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The Impact of Divestiture on Labor, Employment and Wages

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Labor, Employment, and Wages

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Beginning in 1978 with the deregulation of the airline industry and continuing through the divestiture and partial deregulation of telecommunications, the federal government has attempted to improve economic performance in several key industries by changing the regulatory environment. These changes, of course, could not be accomplished without significant repercussion in the labor market. Indeed, some commentators might suggest that the *major* impacts of trucking and airline deregulation were felt by organized labor rather than by the stockholders of firms in those industries.

While deregulation and divestiture go hand-in-hand in the restructuring of telecommunications, we would like to separate them in discussing their labor market impacts. The primary reason for this artificial separation is that while the deregulation of telecommunications can be compared to deregulation in trucking and airlines which occurred a few years before, the divestiture is somewhat unique in our recent experience, and therefore requires its own analysis.

Telecommunications is highly unionized and the typical contract in the industry runs for three years. The last contract signed prior to the divestiture was negotiated in 1983. Thus, as of this date, we have had only two new contract negotiations in the post-divestiture era. Obviously, generalization is difficult based on these two negotiations. Therefore we will take the approach of comparing the early experience in telecommunications with the experience in trucking and airlines, and try to predict whether or not we are likely to see a comparable result in telecommunications.

The significant declines in prices brought on by deregulation of trucking and airlines led to substantial increases in employment in both industries. In trucking, essentially all this new employment occurred in the nonunion sector. The Teamsters lost massive numbers of members as a direct result of deregulation. This brought up an interesting issue. Workers in the trucking industry were to be partially protected against job loss due to deregulation under terms of the 1980 Motor Carrier Act. If some workers lost their jobs, yet employment in the industry was increasing, should those job losses be attributed to deregulation? The government took a negative position and the workers were largely uncompensated for their losses. The most comprehensive study of the impact of deregulation on wages in trucking, published by Nancy Rose,[1] finds a similar result. Union wages were reduced by approximately 14 percent, while nonunion wages were largely unaffected by deregulation.

A slightly different result occurred in airlines. First, the advent of the "hub and spoke" system after deregulation has led to increases in concentration in many markets, rather than the decreases which were predicted. Second, many airlines were able to offset higher wages with large increases in productivity brought on by major concessions from their unions. For example, productivity increased only 0.5 percent per year during the ten-year period preceding deregulation, and increased by over 3.5 percent in the ten-year period after deregulation. As a result, neither the huge membership losses nor the declines in wages which characterize the trucking experience are found in airlines. There have been job losses and wage cuts. However, they do not dominate the overall statistics. A recent study by David Card found that between 1978 and 1986 average wages in airlines fell slightly or matched the general level of wage increases in the economy as a whole.[2] The range of wages between low and high-wage firms is much larger than in the prederegulation period because firms have followed different strategies to remain competitive. Major labor-management problems have occurred in those firms (e.g., Continental Airlines and Eastern) which saw deregulation as an opportunity to improve their competitive position by cutting wages.

Like the Teamsters Union, unions in the airline industry have attempted to cushion the blow of deregulation for some of their members by having the government invoke some of the labor-protective provisions called for under the Airline Deregulation Act of 1978. Again, this effort has largely been unsuccessful.

Should deregulation in telecommunications be expected to yield results similar to airlines or trucking or neither? To evaluate this question we need to investigate how regulation influences bargaining.

Regulatory policy can theoretically influence bargaining in two general areas. First, regulation can limit the number of competitors in the product market by granting monopolies. Unions can therefore grow with existing firms and need not organize new entities. To the extent that regulation causes less competition in both the product and the labor market, union power may be higher than it otherwise would be. We label this the "structure" effect of regulation. Second, regulation may have lessened the incentive of firms to contain labor costs since these costs could be passed along to customers in the form of higher rates. If regulated firms have few incentives to operate efficiently in every market they serve, there may be a tendency to focus on the "bottom line," as opposed to specific lines of business. For example, telephone maintenance could be priced far below cost and the revenue to cover the loss could be obtained from over pricing long-distance service. Without a connection between prices and costs, there might be little incentive to operate the maintenance division efficiently. We label this the "pricing" effect of regulation. The combination of the structure and pricing effects could lead to substantially higher rates in regulated industries. Therefore, deregulation might be expected to reduce wages and employment.

