



# Collective Bargaining Bulletin

**A REVIEW OF CONTRACT NEGOTIATION AND ADMINISTRATION**

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### **Contract Settlements**

The first 2004 wage table in *Table of Contract Settlements* will appear in the CBNC issue dated Jan. 22.

## America West Pilots Ratify Contract Providing Immediate 11 Percent Raise

**A**ir Line Pilots Association members ratified a three-year contract with America West Airlines that provides 1,505 pilots an immediate 11 percent salary increase and requires greater employer contributions to an employee retirement plan, ALPA announced Dec. 30.

Pay scales for pilots will increase 11 percent Jan. 21, and 3 percent at the end of the contract. While the increases do not raise pay to parity with industry peers, they are “a step in the right direction,” the union said. The contract also provides a one-time signing bonus of \$12,000 for captains and \$7,200 for first officers, with the bonuses to be paid into a 401(k) program.

Beginning Jan. 1, 2005, the airline will make monthly contributions to the 401(k) plan equal to 7 percent of an employee’s gross income, which will be in addition to a continued airline match of 50 percent of an employee’s contribution up to 6.5 percent of salary.

The new contract also puts in place a “bridge” program designed to help pilots aged 55 and older as well as those who have retired since the last contract became amendable in May 2000, who stand to gain little or no benefit from the new contributions to the retirement plan. The bridge program provides a retirement benefit of \$200 for every month of service, although the benefit will be reduced by the amount of any employer contributions made under the new 401(k) provisions. Under the program, a pilot with 20 years of service who retired in July 2003 stands to receive \$48,000, ALPA said.

A new efficiency recovery program that awards 75 percent of any cost savings realized from pilot efficiencies to pilots and 25 percent to the airline also is called for. For example, the airline could save money by using existing pilots to fly more hours, rather than hiring additional pilots, ALPA said.

The new contract also contains changes in work rules that provide both the airline and pilots with flexibility in scheduling, and new language that limits the types of contracts America West can enter into for the use of so-called express carriers on certain routes as long as fewer than 145 America West aircraft are in service.

Changes in health care coverage increase employee deductibles, copayments, and out-of-pocket maximums, and call for the employer to pay the first 5 percent of any increase in health care premiums with increases above that amount shared equally by the company and the pilots. Currently, pilots pay 15 percent of premium costs and the airline pays 85 percent.

## UAW Members Ratify Inaugural Contracts At Freightliner Facilities in North Carolina

**F**irst contracts covering more than 3,100 Freightliner LLC employees at two North Carolina locations provide an \$800 signing bonus, eliminate worker contributions toward health insurance premiums, and continue company-provided pension benefits while workers are moved into a union-company retirement plan. Ratification of the agreements, which run through March 31, 2007, was announced Dec. 22 by the United Auto Workers and Freightliner.

More than 2,400 employees at a truck manufacturing plant and pre-delivery inspection facility in Cleveland receive hourly pay increases of 55 cents immediately, 35 cents in the second year, and 50 cents in the third year. About 720 workers at Freightliner's parts manufacturing facility in Gastonia receive hourly increases of 50 cents initially, 30 cents in the second year, and 45 cents in the third year. Workers at both locations employed in the skilled trades will receive additional 25-cent hourly increases in the second and third years.

Both agreements establish grievance procedures and joint health and safety committees. Although employees will not have to contribute toward the cost of their health insurance premiums, both contracts increase worker copays for medical office visits by \$15, implement \$40 copays for visits to certain specialists and to emergency rooms, and increase out-of-pocket maximum payments.

## UFCW, Food Processors Negotiate Health Plan Changes

Increased health care cost-sharing for workers and wage increases totaling \$1.20 per hour are called for in a four-year contract between John Morrell & Co.'s Smithfield Foods subsidiary and the United Food and Commercial Workers. The agreement, covering about 1,200 workers at a slaughterhouse in Sioux City, Iowa, was ratified Dec. 28.

"Health care . . . was a very tough issue," the union said. "Seventy-five percent of time in negotiations was [spent] on health care."

Employee health care premium payments of approximately \$12 per week for single coverage and \$23 per week for family coverage will in-

crease \$2 per week in the first year, an additional \$4 per week in the second and third years, and \$5 per week in the fourth year. Workers also will pay higher deductibles. On the plus side, dental and disability benefits are improved, and prescription drug benefits remain unchanged.

A base wage of \$11 per hour increases 40 cents per hour Jan. 1, 30 cents per hour in the second and third years, and 20 cents per hour in the fourth year. Workers may receive additional pay depending on job classification and experience.

Company hourly contributions to workers' 401(k) plans initially rise from 35 cents to 40 cents for the first 40 hours worked per week, and in the final year will increase an additional 5 cents. Mechanics now are required to work four Sundays per year; such shifts previously were voluntary.

Meanwhile, a new 53-month contract covering about 1,700 UFCW-represented workers at Tyson Foods Inc.'s pork processing plant in Logansport, Ind., moves employees into the same medical plan that covers most other union and nonunion Tyson employees around the country.

The contract, ratified Dec. 16, includes a \$250 ratification bonus and raises hourly pay 70 cents initially and 20 cents each following December through 2007. Qualified maintenance workers will be paid up to \$17.50 per hour by end of term, while production employees will top out at \$13 per hour.

The company will take over the cost of short-term disability coverage and expand its 401(k) retirement savings program. In addition, Tyson and UFCW will manage a newly established "cultural diversity training fund" to support diversity projects in the company and in the community.

## New York Public Employees Agree to Modify Health Plan

Faced with rising prescription drug costs, New York City and unions representing municipal employees agreed to a plan to modify health benefits that is expected to generate \$100 million in annual savings, city and union officials said Dec. 18.

The modifications will affect about 500,000 employees and retirees beginning in April, providing "valuable health benefits to city employees without additional costs to taxpayers," city officials said.

The negotiated changes made it possible to preserve a prescription program for psychotropic, injectable, chemotherapy, and asthma (PICA) drugs, which was introduced in a January 2001 health benefits agreement. The PICA program will be maintained with changes that include a three-tier copayment schedule, a mandatory mail order program, and other cost-containment measures.

Under the new agreement, the city will contribute about \$70 million more to union welfare funds through an additional \$100 payment for each employee or retiree, the United Federation of Teachers said. The welfare funds receiving the additional money cover dental benefits, optical services, and prescription drugs not covered by other plans.

Other changes require workers and retirees to pay a \$35 administrative fee each year. Copayments under a point-of-service plan will rise from \$10 to \$15 for primary care visits, or to \$20 for specialist visits; from \$200 to \$300 for hospitalization; and from \$25 to \$50 for emergency-room visits. Annual deductibles for the use of out-of-network providers will rise from \$175 to \$200.

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## Legal Developments

### Firm Unlawfully Declared Impasse On Permissive Bargaining Subjects

An employer unlawfully insisted to impasse on two proposals for a successor contract, the National Labor Relations Board decided Dec. 15 (*ServiceNet Inc.*, 340 N.L.R.B. No. 148, 12/15/03 [released 12/18/03]).

During negotiations for a new contract, the employer presented a package proposal that included changes to two clauses—one dealing with the manner in which changes to a health insurance plan would be decided and the other providing the contract would remain in effect until a successor agreement was reached.

After the union refused to enter into an agreement containing these clauses, the company presented another proposal that it termed its final offer. The company said that if it did not receive a response by Jan. 25, 2002, it would declare impasse and implement the offer. The union demanded that talks continue, but the employer Feb. 5 declared impasse.

NLRB ruled that both articles were permissive subjects of bargaining and that the company violated the National Labor Relations Act by insisting to impasse over them.

In finding that the health care proposal was a nonmandatory subject of bargaining, the board said the proposal would allow the company to circumvent the union and bargain directly with employees over a term or condition of employment.

As for the duration clause, the board found the article is analogous to an interest-arbitration clause, which the board has found to be a permissive subject of bargaining. Although duration clauses in general are treated as mandatory subjects of bargaining, the board found that this article is different because unlike the typical clause, “it does not simply cover the duration of the agreement during its term. Rather, this article also requires adherence to the contract—including any no-strike and no-lockout undertakings—after it has expired and while negotiations for a new agreement are ongoing.”

While the board said the parties are free to enter into such an agreement, neither party can be compelled to “relinquish its right to exercise its economic weapons perpetually.”

### Withdrawal From Association Not Justified by Secret Negotiations

A contractor cannot justify an untimely withdrawal from a multiemployer bargaining association by citing secret negotiations between the association and a union after accepting a multiemployer contract, the National Labor Relations Board decided Dec. 15 (*D.A. Nolt Inc. and Local 30, United Union of Roofers*, 173 LRRM 1513, 340 N.L.R.B. No. 152, 12/15/03).

During talks for a new contract, union officials asked the association to keep the talks confidential. After a tentative agreement was approved by the association bargaining committee, a letter and ballot was sent to other association members instructing them to return the ballot by July 14, 2000. The letter informed members that if they wished to withdraw, they should do so by Jan. 30, 2001, and not vote on the contract.

The employer voted to accept the agreement, but on Jan. 30, 2001, told the association and union that it was withdrawing from the association.

Secret negotiations did not constitute “unusual circumstances” that would permit the firm to withdraw from the association, NLRB said, citing criteria established in *Retail Associates and Retail Clerks Local 128*, 41 LRRM 1502, 120 N.L.R.B. 388 (1958) and *Chel LaCort*, 148 LRRM 1051, 315 N.L.R.B. 1036 (1994).

In *Retail Associates*, NLRB held that withdrawal from multiemployer bargaining would not be allowed after bargaining began absent mutual consent or absent “unusual circumstances,” the board said. “Subsequent cases applying this standard have found ‘unusual circumstances’ where there were dire economic consequences (such as bankruptcy or imminent plant shutdown) or fragmentation of the multiemployer unit,” and such criteria were not met here.

The decision in *Chel LaCort* said “unusual circumstances” did not include a situation where the employer attempted to withdraw after its association had failed to inform members of the negotiations, the board said. In that decision, it was determined that the extent of an association’s communication with its members is an internal matter properly resolved within the association.

## News in Brief

### Financial Report Rule Delayed

Unions will have more time to comply with the Labor Department’s newly revised regulations requiring more detailed annual financial reports under the Labor-Management Reporting and Disclosure Act following a federal court’s Dec. 31 decision to delay implementation of the rules for one year (*AFL-CIO v. Chao*, D.D.C., No. 1:03-cv-02464, 12/31/03). Granting AFL-CIO’s request for a preliminary injunction, the U.S. District Court for the District of Columbia decided the federation and its affiliates would suffer irreparable harm if they had to begin complying with the new rules on Jan. 1, as directed by DOL. The federation challenged the new rules in a suit filed Nov. 26 (8 COBB 147, 12/11/03).

### Meisburg Fills Fifth NLRB Seat

President Bush Dec. 26 announced the recess appointment of Ronald E. Meisburg (R) to serve as a member of the National Labor Relations Board. Under the appointment, Meisburg can serve without confirmation until the Senate adjourns its 2004 session. The president Nov. 20 nominated Meisburg to fill the fifth seat on the board (8 COBB 143, 11/27/03).

### Fewer Representation Votes Held

There were fewer resolved representation elections held during the first half of 2003 than during the same period of 2002, according to National Labor Relations Board data analyzed by BNA PLUS. At the same time, unions won nearly the same percentage of elections in the first half of 2003 as in the year-ago period. For copies of the report, contact BNA PLUS at 800-452-7773.

### Construction Compensation Rises

First-year wage-benefit increases negotiated in construction contracts in 2003 averaged \$1.42 an hour, or 4.3 percent, the Construction Labor Research Council reported. An average of 63 cents, or about 44 percent of the first-year hike, was allocated to health-welfare funds—a relatively large level considering employer health insurance payments average about 12 percent of union construction workers’ \$37.25 national hourly wage-benefit package, CLRC said. Contact CLRC at (202) 467-5680.

# Facts & Figures

## Workplace Injuries, Illnesses Totaled 4.7 Million in 2002

The number of nonfatal workplace injuries and illnesses recorded by employers in 2002 was 4.7 million, resulting in a rate of 5.3 cases for every 100 equivalent full-time workers, the Bureau of Labor Statistics announced Dec. 18.

The rate for 2001 was 5.7 per 100, but the 2002 figures are not comparable because of changes made by the Occupational Safety and Health Administration to its recordkeeping requirements, BLS said. The primary source for the BLS estimates of occupational injuries and illnesses are the records provided by employers.

Among goods-producing industries, incidence rates during 2002 ranged from four cases per 100 full-time workers in mining to 7.2 cases per 100 full-time workers in manufacturing. The construction rate was 7.1 per 100 workers.

Within the service-providing sector, incidence rates ranged from 1.7 cases per 100 full-time workers in finance, insurance, and real estate to 6.1 cases per 100 full-time workers in transportation and public utilities.

For most industries in 2002, rates for injuries and illnesses were higher for mid-sized establishments—those employing between 50 and 249 workers—than for smaller or larger establishments, BLS said.

Although the 2002 figures cannot be compared with prior years, the U.S. injury and illness rate has been declining since statistics were first collected in 1973. When the 2001 figures were released, BLS said the rate had been cut nearly in half from 11 cases per 100 workers in 1973.

In 2002, approximately 2.5 million injuries and illnesses were cases that required recuperation away from

work, transfer to another job, restricted duties at work, or a combination of these actions.

The remaining 2.2 million injuries and illnesses were recordable cases that did not result in time away from work. The incidence rate for cases involving time away from work was 2.8 cases per 100 workers, while the rate for recordable cases that did not involve lost time was 2.5, BLS said.

As in past years, most of the 4.7 million cases reported to BLS—about 4.4 million—were injuries. The services and trade industries had the largest shares of injury cases, about 27 percent each, followed by manufacturing with just over 23 percent.

The 2002 report is available at [www.bls.gov/news.release/pdf/osh.pdf](http://www.bls.gov/news.release/pdf/osh.pdf).

### Incidence Rates of Nonfatal Occupational Injuries, 2002

By Industry Division <sup>1</sup>					By Industries With Most Recordable Cases			
Division	Total Cases	Total Lost Workday Cases <sup>2</sup>	With Days Away From Work	With Restricted Work Only	Industry	Total Cases (000)	Total Lost Workday Cases (000)	Incidence Rate <sup>1</sup>
Durable Goods Manufacturing	7.9	4.3	1.9	2.4	Health Services	623.6	288.5	7.4
Construction	7.1	3.8	2.8	1.1	Special Trades Contractors	284.5	153.8	7.5
Agriculture, Forestry, and Fishing <sup>3</sup>	6.4	3.3	1.6	1.2	Eating and Drinking Places	252.3	88.3	4.6
Nondurable Goods Manufacturing	6.2	3.8	1.6	2.2	Manufacturing: Transportation Equipment	169.7	97.4	10.1
Transportation and Public Utilities	6.1	4.0	2.7	1.3	Food Stores	169.2	83.6	6.8
Wholesale and Retail Trade	5.3	2.7	1.6	1.1	General Merchandise Stores	160.9	99.0	7.7
Services	4.6	2.2	1.3	0.9	Manufacturing: Food	155.5	101.6	9.3
Mining <sup>4</sup>	4.0	2.6	2.0	0.7	Business Services	149.4	73.4	2.7
Finance, Insurance, and Real Estate	1.7	0.8	0.5	0.2	Manufacturing: Primary Metals Industries	130.8	68.2	10.3

<sup>1</sup> Injuries or illnesses per 100 full-time workers.

<sup>2</sup> Total of cases with days away from work, restricted work activity, or both.

<sup>3</sup> Excludes farms with fewer than 11 employees.

<sup>4</sup> Excludes some independent mining contractors.

Source: Bureau of Labor Statistics

A BNA Graphic/cbn401g1

## Arbitrating the Contract

### Pay Differential Must Exclude Allowance for Actual Expenses

A union representing police grieved when the county sheriff's office denied its request to exclude from the computation of military-service differential pay any government allowances that employees who were called up for military duty received for housing and living expenses.

The parties' contract specified that employees on military leave for up to 176 hours per year would receive full pay. Employees who exhausted the 176-hour maximum were entitled to be paid the lesser of their regular base salaries minus military pay or \$500 per month.

A memorandum of understanding dated Oct. 23, 2001, provided that employees ordered into active duty as a result of the Sept. 11, 2001, terrorist attacks on the United States who exhausted the 176-hour fully paid annual military leave called for in the contract would be paid their regular base salaries less the amount of military pay received.

Seeking a declaration that government expense payments to employees on military leave not be included in calculating the difference between military and regular pay, the union contended that the term pay does not include allowances. Pay is compensation for services rendered and usually is taxable, while allowances refers to reimbursement of expenses that are not taxable compensation.

The employer said that pay is money for services rendered, both money received from an employer and money received from the military as housing and living allowances.

