequently involved were the UAW and the USW.

Finally, of the 52 cases where labor was able to get something back from management, all but three involved negotiations at the level of the firm as opposed to that of the plant or the industry as a whole. As noted above, industry level bargaining has been common in some of the heavy manufacturing sectors, particularly in steel. The steelworkers have generally engaged in one giant set of bargaining sessions with the seven or eight major steel companies. In autos, pattern bargaining has been common: the UAW negotiates with one of the four major auto producers, and the other three accept the major clauses of the contract that results.

A BNA report on concession bargaining during 1982 supports the data we examined in more detail. The BNA found 31 cases of permanent plant closure in the transportation equipment sector, leading to 31,000 layoffs. (The UAW's concessions to GM, for example, will save the firm about \$3 billion over the contract term.) The steel and machinery sectors were hardest hit, after autos. In 27 cases, plant closure occurred despite labor concessions.<sup>45</sup> Layoffs peaked in the second quarter, "when 376,333 workers were placed on temporary or permanent leave..."<sup>46</sup> Management concessions included new early retirement provisions,

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45. "Layoffs, Plant Closings and Concession Bargaining," Bureau of National Affairs Summary Report, Bureau of National Affairs, February 1983, p. 3

46. Ibid., p. 4

Table 8  
INDUSTRIES AFFECTED BY CONCESSION BARGAINING

INDUSTRY	NUMBER OF CON- CESSION NEGS.	OVER 1/3 OF INDUSTRY'S UNIONS INVOLVED	OVER 10 CASES OF CONC. NEGS.	RELATIVELY LARGE NUMBER OF FIRM CONCESSIONS
Food	16	no	yes	yes
Apparel	8	no	no	no
Chemicals	1	no	no	no
Petroleum Products	2	no	no	no
Rubber and Plastics	5	yes	no	no
Leather and Products	1	yes	no	no
Primary Metal	27	yes	yes	yes
Machinery, Non-electric	17	yes	yes	yes
Electric, Elec- tronic Mach.	4	yes	no	no
Transport Equipment	31	yes	yes	yes
Misc. Manu- facturing	3	yes	no	no
Trucking	4	no	no	no
Air Transport	19	yes	yes	yes

Source: Cappelli, Peter, "Concession Bargaining and the National Economy," unpublished paper, Massachusetts Institute of Technology, Sloan School of Management, 1982, p. 6

extended insurance coverage for laid off members, and extended SUB payments.<sup>47</sup>

The BNA also found that "unions typically make concessions only as a last ditch measure to avoid a plant closing or mass layoffs."<sup>48</sup>

These generalizations are on the whole sustained by the highly publicized cases of concession negotiations. The newspapers tell us that concession bargaining is concentrated in -- though not entirely limited to -- the tire, steel, auto, and airline industries. Consequently, the unions most deeply involved are the UAW, the USW, the URW, the Airline Pilots (represented by a number of unions), the International Brotherhood of Teamsters (IBT -- heavily represented in the airline industry), and the International Association of Machinists (IAM). (The United Food and Commercial Workers (UFCW) were also involved in a number of the BNA cases.) Moreover, profitsharing and employee stock plans have been introduced in all four of these industries, as suggested by the BNA data. (See table 8.)

The concession bargaining cases most heavily covered by the press also illustrate the potential for unions and managements to reach accords on issues that are not strictly economic. In one recent example, the UAW made wage concessions to Ford in return for access to out-sourcing information.<sup>49</sup> In a few cases at Ford, out-sourcing has been limited by higher in-house productivity resulting from work rule changes.<sup>50</sup> Weirton Steel's West Virginia plant will soon become the

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47. Ibid., p. 8

48. Ibid., p. 11

49. Out-sourcing refers to the purchase of production inputs, rather than their in-house production. The shift away from in-house production is generally effected in order to take advantage of low prices, often resulting from low wages in non-unionized sub-contractor firms.

