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ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE MEETING

AGENDA  
8:30 a.m.  
Roosevelt Room

April 8, 1976

- |   |         |
|---|---------|
| 1. Report of the Labor Negotiations Committee | Labor   |
| 2. Profile of the Unemployed                  | Malkiel |



~~EYES ONLY~~

MINUTES OF THE  
EPB/ERC EXECUTIVE COMMITTEE MEETING

April 7, 1976

ATTENDEES: Messrs. Seidman, Richardson, Zarb, Robinson, Train, MacAvoy, Yeo, Zausner, Darman, Hill, Gorog, Porter, O'Neill, Kearney, Schleede, Leach, Wood, Mitchell, Penner, Walters, Hardy, Strelow, Peck

1. Clean Air Act Amendments

The Executive Committee discussed the legislative status of the Clean Air Act Amendments which have been reported in both the House and the Senate. Floor action in the Senate is expected following the recess the week of May 5. Floor action in the House is expected in about three weeks. The discussion focused on the auto emissions and significant deterioration provisions, the FEA/EPA study of the effect of the significant deterioration provisions on power plant siting, and on the need for further analysis of the impact on economic growth of the significant deterioration provisions.

Decision

The Executive Committee approved the creation of a small task group including representatives of FEA, EPA, Commerce, OMB, Interior, and the Assistant to the President for Economic Affairs to develop a recommended Administration position on the auto emissions provisions and to further analyze and develop a recommended Administration position on the significant deterioration provisions. The group will report back to the EPB/ERC by April 14.

2. Oil Divestiture

The Executive Committee discussed the need for an Administration position on the vertical divestiture bill recently passed by the Senate Judiciary Subcommittee.

Decision

The Executive Committee approved a question and answer for the President which is attached at Tab A.

3. Natural Gas

The Executive Committee discussed current legislative alternatives to Senate and House passed versions of natural gas legislation concluding that the possibilities of getting an acceptable bill from the existing impasse are marginal.

~~EYES ONLY~~



Decision

FEA will meet with appropriate Senate and House leaders to see if a compromise is possible and report back to the Executive Committee.

4. Extending the Jones Act to the Virgin Islands for Oil Products (S. 2422)

The Executive Committee discussed a memorandum prepared by OMB on "Extending the Jones Act to the Virgin Islands for Oil Products (S. 2422)." The bill is currently scheduled for mark-up in late April.

The Department of State indicated that they wish to be recorded as opposed to the legislation rather than as having no objection. The discussion focused on the likelihood of the bill being bottled up in Committee and the advantages and disadvantages of the proposed legislation. FEA indicated that they do not intend to use the entitlements program in order to offset the impact of extending the Jones Act to the Virgin Islands.

Decision

The Executive Committee approved submitting an information memorandum for the President on the issue to apprise him of the current legislative status and of the agency positions on the bill.



## OIL COMPANY DIVESTITURE

Q. What is your position on the recent oil company divestiture bill approved by Senator Bayh's subcommittee?

A. I am very concerned about the thrust of this bill. It assumes that, by reorganizing a major segment of the oil industry, we can lower prices and increase secure supplies.

I have not seen any evidence to indicate that these results would occur.

If it could be positively shown that divestiture would improve the delivery of secure volumes of oil at lower prices to the American people, I would favor it.

The advocates of the bill reported by the subcommittee have not made that case. There is a good chance that the bill would retard, rather than expand, domestic production and actually increase our vulnerability to high priced foreign sources.

Until it can be demonstrated that divestiture legislation would improve rather than worsen our energy situation, I must oppose such proposals.

April 7, 1976

ERC/EPB



COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

March 27, 1976

ALAN GREENSPAN, CHAIRMAN  
PAUL W. MACAVOY  
BURTON G. MALKIEL

MEMORANDUM FOR THE EXECUTIVE COMMITTEE OF  
THE ECONOMIC POLICY BOARD

Subject: The Nature of Unemployment, February 1976

We have prepared the following paper which  
can serve as the basis of the EPB discussion on  
unemployment scheduled for Tuesday, March 30.

*Burton Malkiel*  
Burton G. Malkiel  
Member



The Nature of Unemployment,  
February 1976

During the last few months unemployment has declined and employment has increased. In February, the seasonally adjusted unemployment rate was 7.6 percent, a decline of 1.0 percentage point since October. The decline in unemployment was just over 900,000. Since October, employment has increased by about 1.5 million and the labor force has grown by nearly one-half million. As the unemployment rate has declined, the characteristics of the unemployed and the nature of unemployment have changed.

Characteristics of the Unemployed

As indicated in Table 1, the decline in unemployment rates in the last four months has been widespread among the demographic groups. In general, unemployment declined more sharply for those groups for whom the rate increased most dramatically during the recession. This is shown in Table 1 and Table 1a by comparing the rise in unemployment among demographic groups from 1973 (when the rate was 4.9 percent) to October 1975, with the decline from October 1975 to February 1976. Since October 1975, the decline in the unemployment rate among Negroes and among teenagers has been relatively smaller than for other groups, but this tends to be a typical pattern in the early stages of an economic recovery. As the recovery continues we would expect the unemployment rate for blacks and for teenagers to decline more sharply than for the economy in general.