**Award:** An arbitrator sustained the grievance in part (*Franklin County Sheriff's Office*, 117 LA 1821 (Goldberg, 2003)).

**Discussion:** The purpose of the memorandum of understanding—to make sure that employees called up for military duty would not suffer economic losses—is best served by excluding the allowances from the pay differential calculations of employees on active duty who actually incur additional expenses for housing and subsistence and including them in the calculations of those who do not, the arbitrator held.

Military allowances are analogous to expense reimbursements for travel, meals, tools, and uniforms that employers make in recognition of the fact that employees would not incur the reimbursed expenses but for their job, the arbitrator found.

Military housing and subsistence payments similarly are intended to make up to soldiers the expenses that they must incur as a result of having to live away from home temporarily while continuing to incur similar expenses for themselves and their families at their permanent homes, the arbitrator reasoned, and are separate and apart from the wages and salaries earned for services performed. Thus, their exclusion from the calculations of pay differentials for those employees who actually incur such expenses is appropriate.

Conversely, excluding these allowances from pay differential calculations for employees who have not incurred such expenses would amount to a constructive salary increase and provide a windfall that was not contemplated or intended when the memorandum of understanding was negotiated, the arbitrator concluded.

**Pointers:** In another case dealing with pay for military leave, an arbitrator declared void as contrary to a public law a contract provision that permitted "no exceptions" to a requirement that teachers be present for an entire Saturday in-service work day to receive pay. The arbitrator cited a state law that provided that all employees of political subdivisions "shall be entitled" to leave "without loss of pay, time, or efficiency rating" for active military service in holding that a school district improperly denied pay and benefits to a teacher who missed an in-service day because he had been ordered to report for military duty (*Clarion-Limestone Sch. Dist.*, 90 LA 281 (Creo, 1988)).

*The case discussion above is designed to illustrate how arbitrators resolve disputes. "LA" references are to BNA's weekly Labor Arbitration Reports. For a discussion of military leave, see CBNC chapter Military Leave at 14:701, and for sample contract language on military leave and pay, see eight chapters beginning at Veterans and Military Service in General at 180:5101.*

## Conferences

**Employee Health Care Conference**, Jan. 29-30, New York, Feb. 25-26, San Diego; price: \$1,895 associate, \$1,995 nonassociate. Presented by Conference Board, (212) 759-0900.

**Contract Language: Working Within It; Making It Work for You**, Feb. 2, New York, N.Y.; price: \$595. Presented by Cornell University School of Industrial and Labor Relations, (212) 340-2802.

**Effective Grievance Handling: From Step One to Arbitration**, Feb. 3, New York, N.Y.; price: \$595. Presented by Cornell University School of Industrial and Labor Relations, (212) 340-2802.

**Increasing Effectiveness in Arbitration**, Feb. 4-6, New York, N.Y.; price: \$1,395. Presented by Cornell University School of Industrial and Labor Relations, (212) 340-2802.

**Employee Benefits Committee Meeting**, Feb. 4-7, New Orleans, La.; price: \$275. Presented by American Bar Association, (312) 988-5813.

**State and Local Government Bargaining and Employment Law Committee Meeting**, Feb. 5-7, Cozumel, Mexico; price: \$175. Presented by American Bar Association, (312) 988-5813.

**ADR in Labor and Employment Law Committee Meeting**, Feb. 8-11, Puerto Vallarta, Mexico; price: \$250. Presented by American Bar Association, (312) 988-5813.

**Collective Bargaining: Tactics, Techniques and Table Manners**, Feb. 9-11, St. Petersburg Beach, Fla.; price: \$1,165. Presented by University of Wisconsin-Milwaukee, (414) 227-3200.

**Mediation and Dispute Resolution**, Feb. 12, Minneapolis, Minn.; price: \$395. Presented by Carlson School of Management, University of Minnesota, (612) 624-5525.

**State Labor and Employment Law Developments Committee Meeting**, Feb. 19-21, St. Thomas, Virgin Islands; price: \$225. Presented by American Bar Association, (312) 988-5813.

**Practice and Procedure Under the NLRA Committee Meeting**, Feb. 23-27, Manzanillo, Mexico; price: \$325. Presented by American Bar Association, (312) 988-5813.

# Conference Report

## Crisis Bargaining Offers Template for Improved Relations

Labor and management representatives from the steel and airline industries agreed that crisis bargaining measures, in particular the increased flow of information, are applicable during normal bargaining cycles.

The remarks were made during the Industrial Relations Research Association's annual conference, held in San Diego Jan. 2-5, at a session entitled, "Putting Industrial Democracy to the Test: Collective Bargaining During a Crisis."

"Crisis bargaining absolutely informs regular bargaining," said David McCall, director of United Steelworkers District One. "There are great lessons including information sharing and the need to do due diligence with the company."

In crisis bargaining in the airline industry, "We establish an employee stock ownership plan and put someone on the board of directors, which changes our relationship with the airline carriers," said Robert Roach, general vice president for transportation at the International Association of Machinists. "That led to the formation of a labor committee and the free flow of information between the union and management that we couldn't get before."

### Addressing the Steel Crisis

"We've never known any other kind of bargaining other than crisis bargaining," McCall said. "And we've developed a number of different approaches that employers in other sectors want to try, but they need to understand it's not enough for them to say 'we're losing money' and expect us to open up our collective bargaining agreement."

Management might say it has a crisis, but may just be looking to reduce labor costs or generate capital, McCall said. So the union should engage in due diligence: "Find out about their future business plan. If it can't succeed, why do it?"

McCall said unions, before agreeing to restructure a contract, should determine whether bargaining benefits workers and owners, or just the

professionals hired to deal with bankruptcy; whether bargaining will achieve the desired goal or merely delay the inevitable; and whether the plan incorporates a strategic approach involving union input regarding long-term plans.

"And most importantly," McCall emphasized, "does it educate the workers so that they understand the circumstances? They need to be made a part of the process."

The challenges arising from bankruptcies and consolidations in the steel industry also were discussed by Thomas Wood, vice president of labor relations at International Steel Group (ISG). ISG now operates facilities previously run by LTV, Acme Steel, and Bethlehem Steel.

"I watched the failure of crisis bargaining at the plant level with LTV, but the Steelworkers and remnants of the company arranged to keep the plants alive in case someone could bring them back," Wood said.

Eventually an investor group led by Wilbur Ross Co. began meeting with the Steelworkers. "It was a unique experience because management and the union had a chance to pick their partner," he said.

A rudimentary two-page agreement recognizing the Steelworkers and pledging to rehire according to seniority was worked out and the process out of which ISG would be forged commenced.

Over an eight-month period, that document grew to include changes in the way work was to be performed on the plant floor, variable cost structures to meet cycle fluctuations, worker empowerment, a restructured management team, prevailing wage rates, and job security, Wood said.

For example, at LTV, ISG and USW agreed to cut the number of workers at corporate headquarters from 300 to 16, cut the number of foremen from 126 to 26, slash the number of job classifications from hundreds to six, and simplify and reduce the number of work rules. As a result, what was once a 600-page contract was distilled to 200 pages.

### Airline Industry Bargaining

Echoing McCall, Roach said IAM "has been in crisis bargaining" with the airlines "as far back as 1980, and we have developed processes for dealing with it."

The union's three-step formula in crisis bargaining involves identifying the problem, diagnosing the cause, and working on a fix that does not jeopardize its members' jobs.

Roach said experience showed contracting out crisis resolution tasks to lawyers and others "who write documents that provide themselves with long-term employment at exorbitant prices" was too costly, so IAM brought the work in-house.

"We approach crisis bargaining on a coalition type basis by bringing the pilots, flight attendants, and customer service people into the process," Roach said.

The fact that an airline is losing money does not automatically mean union members are at fault, he said. "First we see what we can do in terms of work rules and other adjustments. And we always ask for stock options so that our members can benefit from whatever recovery their sacrifice helps achieve."

US Airways "started sharing our models [with the union] to not only see if we were truly profitable or not, but also to demonstrate their validity so the union can act in a way that is consistent with our business imperatives," said P. Douglas McKeen, the carrier's vice president of labor relations and benefits.

"Our contracts need to address opportunities when things are good, but address the down cycles without having to be reopened and changed," McKeen said.

Contracts need to be constructed on a "job-at-risk" basis without guarantees of security, but allow workers to share in a carrier's success, he said. For example, the agreement between US Airways and its unions provides employees with a 30 percent ownership in company stocks, 50 percent of which are vested, and profit-sharing.



**BNA, INC.**

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## **2004 Employer Bargaining Objectives**



## Highlights

■ **Employers appear to be approaching contract negotiations with high levels of optimism and resolve.** More than nine out of 10 surveyed management representatives reported moderate or strong confidence about achieving their bargaining goals in 2004, with an unusually large proportion indicating that they were “very confident” about meeting their objectives.

■ **Financial difficulties for many surveyed employers provide a context for understanding bargaining plans in 2004.** Despite an upturn in the U.S. economy toward the end of the 2003, almost as many management representatives reported dim to bleak fiscal results for the year as those who said their organizations would close out 2003 in the black. This stands in stark contrast to the lopsided results from previous years—when employers far more commonly reported profits than losses—and helps to explain respondents’ intentions to hold down wage increases and make cost-saving benefit changes.

■ **The most common duration for bargaining agreements will once again be three years.** Nearly two-thirds of the responding employers (64 percent) expect to negotiate three-year contracts in 2004, up from 55 percent a year earlier but down slightly from 67 percent two years ago. More than one-fourth of management negotiators (28 percent) hope to secure contracts spanning four years or more. This is a marginal increase from reports for the last three years but much higher than in the mid-1990s. In 1996 and 1997, for example, just 14 percent of surveyed employers sought deals spanning four years or more.

■ **Management negotiators appear more conservative in their wage adjustment proposals in 2004 than they have been in recent years.** This cautiousness is evidenced by a sharp drop in reported plans to settle on increases of 3.0 percent or more in the initial year of their new labor agreements. The shift toward smaller wage adjustments also applies across the life of new contracts, with only about one-third of responding employers anticipating that annual adjustments will average 3.0 percent or more over term. Just a few years ago, the balance tilted the opposite way, with 61 percent of employers expecting wage increases to average 3.0 percent or more per year for contracts negotiated in 2001.

■ **Should contract talks dissolve and a work stoppage ensue, most employers would consider the replacement of striking workers.** More than one-fourth of the surveyed labor relations professionals (27 percent) said their organizations are “very likely” to hire striker replacements if bargaining-unit employees walk off the job in 2004, up from 21 percent each of the last two years and higher than levels seen since the mid-1990s. Another 23 percent reported that striker replacements are “somewhat likely” in the event of a work stoppage in 2004. In contrast, 16 percent said they “would not consider” the hiring of striker replacements, while 21 percent allowed for the possibility but indicated that their organizations are “not very likely” to replace striking workers.

■ **Employers' bargaining plans for 2004 indicate strong interest in scaling back insurance coverages for bargaining-unit workers.** Contrary to a trend that persisted for several years, when employers were more open to insurance benefit improvements or additions, management negotiators are now leaning toward reducing or eliminating existing insurance benefits. In fact, intended reductions or eliminations in 2004 are more than five times as likely as the addition of new insurance benefits. This reversal is undoubtedly due in part to the double-digit increases in health benefit costs that have buffeted many employers in recent years.

■ **For the second straight year, employers contemplating changes to insurance benefits during negotiations are more likely to seek cuts than improvements, particularly in the area of health benefits.** This finding contrasts with a trend that prevailed for a number of years. For example, employers surveyed about contracts expiring in 2002, 2001, and 2000 were more than twice as likely to add or improve on insurance benefits as they were to reduce or eliminate their existing insurance benefits. That trend reversed in 2003, and the percentage of employers seeking to reduce or eliminate insurance benefits now overshadows the percentage of employers considering additions or improvements.

■ **Union negotiators are not likely to secure boosts in pension benefits during upcoming contract talks.** Only about one-fifth of responding employers (21 percent) are considering pension increases in their 2004 contracts. Prior to the recent economic downturn and setbacks in the stock market, the rule of thumb was that about half of surveyed employers would be considering pension benefit hikes. However, poor investment performance in recent years has led to widespread underfunding of pension plans in the United States, and the increased financial strain required to keep up with existing benefit promises has likely caused some employers to think twice about considering additional pension commitments.

## Survey Sample and Methodology

**M**anagement representatives with primary responsibility for negotiating new labor agreements in 2004 were asked to complete a six-page questionnaire on their organizations' current union contracts and their collective bargaining objectives for 2004.

The survey questionnaire was mailed in July and August 2003 to 634 establishments with collective bargaining agreements expiring in 2004. Responses were accepted through late September. The survey results contained in this report are based on completed questionnaires received from 122 organizations, for a response rate of 19 percent.

Of the 122 employers represented by the respondents, 31 percent (38 companies) are manufacturers. Eleven of those manufacturing facilities (9 percent of all responding organizations) were classified as producers of "basic" goods, including paper (three firms), chemicals (two firms), metals (two firms), stone, glass, and concrete (one firm), lumber (one firm), tobacco (one firm) and petroleum (one firm). Sixteen responding manufacturers (13 percent of all employers) produce "intermediate" goods—fabricated metals (seven firms), printing and publishing (three firms), food and beverages (two firms), rubber and plastic products (two firms), and furniture (one firm) and, apparel (one firm). Eleven companies (9 percent) manufacture "advanced" goods, including electrical machinery (five firms), transportation equipment (four firms), nonelectrical machinery (one firm), and computer equipment (one firm).

Nonmanufacturing establishments comprise 69 percent of the survey respondents (84 employers). The nonmanufacturing classification includes construction (12 firms), utilities (nine firms), transportation (five firms), retail trade (five firms), banks (two firms), communications (two firms), transportation and delivery services (two firms), personal and lodging services (one firm), business and computer services (one firm), recreation services (one firm), engineering and accounting services (one firm), mining (one firm) and wholesale

trade (one firm). One respondent did not provide any information on the organization's industry. Also included under the broader nonmanufacturing classification is the subsector of nonbusiness entities, which accounts for 31 percent of all survey respondents (40 employers). The nonbusiness classification, which is used in select analyses in the report, includes government (14 organizations), health care (14 establishments), education (nine organizations), and other nonbusiness entities (three organizations).

In terms of the number of employees covered, 43 percent of the surveyed labor relations professionals responded for labor agreements covering large bargaining units (1,000 or more workers), and 57 percent reported for contracts covering small bargaining units (fewer than 1,000 employees).

By geographic region, 33 percent of the surveyed organizations (40 employers) operate in the North Central region (IL, IN, MI, OH, WI), and 21 percent (26 employers) are located in the Middle Atlantic region (DC, DE, MD, NJ, NY, PA, VA, WV). Twelve percent (15 employers) are on the West Coast (AK, CA, HI, OR, WA), and another 12 percent (15 employers) are located in the Midwest (IA, KS, MN, MO, ND, NE, SD). Six percent of the organizations (seven employers) operate in the Southeast (AL, AR, FL, GA, KY, LA, MS, NC, PR, SC, TN), 5 percent (six employers) are based in the Southwest (AZ, NM, NV, OK, TX, UT), and 4 percent (five employers) are located in New England (CT, MA, ME, NH, RI, VT). Two percent of the responding establishments (two employers) operate in the Rocky Mountain region (CO, ID, MT, WY). Five percent (six employers) have work sites in more than one geographic region.

[Note: For convenience and readability, terms such as *company*, *firm*, *establishment*, *organization*, and *employer* are used interchangeably in this report. Also, terms such as *bargaining unit*, *union*, *local*, and *unit* are used to refer to the groups of employees covered by the responding organizations' collective bargaining agreements.]

## Bargaining Outlook and General Plans

**E**mployers appear to be approaching contract negotiations with high levels of optimism and resolve. More than nine out of 10 surveyed management representatives reported moderate or strong confidence about achieving their bargaining goals in 2004, with an unusually large proportion indicating that they were “very confident” about meeting their objectives.

Despite relative optimism about bargaining, a negative financial situation plagues many employers. In fact, almost as many management representatives reported dim to bleak fiscal results for 2003 as those who said their organizations would close out the year in the black. This stands in stark contrast to the lopsided results from previous years, when employers far more commonly reported profits than losses.

The most prevalent contract duration will once again be three years. However, employer interest in longer contracts has increased somewhat, perhaps indicating a recognition that the current economic climate could make it easier for employers to lock in conservative wage packages. A very small minority of responding employers intend to pursue contracts spanning less than three years.

Plans to follow pattern settlements remain relatively uncommon on the whole, although some manufacturing employers are more likely to base their contracts on settlements negotiated by other members of their industries. Manufacturers are also the most likely to replace striking employees if contract talks break down and bargaining-unit members walk off the job. Nevertheless, relatively few employers would go into a strike situation with the intention of replacing employees permanently.