Wage data suggest that the telecommunications unions had done quite well for their members prior to the divestiture. For example, the average hourly wage in the telephone industry at the end of 1982 was $11.20, as compared to $8.69 in manufacturing. This differential had existed for some time, but had actually increased during the latter 1970s (in June 1976, the figures were $6.21 and $5.15, a 21 percent differential, as opposed to the 28 percent differential in 1982). For example, average hourly earnings increased 133.5 percent between 1974 and 1983, as compared to only 106.5 percent in the automobile industry.[3]

These wage data offer a prima facie case for a regulatory impact on union power, but high wages could exist for any number of reasons. Closer study is necessary to isolate those causes. The only major study of this question for the telephone industry focused on wages at New York Telephone in 1976. The author, Ronald G. Ehrenberg, concluded, "As of the end of 1976, NYT's employees' earnings, on the average, were 15 to 20 percent above the level I had defined to be just and reasonable."[4] In this case, he defined "just and reasonable" as the wage paid employees with equal skills in the New York labor market. It should be noted that the average of the wages paid to all comparable workers in New York is considerably below the average of wages paid to comparable workers at the large, unionized firms in New York.

Ehrenberg's results, although only for a single company, probably can be generalized to most companies in the industry, since the Bell System companies bargained on a nationwide basis at the time. They suggest that union power was high, but they do not provide an easy answer to the issue of the impact of regulation on union power. N.Y. Telephone might have been a large, unionized company even in the absence of regulation. A 15 to 20 percent wage differential over the average wage in the labor market would therefore not be unexpected.

Deregulation poses two problems for telecommunications unions. First, they cannot simply organize workers by growing with existing firms. New competition requires them to attempt to organize the new firms. This is not an easy task since many of the new competitors are either foreign-based or historically nonunion (e.g., IBM). Second, unions must organize new divisions of existing firms. Although the divestiture was originally designed to separate competitive from monopoly segments in the industry, all of the RBOCs now have regulated and unregulated subsidiaries.

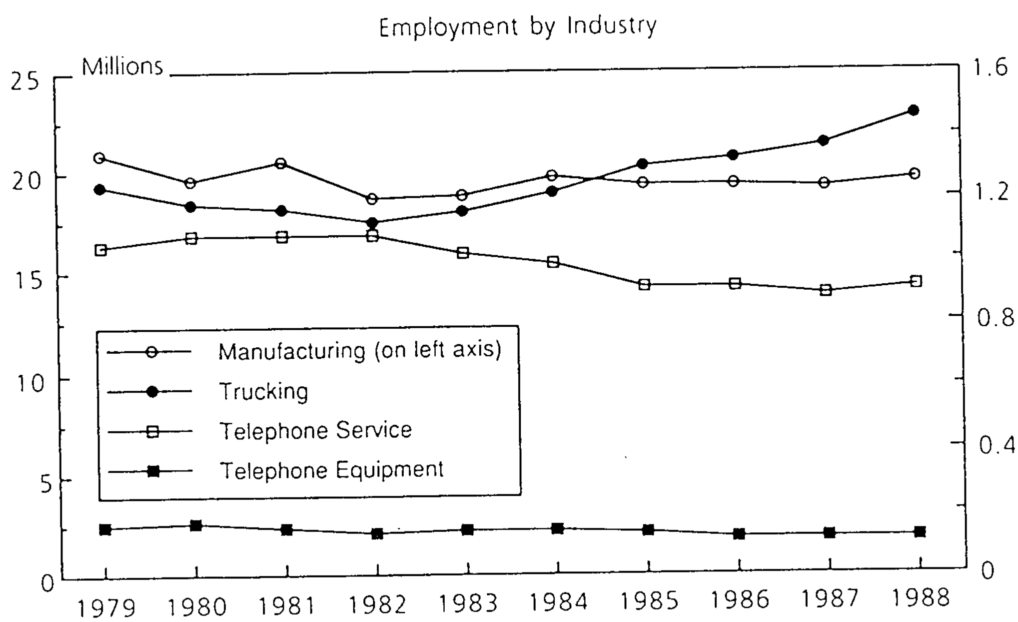
There is little evidence to date that would suggest that deregulation itself will likely lead to significant competition in wage rates. The most immediate threat is in the manufacturing of telecommunications equipment, with fewer possibilities of nonunion entry into long-distance service and local service markets. AT&T remains the dominant long-distance carrier. Significant competition could be added if the RBOCs are allowed to compete in the long-distance market. However, they are all large, unionized firms. It seems unlikely that a significant nonunion presence is likely to occur in the industry in the near future. Thus, the impact of deregulation on union power will probably be significantly less than in trucking or even airlines.