Unemployment rates and the percent distribution of unemployment (Tables 1 and 1a) by occupation and industry indicate that the greatest improvement since October 1975 has been in the blue collar jobs and goods producing (con-



Table 1

Unemployment Rates  
(Seasonally adjusted)

	1973	October 1975	December 1975	February 1976
<u>Demographic Characteristics</u>				
Total, 16 years and over	4.9	8.6	8.3	7.6
Males, 20 years and over	3.2	7.2	6.6	5.7
Females, 20 years and over	4.8	7.9	8.0	7.5
Teenagers (16-19 years)	14.5	19.8	19.6	19.2
White	4.3	8.0	7.6	6.8
Negro and other races	8.9	14.3	13.8	13.7
Household Heads	2.9	6.0	5.7	4.9
Married Men, Wife present	2.3	5.3	4.8	4.1
Full-time Workers	4.3	8.5	7.9	7.1
Unemployed 15 weeks or longer	0.9	2.9	3.3	2.7
<u>Occupation</u>				
White Collar	2.9	4.8	4.8	4.6
Blue Collar	5.3	11.6	10.7	9.3
Service Workers	5.7	9.1	9.2	8.9
<u>Industry</u>				
Private Nonfarm Employees	4.8	9.2	8.9	8.0
Construction	8.8	18.1	16.6	15.5
Manufacturing	4.3	10.6	9.6	8.0
Transportation and public utilities	3.0	5.6	5.1	4.7
Trade	5.6	9.1	9.4	8.4
Other Services	4.8	7.0	7.0	6.8
Government	2.7	4.3	4.4	4.4

Source: Bureau of Labor Statistics





Table 1a

Composition of Unemployment  
(seasonally adjusted)

	<u>1973</u>	<u>Oct. 1975</u>	<u>Dec. 1975</u>	<u>Feb. 1976</u>
<u>Demographic Characteristics</u>				
Total, 16 years and over	100.0	100.0	100.0	100.0
Males, 20 years and over	37.0	46.0	43.3	40.9
Females, 20 years and over	34.5	32.4	34.4	35.3
Teenagers (16-19 years)	28.5	21.5	22.3	23.8
White	79.2	82.5	80.8	78.7
Negro and other races	20.8	18.9	18.9	20.7
Household heads	34.2	39.5	39.6	37.0
Married men, spouse present	21.0	26.5	24.8	23.0
Full-time workers	76.5	83.8	81.8	79.6
Unemployed 15 weeks or longer	18.9	33.7	39.8	35.2
<u>Occupation</u>				
Total (1)	100.0	100.0	100.0	100.0
White Collar	28.3	26.3	27.4	29.0
Blue Collar	39.2	45.9	43.9	41.1
Service	15.7	14.7	15.5	16.2
<u>Industry</u>				
Total (2)	100.0	100.0	100.0	100.0
Private nonfarm employees	72.5	77.3	77.2	75.3
Construction	9.3	10.1	9.4	9.4
Manufacturing	21.5	27.6	26.2	24.0
Transportation and public utilities	3.3	3.5	3.2	3.2
Trade	20.5	19.4	20.7	19.9
Finance and service	17.4	16.6	17.3	18.4
Government	8.8	8.0	8.7	9.7

(1) Data for farm workers and new entrants are not shown separately.

(2) Data for new entrants, farm workers, self-employed and unpaid family workers are not shown separately.

Note: Detail may not add to total because of rounding and because the sum of seasonally adjusted series need not equal the seasonally adjusted value of the sum.

Source: Bureau of Labor Statistics.



struction and manufacturing) industries. The decline in unemployment rates among workers in white collar and service occupations has been very small. However, the unemployment rate for persons in wholesale and retail trade and in transportation and public utilities has declined.

Table 2 presents data on the distribution of unemployment by reason and by duration. In a recession the proportion of the unemployed who are job losers increases sharply. As the length of an economic downturn increases the proportion of the unemployed who have been unemployed for a long period of time (15 or 27 weeks or more) also increases. (Compare 1973 with 1975 in Table 2.)

Since the second half of 1975, the decline in unemployment has been greatest for persons unemployed because they had lost their job. This is shown by the declining proportion of the unemployed who are job losers (as indicated in Table 2) and is largely the result of the recall of workers previously placed on job layoffs.

The very long duration unemployed, those unemployed 27 weeks or longer, show a substantial increase in the share of unemployment from October to February (Table 2). This is the only duration of unemployment category in which there has not been a decline in the absolute number of unemployed persons since October.