### Number of Contracts Expiring in 2004

For many labor relations professionals, collective bargaining in 2004 will entail negotiations on multiple fronts. Three-fifths of the responding employers (60 percent) have at least two labor contracts that will expire in 2004, while one-third (33 percent) have a single contract expiring. Seven percent did not specify the number of collective bargaining agreements that will come up for negotiations.

Employers that manufacture “basic” goods (e.g., paper, chemicals, and primary metals) lead the way in terms of multiple expiring contracts. More than four-fifths of basic goods manufacturers surveyed (82 percent) will negotiate more than one contract in 2004. In contrast, just 44 percent of “intermediate” goods manufacturers (e.g., fabricated metal, printing, food) and 36 percent of companies that make “advanced” goods (e.g., machinery, transportation equipment) face multiple contract negotiations.

For employers in the nonmanufacturing sector, the odds are roughly two-to-one in favor of having multiple collective bargaining agreements to hammer out. Management negotiators will be keeping particularly busy at nonbusiness establishments—a grouping that includes employers in health care, government, and education—where three out of four responding employers reported multiple contract expirations in 2004. Among the remaining “nonmanufacturing” employers

(e.g., construction firms, utilities, and banks), 52 percent of respondents reported having multiple contracts to negotiate. (See the introductory section, “Survey Sample and Methodology,” for more detailed information about the responding employers and industry categories.)

The survey results indicate a relationship between size and number of collective bargaining agreements. Among employers providing details on large labor contracts—those covering 1,000 or more workers—79 percent have at least one additional collective bargaining agreement to negotiate in 2004. Among employers providing details on contracts for smaller groups of employees, meanwhile, less than half (46 percent) face multiple expirations.

[Note: Respondents with more than one collective bargaining agreement expiring in 2004 were asked to report details and expectations for the contract covering the largest number of employees.]

### Bargaining Confidence

Management negotiators mostly expressed optimism about upcoming contract talks, as Figure A shows. Like last year, the vast majority of respondents either said they were “fairly confident” or “very confident” about achieving their bargaining goals in 2004. Also in keeping with past findings, only a handful of respondents (7 percent) said they were “not very confident” about contract negotiations at the time of the survey (July to September).

In a departure this year from past surveys, however, an unusually high percentage of labor relations professionals reported strong optimism regarding upcoming negotiations. Nearly two-fifths of respondents (39 percent) said they were “very confident” about meeting their bargaining objectives in 2004, up from 30 percent a year ago.

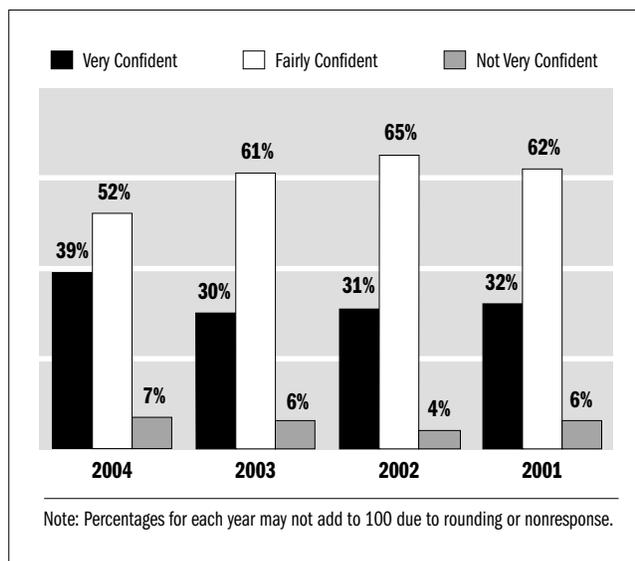
Perhaps most confident are manufacturers of basic goods (e.g., paper, chemicals, and primary metals). Sixty-four percent of the employers in that group are very assured of achieving their bargaining goals in 2004, and the remaining 36 percent are at least guardedly optimistic. The only other sector without any respondents reporting a lack of confidence is advanced goods manufacturing (e.g., machinery, transportation equipment). However, almost all of those companies (91 percent) are just somewhat confident about finding success at the bargaining table.

A few industries account for most of the respondents reporting a lack of confidence about 2004 bargaining. Indeed, two-thirds of the respondents who said they were “not very confident” about achieving their bargaining goals are clustered in construction, education, and fabricated metals.

### Financial Outlook for 2003

Despite signs of an upturn in the U.S. economy toward the end of 2003, financial concerns remain for many of the surveyed employers. More than two-fifths of responding management representatives (41 percent) projected that their organizations would close out

**Figure A**  
**Bargaining Confidence**  
Percent of Employers



A BNA Graphic/sucb04ga

2003 in the red, including 10 percent who forecast substantial losses. In contrast, less than one-third of employers surveyed in 2002 projected either moderate (23 percent) or substantial (8 percent) losses. Far fewer respondents faced deficits a few years ago. In 1999 and 2000, for example, only 16 percent of surveyed employers expected losses of any kind, and fewer than one in 20 projected "very unfavorable" financial results.

With more employers slipping into the red, a smaller share of respondents forecast that they would avoid losses and simply break even for 2003. Whereas 20 percent of management representatives surveyed in 2002 said their organizations would have a break-even year, 16 percent of this year's survey respondents said the same.

Financial deterioration also shows up in the shrinking ranks of employers expecting to close out the year in the black. Only 4 percent of respondents reported a "very favorable" outlook for 2003 (down slightly from 5 percent in 2002), and 39 percent projected "somewhat favorable" fiscal results (down from 40 percent in 2002). Just two years ago, well over half of the surveyed employers reported profit outlooks that were either "somewhat favorable" (47 percent) or "very favorable" (10 percent), and profit outlooks were even more positive during much of the 1990s.

Dragging down the overall financial projections for 2003 are particularly bleak outlooks among nonbusiness establishments (e.g., hospitals, local governments, and schools) and manufacturers of basic goods (e.g., paper, chemicals, and primary metals). Only about one-fourth of basic goods manufacturers (27 percent) expected any kind of profits at all, while twice as many (55 percent) expected to lose money for the year. In the nonbusiness sector, only 25 percent of employers reported a favorable financial situation for 2003, while 58 percent reported unfavorable fiscal outlooks. Health care employers apparently had a tougher year than other nonbusiness sector employers; nearly three-fourths of health care employers projected either mod-

erately unfavorable (50 percent) or very unfavorable (21 percent) fiscal outcomes.

## Contract Length

The most common contract duration will once again be three years. There appears to be no stampede to secure longer contracts, even though the current climate of low inflation and relatively high unemployment could make it easier for employers to lock in conservative wage packages during upcoming negotiations.

Nearly two-thirds of the responding employers (64 percent) expect to negotiate three-year contracts in 2004, up from 55 percent a year earlier but down slightly from 67 percent two years ago. More than one-fourth of management negotiators (28 percent) hope to secure contracts spanning four years or more. This is a marginal increase from reports for the last three years but much higher than in the mid-1990s. In 1996 and 1997, for example, just 14 percent of surveyed employers sought deals spanning four years or more.

Among those respondents looking to negotiate longer contracts in 2004, 15 percent will seek four-year deals, 9 percent will seek five-year deals, and 4 percent will seek deals extending more than five years, as Table 1 shows. These lengthier contracts are most likely to be pursued by makers of basic goods, such as paper companies and chemical manufacturers, and least likely to be pursued by nonbusiness establishments, such as schools, hospitals, and local governments. In fact, 55 percent of responding employers in the former group will seek contracts spanning more than three years, compared with 10 percent of employers in the latter group.

Only a handful of employers expect to enter into bargaining agreements that run for fewer than three years. A scant 4 percent of the surveyed management representatives will seek two-year contracts, down from 12 percent a year ago. Another 3 percent of respondents will pursue one-year contracts, up from 2 percent last year.

On the whole, labor agreements covering 1,000 or more employees tend to run longer than contracts covering smaller units. More than one-third of employers negotiating contracts for large units (37 percent) anticipate a duration of more than three years, while just 21 percent of employers negotiating contracts for small units have similar expectations. In addition, contract durations of less than three years will be sought almost exclusively by employers negotiating labor agreements for small bargaining units.

**Table 1 — Expected Duration of 2004 Contracts**

One year	3%
Two years	4
Three years	64
Four years	15
Five years	9
More than five years	4

Note: Percentages are based on all 122 responding employers. Percentages do not add to 100 due to nonresponse.

## Pattern Settlements

Industry patterns will guide the bargaining strategies of one out of four employers with contracts expiring in

2004 (25 percent), down from 30 percent in each of the two previous years. A more common approach, as reported by 43 percent of respondents, will be to forge a new collective bargaining agreement that is not closely modeled on competitors' settlements. A clear sense of how many establishments will take their cues from other settlements is difficult to come by, however, because nearly one-third of the surveyed management representatives (31 percent) said they did not know or were unsure if their organizations would follow a pattern settlement in negotiations for 2004 contracts.

Plans for pattern settlements are slightly more common among manufacturers (29 percent) than among other employers (23 percent). However, this disparity reflects the fact that 55 percent of manufacturers of basic goods (e.g., paper, chemicals, and primary metals) plan to look to their competitors for negotiating cues. At the same time, the lower overall tendency of nonmanufacturers to structure contracts according to industry patterns can be attributed to the fact that only 15 percent of nonbusiness establishments (e.g., hospitals, schools, and local governments) plan to pursue pattern settlements.

## Striker Replacements

Should contract talks dissolve and a work stoppage ensue, most employers would at least consider the replacement of striking workers. However, the likelihood of hiring replacements would be slim for some employers, and others would rule out the possibility.

As illustrated in Figure B, more than one-fourth of the surveyed labor relations professionals (27 percent) said their organizations are "very likely" to hire striker replacements if bargaining-unit employees walk off the job in 2004. This is up from 21 percent each of the last two years and higher than levels seen since the mid-1990s.

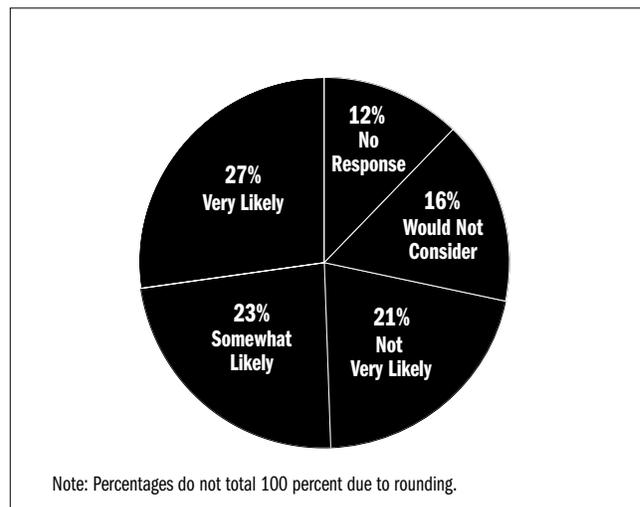
Another 23 percent of the surveyed labor relations professionals reported that striker replacements are "somewhat likely" in the event of a work stoppage in 2004. In contrast, 16 percent said they "would not consider" the hiring of striker replacements, while 21 percent allowed for the possibility but indicated that their organizations are "not very likely" to replace striking workers.

Workers in bargaining units of 1,000 or more employees face much less risk of replacement during a strike than do workers in small bargaining units. Among employers that will be negotiating contracts covering large units, only 37 percent are either somewhat or very likely to bring in replacements in the event of a strike. In contrast, 60 percent of employers with contracts covering small units said they would be at least somewhat likely to replace striking workers.

The use of replacements to keep operations running is also more likely to occur at manufacturing companies than elsewhere. Roughly two-thirds of manufacturing employers (66 percent) are at least somewhat likely to replace strikers, compared with 43 percent of nonmanufacturing employers. At the same time, only a handful of manufacturers (5 percent) have completely ruled out the hiring of striker replacements, whereas 21 percent of nonmanufacturing employers have eliminated that possibility.

While the tendency to replace strikers appears relatively strong among most types of manufacturers, com-

**Figure B**  
**Likelihood of Striker Replacement**  
**If Company is Struck**  
Percent of Employers



A BNA Graphic/subc04gb

panies that make advanced goods, such as machinery and transportation equipment, are less inclined to do so. Just over half of the responding advanced goods manufacturers say they are either "very likely" (27 percent) or "somewhat likely" (27 percent) to replace striking employees in the event of a work stoppage. In contrast, three-quarters of companies that manufacture intermediate goods, such as fabricated metals and food, are either very likely to replace workers if they walk off the job (50 percent), or somewhat inclined to bring in replacements (25 percent).

Among nonmanufacturing organizations, some of the employers least likely to replace strikers are those in the nonbusiness group, particularly local governments and schools. A number of management representatives from such organizations declined to provide information about striker replacements, and some explained that their employees do not have the right to strike. Almost all of the representatives from governments and schools who provided responses said their organizations would not consider replacing strikers or the likelihood would be small.

Health care employers were the exception to the pattern among nonbusiness establishments. Not only did 29 percent of the health care respondents say they would be "somewhat likely" to replace strikers, but 43 percent said they would be "very likely" to do so. One health care employer, whose upcoming negotiations are for a bargaining unit of nurses, said these workers would have to be replaced if they walked off the job. None of the responding health care employers said they would rule out the possibility of hiring striker replacements.

## Status of Replacement Workers

Even if replacements are brought in during a strike, the employees who walk the picket lines stand a good chance of regaining their jobs. Of the employers that would consider hiring replacement staff, only 17 percent indicated that those employees would be hired per-

manently, while 48 percent said replacements would be hired on a temporary basis. Quite a few labor relations professionals (29 percent) were not sure whether striker replacements would be permanent or temporary. In addition, a handful of respondents (6 percent) did not answer the question.

For a number of employers, the decision of whether to confer permanent status on replacement workers hinges on the length of the strike. Other labor relations

professionals have a specific strategy in mind. For example, the management representative for a furniture manufacturer said, "If current employees strike with the package they already have, we will replace them permanently." The employees of a chemicals company would also be likely to find themselves disenfranchised, because the company "would have replacements who are qualified to work long term." In contrast, a surveyed paper company would plan to use nonunion employees from other locations to get through a strike.

# Wage Adjustments and Other Pay Provisions

The economy's hesitant recovery has not prompted any loosening of employers' purse strings where negotiated wage increases are concerned. In fact, employers appear more reluctant about their wage adjustment proposals in 2004 than they have been in recent years, as evidenced by a sharp drop in reported plans to settle on increases of 3.0 percent or more in the initial year of their new labor agreements. This shift toward smaller wage adjustments also applies across the life of new contracts, with only about one-third of responding employers anticipating that annual adjustments will average 3.0 percent or more over term. Just a few years ago, the balance tilted the opposite way, with 61 percent of employers expecting wage increases to average 3.0 percent or more per year for contracts negotiated in 2001.

Few employers plan to bargain for lump-sum payments as part of the wage packages they negotiate in 2004. But even though the overall popularity of lump sums has declined in recent years, they appear to be staging a bit of a comeback among manufacturers. Cost-of-living adjustments, meanwhile, will remain on a downward trend, with COLA provisions targeted for elimination by many of the employers that have such provisions in their current contracts.

Two-tiered wage structures are also poised for a slight decline in 2004, as more employers will seek to eliminate such structures than to introduce them. Overall, one-third of expiring contracts stipulate pay structures under which wage rates for new hires are lower than for longer-tenured workers.

The bargaining outlook for incentive pay programs is mixed, with the proportion of employers looking to scale back or eliminate such programs nearly equal to the percentage looking to introduce new variable pay

plans. Overall, roughly one-quarter of the responding employers' current contracts provide for one or more incentive pay programs. None of the different types of programs covered in the survey stands out as being more popular than the others.

## First-Year Wage Adjustments

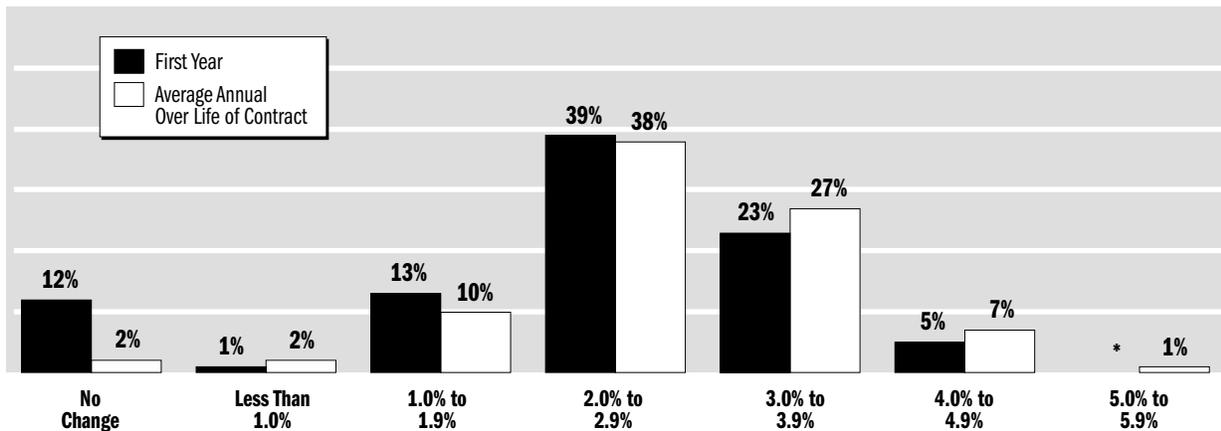
Employers' wage proposals for 2004 contracts will once again reflect the impact of a weak job market, low inflation, and a sluggish economy. Much like last year, only a handful of respondents (5 percent) plan to negotiate a first-year wage increase of 4.0 percent or more. In a striking contrast from bargaining plans reported in recent years, however, less than one-fourth of employers (23 percent) expect first-year increases of 3.0 percent to 3.9 percent. This is down from 40 percent of employers surveyed about their 2003 contract goals, and well below peak levels from 2002 (47 percent) and 2001 (48 percent).