The fact that deregulation by itself is not likely to lead to short-run changes in the bargaining power of telecommunications unions suggests that any decrease in this power might be better attributed to the divestiture which also occurred at the same time. To investigate this possibility, we will first review the evidence on changes in wages and employment in telecommunications since divestiture. We will then review the specific impacts of divestiture on union-management relationships.

Throughout the 1980s, the telecommunications industry has experienced considerable changes in both the kind of employees it requires and the amount of labor it demands. These changes have been precipitated by both deregulation and changes in technology. Although the effect of technology on employment is not our focus in this chapter, it is still important for two reasons. First, by altering the structure of employment, technology affects the bargaining strength of the parties. Second, firms make choices where to invest and apply new technologies, and deregulation will affect these choices.

Employment trends in telecommunications, manufacturing and trucking between 1979 and 1988 are summarized in figure 10.1. We have separated telephone equipment employment from employment in the service sector. The figure makes it clear that employment has been declining in the industry throughout the 1980s. Thus, the entire decline cannot be blamed on divestiture or deregulation. However, there is a substantial difference in the rate of decline between the equipment and service sectors. Employment declined by 3.6 percent per year in the

FIGURE 10.1



Source: U.S. Bureau of Labor Statistics.

equipment sector (5.2 percent for production employees), compared to 1.7 percent per year in the service sector (1.8 percent for production employees). The dramatic declines in manufacturing are probably attributable to the increased competition brought on by earlier deregulation in that sector and trade barriers which allow foreign competition in the United States but which restrict American companies from competing abroad.

Import penetration increased from 2 percent of the telecommunications market in 1982 to 14 percent in 1984, and the Communications Workers of America (CWA) estimated that this increase caused the loss of as many as 120,000 jobs.[5] While employment has also declined overall in the service sector, this decline follows a trend which is probably better explained by changes in technology. These results are in direct contrast to the perception that deregulation of telephone equipment was a "clear-cut public policy victory for competition," while the benefit of deregulation of long-distance service to consumers is "murky."[6] Workers in the industry probably have been hurt the most by the policy change which has benefited the consumers the most.

During the 1980s, demand for nonmanagement employees in telecommunications has been sizably affected by the application of new technology. Technological advances have contributed to substantial increases in labor productivity. As James Peoples found, this has contributed to the above-average wages of telecommunications workers (see below), but the trade-off of using technological advancements to obtain high wages has been job displacement.[7]

A study of the Canadian telecommunications industry shows that technological change had the most severe impact on the employment of telecommunication operators and clerical workers.[8] Similar evidence of decline in these occupations can be found in the United States. A BLS wage survey of the communications industry revealed that the number of telecommunications operators declined from 213,614 to 128,218 during the 1970s.[9]

Since divestiture, the employment of operators, craftsmen, and linemen has fallen, while the employment of salespeople, professionals, and R&D professionals has increased. The number of line installers increased after divestiture then stabilized. The employment of operators is still falling, from about 25 percent to only 10 percent of the work force.