A frequently cited statistic is the average duration of unemployment for those currently unemployed. This statistic is easily misinterpreted. An increase in average duration can occur even if the unemployment situation improves, if the improvement is greatest for those most recently unemployed. If the size of new flows into unemployment decrease sharply and the very

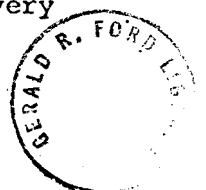


Table 2

Distribution of Unemployment by Reason and by Duration  
(Seasonally adjusted, percent)

		October	December	February
	<u>1973</u>	<u>1975</u>	<u>1975</u>	<u>1976</u>
<u>Reason for Unemployment</u>				
Total Unemployed	100.0	100.0	100.0	100.0
Job losers	38.7	56.0	51.7	49.1
Job leavers	15.7	10.2	11.3	12.1
Reentrants	30.7	23.4	25.8	26.6
New entrants	14.9	10.4	11.3	12.1
<u>Duration of Unemployment</u>				
Total Unemployed	100.0	100.0	100.0	100.0
Less than 5 weeks	51.0	36.9	33.2	38.1
5 to 14 weeks	30.1	29.9	28.1	26.3
15 weeks or more	18.8	33.2	38.6	35.6
15 to 26 weeks	11.0	15.1	17.7	13.6
27 weeks and over	<u>7.8</u>	<u>18.1</u>	<u>20.9</u>	<u>22.1</u>
Average (mean) duration in weeks	10.0	15.6	17.0	16.2

Note: Detail may not add to total due to rounding.

Source: Bureau of Labor Statistics.



long duration unemployment declines only slowly, the average duration of unemployment could increase.

#### Unemployment and Family Income

Unemployment compensation benefits are generally available for persons who lost their last job, and in many instances also for those who voluntarily left their last job. Persons who are new entrants to the labor force are not eligible, while reentrants are rarely eligible for benefits. In February 4.3 million persons claimed regular benefits (up to 26 weeks) under the regular state or Federal programs (including SUA) and 1.8 million claimed extended benefits (Federal-State Extended or Federal Supplemental Benefits), for a total of 6.1 million claimants.<sup>1/</sup> Of the 8.0 million unemployed in the CPS in February 1976, only 5.4 million had either left or lost their last job and another 2 million were reentrants to the labor force. Then, for February the ratio of UI claimants to unemployed job losers and leavers was 1.1 and to all experienced workers (job losers, leavers and reentrants) was 0.8.<sup>2/</sup> The ratio of the number of claims for extended benefits to the number of experienced workers unemployed 27 weeks or longer was 1.2. The unemployment compensation system appears to be providing benefits for nearly all unemployed persons with work experience.

<sup>1/</sup> Not all claimants receive a benefit check.

<sup>2/</sup> The ratio of UI claimants to job losers and job leavers can exceed unity for several reasons.

1. Some claimants are employed and receive partial unemployment insurance.
2. Some claimants may be reported in the CPS as reentrants (e.g., a person works for a year, is placed on a layoff, doesn't look for work for a few weeks and then applies for benefits and starts searching for a job).
3. Some claimants may be reported in the CPS as outside the labor force because they do not have a job and are not searching for one.
4. There is sampling variability in the CPS data.

Because current data sources do not permit a match up of CPS and UI status, the magnitude of these factors cannot be ascertained.



It should be noted that unemployment of a family head does not necessarily imply the absence of any employed person in the family.

In March 1975, the latest data available, among all families in which the head was unemployed, 42 percent had another member who was employed.

Among husband-wife families in which the husband was unemployed, 48 percent

had another member (usually the wife) who was employed. There has been

an upward trend in the proportion of male family heads with an employed

family member -- from about 40 percent in the late 1950's and early 1960's

to about 49 percent in the 1970's.

#### Long Duration Unemployment

Some of the long duration unemployed can probably be explained as so-called "structural unemployment" arising from the lack of appropriate training or the obsolescence of skill, or from old age. This kind of unemployment is only very slowly reduced by a strong economic recovery.

Another component might be considered "induced unemployment." This is unemployment reported by persons who would otherwise be outside the labor force (due to old age, ill health, family responsibilities, etc.) if not for the availability of very long duration unemployment compensation benefits. This problem may be more pronounced in a recession because of the availability of long duration benefits and the difficulty of effectively enforcing the work test for unemployment compensation during a period of high unemployment.

The scanty data that exist for the unemployment compensation system indicate some tendency for older workers and women to have a greater frequency of exhausting benefits. It has been suggested that the high



unemployment benefits relative to their after-tax earning potential may have induced this longer period of unemployment. The extent to which this is in fact the case is still unclear.

Data do not exist for the number of long duration unemployed persons actually receiving unemployment compensation benefits since neither the Current Population Survey nor the unemployment insurance system ask questions that could result in this identification. Therefore, it is not possible to distinguish among the very long duration unemployed those for whom unemployment is cyclically induced, those for whom unemployment can be considered structural and those whose unemployment is induced by the availability of unemployment benefits.