Despite the shift toward smaller wage proposals, the increases negotiated in 2004 settlements do not appear fated to shrink dramatically. Much of the shift is accounted for by a swelling in the ranks of employers planning initial wage increases of 2.0 percent to 2.9 percent. Proposed first-year increases in that range are on tap at 39 percent of establishments with contracts expiring in 2004, up from less than one-third of respondents in each of the three previous years (28 percent in 2003, 30 percent in 2002, and 31 percent in 2001).

As shown in Figure C, the plans for first-year increases in the 2.0 percent to 2.9 percent range now overshadow plans for increases in the 3.0 percent to 3.9 percent range. This represents a return to trends that

**Figure C**  
**Planned Wage Adjustments for 2004 Contracts**

Percent of Employers



\* Indicates 0%

Note: Percentages for first-year and average annual adjustments add to less than 100 due to nonresponse.

A BNA Graphic/sucb04gc

were seen in the late 1990s. But even with the balance tilting back toward smaller increases, first-year wage adjustments in the combined range of 2.0 percent to 3.9 percent will remain the prevailing standard in 2004 as in past years.

At the lower end of the spectrum, first-year wage increases of 1.0 percent to 1.9 percent will be pursued by 13 percent of respondents, up from 9 percent a year ago. A similar proportion of employers (12 percent) will pursue a wage freeze in 2004. While this figure is up only slightly from last year, when 11 percent of employers reported plans to seek first-year freezes, it far surpasses reports for 2002 (4 percent) and 2001 (2 percent). The least common goal for first-year wage adjustments is a boost of less than 1.0 percent, reported by 1 percent of employers.

In addition to small increases and wage freezes, proposals for wage decreases will be back on some bargaining tables in 2004. Two percent of employers said they will pursue first-year cuts in union workers' pay levels in their new contracts. Plans to seek wage decreases have been nonexistent the last three years but were reported by 1 percent of employers in each of the four years prior to that.

By industry grouping, manufacturers are least likely to put forth generous wage proposals in 2004 contract talks. Indeed, plans to offer first-year increases of 3.0 percent or more are half as common among manufacturing companies (16 percent) as among nonmanufacturing employers (33 percent).

Financial struggles typically correlate with efforts to hold down labor costs. Among employers that expect to lose money in 2004, 24 percent will pursue freezes or cuts in first-year wages. In contrast, none of the employers that expect to at least break even will seek wage cuts, and only 7 percent plan to propose first-year freezes.

## Wage Adjustments Over the Contract's Term

Wage adjustments over a contract's term typically correspond with proposals for the first year. Almost two-thirds of the responding employers (63 percent) intend to seek average annual pay adjustments over the life of their new contracts that fall in the same range as their proposed first-year wage changes. (For example, a company seeking a first-year wage increase of 2.0 percent to 2.9 percent would also bargain for an average annual adjustment in that range over the life of the settlement.)

More than one-fifth of the surveyed establishments (21 percent) will attempt to hold down their total compensation costs by offering smaller wage boosts in the first year than in subsequent years of their new labor agreements—that is, average annual pay raises proposed for the contract's full term will exceed first-year adjustments offered by those organizations. In contrast, only 3 percent intend to propose initial pay adjustments that will be higher than the average adjustments they will bargain for over the life of the contract. Twelve percent of respondents did not provide enough information to draw comparisons between first-year wage adjustments and average annual wage changes over the contract's full term.

Like first-year wage proposals, average wage adjustments offered over the life of the contract will be smaller than they have been in recent years. Far fewer employers expect to negotiate wage packages at the upper end of the scale, which includes average increases from 3.0 percent on up to 5.0 percent or more. In each of the past three years, more than half of the surveyed employers reported plans to propose wage increases averaging 3.0 percent or more per year over the life of the contract. Among employers reporting on their bargaining plans for 2004, however, only 35 percent will offer proposals averaging at least 3.0 percent.

Even though contractual wage adjustments are shrinking, proposals for average adjustments over term still tend to cluster in the 2.0 percent to 3.9 percent range. As shown in Figure C, 38 percent of responding employers expect wage hikes to average 2.0 percent to 2.9 percent annually over the life of the contract, and 27 percent expect wage increases to average 3.0 percent to 3.9 percent per year over term.

An increasing number of unions will apparently be faced with demands for smaller wage adjustments during upcoming negotiations. One in 10 surveyed employers will propose average increases of 1.0 percent to 1.9 percent during their 2004 contract talks, up from one in 20 employers in 2003. Proposals to freeze wages or increase pay by an average of less than 1.0 percent per year over the new contract's term are planned by only a handful of employers (2 percent each).

Also uncommon are plans to offer hefty wage increases during 2004 contract talks. Seven percent of responding organizations expect to negotiate pay hikes averaging 4.0 percent to 4.9 percent per year over the contract's term, while only 1 percent of responding employers expect to agree to increases averaging 5.0 percent to 5.9 percent per year.

## Lump-Sum Payments

Lump-sum payments, which are not added to base wage rates or included in the calculation of overtime or fringe benefits, have grown increasingly scarce over the past several years and show no signs of an imminent comeback. Only 12 percent of responding employers' expiring labor agreements have lump-sum provisions, down from 17 percent of expiring contracts in 2003. The recent peak for such provisions was reported for contracts expiring in 1999, 28 percent of which called for lump-sum payments. But an even higher peak in their popularity came 10 years earlier, when 48 percent of employers surveyed about bargaining goals for 1989 said they planned to seek lump sums.

During the 2004 contract talks, only 11 percent of surveyed employers plan to bargain for the inclusion of lump-sum payment provisions. Despite their overall decline in popularity, however, lump-sum payments could see an uptick among manufacturers. While 13 percent of manufacturers reported having lump-sum provisions in their current contracts, 16 percent said they will try for lump sums in their new agreements.

When asked to explain their reasons for providing lump sums, those employers that have such provisions in their current contracts commonly reported offering the payments as bonuses for longevity. In contrast, employers that plan to pursue lump sums during 2004 contract talks appear to be more interested in providing the payments in lieu of base wage increases.

According to one chemicals company, lump sums will be bargained for in 2004 “to provide some compensation that will keep rates down and not attract costs.” Similarly, a government employer said, “If necessary for no wage increase, a lump-sum signing bonus is an option.”

## Cost-of-Living Adjustments

Cost-of-living adjustments, though far from common, still maintain a foothold in some labor contracts. (See Table 2.) Just 17 percent of employers’ current bargaining agreements include COLA provisions, little changed from settlements expiring in 2003 (16 percent) or in 2002 (18 percent).

Union negotiators should not count on adding cost-of-living adjustments to contracts in 2004. Of the responding employers with no cost-of-living provisions in their current contracts, not a single one intends to add such adjustments for inflation.

COLAs appear destined to take a hit in 2004, but they will not disappear. Among employers whose current contracts provide for cost-of-living adjustments, 48 percent said they will leave those provisions alone. However, plans to scale back contractual adjustments for inflation are on tap at 29 percent of organizations with COLA provisions in their current contracts, while another 19 percent reported plans to eliminate COLAs. This last figure is more than double the percentage of employers (9 percent) that listed the elimination of COLAs as a bargaining goal for 2003. None of the responding management representatives indicated an intention to sweeten COLAs in 2004.

## Two-Tiered Compensation Systems

Two-tiered compensation systems have diminished since the mid-1990s but still appear in a sizable core of labor agreements. One-third of expiring contracts stipulate pay structures under which wage rates for new bargaining-unit employees are lower than for longer-tenured workers. Contractual two-tiered pay systems have been reported by similar proportions of labor relations professionals over the last several years, but were somewhat more prevalent around the middle of the last decade. For example, 41 percent of agreements expiring in 1996 contained two-tiered pay systems.

Two-level pay systems are more common in the bargaining agreements of manufacturers than nonmanufacturers (45 percent vs. 27 percent), but their prevalence varies within industry subsectors. For example, two-tiered compensation structures are less common among

nonbusiness entities (15 percent) as compared with other nonmanufacturing employers (39 percent). And within the nonbusiness subgroup, they remain particularly rare among health care employers (7 percent).

The temporary application of reduced pay levels for newer employees remains more common than the permanent imposition of lower-level pay. As Table 2 shows, the current contracts at 18 percent of the responding organizations start new hires at wages below the regular rates but eventually allow them to move up to the same pay scale as their more senior colleagues. In contrast, 13 percent of employers impose permanent gaps between wage rates for new hires and veteran workers.

Employers’ plans for 2004 contract talks indicate more movement toward the elimination of existing two-tiered compensation systems than toward the introduction of new dual-tiered pay structures. Among the relatively small group of employers whose expiring contracts contain dual-tier structures, some 23 percent will bargain to get rid of those systems. Out of the larger group of employers whose contracts do not include two-tiered pay systems, only 5 percent plan to add them.

## Incentive Pay and Variable Pay Systems

Recent surveys on collective bargaining objectives have shown no clear trend in the prevalence of incentive and variable pay. Roughly one-quarter of the responding employers’ collective bargaining agreements (26 percent) provide for one or more incentive pay programs, roughly unchanged from last year (24 percent) but down considerably from two years ago (35 percent).

Variable and incentive pay systems remain most common among manufacturing companies, where production and performance usually are easier to measure. Close to one-half of manufacturers’ current contracts (47 percent) include at least one incentive or variable pay program, while less than one-fifth (17 percent) of nonmanufacturing employers’ agreements include compensation programs based on production, performance, or profits.

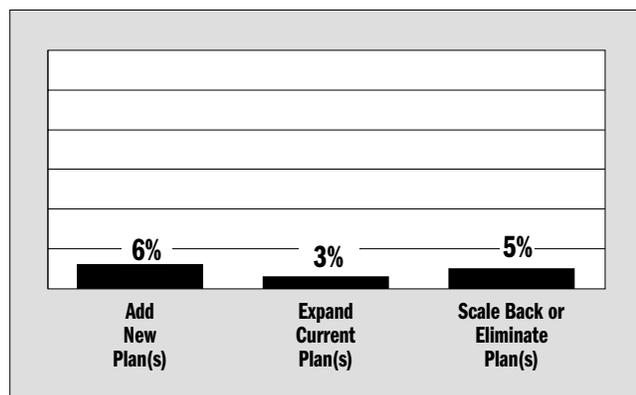
In terms of prevalence in current contracts, no single category of variable or incentive pay appears to have distanced itself from the rest of the pack. (See Table 3.) For each of the four types of plans specifically covered in the survey—gainsharing, profit-sharing, group incentives, and individual incentives—a surprisingly consistent 7 percent of responding employers reported that their current agreements included the plans.

**Table 2 — Compensation Provisions in Current Contracts**

	Percent of Employers				
	All Employers	By Industry		By Size of Bargaining Unit	
		Mfg.	Nonmfg.	Large	Small
<i>(Number of employers)</i>	(122)	(38)	(84)	(52)	(70)
Temporary two-tier wage structure	18%	24%	15%	23%	14%
Permanent two-tier wage structure	13	18	11	12	14
Cost-of-living adjustments (COLAs)	17	16	18	25	11
Lump-sum payments	12	13	12	17	9

**Figure D**  
**Bargaining Plans for Incentive or Variable Pay**

Percent of Employers



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### Bargaining Outlook

Discussions surrounding variable pay programs do not appear likely to play a prominent role in upcoming contract talks. Overall, only 14 percent of responding employers report plans for some kind of activity in the area of variable pay—whether it be adding new programs or making changes to existing ones. This is up slightly from plans for negotiations surrounding variable pay in 2003.

The overall increase in bargaining activity related to variable pay can be traced to a rise among employers planning reductions in existing programs. Whereas 2 percent of employers said they planned to scale back or eliminate variable pay programs during 2003 contract talks, 5 percent of responding employers indicated such plans for 2004. As Figure D shows, another 6 percent of employers plan to bargain for new variable pay pro-

grams in 2004, which is level with last year. The expansion of existing variable programs is planned by 3 percent of employers, down from 4 percent last year. While the individual changes are miniscule, the overall pattern represents a departure from trends seen in recent years. The percentage of employers reporting plans to drop or scale back variable pay programs in 2004 rivals the percentage planning to add new variable pay program; in past years, by contrast, the balance clearly tilted in favor of adding new programs.

[Note: In this and subsequent sections of the report, the sum of organizations adding, changing, and eliminating contractual provisions may add to more than the overall number making *some* type of change, as employers may bargain to add or strengthen one or more provisions while scaling back or eliminating others.]

With little activity to speak of in the area of variable pay, trends related to the different types of programs are nearly impossible to discern. Overall, plans to expand existing programs or leave them unchanged are far more common than plans to scale back or jettison the programs. And even though some employers appear to be dissatisfied with their existing variable pay programs, others are preparing to add new programs. With regard to profit-sharing, for example, two employers are considering the introduction of new programs. On the other hand, one transportation employer plans to eliminate an existing profit-sharing plan because of the administrative hassles involved in having different pay systems for different classes of employees.

The rest of the activity regarding the introduction of new programs relates to group incentives and individual incentives. Four employers intend to bargain for the inclusion of group incentive plans in their new contracts, and two employers will seek the inclusion of individual incentive plans. None of the surveyed employers reported plans to introduce new gainsharing programs.

**Table 3 — Incentive and Variable Pay Plans in Current Contracts**

	Percent of Employers				
	All Employers	By Industry		By Size of Bargaining Unit	
		Mfg.	Nonmfg.	Large	Small
(Number of employers)	(122)	(38)	(84)	(52)	(70)
Group incentive plan	7%	11%	5%	6%	7%
Gainsharing plan	7	16	4	8	7
Individual incentive plan	7	13	4	10	4
Profit-sharing plan	7	16	2	4	9
Other	2	3	2	2	3

# Insurance Benefits

**H**ealth insurance benefits remain standard items in collective bargaining agreements. All but a handful of the responding employers' expiring contracts provide insurance for hospital and surgical care, doctor visits, and prescription drugs. Also quite common are mental health and dental coverage. Health benefits for the domestic partners of bargaining-unit employees have yet to become widely available, but the proportion of contracts providing for domestic partner coverage has steadily climbed in recent years.

Life, accident, and disability insurance generally trail the leading health benefits in terms of prevalence in collective bargaining agreements, but they are far from rare. Life insurance provisions are part of nearly nine out of 10 labor contracts. Sickness and accident insurance, meanwhile, remains a staple among manufacturing employers.

Employers' bargaining plans for 2004 indicate strong interest in scaling back insurance coverages for bargaining-unit workers. Contrary to a trend that persisted for several years, when employers were more open to insurance benefit improvements or additions, management negotiators are now leaning toward reducing or eliminating existing insurance benefits. In fact, intended reductions or eliminations in 2004 are more than five times as likely as the addition of new insurance benefits. This reversal is undoubtedly due in part to the double-digit increases in health benefit costs that have buffeted many employers in recent years.

Most collective bargaining agreements already include at least some health care cost-sharing provisions. Nevertheless, many employers will seek to introduce new cost-sharing provisions or increase required payments from employees during upcoming contract talks. The expansion of health care cost-containment provisions is less likely to be a hot topic at the bargaining table in 2004.

## Health Benefits

Most unionized workers continue to enjoy medical coverage, as all but a few employers' collective bargaining agreements confer insurance coverage for doctor appointments, hospital visits, prescription drugs, and surgery (95 percent each). As Table 4 shows, nearly as many agreements provide mental health (87 percent) and dental coverage (84 percent).

Coverage for vision care remains a notch below the other medical insurance benefits. Nevertheless, with 66 percent of the responding employers' current contracts providing for some form of vision coverage, that benefit has made a lot of headway since the mid-1990s, when it was absent from about half of contracts.

Domestic partner benefits have also gained ground in union contracts. Just under one-third of the responding employers' current agreements (31 percent) offer insurance coverage for domestic partners of bargaining-unit employees. That proportion is up from 27 percent of contracts expiring in 2003, 22 percent of contracts expiring in 2002, and 16 percent of contracts expiring in 2001.