50. Katz, Harry, "Assessing the New Auto Labor Agreements," in The Sloan Management Review, Summer, 1982

largest employee-owned company in the US, though its operations will be reduced, and employee wages cut by up to 1/3 when the worker take-over is effected.<sup>51</sup> Another example of positive integrative bargaining is a recent Peoples' Express Airline agreement in which productivity increases are being sought through job rotation. At Chrysler and Pan Am, labor has traded wage concessions for worker representation on the firms' Boards of Directors.<sup>52</sup> Walton and McKersie point out that this kind of integrative solution takes into account "all of the uniqueness of the specific situation." They continue, "Many companies within the steel industry have long complained about the poor fit of particular compromise solutions...applied uniformly to all firms."<sup>53</sup>

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51. Wright, Michael, and Herron, Caroline, "Labor as Management," in the New York Times, March 19, 1982

52. Op. Cit., Cappelli and McKersie, p. 37

53. Op. Cit., Walton and McKersie, p. 37. It should be noted that intra-union rivalries could intensify as well, as illustrated by recent developments in the airline industry. The commercial carriers have run into financial difficulties since the industry's deregulation and the entry of low-cost competitive carriers. The oil price hikes of the '70s and '80s have contributed to their difficulties. Price competition has increased vastly. Newer, smaller, and often non-union competitors have begun seriously to encroach on the market formerly dominated by the older, big-name airlines. Almost all the established carriers initiated concession bargaining rounds with their unions. The employees fell into roughly three categories, represented by three unions: the airline pilots, the machinists and the teamsters. The pilots were forced in most cases simply to make concessions while getting nothing in return. The machinists, on the other hand (and to some extent the teamsters), were often able either to elicit non-financial quid pro quos or to avoid making concessions at all. What most likely accounts for the pilots' comparatively weak bargaining position is the simple fact that they have no fall-back source of employment, and thus fewer bargaining chips to use in the negotiations. Op. Cit., Cappelli

This sort of integrative outcome can cause problems for the union leadership, however. In order to maintain the support of the rank and file, the union must appear to be driving bargains that are in the workers' interests. Walton and McKersie emphasize this point in regard to industrial unions.

In a union like the UAW, where the democracy theme is emphasized and practiced, an elected official has to be careful of the steps that he takes that are not fully authorized by the membership.<sup>1</sup>

But there is also a dilemma involved in maintaining rank and file support, as suggested by McKersie and Cappelli:

Helping shape business decisions presents an acute problem for union leaders and worker representatives. They find themselves in a dilemma with sharply drawn disadvantages on both sides. On the one hand, if they become involved, they may be viewed by the rank and file as having been coopted by management and thereby suffer the stigma associated with business demise...On the other hand, if union leaders do not get involved to challenge the business decisions they will also be condemned by the rank and file; an illustration [is as follows]...The United Autoworkers represented approximately 1,000 workers at a Dana Corporation plant in Wisconsin making front-end axels. In a survey conducted among the workers about a year after the plant closed down, the workers expressed many more negative feelings about the union than about management.<sup>2</sup>

The steel case also illustrates the conflicts that can arise between rank and file, local leaders and national officials. In 1982 local leaders rejected two concession contracts negotiated by higher level officials. So this year, high level leaders have incorporated the views of dissident local leaders in their bargaining goals, in order to take into account the concerns -- and distrust -- of the rank and file and their local leaders. In December of 1982, however, national level leaders had already reduced the number of local leaders who may vote on a basic steel

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1. Ibid., p. 374

2. Op. Cit., McKersie and Cappelli, pp. 29-30

3. Serrin, William, "Steel Union Faces Many Difficulties," in the New York Times, February 8, 1983; Serrin, William, "Steel Union Hints at '83 Concessions," in the New York Times, February 3, 1983

agreement by more than half.<sup>3</sup>

But even when the membership supports concessions -- which is by no means always the case -- there may be a conflict of interest between local leaders and officials at the international. Rank and file pressure tends to be exerted primarily at the lower levels, so national level union leaders can more easily negotiate contracts that the rank and file may not endorse fully. This is also illustrated by the steel negotiations of 1982. Further, if a plant closes because unions made no concessions, workers' reactions may be directed at the local by default, though the decision not to make concessions could have been made at the level of the international.