In February 1976, 35 percent of the unemployed had been unemployed 15 weeks or longer and 19 percent were unemployed 27 weeks or longer (Table 3). By comparison, in February 1973 when the seasonally adjusted unemployment rate was 5.0 percent, only 20 percent of the unemployed had a duration of 15 weeks or more. Long duration unemployment tends to be relatively more common for older persons. It rises more sharply with age for women than for men in a recession, but not in a year of low unemployment. Among all unemployed persons age 55 and over, nearly a half were unemployed 15 weeks or over in February 1976 compared to 35 percent in February 1973.

Among the unemployed, in February 1976 long duration unemployment was more frequent (Table 4) for men than for women, for blue collar and white collar workers than for service workers, in manufacturing than among private sector service or construction workers. These differences by sex, occupation and industry are much smaller, or nonexistent, for periods of lower unemployment (see data for February 1973 in Table 4.) For adult men and adult women long duration unemployment is far more frequent for



Table 3

Characteristics of the Long Duration Unemployed,  
by Age and Sex, February 1973 and 1976



	All unemployed Feb. 1976	Unempl. 15 weeks or longer Feb. 1976	Unempl. 27 weeks or longer Feb. 1976	Unempl. 15 weeks or longer as percent of unempl. <u>Feb. 1973</u> <u>Feb. 1976</u>		Unempl. 27 weeks or longer as percent of unempl. Feb. 1976
<u>Total - 16 and over</u>	8,033	2,793	1,552	20.2	34.8	19.3
16-19	1,654	350	125	13.7	21.2	7.6
20-24	1,838	607	303	16.0	33.0	16.5
25-54	3,768	1,455	881	22.9	38.6	23.4
55-64	595	301	187	35.8	50.6	31.4
65 and over	178	82	57	33.1	46.1	32.0
<u>Males 16 and over</u>	4,610	1,736	952	22.6	37.7	20.7
16-19	941	224	72	15.0	23.8	7.7
20-24	1,071	393	189	18.9	36.7	17.6
25-54	2,109	886	548	24.7	42.0	26.0
55-64	367	178	105	41.7	48.5	28.6
65 and over	121	57	40	(1)	47.1	33.1
<u>Females 16 and over</u>	3,424	1,058	600	17.2	30.9	17.5
16-19	713	126	54	12.2	17.7	7.6
20-24	767	214	114	12.0	27.9	14.9
25-54	1,660	570	334	20.7	34.3	20.1
55-64	228	123	81	28.2	53.9	35.5
65 and over	57	25	17	(1)	43.9	29.8

(1) Percent not shown where base is less than 75,000.

Source: Bureau of Labor Statistics.

Table 4

3/76

Characteristics of the Long Duration Unemployed,  
Marital Status, Occupation and Industry,  
February 1973 and 1976

	All unemployed Feb. 1976	Unempl. 15 weeks or longer Feb. 1976	Unempl. 27 weeks or longer Feb. 1976	Unempl. 15 weeks or longer as percent of unempl. Feb. 1973	Unempl. 15 weeks or longer as percent of unempl. Feb. 1976	Unempl. 27 weeks or longer as percent of unempl. Feb. 1976
<u>Marital Status</u>						
Males - Total	4,610	1,736	952	22.6	37.7	20.7
Married, spouse present	2,139	854	520	24.8	39.9	24.3
Widowed, divorced or separated	483	232	133	29.3	48.0	27.5
Never married	1,987	650	299	19.1	32.7	15.0
Females - Total	3,424	1,058	600	17.2	30.9	17.5
Married, spouse present	1,662	539	318	16.3	32.4	19.1
Widowed, divorced or separated	692	237	135	18.0	34.2	19.5
Never married	1,069	282	147	17.3	26.4	13.8
<u>Occupation</u>						
White collar	2,151	780	443	19.7	36.2	20.6
Blue collar	3,754	1,435	807	21.3	38.2	21.5
Service	1,253	359	195	20.6	28.6	15.6
<u>Industry<sup>1/</sup></u>						
Agriculture	181	61	22	20.9	33.7	12.2
Construction	1,001	339	175	17.7	33.9	17.5
Manufacturing	2,037	907	571	21.9	44.5	28.0
Transportation & utilities	329	128	74	27.8	38.9	22.5
Trade	1,650	473	251	19.5	28.6	15.2
Finance & services	1,683	554	289	20.2	32.9	17.2
Public administration	228	92	48	25.8	40.4	21.1
No previous experience	756	185	91	16.6	24.6	12.0

<sup>1/</sup> Includes wage and salary workers only.  
Source: Bureau of Labor Statistics.



persons who lost their last job, particularly in a recession (Table 5). Among teenagers, who as a group have a low incidence of long duration unemployment, the reason for being unemployed is apparently unrelated to duration of unemployment in a recession.<sup>1/</sup>

In summary, Tables 3 to 5 indicate that long duration unemployment during a recession is more common among unemployed persons who are older, lost their job, had been employed in manufacturing and were blue collar or white collar workers. In general, blue collar, manufacturing and prime age workers have been the group that have experienced the most rapid decline in unemployment in recent months. Further employment growth is anticipated for these workers.