For all types of medical insurance, manufacturers are less likely than other employers to provide the benefits in their current contracts. As Table 4 illustrates, the gap between manufacturers and nonmanufacturers is smallest for insurance covering hospital visits (92 percent vs. 96 percent) and largest for insurance covering vision care (45 percent vs. 76 percent).

Table 4 also shows that labor agreements covering bargaining units with 1,000 or more workers remain somewhat more likely than agreements covering smaller units to confer insurance coverage for mental health, dental, and vision care. However, contracts covering small bargaining units have the edge when it comes to more standard health benefits, such as insurance for hospital visits.

**Table 4 — Insurance Benefits in Current Contracts**

	Percent of Employers				
	All Employers	By Industry		By Size of Bargaining Unit	
		Mfg.	Nonmfg.	Large	Small
<i>(Number of employers)</i>	(122)	(38)	(84)	(52)	(70)
<b>Health Benefits</b>					
Hospital	95%	92%	96%	92%	97%
Prescription drug	95	89	98	94	96
Surgical	95	89	98	94	96
Doctor visits	95	89	98	94	96
Mental health	87	82	89	90	84
Dental care	84	74	88	85	83
Vision care	66	45	76	69	64
Domestic partner coverage	31	24	35	31	31
<b>Life and Disability</b>					
Life insurance	89%	92%	88%	83%	94%
Accidental death & dismemberment	75	84	71	69	80
Short-term disability/sickness & accident	73	92	64	60	83
Long-term disability	48	42	50	42	51

## Life and Disability Benefits

A large share of the surveyed establishments' current contracts offer some form of insurance protection in the event of an employee's death or disability. Life insurance provisions are part of nearly nine out of 10 current collective bargaining agreements (89 percent), as Table 4 shows. Three-fourths of expiring contracts (75 percent) provide insurance against accidental death and dismemberment, and almost as many (73 percent) offer short-term disability or sickness and accident benefits. Though hardly rare among the surveyed employers, contractual long-term disability insurance (48 percent) is much less common than most other types of insurance.

Sickness and accident insurance continues to be largely concentrated in the manufacturing sector, where more than nine out of 10 expiring contracts (92 percent) provide for such benefits. In contrast, less than two-thirds of employers in the nonmanufacturing sector (64 percent) provide for short-term disability or sickness and accident benefits in their current contracts. (Paid sick leave is far more common among nonmanufacturing establishments than in manufacturing companies, which suggests a disparity by industry in how short-term illnesses and injuries are addressed in union contracts. See the later section on "Paid Leave and Other Benefits" for more details.)

Unlike short-term disability/sickness and accident benefits, insurance coverage for long-term disability is more widespread in contracts with nonmanufacturing establishments than in labor agreements with manufacturing companies. Half of the current contracts among nonmanufacturing employers provide benefits in the event of a long-term disability, while 42 percent of manufacturers' expiring contracts insure bargaining-unit workers against an extended illness or injury.

One notable pattern is a reduction in benefits for life, accidental death and dismemberment, and disability insurance in current contracts covering 1,000 or more workers. Compared with the proportion of contracts for large units that provided life, AD&D, STD/sickness and accident, and LTD insurance a year ago, all four of these benefits have experienced substantial declines. For example, long-term disability benefits are included in 42 percent of current contracts covering large bargaining units, down from 64 percent of such contracts expiring in 2003, and short-term disability/sickness and accident benefits are included in 60 percent of large contracts expiring in 2004, down from 80 percent a year ago. In contracts covering fewer than 1,000 workers, meanwhile, the prevalence of life, accident, and disability insurance benefits held steady or increased slightly since last year.

### Bargaining Outlook

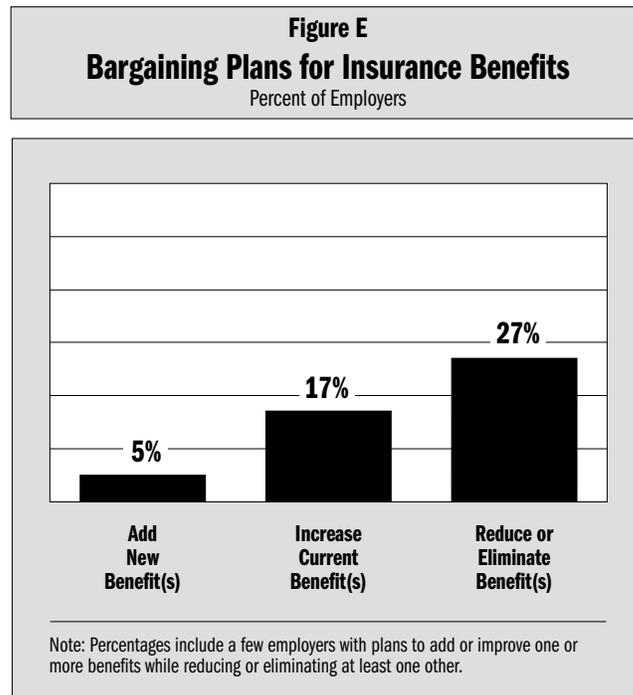
Although many employers appear content to maintain the status quo with insurance benefits, those contemplating changes during 2004 negotiations are more likely to seek cuts than improvements, particularly in the area of health benefits. This contrasts with a trend that prevailed for a number of years. For example, employers surveyed about contracts expiring in 2002, 2001, and 2000 were more than twice as likely to add or improve on insurance benefits as they were to reduce or eliminate their existing insurance benefits. That trend reversed suddenly in 2003, and the percentage of em-

ployers seeking to reduce or eliminate insurance benefits overtook the percentage of employers considering additions or improvements.

This year's survey suggests continued interest in cutting back insurance coverage for bargaining-unit employees. As Figure E shows, 27 percent of employers with contracts expiring in 2004 will seek to reduce or eliminate existing insurance benefits, while less than one-fourth of the responding organizations will consider introducing new insurance benefits (5 percent) or increasing existing coverage (17 percent). In addition to these overarching plans for cutbacks in insurance benefits, employers will continue to combat escalating health care expenses with an array of cost-containment and cost-sharing strategies. (Discussions on health care cost-containment provisions and health care cost-sharing provisions can be found under separate headings later in this section.)

Manufacturers will be especially active on the insurance benefits front. Just over three-fifths of the surveyed manufacturing companies (61 percent) plan to pursue one or more changes in their contractual insurance benefits, compared with less than a third of nonmanufacturing establishments (30 percent) with contracts expiring in 2004. The disparity is particularly wide for anticipated improvements in insurance benefits, as more than four out of 10 responding manufacturers will consider increasing existing benefits (34 percent) or adding some form of insurance (8 percent), whereas insurance benefit increases or additions will be considered by a combined total of only 13 percent of nonmanufacturing employers. Plans to bargain for the reduction or elimination of existing insurance benefits are also more common among manufacturers than nonmanufacturers (39 percent vs. 21 percent).

Employers' plans leading up to 2004 contract talks suggest that union negotiators shouldn't pin their hopes for substantial gains in the area of health benefits. For example, improvements in existing coverage for doctor



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and hospital visits, prescription drugs, and surgical procedures will be considered by very few employers (3 percent each), and employers that currently lack those benefits indicated no intention of adding them. The situation with mental health insurance and dental care is almost identical, except that a slightly higher share of employers would be open to strengthening existing provisions (5 percent each). The areas of vision care and domestic partner coverage are somewhat different; although a willingness to improve such benefits is just as rare, those are the only health benefits that any employers would consider adding in 2004 (see Table 5).

Much more common than plans to improve health benefits are plans for cutbacks. Nearly one-fourth of surveyed management negotiators will bargain to reduce or eliminate existing coverage for prescription drugs (23 percent), doctor and hospital visits (22 percent each), and surgical procedures (21 percent). Dental and vision benefits are each targeted for cutbacks by 16 percent of employers whose contracts include those benefits, and existing coverage for mental health care is targeted for cutbacks by 11 percent. As illustrated in Table 5, the only health benefit that appears just as likely to be strengthened as pruned is domestic partner coverage (5 percent).

In comparison with health benefits, life insurance and disability benefits stand a better chance of being enhanced during 2004 contract talks. Thirteen percent of employers with life insurance coverage in their current contracts will consider improvements in those benefits, while only 2 percent will seek to reduce or eliminate life insurance coverage for bargaining-unit employees (see Table 5). A similar pattern holds true for accidental death and dismemberment insurance, with 9 percent of respondents contemplating improvements in coverage, while just 3 percent plan to seek cutbacks. Among employers with contracts providing short-term disability or sickness and accident benefits, the ten-

dency to consider coverage increases slightly surpasses plans to pursue cutbacks (13 percent vs. 10 percent). Meanwhile, improvements in existing long-term disability benefits are less likely than cutbacks in those benefits (7 percent vs. 10 percent).

None of the employers whose current contracts lack life insurance coverage indicated that they would consider adding the benefit to their 2004 contract. The same holds true for coverage of accidental death and dismemberment. However, a tiny minority of employers said they would consider adding short-term disability or long-term disability benefits, as Table 5 shows.

## Multiemployer Health Insurance Plans

Overall, a majority of employers secure health care coverage on their own, but some establishments have entered into joint health insurance arrangements with other employers. More than one-fourth of the surveyed organizations (27 percent) participate in multiemployer health insurance plans. Such plans can enable participants to reduce administrative costs, secure better rates from insurance carriers, and negotiate more favorable fee schedules.

Despite their potential to yield economies of scale, contractual provisions for multiemployer health plans are in fact less common among employers with small bargaining units—fewer than 1,000 workers—than among those with large bargaining units (24 percent vs. 31 percent).

By industry, employers in the manufacturing sector remain less inclined to secure joint health care coverage than their nonmanufacturing counterparts. Just under one-quarter of responding manufacturers (24 percent) participate in multiemployer health care plans, compared with 29 percent of employers outside the manufacturing sector. Within the nonmanufacturing group,

**Table 5 — Bargaining Plans for Insurance Benefits**

	Included in Current Contract*	Current Contract Includes Provision**				Current Contract Does Not Include Provision***		
		Strengthen Provision	No Change Indicated	Reduce or Eliminate Provision	Add Provision	No Change Indicated		
<b>Health Benefits</b>	%	(N)	%	%	%	(N)	%	%
Hospital	95	(116)	3	75	22	(6)	—	100
Prescription drug	95	(116)	3	73	23	(6)	—	100
Surgical	95	(116)	3	76	21	(6)	—	100
Doctor visits	95	(116)	3	75	22	(6)	—	100
Mental health	87	(106)	5	84	11	(16)	—	100
Dental care	84	(102)	5	79	16	(20)	—	100
Vision care	66	(81)	4	80	16	(41)	5	95
Domestic partner coverage	31	(38)	5	89	5	(84)	4	96
<b>Life and Disability</b>								
Life insurance	89	(109)	13	85	2	(13)	—	100
Short-term disability/sickness & accident	73	(89)	13	76	10	(33)	3	97
Accidental death & dismemberment	75	(92)	9	88	3	(30)	—	100
Long-term disability	48	(58)	7	83	10	(64)	5	95

\* Percentages are based on all 122 responding employers.

\*\* Percentages are based on the number of employers whose current contracts contain the specified provision, as shown by the first column of numbers in parentheses.

\*\*\* Percentages are based on the number of employers who either indicated that their current contracts do not provide the specified provision or did not respond, as shown by the second column of numbers in parentheses.

retail trade employers and construction companies are among those most likely to participate in multiemployer health insurance plans.

## Health Care Cost-Sharing Provisions

Very few bargaining-unit employees escape paying some portion of the health care expenses they incur. Nearly nine out of 10 responding employers' current contracts (88 percent) require covered workers to share health care costs through copayments, deductibles, premium contributions, or some combination thereof.

More than three-fourths of current labor agreements (77 percent) contain copayment provisions, which require bargaining-unit workers to reach into their wallets or purses for at least a small amount of money when seeking medical care. Slightly fewer labor agreements (74 percent) require covered employees to meet specific deductibles before any health care expenses are reimbursed. As Table 6 shows, premium contributions (63 percent) remain less pervasive in labor settlements than copayments and deductibles.

The contracts of manufacturers and those covering small bargaining units are most likely to include requirements for employee premium contributions. More than three out of four labor contracts with manufacturing companies (76 percent) require covered workers to bear some portion of their health insurance premiums, compared with less than three-fifths of expiring settlements at nonmanufacturing organizations (57 percent). A more pronounced gap appears between contracts covering fewer than 1,000 employees and those covering larger bargaining units. While more than three-fourths of contracts for small units (77 percent) impose premium contribution requirements, less than half of current agreements for large units (44 percent) pass

along a portion of health insurance premiums to covered employees.

The disparities that exist in the types of contracts requiring health premium contributions do not extend to other cost-sharing provisions. In fact, most of the differences in the prevalence of deductible and copay requirements are negligible, as Table 6 shows. There is one exception, however. Contracts covering large bargaining units are more likely to include provisions requiring employee deductibles than are contracts covering small bargaining units (81 percent vs. 69 percent).

## Bargaining Outlook

The widespread pursuit of more extensive health care cost-sharing arrangements will not subside in 2004. As Figure F shows, a substantial percentage of responding management representatives will try to either introduce new cost-sharing provisions (16 percent) or increase employee premium contributions during upcoming contract talks (40 percent). The percentage of employers looking to add new cost sharing provisions is up from that reported in recent years (11 percent in both 2003 and 2002, and 8 percent in 2001), while the percentage hoping to increase employee contributions is somewhat lower than reported in 2003 (43 percent), 2002 (42 percent) or 2001 (51 percent). (See Figure G.)

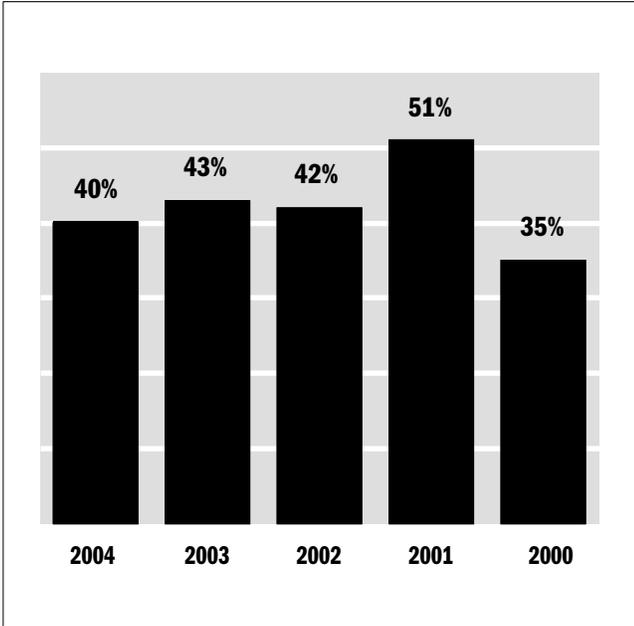
Relatively few organizations (16 percent) will bargain for any new health care cost-sharing measures, because most collective bargaining agreements already have such provisions in place. At the same time, hardly any employers (2 percent) will consider reducing or eliminating any copayments, deductibles, or premium contributions that are already required of bargaining-unit employees, as Figure F shows.

Union negotiators in the manufacturing sector will face the greatest onslaught of health care cost-sharing proposals during 2004 contract talks. More than half of

**Table 6 — Health Care Cost-Sharing and Cost-Containment Provisions in Current Contracts**

	Percent of Employers				
	All Employers	By Industry		By Size of Bargaining Unit	
		Mfg.	Nonmfg.	Large	Small
(Number of employers)	(122)	(38)	(84)	(52)	(70)
<b>Cost-sharing Provisions</b>					
Copayments	77%	79%	76%	75%	79%
Deductibles	74	71	75	81	69
Premium contributions	63	76	57	44	77
<b>Cost-containment Provisions</b>					
Generic drug requirement	74%	74%	74%	75%	73%
Pre-tax spending account(s)	57	63	55	54	60
Delayed new hire eligibility	50	63	44	52	49
Utilization review	47	45	48	54	41
Pre-admission testing	45	61	38	46	44
Wellness program	43	42	43	54	34
Gatekeeper system requirement	33	29	35	38	29
Outpatient surgery requirement	32	37	30	33	31
Hospice care requirement	22	26	20	19	24
Second opinion requirement	21	29	18	19	23
Home health care requirement	16	13	17	12	19
Hospital billing error detection reward	10	16	7	15	6
No weekend admission	10	16	7	12	9

**Figure G**  
**Plans to Increase Employee Health Care Cost-sharing Payments**  
 2000-2004 Contracts  
 Percent of Employers



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surveyed manufacturing companies (53 percent) will attempt to offset escalating health benefit expenses by shifting more costs onto bargaining-unit employees, while just over one-third of nonmanufacturing establishments (35 percent) have similar intentions.