Concession bargaining entails several circumstances that did not apply to collective bargaining during previous decades. First, organized labor's business unionism can no longer be said to work as smoothly and consistently to the rank and file's advantage as it once did. At least in the large industrial unions, the pay-offs of "turning more toward day-to-day bargaining relationships and the working out of a modus vivendi with already organized employers" have diminished for the time being. The wisdom of pursuing a policy of business unionism at the expense of the promotion of "broader programs of social reform"<sup>4</sup> must be questioned when union coverage is declining and when even managers admit to their efforts to avoid unions.<sup>5</sup>

Moreover, unions have fewer fall-back strategies for when concession negotiations stall, or when managements simply refuse to rescind demands the unions consider to be unacceptable. The efficacy of a strike is reduced when

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4. Op. Cit., Rees, p. 2

5. Loc. Cit., McKersie and Cappelli



demand has fallen, as in so many of our manufacturing industries. The effectiveness of mediation is dubious when the unions' bargaining power is at a relatively low level and when managements may be better off in the long run by cutting their losses, shutting down plants, and possibly investing in less tenuous sectors of the economy. Republic Steel's acquisition of Marathon Oil may not be good for steel workers, but it is likely to be very good for Republic Steel.

Faced with fewer alternatives to the unsatisfactory terms of negotiations with management, the unions are often forced to expand the range of "integrative" (as opposed to purely "distributive") issues under discussion. The descriptions of the BNA cases of bilateral concessions including profitsharing and stock ownership plans (described in table 7, above) illustrate the extent of this type of outcome, which links the fortunes of worker and company more closely than they have usually been linked in previous decades. The UAW can no longer count on scoring its primary gains on distributive issues. The Ford example mentioned above illustrates the widening range of issues (and problems, to use Walton and McKersie's vocabulary) on the table.<sup>6</sup>

Times are tougher for labor in many of our heavy manufacturing sectors than they have been for several decades. The frequency of labor's concessions and the workers' decreasing ability to depend on fall-back measures like COLA's, SUB's and unemployment insurance both contribute to the fact that unionized manufacturing workers (whether employed or unemployed) face more uncertainty -- as do the heavy manufacturing sectors themselves -- than they have in a long time.

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6. Loc. Cit., Katz

## CONCLUSION

The debate on whether concession bargaining portends anything fundamentally new for the way collective bargaining will be conducted in the future has only begun to reach the literature. Indeed, the literature on concession bargaining is sparse in all its aspects. But leading industrial relations theorists do disagree on the issue. John Dunlop (Professor of Industrial Relations at Harvard) and Daniel Mitchell (Professor of Labor Relations at the University of California) both hold that concession bargaining represents nothing new. Their argument is based on the prediction/assumption that the form and content of traditional collective bargaining will be no different after the recession eases.<sup>7</sup>

Dunlop points out in a recent paper that wages have increased steadily in the US since the end of World War II, and that only the rate of increase has varied.<sup>8</sup> When wage cuts do occur, claims Dunlop, they are either "temporary" or "indeterminate". He uses the 1982 concessions at Chrysler and Pan Am as examples. The crux of his argument is that labor markets cannot be analyzed in the supply and demand terms applicable to other factor markets, because of their social nature. Institutional forms of labor markets, for example, are particularly influenced by the steady characteristics of the employment relationship between labor and management. Thus, peoples' labor constitutes a qualitatively different analytical category than other production inputs.