#### Policy Implications

The analysis of the nature of unemployment offers some insight into the likely success of programs to reduce unemployment. Two frequent proposals are to increase public service employment and to increase public works projects. These programs tend to have long lead times, particularly public works, and divert workers from searching for a new job or being available when recalled part-time or full-time to their previous job. Thus, they are likely to be most effective if the unemployment is expected to have a long duration, especially if there is little prospect of returning to one's previous job.

Even in a recession, however, most spells of unemployment are of short duration. Among those currently unemployed, long duration unemployment is disproportionately concentrated among job losers and in the cyclically

<sup>1/</sup> The proportion unemployed 15 weeks or longer hardly varies by reason of unemployment.



Table 5

Characteristics of the Long Duration  
Unemployed, Reason for Unemployment,  
February 1973 and 1976

	All unemployed Feb. 1976	Unemployed 15 weeks or longer as percent of unemployed		Unemployed 27 weeks or longer as percent of unemployed Feb. 1976
		Feb. 1973	Feb. 1976	
<u>Total - 16 and over</u>	8,033	20.2	34.8	19.3
Job losers	4,493	25.6	42.4	24.7
Job leavers	863	19.6	29.7	15.9
Reentrants	1,925	13.5	23.2	11.1
New entrants	752	16.7	24.7	12.1
<u>Males 20 and over</u>	3,669	25.0	41.2	24.0
Job losers	2,726	26.5	44.3	26.4
Job leavers	311	22.2	33.4	18.6
Reentrants	565	21.8	30.0	15.4
New entrants	66	(1)	(1)	(1)
<u>Females 20 and over</u>	2,711	19.0	34.4	20.1
Job losers	1,285	28.7	45.8	28.7
Job leavers	391	22.3	32.6	17.9
Reentrants	922	9.0	20.0	10.0
New entrants	113	(1)	27.4	13.3
<u>Teenagers 16-19</u>	1,654	13.7	21.2	7.6
Job losers	482	12.6	22.5	4.8
Job leavers	161	9.8	15.3	4.9
Reentrants	438	13.2	21.2	7.7
New entrants	573	15.7	21.7	10.5

1) Percent not shown where base is less than 75,000.

Source: Bureau of Labor Statistics.



sensitive manufacturing industries. Yet, as employment opportunities expand in the economy, these are the very groups that can expect the sharpest decline in unemployment, including long duration unemployment.

The high youth unemployment rate is apparently not due to a small proportion of youths having an exceedingly long unemployment duration, but rather to a high incidence of short spells of unemployment. This short duration unemployment, largely due to labor force entry (both new entry and reentry) does not reflect chronic labor market problems for individual youths. It would not appear to be relevant for long-term readjustment through government intervention via public service employment or public works.

The groups for whom a long-term adjustment through direct government intervention would appear to be most relevant are older persons on long duration unemployment for whom the prospect of being recalled to the previous job is small. However, the question then arises as to whether productive public service employment or public works jobs could be designed for them and whether they would in practice be employed in such programs. Our experience with the CETA public service employment programs, for example, indicates that older workers and those with little schooling are under-represented in PSE funded job slots in relation to their proportion among the unemployed and the long duration unemployed<sup>1/</sup> (Table 6).

<sup>1/</sup> The proportion of older persons and those with little schooling is greater for the long duration unemployed than for the unemployed as a whole.



Table 6

Characteristics of Participants in  
CETA and the U.S. Unemployed,  
Fiscal Year 1975  
(percent)

	CETA			U.S.
	Title I	Title II	Title VI	Unemployed
Total -- percent	100	100	100	100
Sex: Male	54	66	70	55
Female	46	34	30	45
Age: Under 22 years	62	24	21	35
22-44 years	32	63	65	46
45 and over	6	13	14	19
Education:				
8 years or less	13	9	8	15
9-11 years	48	18	18	29
12 years or over	39	72	73	56

Note: Titles II and VI are primarily public service employment while Title I is intended to be primarily job related training, often on a PSE job.

Detail may not add to 100 due to rounding.

Source: Employment and Training Administration, Department of Labor.



U.S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

MAR 25 1976

MEMORANDUM FOR THE ECONOMIC POLICY BOARD

FROM: W. J. USERY, JR. *[Signature]*

Subject: 1976 Collective Bargaining Negotiations

As you are well aware, in the next year or so a number of major collective bargaining agreements 1/ will expire, affecting roughly 4.5 million workers. This memorandum briefly reviews the characteristics of collective bargaining in the principal industries affected and the issues that are expected to dominate those negotiations.