A substantial portion of the surveyed employers will pursue the expansion of current contract provisions on each type of cost-sharing measure. For example, more than four out of 10 responding employers whose expiring agreements already require premium contributions (42 percent) will seek to expand those employee payments in their next labor settlements. Increased copayments and employee deductibles will also be sought by more than four out of 10 employers with such provisions already in place (44 percent each).

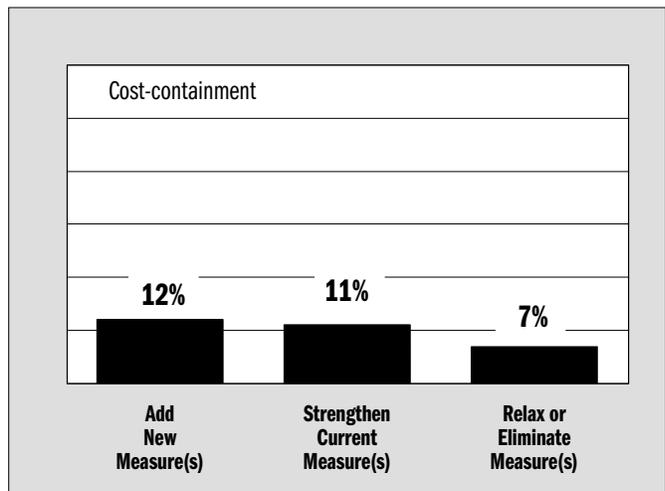
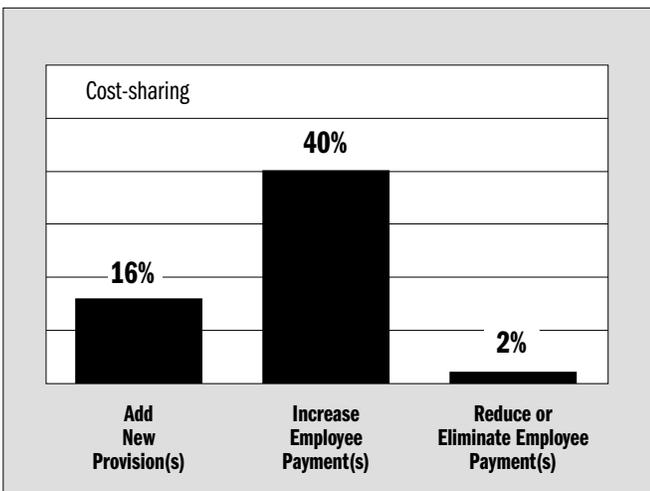
In addition, 38 percent of the establishments that do not require union-represented employees to pay a portion of their health insurance premiums will seek to secure premium contributions in their 2004 contracts. Similarly, 25 percent of organizations without contractually-mandated copayments will bargain to introduce them, and 13 percent of employers without health insurance deductibles will argue to establish them in 2004. (See Table 7.)

Union pleas for relief from health care cost-sharing are unlikely to meet with much sympathy from employers. As shown in Table 7, only 2 percent of the survey respondents from organizations whose contracts require copayments, deductibles, or premium contributions said they would consider the reduction or elimination of those requirements in 2004.

## Health Care Cost-Containment Provisions

Cost-sharing requirements are rarely the only tools used by employers to bring health care expenses under control. About nine out of 10 surveyed employers' current contracts (89 percent) include measures designed to contain health care costs, with most responding management representatives reporting multiple provisions.

**Figure F**  
**Bargaining Plans for Health Care Cost-sharing and Cost-containment Provisions**  
 Percent of Employers



Note: Percentages include an employer with plans to add or improve one or more contract provisions while relaxing or eliminating at least one other.

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The single most common cost-containment tool continues to be the imposition of a generic drug program. Nearly three out of four current labor agreements (74 percent) contain provisions that restrict or deny reimbursement for name-brand drugs when a generic alternative is available. As Table 6 shows, 57 percent of the responding employers' current agreements provide for pre-tax medical care spending accounts, and half of expiring contracts require new bargaining-unit employees to wait a specified period of time before becoming eligible for health care coverage.

Cost-containment initiatives often are aimed at hospital stays or costly medical procedures. Pre-admission tests are imposed by almost half of the companies' current agreements (45 percent), while 32 percent reserve the right to require outpatient surgery in certain circumstances. Few contracts (10 percent) ban weekend admissions to the hospital, while a larger share stipulate that hospice care (22 percent) or home health care (16 percent) may be deemed appropriate in some cases. Gatekeeper systems are part of one-third of employers' expiring contracts (33 percent), while about one-fifth include second-opinion requirements (21 percent).

Quite a few employers recognize the potential of preventive care for reducing health care costs, as more than four out of 10 current agreements (43 percent) provide for wellness programs. Even more (47 percent) require utilization reviews. Rewards for finding hospital overcharges remain relatively uncommon, as just 10 percent of bargaining agreements offer incentives for detecting hospital billing errors.

## Bargaining Outlook

Management proposals for health care cost-containment provisions will be far fewer than cost-sharing proposals in 2004, as Figure F illustrates. Just over one-tenth of all the surveyed establishments (11 percent) will pursue more stringent cost-containment measures during 2004 contract talks, and about the same proportion (12 percent) will seek to establish new provisions aimed at controlling health costs. On the other hand, 7 percent of responding labor relations professionals indicated that they would consider the relaxation or elimination of cost-control programs in 2004.

Among cost-containment measures already in place, generic drug rules appear likely to garner the most attention; 11 percent of employers whose contracts include generic drug programs will bargain to strengthen the programs in their next collective bargaining agreements, while 2 percent will consider pulling back from their existing programs. Also poised to receive a fair amount of attention are provisions that delay new employees' eligibility for health care coverage. Among those employers whose expiring contracts stipulate delayed eligibility for new hires, 7 percent will bargain to strengthen the programs, while 8 percent will consider pulling back from their existing programs.

Additional provisions topping the list of those that responding employers will seek to strengthen include second opinion requirements (8 percent), rewards for finding hospital billing errors (8 percent), and bans on weekend admission to hospitals (8 percent). Fewer employers will entertain notions of making changes to strengthen or cut back other cost-containment provisions in existing contracts, as Table 7 illustrates.

**Table 7 — Bargaining Plans for Cost-Sharing and Cost-Containment Provisions**

	Included in Current Contract*	Current Contract Includes Provision**			Current Contract Does Not Include Provision***			
		Strengthen Provision	No Change Indicated	Reduce or Eliminate Provision	Add Provision	No Change Indicated		
<b>Cost-sharing Provisions</b>	%	(N)	%	%	%	(N)	%	%
Copayments	77	(94)	44	55	1	(28)	25	75
Deductibles	74	(90)	44	54	1	(32)	13	88
Premium contributions	63	(77)	42	56	3	(45)	38	62
<b>Cost-containment Provisions</b>								
Generic drug requirement	74	(90)	11	87	2	(32)	3	97
Pre-tax spending account(s)	57	(70)	1	97	1	(52)	—	100
Delayed new hire eligibility	50	(61)	7	85	8	(61)	7	93
Utilization review	47	(57)	5	95	—	(65)	3	97
Pre-admission testing	45	(55)	4	96	—	(67)	1	99
Wellness program	43	(52)	4	96	—	(70)	9	91
Gatekeeper system requirement	33	(40)	3	93	5	(82)	1	99
Outpatient surgery requirement	32	(39)	3	95	3	(83)	6	94
Hospice care requirement	22	(27)	4	93	4	(95)	1	99
Second opinion requirement	21	(26)	8	92	—	(96)	2	98
Home health care requirement	16	(19)	5	95	—	(103)	—	100
Hospital billing error detection reward	10	(12)	8	92	—	(110)	5	95
No weekend admission	10	(12)	8	92	—	(110)	1	99

\* Percentages are based on all 122 responding employers.

\*\* Percentages are based on the number of employers whose current contracts contain the specified provision, as shown by the first column of numbers in parentheses.

\*\*\* Percentages are based on the number of employers who either indicated that their current contracts do not provide the specified provision or did not respond, as shown by the second column of numbers in parentheses.

**Table 8 — Types of Health Plans**

Preferred provider organization (PPO)	75%
Health maintenance organization (HMO)	54
Traditional indemnity plan	35

Note: Percentages are based on all 122 responding employers. Many employers' contracts provide for more than one type of health plan.

Employer proposals to secure *new* cost-containment programs will be rarer, overall, than plans to modify existing programs. The cost-containment provisions most commonly sought by management negotiators during 2004 contract talks will be wellness programs (cited by 9 percent of employers that do not currently have the programs), delayed health benefit eligibility for new employees (7 percent), outpatient surgery requirements (6 percent), and rewards for finding hospital billing mistakes (5 percent). Even fewer employers will bargain to add other cost-containment provisions, as Table 7 shows.

## Types of Health Care Plans

Managed care arrangements, such as health maintenance organizations and preferred provider organizations, have become an ingrained part of employers' overall efforts to hold down medical benefit spending. Although HMOs were first to come on the scene, PPOs have become the predominant type of health care plan covered under collective bargaining agreements. As Table 8 shows, three-fourths of the surveyed employers' current contracts offer health coverage through a PPO, which is a network of health care providers that have agreed to supply their services at negotiated rates. Just over half of employers' expiring contracts (54 percent) offer HMO coverage for bargaining-unit employees. Contracts that offer coverage in the form of traditional indemnity or fee-for-service plans have become far less common in recent years (35 percent in 2004, down from 39 percent a year ago and 48 percent in each of the two prior years).

A majority of the surveyed employers' contracts offer covered employees a choice of health plans. Nineteen percent of current contracts allow bargaining-unit workers to select from HMO, PPO, and traditional indemnity plans, while about one-third offer a combination of two plans. The most common combination is an HMO and a PPO, stipulated in 24 percent of current labor agreements. Far less common is the choice between a traditional indemnity plan and a PPO (6 percent) or a traditional indemnity plan and an HMO (2 percent).

Among contracts that provide for only one option, PPOs are the most common type of plan offered. Health insurance coverage is available solely through a PPO in more than one-fourth of contracts (26 percent), while HMOs are the only option in 9 percent of contracts, and traditional indemnity plans are the sole option in 8 percent of contracts.

Workers in large bargaining units tend to enjoy more plan choices than their counterparts in small units. Fifty-six percent of labor agreements covering 1,000 or more employees provide for more than one type of health plan, compared with 47 percent of agreements with smaller bargaining units.

### Bargaining Outlook

Employers are not entirely satisfied with their current health care delivery systems, as evidenced by the fact that one in five (20 percent) will seek to alter, drop, or add health care plans or providers in 2004. A number of management representatives are likely to find themselves in the same position as the respondent for a Middle Atlantic retailer, who said health care will be "the subject of major negotiations" aimed at achieving cost reductions.

Although the cost-cutting theme was prevalent, most survey respondents were vague about the plan changes they want to introduce in order to hold down health benefit expenses. For example, the respondent for a North Central manufacturer indicated an intention to add a "consumer-driven health plan" but did not elaborate on how the plan would be structured. The respondent for a Middle Atlantic bank, meanwhile, indicated a bargaining objective of eliminating plan choices for new hires so they would only be able to enroll in a PPO.

# Pension and Retirement Plans

**R**etirement benefits continue to be core components of labor contracts, as almost all of the responding employers' current bargaining agreements (96 percent) provide for plans to supply workers with a source of income during their golden years.

A majority of the contracts expiring in 2004 provide for traditional defined benefit pension plans. Defined contribution plans and tax-deferred retirement savings arrangements, such as 401(k) plans, are also provided by many of the surveyed employers, often in combination with traditional pension plans. This contrasts with broader trends in the United States, where defined benefit pension plans have diminished and stand-alone 401(k) plans have proliferated.

Union negotiators are not likely to secure boosts in pension benefits during upcoming contract talks. Only about one-fifth of responding employers (21 percent) are considering pension increases in their 2004 contracts. Prior to the recent economic downturn and setbacks in the stock market, the rule of thumb was that about half of surveyed employers would be considering pension benefit hikes. However, as poor investment performance in recent years has led to widespread underfunding of pension plans in the United States, employers facing difficulties keeping up with existing benefit promises may be less willing to consider additional commitments.

## Pension Plans

Traditional defined benefit pension plans—which pay fixed, periodic benefits to retirees—are holding firm in current contracts and show little susceptibility to the kind of erosion that has occurred across nonunion workplaces. Nearly three-fourths of the surveyed employers' contracts (73 percent) provide for defined benefit plans, as Table 9 shows. Over the past several years, the prevalence of contracts providing for defined benefit plans has generally hovered in the 70 percent to 80 percent range, but last year's figure dipped to 68 percent.

While the prevalence of defined contribution plans has also stayed within a fairly consistent range, a higher percentage of employers reported having such retirement plans in labor agreements set to expire in 2004. More than two-fifths of surveyed employers (43 percent) said their current contracts provide for defined contribution plans, up substantially from 2003 (31 percent), but in line with other recent figures reported in

2002 and 2001 (39 percent) and in 2000 (41 percent). Unlike traditional pension plans, defined contribution plans do not guarantee a particular level of benefits at retirement. Rather, they specify a formula that will be used to add money to participants' individual accounts, and the account balances that accumulate hinge on the amount of contributions and investment gains and losses.

[Note: The surveyed employers were asked to provide information about defined contribution plans separately from information about tax-deferred retirement savings arrangements, such as 401(k) plans. Those plans are discussed later in this section.]

Cash balance plans are a relatively new arrival on the retirement benefits scene. Although technically classified as defined benefit plans, they are designed to mimic defined contribution plans by using ongoing calculations to portray pension benefits as individual account balances. Some prominent employers have been taken to court over their decisions to convert traditional pension plans into cash balance plans, which may help to explain why the cash balance approach has not been widely embraced. A scant 8 percent of surveyed employers said their current contracts provide for cash balance plans, down from 10 percent a year ago.

The surveyed employers' contracts commonly provide for multiple types of retirement plans. For example, one-third of the current contracts (33 percent) provide for defined contribution plans in addition to defined benefit plans (including cash balance plans), and nearly one-fourth (24 percent) cover the gamut of defined benefit, defined contribution, and tax-deferred retirement savings plans. In contrast, 15 percent of contracts provide for defined benefit plans completely on their own, 11 percent provide only for tax-deferred retirement savings plans, and 3 percent provide only for defined contribution plans. (The survey did not inquire whether employees are permitted to participate in more than one type of plan.)

## Bargaining Outlook

Union negotiators face unusually low odds of winning pension benefit improvements in 2004. Overall, barely one-fifth of responding employers (21 percent) are open to raising pension benefit levels for bargaining unit workers, down from 32 percent in 2003 and 48 percent in each of the previous two years. Despite the sharp decline, prospects for improvement in contrac-

**Table 9 — Pension and Retirement Plans in Current Contracts**

	Percent of Employers				
	All Employers	By Industry		By Size of Bargaining Unit	
		Mfg.	Nonmfg.	Large	Small
<i>(Number of employers)</i>	(122)	(38)	(84)	(52)	(70)
Traditional defined benefit plan	73%	84%	68%	77%	70%
Defined contribution plan	43	39	44	44	41
Cash balance plan	8	5	10	2	13
Tax-deferred retirement savings plan (e.g., 401(k) plan)	69	87	61	58	77

tual pension benefits are still much better than for many other benefits, such as health insurance and paid leave.

Bargaining-unit employees in the manufacturing sector are most likely to see pension improvements, as 42 percent of surveyed manufacturers said they will consider boosting pension benefits in their 2004 contracts. In contrast, only 12 percent of nonmanufacturing employers say they will consider pension increases.

Few surveyed organizations (11 percent) expect to modify, add, or discontinue defined benefit or defined contribution plans in 2004. However, some of the surveyed employers said they are contemplating conversions from pension plans to 401(k) plans. In a departure from a trend that has been seen in recent years, none of the surveyed employers indicated any intentions of moving to cash balance plans in 2004.

## Multiemployer Pension Plans

Multiemployer pension plans can be narrowly defined as pension plans that must be maintained pursuant to collective bargaining agreements and receive contributions from more than one employer. Sometimes referred to as Taft-Hartley plans, they generally cover workers who are members of the same local, national, or international union. The principal advantage of a plan that receives its funding from a group of employers is portability, in that a union member can move between jobs with the different employers participating in the plan and remain covered for pension benefit purposes.

Nearly four in 10 surveyed employers (37 percent) said they participate in multiemployer pension plans. Participation is low in the manufacturing sector—where just 18 percent of responding employers reported involvement with multiemployer plans—but more concentrated among employers in other sectors. For example, half of employers in the nonbusiness sector participate in multiemployer plans, including surveyed government entities (57 percent), health care establishments (50 percent), and educational institutions (44 percent). Unionized workers in the construction trades are among those most likely to be covered by multiemployer plans; 75 percent of surveyed construction employers said they participate in such plans.