His argument is a critique of purely economic attempts to understand labor markets and wage determination. He classifies his approach as a

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7. Op. Cit., "Layoffs;" Dunlop, John, speech before the Conference of Business Economists, March 1982; Mitchell, Daniel, interview with the Bureau of National Affairs, January, 1983

8. Dunlop, John, "The Fundamentals of Wages and Labor Markets," unpublished paper, Harvard University, August 30, 1982

"political-economic" one. Dunlop believes that "the fundamental elements of labor markets and compensation in the US...do not depend upon labor organization or collective bargaining." He continues, "the influence of collective bargaining is a separable presentation."<sup>9</sup>

Although we accept most of the descriptive aspects of Dunlop's argument, some of his conclusions must be amended in view of the significance of concession bargaining over the last two or three years in some of our most important economic sectors. It is true that wages have risen steadily since World War II, but wage cuts have not been as limited and epiphenomenal as one might infer from Dunlop's approach. It was not just Chrysler, but also other major auto manufacturers that demanded wage concessions from their workers in 1982. Pan Am was not the only major airline to impose wage cuts on its employees; Braniff, Western, Republic and Continental Airlines also got 10% wage cuts in 1982 labor contracts.<sup>10</sup> And wage cuts have not been limited to these sectors; steel and rubber, among others, have seen wage cuts as well.

It is true that in some cases of concession bargaining these wage cuts are explicitly "temporary" or "indeterminate". But it is hardly comforting to consider that concessions are only indeterminate, when plants sometimes close despite them. It is hard to take on faith Dunlop's implication that indeterminate wage cuts will not become permanent ones. It is also difficult to see how the indeterminacy of wage cuts mitigates their importance -- both material and symbolic -- when Republic Steel buys Marathon Oil, or when US Steel begins to import Japanese steel. In the aggregate, wages are still increasing in the US, as Dunlop points out. But in industries like steel, where major companies begin to

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9. Ibid., p. 30

10. Op. Cit., McKersie and Cappelli, p. 23

diversify into entirely unrelated sectors, or to import lower-cost steel from abroad, the idea that wage cuts (not to mention unemployment) may indeed be permanent must be taken seriously.

True, the "fundamentals" of wage determination have led to a steady wage increase over the post-war period. But if that is the case, how can collective bargaining be analyzed separately from these fundamentals? Dunlop himself includes the role of collective bargaining in his category of wage-determining "fundamentals". Where, then, can we situate Dunlop's notion that the institutional forms of labor markets (e.g., collective bargaining) are "particularly influenced" by the steady nature of the employment relationship? Concession bargaining is closely connected with threats to job security. We have noted, as Selig Perlman argues, that job security is crucially important to American organized labor. Thus, in considering concession bargaining it does not make sense to focus only on wages and on the nature of the labor force. The current unemployment level is the highest since the Great Depression. In a "social" and "political-economic" analysis of labor markets, this fact cannot be overlooked. The threat to the "steady" nature of the employment relationship is very real in the economic sectors we have focussed on. Sectoral unemployment in particular has implications not only for the duration of sectoral wage cuts, but also for the institutional forms of labor markets. This statement in fact follows from Dunlop's analysis.<sup>11</sup>

Dunlop's main point is that labor markets cannot be analyzed in conventional supply and demand terms. Our point is that the social and political-economic factors Dunlop uses to explain the uniqueness of labor markets are precisely the factors that suggest that concession bargaining is 'not just the same old thing', and that collective bargaining itself may well be affected by the recent spate of

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11. Op. Cit., Dunlop

concession negotiations.

Audrey Freedman (Senior Research Associate at the Industrial Relations Conference Board) and Everett Kassalow (Professor of Labor Relations at the University of Wisconsin) argue that concession bargaining represents a different kind of labor relations in which negotiations between management and labor have become increasingly tailored to the specific economic circumstances of the firm or plant in question.<sup>12</sup> They conceive of concession bargaining as a manifestation of the demise of pattern and industry level bargaining. They believe this trend is likely to continue, and that it will lead to a new kind of collective bargaining. The basis of this argument is the shaky economic circumstances facing managements in many of the troubled economic sectors. Both McKersie and Cappelli have pointed out one of the main economic circumstances leading to concession negotiations: a fall in the demand for labor. The data we have considered in this essay support both Freedman and Kassalow's as well as Cappelli and McKersie's theses.