The first major negotiation was concluded successfully on February 2, when the International Ladies Garment Workers Union reached agreement with dress manufacturers in eight states; the three-year contract, covering 65,000 workers, provides for a pay increase of about 10 percent in the first year, with lesser adjustments in 1977 and 1978. Ahead and currently in progress are major negotiations in several strategic industries:

Trucking	March 31; 450,000 workers (discussed at TAB A);
Rubber	April 20; 67,700 workers (TAB B);
Electrical Equipment	June 27, July 7; 155,900 workers (TAB C);
Meatpacking	August 31; 37,500 workers (TAB D);
Automobiles	September 14; 715,350 workers (TAB E);
Farm Equipment	September 30; 100,200 workers (TAB E);
Construction	March-July; 746,000 workers (TAB F);
Retail Food	March-July; 99,100 workers (TAB G).

In all, upwards of 40 percent of the 24 million union members will be working under new collective bargaining agreements by the end of the year, nearly double the number affected by 1975 negotiations.



## Outlook

There will be a wide range of settlements occurring this year, reflecting different conditions in the affected industries and different membership concerns. Although settlements will vary, the average wage adjustment for the first year of new contracts is likely to be close to that of 1975 agreements--in the 9-10 percent range, and in the area of 7-8 percent measured over the life of the contract. Where cost-of-living adjustment clauses (COLA) have been in effect, 2/ pressure for catch-up wage increases will be moderated. However, COLAs typically do not fully compensate for the rising cost of living; some for example, include a "cap" (adjustments are limited to a maximum increase), and in others the adjustment formula does not keep pace with the CPI. The 1970-75 ratio of escalator wage increases for workers receiving them to CPI increases is estimated at 0.6; 3/ some (e.g., the Auto Workers), however, benefited more than others (e.g., the Teamsters). Where contracts include COLAs, it is likely that the provisions of the adjustment--as well as catch-up wage increases--will be important issues. In industries where no escalator clause exists, such as rubber, strong efforts will be made to recover lost ground, and this may complicate negotiations.

In addition to wage adjustments, pension arrangements (partly because of ERISA) and job security (e.g., efforts to increase employment by a reduced work week with no cut in pay) are likely to be major topics of bargaining.

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1/ BLS defines a "major collective bargaining agreement" as one which covers 1,000 workers or more.

2/ In 1975, 58 percent of workers in major collective bargaining units (v. 26 percent in 1970), were covered by COLA provisions; this figure represents approximately 7.7 million employees.

3/ For major agreements, such as automobiles and trucking, the ratio is closer to 0.8.



TAB A



## TRUCKING

The National Master Freight Agreement (NMFA) 1/ covering approximately 450,000 members of the International Brotherhood of Teamsters (IBT), expires on March 31, 1976.

### Structure of Bargaining

Economic issues are negotiated at the national level with Trucking Employers, Inc. (TEI), an industry association. Other contract items, such as work rules and grievance procedures, are bargained locally. Over-the-road drivers are paid by the mile for driving time and on an hourly basis for non-driving time; other workers are paid on an hourly rate. Compensation for both groups of employees is determined simultaneously.

These negotiations have been complicated in the past by IBT locals in Chicago (38,000 members)--which bargain independently--and the Chicago Truck Drivers Union (CTDU) (12,000 members)--an independent union which competes with the IBT Chicago locals. In 1970, after the national agreement had been completed, the CTDU negotiated a higher settlement, forcing the Teamsters to reopen negotiations on the master agreement. In recent years, however, the CTDU has engaged in joint bargaining efforts with the IBT Chicago locals.

### Wage Trends

Average weekly earnings in the trucking industry have increased more than the national average over the last decade, but the COLA 2/ in the NMFA has not kept pace with the CPI during the last two years.

### Industry Trends

Operating revenues fell steeply in 1975, and there was a reduction of about 100,000 workers to the current level of 900,000.

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1/ The NMFA is by far the largest agreement in the industry and sets the pattern for other negotiations which cover another 250 000 workers.

2/ For hourly workers: \$.01 per .3 increase in the CPI (1957-59= 100); for mileage workers: .25 mills per mile (10 mills=1 cent) for each .3 increase in CPI (1957-59=100). Guarantee of 8 cents, and a cap of 11 cents.





## Key Issues

The IBT has demanded: increases in the weekly employer contributions to the pension fund, and health and welfare fund, of \$12 in each of the three contract years, the division of the total \$36 increase between the two funds to be determined during the negotiations (employers currently contribute \$22 per week to the pension funds and \$21.50 per week to the health and welfare fund); a substantial increase in pay (\$2.50 per hour for hourly workers and \$.18 per mile for over-the-road drivers over the course of the contract); unlimited COLA.