## Tax-Deferred Retirement Savings Plans

Tax-friendly retirement savings arrangements appear to enjoy the same kind of popularity among unionized organizations as they do across the employer community as a whole. Nearly seven out of 10 expiring labor agreements (69 percent) offer 401(k) plans or similar retirement savings options for union-represented employees. Tax-deferred retirement savings plans have become especially prevalent in the

manufacturing sector, where 87 percent of current contracts offer the plans, compared with 61 percent of agreements among employers in the nonmanufacturing sector.

Tax-deferred retirement plans allow employees to have a portion of compensation contributed to individual accounts, and employee deferrals plus any employer contributions and investment earnings can accumulate tax-free until money is withdrawn from the plan.

For most surveyed organizations that offer 401(k) plans or similar retirement savings arrangements, the plans apparently are intended to supplement, rather than replace, pension benefits. Of the employers whose contracts promise tax-deferred savings plans, the vast majority (86 percent) also offer at least one other type of retirement plan. At three-fourths of the establishments whose labor agreements provide for tax-deferred retirement savings plans, the contracts also provide for defined benefit plans.

Under labor agreements that provide for retirement savings plans, employer contributions commonly augment the money that participating workers set aside in their accounts. Indeed, well over half of employers that reported offering tax-deferred savings plans (57 percent) said their contracts also provide for employer contributions to the plans.

Common formulas mentioned by the responding employers include 50 percent and 75 percent matches. With employee contributions typically capped at 6 percent of annual pay, those formulas would translate to maximum employer contributions of 3 percent of pay under a 50 percent match, or 4.5 percent of pay under a 75 percent match. However, employer matches cover a much broader range than that. For example, the bargaining agreement of one Midwestern business places a \$750 limit on the amount of employer matching contributions. At the other end of the spectrum, a Middle Atlantic chemicals company has agreed to make employer contributions of up to 7 percent of employees' pay, including 3 percent that is not contingent on bargaining-unit employees making any contributions of their own.

## Bargaining Outlook

Contract negotiations in 2004 are not likely to result in many changes in the arena of tax-deferred retirement savings plans. Just 12 percent of all responding employers plan to modify, add, or discontinue any retirement savings plans as part of their 2004 contract negotiations.

As noted earlier, some employers will bargain to replace existing pension plans with 401(k) plans. Others are considering the possibility of adding provisions that would call for employer matching contributions. In a cost-cutting move, meanwhile, a West Coast communications firm intends to suspend matching contributions until the company attains profitability.

# Paid Leave and Other Benefits

## Paid Leave

**C**ollective bargaining agreements typically guarantee union members an array of paid leave benefits. Nearly nine out of 10 contracts confer paid time off for holidays (89 percent) and vacations (88 percent), while somewhat fewer give leave with pay for jury duty (82 percent) and bereavement (80 percent). Much less common in current contracts are sick leave benefits (69 percent), paid military leave (49 percent), personal leave (40 percent), and voting leave (16 percent). Only a handful of employers (7 percent) noted that other types of paid leave, such as time off for union business, education, exams and wellness, are stipulated by their current labor contracts.

Paid leave provisions are included more often in contracts covering small bargaining units—those with fewer than 1,000 employees—than in contracts with bargaining units of 1,000 or more workers. For example, roughly nine out of 10 agreements with small bargaining units confer paid time off for holidays, vacations, and jury duty, while similar provisions are found in less than four out of five larger contracts. With the exception of personal leave, all of the paid leave provisions listed in Table 10 are more likely to appear in labor agreements with small bargaining units than in contracts with large ones.

Traditionally, workers in manufacturing firms are more likely to benefit from contract provisions covering paid time off for holidays and vacations than are employees in nonmanufacturing establishments. Nearly all of the responding manufacturers reported having provisions that grant paid holiday leave (95 percent) and vacation leave (95 percent). The corresponding figures for similar leave provisions among nonmanufacturing employers are each about 10 percentage points lower.

Workers employed by manufacturing companies are also less likely to forfeit paid work time fulfilling their civic duties than their colleagues in the nonmanufacturing sector. More than one-fourth of contracts with manufacturers (26 percent) stipulate paid leave for voting, compared with about one in 10 contracts with nonmanufacturing entities (11 percent). Manufacturing es-

tablishments are also slightly more likely to offer paid time off for jury duty than their nonmanufacturing counterparts (84 percent vs. 81 percent).

Unlike most other forms of paid leave, time off for illness appears to be more common in the contracts of nonmanufacturing establishments than in the contracts of manufacturing companies. Nearly four out of five labor contracts with nonmanufacturing employers (79 percent) confer paid time off for illness, compared with less than half of the bargaining agreements negotiated with manufacturers (47 percent). As noted in the section on “Insurance Benefits,” nearly all of the labor contracts with manufacturers offer insurance against short-term disability or sickness and accidents, which may explain the lower incidence of sick leave in these employers’ contracts. As shown in Table 10, nonmanufacturing employers are also more likely to grant personal and military leave to workers than their manufacturing counterparts.

While labor contracts for companies in the manufacturing sector are more likely to contain paid leave provisions than those for the nonmanufacturing sector overall, bargaining agreements within the subgroup of nonbusiness entities (e.g., schools, hospitals, and municipalities) tend to be more generous. For example, while 73 percent of contracts with nonmanufacturing establishments (excluding nonbusiness entities) offer at least one paid leave provision to employees, the figure rises to 100 percent among nonbusiness entities responding to the survey. The comparable figure for contracts with manufacturing employers is 98 percent. Specific leave provisions that appear most frequently in contracts with nonbusiness entities include those for holiday leave (95 percent), vacations (95 percent), jury duty (93 percent), and deaths in the family (88 percent).

Construction workers are among those least likely to see paid leave benefits in their negotiated agreements. Only 17 percent of current contracts confer paid holidays to construction employees, while even fewer offer vacation, voting leave, and jury duty leave (8 percent each). None of the labor agreements reported for this industry group contain paid leave provisions for illness, personal matters, bereavement, or military service.

**Table 10 — Paid Leave Benefits in Current Contracts**

	Percent of Employers				
	All Employers	By Industry		By Size of Bargaining Unit	
		Mfg.	Nonmfg.	Large	Small
<i>(Number of employers)</i>	(122)	(38)	(84)	(52)	(70)
Holiday leave	89%	95%	86%	83%	93%
Annual/vacation leave	88	95	85	79	94
Jury duty leave	82	84	81	75	87
Bereavement leave	80	89	75	65	90
Sick leave	69	47	79	62	74
Military leave	49	45	51	48	50
Personal leave	40	11	54	40	40
Voting leave	16	26	11	15	16
Other	7	5	7	4	9

**Bargaining Outlook**

Bargaining-unit employees should not expect to see sweeping changes in their leave benefits, as less than one out of five responding organizations (18 percent) will bargain to add, modify, or delete any paid leave provisions in 2004. During this year's contract talks, employers are more likely to scale back or eliminate leave benefits than to pledge new ones. As figure H shows, bargaining-unit employees at 13 percent of the responding organizations may face a reduction or possible elimination of one or more leave benefits, while relatively few employers will consider increasing current leave benefits (5 percent) or introducing new ones (1 percent).

Employees could also lose some vacation days and holidays during the next round of contract negotiations. Nearly one out of 12 organizations (8 percent) have targeted holiday leave for reduction, and 6 percent seek to pull back from existing commitments for paid vacations. In contrast, just one organization plans to improve on the holiday leave provision in its expiring agreement. Among employers whose expiring contracts lack these contractual leave benefits, none plans to add them.

A few employers will consider contractual changes to sick leave. Seven percent of responding employers will bargain to reduce or possibly eliminate paid leave for illness, while a tiny minority of companies (2 percent) will contemplate improvements in their sick leave provisions.

Bereavement leave and paid leave for jury service will receive minimal bargaining attention in 2004. Just 2 percent of employers said they will consider increasing bereavement leave benefits, while another 2 percent will bargain to scale back or eliminate such benefits. Another 2 percent of organizations will seek to cut back or eliminate leave for jury duty, while only one company without a contractual provision for jury duty indicated an interest in adding such leave in 2004. Paid time off for voting, military service, and personal matters

will likely remain unchanged, with no expansions or initiations of those provisions planned by responding employers.

**Other Services and Benefits**

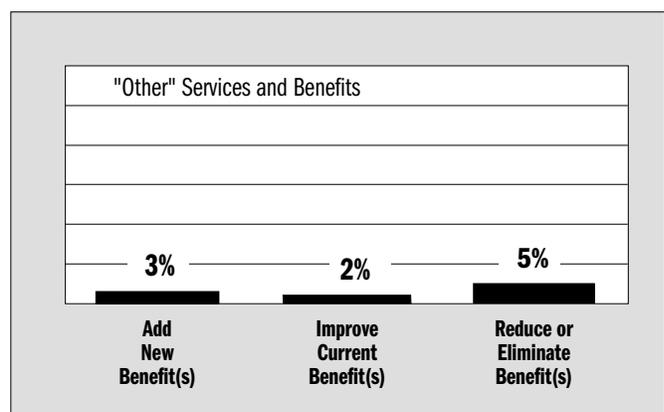
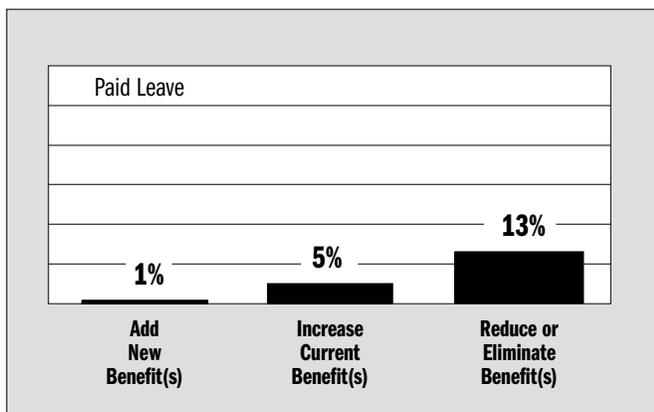
Management negotiators often include a variety of additional employee benefits in their contracts. Two-thirds of expiring labor agreements offer services through employee assistance programs (EAPs) to help workers in balancing their personal lives and professional responsibilities, while nearly half (49 percent) of expiring agreements provide money toward tuition for higher education. Subsidies for transportation are stipulated by about one out of five expiring contracts (19 percent).

While EAP services, tuition reimbursement, and transportation subsidies are relatively common, few organizations offer other benefits to bargaining-unit employees. Just 9 percent of companies provide a stock ownership investment option to their workers, and even fewer offer assistance with legal matters (7 percent) or child care (5 percent). A free or subsidized home computer is stipulated in just 2 percent of expiring bargaining agreements.

In some cases, there is strength in numbers for bargaining-unit employees. Contracts covering bargaining units of at least 1,000 employees generally offer more benefits than contracts covering smaller bargaining units. For example, one-third of labor contracts with large bargaining units (33 percent) provide for transportation subsidies, compared with less than one out of 10 contracts with small bargaining units (9 percent). Table 11 also shows disparities between large and small bargaining units in the prevalence of contract provisions for employee assistance programs, tuition aid, employee stock ownership plans, legal services, child care assistance, and free or subsidized computers.

Workers employed in the nonmanufacturing sector have a better chance of getting transportation subsidies

**Figure H**  
**Bargaining Plans for Paid Leave and "Other" Services/Benefits**  
 Percent of Employers



Note: Percentages include an employer with plans to add or improve one or more contract provisions while reducing or eliminating at least one other.

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than their colleagues working for manufacturers. About a quarter of labor agreements with nonmanufacturing establishments (24 percent) stipulate funding for commuter expenses, compared with just 8 percent of contracts with manufacturing companies. The reverse is true for employment assistance programs; more than three out of four contracts with manufacturing employers (76 percent) offer EAP services to bargaining-unit employees, while less than two out of three companies in the nonmanufacturing sector (63 percent) confer that benefit in their contracts.

### Bargaining Outlook

In general, employers heading into bargaining sessions in 2004 plan few changes to expiring contracts that will affect the various "other" services and benefits grouped under this heading. As Figure H shows, 3 percent of firms are open to initiating additional services or benefits in their upcoming agreements, while 5 percent

will bargain to scale back or eliminate existing provisions. Only 2 percent of employers expressed a willingness to enhance their existing provisions, and their interest focused solely on improving EAP services.

Employee assistance programs and tuition reimbursements are the most likely targets of employers seeking to reduce or eliminate extra benefits, but are simultaneously favored by organizations considering the introduction of any services or benefits discussed in this section. For example, 4 percent of employers will bargain to scale back or eliminate current EAP services, while 3 percent will consider adding these services in their 2004 contracts. Similarly, though 5 percent of employers will bargain for cuts in tuition benefits, another 3 percent will consider introducing tuition assistance.

Provisions on employee stock ownership plans and legal services have been targeted for reduction or elimination by just one employer each. Conversely, one employer indicated an interest in adding child-care assistance.

**Table 11 — Other Services and Benefits in Current Contracts**

	Percent of Employers				
	All Employers	By Industry		By Size of Bargaining Unit	
		Mfg.	Nonmfg.	Large	Small
<i>(Number of employers)</i>	(122)	(38)	(84)	(52)	(70)
Employee assistance program (EAP)	67%	76%	63%	71%	64%
Tuition aid	49	47	50	50	49
Transportation subsidies	19	8	24	33	9
Employee stock ownership plan (ESOP)	9	11	8	10	9
Legal services	7	8	7	12	4
Child care assistance	5	3	6	10	1
Free or subsidized home computer	2	3	1	2	1

## Job Security

**J**ob security provisions remain an integral part of bargaining agreements. Nine out of ten current contracts (89 percent) contain at least one provision aimed at safeguarding workers against job loss or increasing the competence of bargaining-unit employees.

Over half of employers' expiring agreements stipulate advance notification in case of a shutdown (57 percent) and restrictions on the use of subcontractors (53 percent). Extended recall rights, which specify the period during which new positions must be filled by those workers laid off earliest, can be found in 57 percent of expiring contracts. Additionally, provisions on transfer rights—those addressing conditions and eligibility for voluntary and involuntary job transfers—are conferred by 45 percent of labor contracts. (See Table 12.)

Extended recall rights are more frequently included in bargaining agreements with manufacturers (63 percent) than in contracts negotiated with organizations in the nonmanufacturing sector (54 percent). Similarly, current contracts with about seven out of 10 manufacturers (71 percent) stipulate that workers must be given advance notice of a shutdown, compared with only about half of the labor agreements with employers in the nonmanufacturing sector (51 percent).

Roughly one in three expiring labor contracts contains provisions on severance pay (36 percent), while slightly fewer address flexible work schedules (29 percent). Provisions on successorship, which specify employment rights in the event of an ownership change, are found in the contracts of 36 percent of responding employers. In addition, labor agreements in the nonmanufacturing sector are somewhat more likely than those in the manufacturing sector to include successorship language (38 percent vs. 32 percent) and provisions on flexible work arrangements (32 percent vs. 21 percent).

Initiatives aimed at improving workers' skills and qualifications are relatively uncommon in expiring contracts. Professional development programs are conferred by just 16 percent of responding employers' labor agreements, and a mere 9 percent offer retraining

for bargaining-unit employees. Similarly, just a handful of agreements include provisions on supplemental unemployment benefits (9 percent) and worksharing arrangements (7 percent).

Employees in large bargaining units often enjoy more comprehensive employment protection initiatives than workers represented by smaller bargaining units. As Table 12 shows, with the exception of extended recall rights and shutdown notices, each of the job security measures included in the survey is more prevalent in contracts covering 1,000 or more employees than in agreements with smaller bargaining units.

### Bargaining Outlook

Employment safeguards will receive substantial attention during the upcoming negotiations, as nearly a third of employers (30 percent) plan to establish, discontinue, or modify one or more security measures in their 2004 labor contracts. About one out of seven employers (14 percent) will consider adding job security provisions, while similar proportions of employers will consider improvements (11 percent) or bargain for cutbacks or deletions (16 percent) of such provisions in their current contracts. (See Figure I.)

The overall percentage of organizations whose contracts include supplemental unemployment benefits or worksharing programs is likely to diminish following new contract talks, as interest in adding these provisions is dwarfed in comparison with plans to scale back or strike such provisions from current labor agreements. About one quarter (27 percent) of establishments with supplemental unemployment benefits in their expiring agreements and 22 percent of those with worksharing arrangements will seek to reduce or eliminate them. In contrast, only 9 percent of employers will consider adding supplemental employment benefits, and only 4 percent will consider introducing a new worksharing provision.