The Walton and McKersie model suggests at least two other potentially new aspects of industrial relations: different management and labor attitudes, and changes within the unions (or firms). McKersie and Cappelli argue in a recent paper that the attitudes prevailing in many instances of concession bargaining represent a shift to a new cooperative mode of union-management relations. They discern five new dimensions in concession bargaining:

1. Union access to management's financial data (e.g., Ford and the UAW);
2. Union security agreements (e.g., Armour agreement to recognize the UFCW in all new plants);

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12. Loc., Cit., "Layoffs;" Freedman, Audrey, and Fulmer, William E., "Last Rites for Pattern Bargaining," in the Harvard Business Review, March-April 1982; Kassalow, Everett, interview with the Bureau of National Affairs, January, 1983

3. Job-investment linkage (e.g., General Electric and Goodyear agreements to couple paper workers' employment security with investment behavior);

4. Enhanced job security (e.g., Ford and United Airlines' agreements with UAW and pilots, respectively, to maintain at least a given percentage of existing jobs);

5. New Values (e.g., an increased emphasis in a number of cases on "openness, equality of sacrifice and egalitarianism").<sup>13</sup>

If Freedman and Fulmer's argument in "Last Rites for Pattern Bargaining"<sup>14</sup> is accurate, then we can in fact expect changes in three areas of industrial relations: the traditional unwillingness of the unions to engage in integrative bargaining with management; the attitudes McKersie and Cappelli refer to (see above); and the internal politics and structure of the unions themselves.

It is too early to predict whether collective bargaining will continue to involve concessions in the industries we have focussed on. The economy appears to be improving somewhat; how lasting that improvement will be remains to be seen. But our analysis tends to support Freedman and Fulmer's argument. First, the inclusion of profitsharing plans in a number of our cases might indicate an increasing emphasis on firm-specific contracts. It is true that both profitsharing and employee stock plans per se could set standards that might be adopted in a number of firms in the same sector or in related industries. However, both types of program must also be fitted to the firm's particular profit structure, and of course to its (or to the plant's) profitability.

It will be recalled that in the cases where unions got management concessions bargaining was overwhelmingly concentrated at the level of the firm. In 1982, this held for the steel and auto workers' unions, among others. Cappelli

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13. Op. Cit., McKersie and Cappelli, pp. 27-9

14. Op. Cit., Freedman and Fulmer

speculates that it is easier for unions to score gains in firm level negotiations because the union's bargaining power is strongest at that level. He argues that this is because the firm stands to lose more from the failure to negotiate a contract affecting all its plants, than if only one plant is involved.<sup>15</sup> The success of concession bargaining, from the union standpoint, may also turn on the specificity of the negotiations -- the parties' ability to address the particular economic circumstances and likely future scenario of a given firm. If industry level bargaining fails to work for the unions, this may also support the notion that concession bargaining outcomes are more attractive when negotiations focus on the specifics of a given site. As Freedman and Fulmer, as well as McKersie and Cappelli, point out, fitting the contract to the firm's circumstances is also in the interest of management.<sup>16</sup>

Pattern bargaining has been the rule in the auto industry. In 1982 neither UAW wage concessions nor management concessions were uniform across contracts.<sup>17</sup> In steel, industry bargaining has been common since the 1950s. In 1982 the steel workers struck different bargains with different firms.<sup>18</sup> (It is still unclear whether it will be possible to strike an industry bargain in 1983.)

Given the apparent, at least temporary, decline of high level and pattern bargaining, what are the implications for the internal politics and structure of the unions? First, the union internationals may have to give up some of their bargaining prerogatives to officials at lower levels. This transfer of the power to negotiate could also lead to more heterogeneous outcomes, since different

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15. Loc. Cit., Cappelli

16. Op. Cit., McKersie and Cappelli; Op. Cit., Freedman and Fulmer

17. Op. Cit., "Layoffs," p. 9

18. Ibid., p. 10

negotiators will have different bargaining styles and varying degrees of bargaining power. One result might be to allow the internationals to be more active in forums other than collective bargaining. For example, higher level officials could place greater emphasis on organizing the unorganized, or on legislation to limit non-union subsidiaries, out-sourcing to non-union sub-contractors, or capital movements to the predominantly non-unionized South. There may also be more friction between the locals and their internationals, as some traditionally high level functions devolve to lower level officials. The long tradition of centralization in the industrial unions will be hard to abandon, no matter how strong the impetus.