## Outlook

Though there have been local and wildcat strikes, there has never been a national trucking strike. This year's negotiations, however, are complicated by the activities of two independent groups: the Fraternal Association of Steel Haulers, (who staged isolated strikes in 1973) who have vowed to operate if there is a strike, and the Independent Truckers Association, who have threatened to strike unless the IBT's demands are met. An additional element in the negotiations is the mid-June elections for IBT officers, at which President Fitzsimmons is up for re-election.



TAB B

## RUBBER

Contracts at Goodyear, Firestone, B.F. Goodrich and Uniroyal expire April 20 (General Tire's contract expires May 15) affecting 67,700 members of the United Rubber Workers.

### Structure of Bargaining

The URW bargains with each of the major producers separately on a company-wide basis. In the past, the URW selected a 'target' company (or companies) for serious negotiations and the settlement reached there set a pattern for the other major producers. However, at the URW's 29th Convention in October 1975, a constitutional amendment was passed removing the 'target' company concept and allowing for strikes against any of the affected companies. Non-economic issues are bargained at the plant level.

Bargaining may be complicated by the International Society of Skilled Trades (ISST) which is trying to organize URW skilled workers; the NLRB regional office in Cleveland recently dismissed ISST craft severance petitions for four of the five major companies, but the ISST plans to appeal these decisions to the full Board and has threatened a walkout if the decision is upheld. Interest among skilled workers in a separate union has been caused by the shrinking differential between skilled and unskilled workers (since 1967, wage increases have been in cents-per-hour applied across-the-board).

### Wage Trends

Over the last decade, average weekly earnings for workers in the tire industry have increased less in percentage terms than the corresponding rate for all manufacturing workers. The position of rubber worker salaries with respect to those of auto workers has declined significantly over the last decade. The current contract lacks a COLA provision.

### Industry Trends

During the recession, the Big Five tiremakers, like all automobile related industries in 1975, had sharply reduced income (\$273.4 million down from \$491.5 million in 1974). Employment in the industry dropped from 102,000 production workers in July, 1973 to 83,000 in July, 1975.

### Key Issues

Catch-up wage increases; absence of a cost-of-living escalator clause (COLA); the wage differential between workers engaged in tire manufacturing and workers employed in other product lines (currently 26%) (management wants to differentiate between the two types of workers, labor does not); geographic wage differentials; skilled trades differential.

### Outlook

Not good.



TAB C



## ELECTRICAL EQUIPMENT

Contracts between the industry leaders, General Electric and Westinghouse, and a coalition of unions headed by the International Union of Electrical, Radio, and Machine Workers (IUE) and the United Electrical Workers (UE) expire on June 27 at GE and on July 11 at Westinghouse, affecting 155,900 workers. In addition, bargaining in the industry will take place at various times in 1976 between a dozen other unions and many other companies.

### Structure of Bargaining

Economic terms are bargained at the national level; other issues, such as grievance procedures, are negotiated at the plant level. The electrical unions bargaining position is relatively weak compared to union strength in trucking or automobiles; a significant number of GE and Westinghouse plants are non-union.

### Wage Trends

Electrical workers have a "capped" 1/ COLA clause 2/ in their contract, which has kept their adjustments lower than those received by auto workers and steel workers, though slightly higher than those provided under the National Master Freight Agreement.

### Industry Trends

During the recent recession, industry sales fell drastically, though prices increased. Profit margins for both GE and Westinghouse declined in 1975. Seasonally adjusted industry employment sank from 2,083,000 in December, 1973 to 1,712,000 in July, 1975, but has increased to 1,796,000 by February of this year.

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1/ The "cap" each year varied between 5 and 14 cents per hour.

2/ (\$.01 per .3 percent rise in CPI (1967=100))



### Key Issues

Uncapping the COLA; catch-up wage increases; supplemental unemployment benefits; union shop; improved pensions.

### Outlook

Unlikely to present problems; bargaining in 1973 was peaceful.



TAB D

## MEATPACKING

The master meatpacking agreement between the Amalgamated Meatcutters and Butcher Workmen (AMCBW) and the major meatpackers (Armour, Wilson, Morrell, Cudahy, Swift) affecting 37,500 workers expires on August 31.

### Structure of Bargaining

Bargaining occurs simultaneously among the largest companies, with the first settlement setting a pattern for the others.

### Wage Trends

The agreement includes a COLA provision, 1/ which has increased hourly earnings at a rate above the national average for the private non-farm economy, but has not kept pace with the CPI.

### Industry Trends

Companies enjoyed improved profit margins in 1974 and 1975 on rising sales; unemployment in the industry is below the national average.

### Key Issues

Catch-up wage increases; job security in response to increasingly automated plants; improvements in COLA provision.

### Outlook

No problems expected.

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1/ \$.01 per 0.4 rise in CPI (1957-59)=10. No cap.





TAB E

## AUTOMOBILES

Contracts between the United Auto Workers and Ford, General Motors, Chrysler, and American Motors expire on September 14, 1976, affecting 717,350 workers. In the past, these agreements have been closely linked with settlements in the farm machinery industry, where workers are also represented by the UAW; those contracts expire on September 30, affecting 100,200 workers.