Similarly, successorship language and extended recall rights have been targeted for reduction or elimination by a number of management negotiators, while

**Table 12 — Job Security Provisions in Current Contracts**

	Percent of Employers				
	All Employers	By Industry		By Size of Bargaining Unit	
		Mfg.	Nonmfg.	Large	Small
<i>(Number of employers)</i>	(122)	(38)	(84)	(52)	(70)
Extended recall rights	57%	63%	54%	56%	57%
Advance notice of shutdown	57	71	51	48	64
Subcontracting restrictions	53	55	52	65	44
Transfer rights	45	45	45	56	37
Successorship language	36	32	38	38	34
Severance pay	30	39	25	31	29
Flexible work scheduling	29	21	32	31	27
Professional development program	16	8	19	21	11
Supplemental unemployment benefits	9	13	7	13	6
Retraining program	9	11	8	12	7
Worksharing program	7	11	6	12	4

only a few plan to enhance these provisions. Nine percent of employers with current successorship language and nearly as many establishments with extended recall rights (8 percent) will attempt to curtail or wipe out those provisions in their new contracts. As Table 13 shows, hardly any firms plan to strengthen existing successorship language (2 percent) or extended recall rights (3 percent), and just 2 percent are inclined to add a new provision covering extended recall rights in 2004.

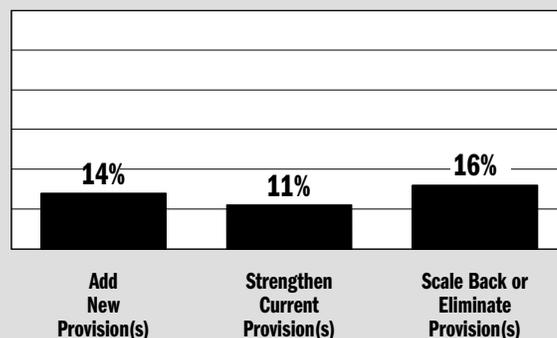
During the 2004 contract talks, about as many employers will look to cut or relax subcontracting restrictions as those that will consider adding or strengthening them. Of the organizations that place restrictions on subcontracting in their current agreements, 14 percent will attempt to rein in or eliminate subcontracting language in the new contract. At the same time, 9 percent of employers will consider toughening current subcontracting restrictions, while 4 percent will consider adding a subcontracting provision during upcoming negotiations.

Union negotiators may be asked to make few if any concessions on professional development and retraining programs. Not only do responding employers expect these provisions to stand in new contracts, one firm is willing to strengthen its current professional development program, and another is looking at establishing a provision regarding the retraining of bargaining-unit employees.

Relatively few management negotiators expect to address provisions on severance pay, transfer rights, or advance notice of shutdowns during upcoming negotiations. For example, of those employers with severance pay provisions in their expiring labor agreements, only three (8 percent) will consider improving their current provisions, while just one organization (3 percent) will bargain to relax or eliminate its provision on severance pay. Additionally, 2 percent of organizations without a current severance pay provisions will consider adding

**Figure 1**  
**Bargaining Plans for Job Security Provisions**

Percent of Employers



Note: Percentages include a few employers with plans to add or strengthen one or more contract provisions while scaling back or eliminating at least one other.

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one in their new contracts. Employers anticipate correspondingly little bargaining activity around provisions on transfer rights and advance notice of shutdowns. (See Table 13.)

Among the various job security provisions explored in the survey, responding employers were most amenable to adding flexible work arrangements to their new contracts. Fourteen percent of employers without provisions permitting flexible work schedules will consider introducing such arrangements in their 2004 contracts. Among organizations with flexible scheduling already in place, 6 percent plan to expand these provisions, while 11 percent hope to relax or eliminate them.

**Table 13 — Bargaining Plans for Job Security Provisions**

	Included in Current Contract*	Current Contract Includes Provision**			Current Contract Does Not Include Provision***			
		(N)	Strengthen Provision	No Change Indicated	Reduce or Eliminate Provision	(N)	Add Provision	No Change Indicated
	%	(N)	%	%	%	(N)	%	%
Extended recall rights	57	(69)	3	87	10	(53)	2	98
Advance notice of shutdown	57	(70)	—	96	4	(52)	—	100
Subcontracting restrictions	53	(65)	9	77	14	(57)	4	96
Transfer rights	45	(55)	2	91	7	(67)	—	100
Successorship language	36	(44)	2	89	9	(78)	—	100
Severance pay	30	(36)	8	89	3	(86)	2	98
Flexible work schedules	29	(35)	6	83	11	(87)	14	86
Professional development program	16	(19)	5	95	—	(103)	—	100
Supplemental unemployment benefits	9	(11)	9	64	27	(111)	—	100
Retraining program	9	(11)	—	100	—	(111)	1	99
Worksharing program	7	(9)	—	78	22	(113)	4	96

\* Percentages are based on all 122 responding employers.

\*\* Percentages are based on the number of employers whose current contracts contain the specified provision, as shown by the first column of numbers in parentheses.

\*\*\* Percentages are based on the number of employers who either indicated that their current contracts do not provide the specified provision or did not respond, as shown by the second column of numbers in parentheses.

## Policies and Special Programs

Employers regularly include policies and pledges in their labor agreements, the most common of which address workplace safety and compliance with equal employment opportunity requirements. Many labor agreements also specify a variety of special programs and initiatives, including safety training, drug and alcohol rehabilitation, and absenteeism control measures.

[Note: Some respondents indicated that while similar policies and programs are in place at their establishments, those initiatives are not part of their collective bargaining agreements.]

### Policies and Pledges

A vast majority of bargaining agreements include pledges to abide by employment laws and regulations or maintain certain standards of workplace conduct. Nearly nine out of 10 companies' expiring labor contracts (89 percent) contain at least one such policy statement.

Contracts containing pledges to abide by employment laws are especially common. As Table 14 shows, close to three-fourths of responding employers (71 percent) indicated that their expiring labor agreements include formal promises to comply with equal employment opportunity laws, while more than half said their agreements contain similar statements of commitment to the Family and Medical Leave Act (55 percent) and the Americans with Disabilities Act (53 percent).

Labor contracts frequently include rules that govern specific types of employee conduct, such as drug and al-

cohol use (70 percent) and sexual harassment (55 percent). Despite the fact that e-mail and Internet usage in the workplace is now widespread, only 29 percent of current contracts contain an Internet/e-mail policy.

Statements regarding worker safety can be found in about two-thirds of labor agreements (66 percent). Contracts are far less likely to include other health-related statements addressing issues such as smoking (30 percent), ergonomics (19 percent), and AIDS/HIV (12 percent).

### Bargaining Outlook

More than a few employers will contemplate adding or strengthening policies and pledges in their 2004 contracts, while a tiny minority of responding organizations will consider relaxing or eliminating existing assurances. Management negotiators for 11 percent of responding establishments are amenable to adding one or more new policies during the upcoming contract talks, and 13 percent will consider strengthening existing statements, pledges, and policies. In contrast, only 3 percent of organizations expressed an interest in scaling back or discarding policies contained in current contracts.

Substance abuse and smoking policies will be on the table for discussion at a number of companies during 2004 contract talks. Nearly one-fifth of organizations (17 percent) with smoking provisions in their current agreements indicated an interest in adopting stricter rules in their new contracts. Among companies with

**Table 14 — Policies and Special Programs in Current Contracts**

	Percent of Employers				
	All Employers	By Industry		By Size of Bargaining Unit	
		Mfg.	Nonmfg.	Large	Small
(Number of employers)	(122)	(38)	(84)	(52)	(70)
<b>Policy Statements and Pledges</b>					
EEO compliance pledge	71%	82%	67%	77%	67%
Safety policy	66	76	62	69	64
Drug/alcohol policy	70	76	68	71	70
FMLA compliance pledge	57	63	54	54	59
Sexual harassment policy	55	66	50	56	54
ADA compliance pledge	53	55	52	56	51
Smoking policy	30	42	24	27	31
Internet/e-mail policy	29	45	21	25	31
Ergonomics policy	19	42	8	19	19
AIDS/HIV policy	12	8	14	12	13
<b>Special Programs</b>					
Safety program	61%	79%	52%	63%	59%
Cooperative labor-management program	51	45	54	62	43
Sexual harassment program	42	63	32	38	44
Drug/alcohol rehabilitation program	41	55	35	38	43
Affirmative action program	39	53	33	42	37
Absenteeism control program	36	53	29	35	37
Diversity program	19	24	17	21	17
Ergonomics program	18	42	7	19	17
AIDS/HIV awareness program	6	5	6	6	6

contractual guidelines regarding the use of drugs and alcohol, 15 percent are looking at strengthening the policies in 2004.

Changes could also occur in policies designed to protect employees from injuries on the job. Stronger contract provisions on ergonomics are under consideration at 13 percent of responding organizations, while 7 percent of the responding employers with safety policies in their existing contracts are considering moves to strengthen those provisions.

Just a handful of employers indicated intentions to strengthen existing policies or statements on sexual harassment (3 percent), EEO compliance (2 percent), and compliance with the Americans with Disabilities Act (2 percent). Meanwhile, 6 percent of surveyed establishments will look to bolster policies or statements on Internet and e-mail usage.

About one-tenth of employers (9 percent) whose expiring contracts lack pledges to comply with the Family and Medical Leave Act are considering the addition of such statements in 2004. Similarly, 7 percent of employers that have not already established policies on Internet and e-mail usage are considering their addition. Among those lacking EEO compliance pledges, 6 percent are looking at adding them. Both ADA compliance pledges and safety policies are under consideration by 5 percent of employers that do not already have them.

Very few employers are considering the addition of other policies or statements, as Table 15 shows. Indeed, fewer than one in 20 surveyed management representatives indicated an interest in introducing new contract provisions addressing sexual harassment (4 percent), ergonomics (3 percent), smoking (2 percent), and AIDS/HIV (1 percent). No company without a drug and alcohol policy in the current contract plans to introduce one in 2004.

### Special Programs

Special programs are regularly included in collective bargaining agreements, as evidenced by the fact that expiring contracts at 83 percent of responding organizations contain one or more such initiatives. Safety training programs designed to prevent workplace injuries are the most widespread, with more than six out of 10 current contracts (61 percent) mandating them.

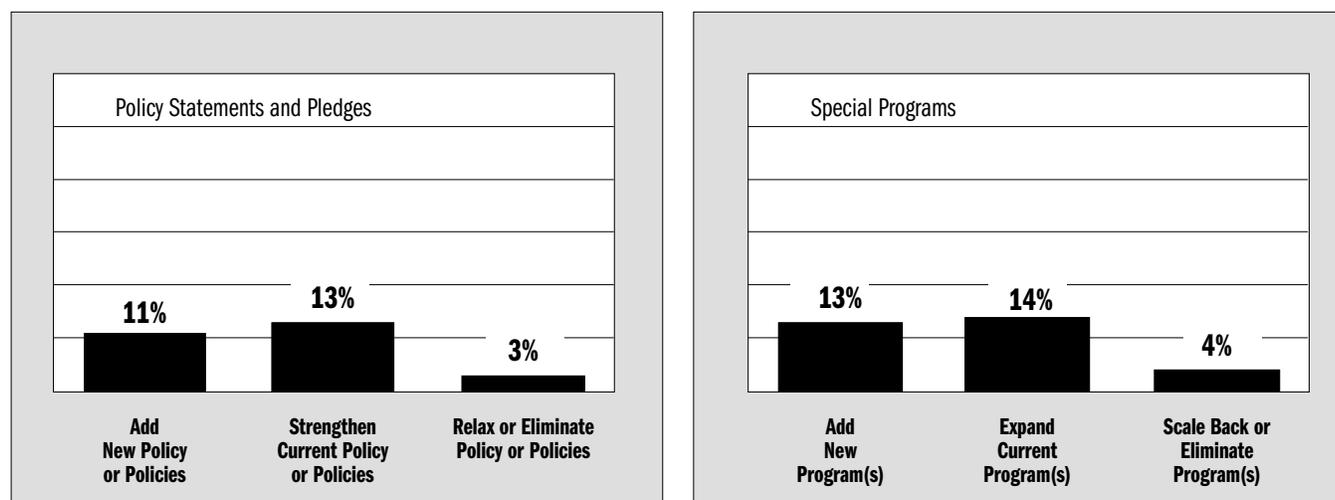
Just over half of bargaining agreements stipulate cooperative efforts between management and labor (51 percent), while about two-fifths of contracts include programs on sexual harassment (42 percent), drug and alcohol rehabilitation (41 percent), and affirmative action (39 percent). (See Table 14.) More than a third of responding establishments (36 percent) have programs to control absenteeism in their expiring contracts, while contractually-mandated programs on diversity (17 percent), ergonomics (14 percent), and AIDS/HIV awareness (6 percent) tend to be less common.

Manufacturing companies are more likely than other employers to include special programs in their labor contracts. For example, more than half of labor contracts with manufacturers contain sexual harassment (63 percent), affirmative action (53 percent), and absenteeism control programs (53 percent), compared with roughly a third of labor agreements with nonmanufacturing entities (32 percent, 33 percent, and 29 percent, respectively).

### Bargaining Outlook

About equal percentages of management negotiators will consider adding or fortifying special programs in their new contracts, while a few will consider program cuts. Overall, 13 percent of surveyed employers indicated a desire to add at least one new program in their 2004 labor agreements, and 14 percent indicated a de-

**Figure J**  
**Bargaining Plans for Policies and Special Programs**  
Percent of Employers



Note: Percentages include employers with plans to add or improve one or more contract provisions while relaxing or eliminating at least one other.

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sire to strengthen programs they already have. A minority of organizations (4 percent) will instead look to scale back or eliminate programs included in their current bargaining agreements.

Programs to reduce unscheduled absence will be on many organizations' bargaining agendas. Twenty percent of employers that have such programs indicated plans to expand them in 2004. In addition, 6 percent of those currently without absenteeism control programs hope to secure them during the upcoming contract talks. Fewer than one in 10 employers (9 percent) will entertain proposals to cut back or eliminate existing contract provisions regarding absences.

Progress toward better labor-management relations is always a desirable goal. At organizations whose contracts include cooperative labor-management programs, more than one in 10 management representatives (11 percent) said they would like to strengthen the programs. Twelve percent of the representatives for

employers that lack cooperative labor-management programs indicated a desire to add them.

Management negotiators are looking at adding sexual harassment and ergonomics initiatives in 7 percent of the contracts that currently lack such provisions. Plans to strengthen existing provisions were indicated by 12 percent of employers with sexual harassment initiatives in their current labor agreements and 18 percent of employers with ergonomics initiatives in their contracts.

While stronger provisions on workforce diversity are contemplated by just 4 percent of the employers that have such programs, nearly 10 percent of employers without diversity programs hope to include them in their new bargaining agreements. As Table 15 shows, a variety of other programs are up for discussion during contract talks. A few employers will consider adding new measures on affirmative action (5 percent), safety (4 percent), AIDS/HIV awareness (3 percent), and drug and alcohol rehabilitation (3 percent).

**Table 15 — Bargaining Plans for Policies and Special Programs**

	Included in Current Contract*	Current Contract Includes Provision**			Current Contract Does Not Include Provision***			
		Strengthen Provision	No Change Indicated	Reduce or Eliminate Provision	Add Provision	No Change Indicated		
<b>Policy Statements and Pledges</b>	%	(N)	%	%	%	(N)	%	%
EEO compliance pledge	71	(87)	2	98	—	(35)	6	94
Drug/alcohol policy	70	(86)	15	83	2	(36)	—	100
Safety policy	66	(81)	7	91	1	(41)	5	95
FMLA compliance pledge	57	(69)	—	99	1	(53)	9	91
Sexual harassment policy	55	(67)	3	97	—	(55)	4	96
ADA compliance pledge	53	(65)	2	98	—	(57)	5	95
Smoking policy	30	(36)	17	83	—	(86)	2	98
Internet/e-mail policy	29	(35)	6	91	3	(87)	7	93
Ergonomics policy	19	(23)	13	87	—	(99)	3	97
AIDS/HIV policy	12	(15)	—	100	—	(107)	1	99
<b>Special Programs</b>								
Safety program	61	(74)	11	89	—	(48)	4	96
Cooperative labor-management program	51	(62)	11	89	—	(60)	12	88
Sexual harassment program	42	(51)	12	88	—	(71)	7	93
Drug/alcohol rehabilitation program	41	(50)	6	90	4	(72)	3	97
Affirmative action program	39	(48)	4	96	—	(74)	5	95
Absenteeism control program	36	(44)	20	70	9	(78)	6	94
Diversity program	19	(23)	4	96	—	(99)	8	92
Ergonomics program	18	(22)	18	82	—	(100)	7	93
AIDS/HIV awareness program	6	(7)	—	100	—	(115)	3	97

\* Percentages are based on all 122 responding employers.

\*\* Percentages are based on the number of employers whose current contracts contain the specified provision, as shown by the first column of numbers in parentheses.

\*\*\* Percentages are based on the number of employers who either indicated that their current contracts do not provide the specified provision or did not respond, as shown by the second column of numbers in parentheses.