Further, the shift in the level and nature of negotiations could lead to declining rank and file support for their union leaderships. As Freedman and Fulmer have argued, union officials in manufacturing have spent years trying to sell the idea of high level and pattern bargaining to their members. If they are suddenly forced to reverse their position their legitimacy in the eyes of the rank and file might be endangered.<sup>19</sup>

Moreover, the rank and file will be unhappy with concessions as well as with job losses which might result if no concessions are made. So far, there has been no evidence of particularly high turn over levels among middle and upper level union officials in large manufacturing unions. But concession bargaining is a recent phenomenon, and it is too soon to tell what -- if anything -- the rank and file will do in response.

It is clear that not all the evidence is in. Thus, it is hard at this point to render a convincing verdict. But a few things have become apparent about how concession bargaining outcomes differ from the results of traditional collective

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19. Op. Cit., Freedman and Fulmer



bargaining. Most obviously, concession contracts confer losses and/or set-backs, instead of economic gains, on the unionized workforce. At the same time, however cooperative programs to raise labor productivity are more common under these circumstances than they have been in the past. The effects could be manifold. Cooperative union-management undertakings may decrease tensions that are exacerbated by hard economic times and by the very need to engage in concession negotiations. On the other hand, cooperation with management has never been the forte of American unions. The requirements of integrative bargaining may be very demanding for union leaderships which have traditionally resented anything resembling the cooptation of labor, or its demotion to the rank of 'interest group'.

Another effect of the integrative nature of concession bargaining outcomes is to tie labor more closely to the fortunes of individual firms. Beyond posing the difficulty of accepting contracts that involve much more than purely distributive issues, this outcome will be unattractive in cases where the firm's profitability continues to decline. It will be recalled that in 27 out of 203 1982 cases of concession bargaining, plant closure resulted despite labor give-backs. Not only do labor concessions fail to guarantee jobs, but they also imply the possible need for some reorganization within the unions. The localization of bargaining, along with the resulting firm-specificity of the negotiations, may be yet another impetus toward the transfer of bargaining prerogatives to lower union levels. As mentioned above, while it is unclear how the internationals would effect this shift, it is probable that it will be a difficult process.

Perhaps the most important 'unknown' is the rank and file reaction to concession bargaining. While the Landrum-Griffin Act spells out much of the structural composition and democratic processes required of the unions, the individuals making union policies and striking bargains with management are at least indirectly chosen by the workers. If concession bargaining continues to occur

in so many of our basic industries, it will be interesting to see whether union members vote in leaderships that propound less business-unionistic policies, goals and strategies.

As the BNA put it, "1982 could be called the year of concession bargaining."<sup>20</sup> It is true that not all the information is in. Concession bargaining is still a recent phenomenon. But it is also clear on the basis of the information that is in that concession bargaining differs from collective bargaining as we have known it in the United States between the mid fifties and the late seventies. And while concession bargaining has not been the rule, even in manufacturing, it has certainly not been the exception. As such, it will have a strong impact on the American Labor Movement.

The full implications of concession bargaining will depend on the dynamics of the national economy, on trends within various industrial sectors, and on the resulting structural position of organized labor. Consequently, it is ironically Dunlop's argument that labor markets must be studied as social and political-economic (as opposed to strictly economic) phenomena, which most convincingly makes our point: the kind of impact this concession experience will have on how American Industrial Relations are conducted in the future depends on what social, political and economic lessons the unions and managements of the US will learn from that experience. It is quite possible that in the sectors most severely affected by economic crises and the need for concessions, organized labor's "business unionism" will become increasingly inappropriate. The challenge to the unions is likely to be tremendous.

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20. Op. Cit., "Layoffs," p. 8

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