### Structure of Bargaining

The traditional UAW bargaining practice has been to select a "target" company, and use that agreement to set a pattern for other members of the Big Three; Chrysler was the target company during the last round of bargaining. This year, American Motors, which in the past has deviated slightly from the GM-Ford-Chrysler pattern, will be bargaining simultaneously with the Big Three.

### Wage Trends

The most recent auto workers contract includes a COLA <sup>1</sup>/<sub>1</sub> provision, under which cost-of-living increases have been nearly double the regular annual increase (3 percent in 1975) provided for in the agreement. The cost of providing benefits in the last ten years has increased by 240 percent; benefits currently comprise 33.7 percent of compensation.

### Industry Trends

Profits for the automakers fell by 65 percent from 1973 to 1974 and have remained low in 1975, despite a recovery in sales beginning in the fourth quarter. This decline in profits is partly due to increased imports which have caused manufacturers to raise prices less than cost increases, although sales of American made small cars have recently cut into this trend. Temporary or indefinite layoffs involved more than 200,000 workers at their peak in January, 1975 and have declined slowly. The union petitioned for and obtained relief under the 1974 Trade Act, which provides compensation to workers for loss of jobs due to imports. The heavy layoffs depleted the negotiated Supplementary Unemployment Benefit funds at Chrysler and General Motors.

### Key Issues

Job security (e.g., shorter work week without pay cut, voluntary over-time, restrictions on the use of foreign-made parts); financing or restructuring of Supplemental Unemployment Benefits (SUB) funds; pension improvements; skilled trades differential; cost of health benefits (industry wants workers to pay a larger share); retention of the present COLA clause (industry wants some restrictions).

<sup>1</sup>/<sub>1</sub> No cap. 1 cent per .3 rise in combined U.S.-Canada; on CPI. (U.S. 1967=100; Canada 1961=100, weighted 9 (U.S.) to 1 (Canada)).



## Outlook

Strikes have occurred against the target company in each of the last three contract negotiations (65 days against Ford in 1967; 134 days against GM in 1970; 9 days against Chrysler in 1973). The COLA will moderate wage demands. But because it applies equally to everyone, the COLA has reduced the differential between skills and this has caused some interest among skilled workers in a separate union. The International Society of Skilled Trades is trying to organize UAW skilled workers and this could disrupt bargaining.



TAB F

## CONSTRUCTION

More than 3,200 collective bargaining agreements covering 1.2 million workers--reflecting the large number of shorter term contracts negotiated in recent years--will be negotiated during the spring and summer. The 270 major agreements followed by BLS which expire this summer, involve 746,000 workers.

### Structure of Bargaining

Negotiations are typically held between associations of local contractors and individual building trades locals.

### Wage Trends

Construction settlements as a whole were more moderate in 1975 than in 1974 despite the general absence of COLAs, partly as a consequence of the severe impact of the recent recession on the industry. Settlements reported in 1976 so far have been moderate with the exception of several scattered settlements on the West Coast.

### Industry Trends

The recession coupled with the rising cost of construction has greatly reduced construction activity. The national unemployment rate in construction peaked at 21.8 percent in May, 1975 and currently stands at 16.8 percent, but varies widely from region to region. Demand is relatively high in the Pacific Northwest (1975 wage increases averaged about 15 percent), but low in the Northeast (1975 wage increases averaged about 6 percent).

### Key Issues

Pensions, particularly coverage of multi-employer plans; work rule changes to increase productivity.

### Outlook

A variety of factors--low demand, high interest rates, little capital expansion, and increases in open shop construction--will moderate settlements in most areas; but in high demand areas --such as the Pacific Northwest and the Gulf Coast--wage increases may be significant. Most settlements will probably be in the 9-to-10% range for the first year of new contracts; settlements reported so far have run slightly lower.



TAB G

## RETAIL FOOD

During the year, roughly 70 contracts expire between the Retail Clerks International, the Amalgamated Meatcutters and Butcher Workmen, and the Teamsters, and employer associations of food chains and individual employers, affecting 99,100 workers.

### Structure of Bargaining

As in construction, bargaining is highly decentralized.

### Wage Trends

COLA clauses have become more common in the food industry in recent years, and are now included in roughly 50% of the major agreements. Some of the contracts about to expire were negotiated under controls, and union attempts at large catch-up adjustments are likely.

### Industry Trends

The return on equity of the five largest retail chains recently has declined somewhat, although industry performance appears to be improving. Unemployment in the industry is well below the national average.

### Key Issues

Employers may try to trade off wage increases for changes aimed at increasing productivity, for example, more automated checkout stands. The issue is also important to the meatcutters in areas where restrictions still exist on centralized prepackaging of meat.

### Outlook

Hard to predict because of the fragmented nature of bargaining.