Lynch and Osterman investigate the impact of technical innovation upon employment structures within one BOC from 1980 to 1985, specifically the introduction of electric system switching (ESS) and multiple loop testing (MLT), and the subsequent effects on the occupational employment distribution.[10] While the employment of workers in general corporate services, business, residence and directory services, and network installation and maintenance increased, the number of workers in operator services and network distribution and plant operations declined. Lynch and Osterman calculate that every 10 percent increase in operators' productivity results in a 4 percent decrease in employment. They also found that occupations which are heavily unionized are more likely to adjust to falling demand through exits from the firm than through internal transfers. Union workers are more likely to quit or be laid off than their nonunion counterparts (as is true in the United States in general), while the latter are more likely to take early retirement. The result is a reduction in the fraction of the firm's labor force which is unionized.

Employment figures for most of the large telecommunications companies are presented in table 10.1 for the period 1983 to 1988. The decline in total employment has not been universal. For example, Ameritech and Bell Atlantic were able to maintain their employment at approximately the same level as occurred at divestiture. On the other hand, AT&T employment declined by 4.3 percent per year during this period, reflecting large declines in manufacturing. Unions at AT&T were unsuccessful in their attempt to obtain employment security provisions in their 1989 negotiations. Among the BOCs, Pacific Telesis

TABLE 10.1
Total Employment in Selected Telecommunication Companies, 1983–1988

	1983	*1984*	*1985*	*1986*	*1987*	*1988*
AT&T	372,716	365,514	337,844	316,968	307,724	308,173
Ameritech	78,009	77,514	76,640	77,538	78,510	79,336
Bell Atlantic	22,145	21,493	20,271	21,381	21,742	21,142
BellSouth	91,758	89,022	80,323	77,571	74,900	75,023
NYNEX	116,839	94,662	89,354	90,196	95,313	97,400
Pac Telesis	97,812	75,733	69,461	70,746	67,777	66,125
SWestern Bell	77,135	68,133	65,836	61,793	59,642	57,975
US West[a]	89,503	70,765	70,202	69,375	68,523	69,765
GTE	109,300	105,700	103,000	102,500	101,300	98,600
Contel	16,284	15,691	15,101	14,851	14,021	14,968

Source: Direct correspondence with companies.

[a] Company annual reports.

TABLE 10.2
Ratio of Management to Nonmanagement Employees

	Mgmt	*Non-Mgmt*	*Ratio*	*Mgmt*	*Non-Mgmt*	*Ratio*
AT&T	111,432	261,284	42.7%	126,669	181,504	69.8%
Ameritech	23,102	54,907	42.1%	25,606	53,730	47.7%
Bell Atlantic	6,871	15,274	45.0%	5,915	15,227	38.9%
BellSouth	25,308	66,450	38.1%	19,041	55,982	34.0%
NYNEX	32,052	84,787	37.8%	16,861	59,893	28.2%
Pac Telesis	25,338	72,474	35.0%	18,766	47,359	39.6%
SWestern Bell	19,723	51,412	38.4%	16,963	41,012	41.4%
US West	—	—	—	—	—	—

Source: Direct correspondence with companies.

suffered the largest decline, primarily as a result of the transfer of 20,000 operators back to AT&T immediately following divestiture. Unions at Pacific Telesis were able to obtain employment security provisions in their 1986 negotiations, but employment in the regulated portion of the company has continued to decline since that time. In 1983, 67 percent of Pacific Telesis employees were unionized; in 1988 the figure had declined to 61.5 percent. Table 10.3 illustrates the growth of the nonregulated sector of the industry since divestiture.

While Ameritech has been able to maintain approximately the same size labor force, the mixture of this force between typically union and nonunion positions has changed significantly. In 1988 over 11,000 of the 79,000 workers were in nonregulated subsidiaries and the percentage of nonmanagement employees had declined from 70 percent in 1983 to 68 percent in 1988. Table 10.2 shows the ratio of management to nonmanagement employees for some of the other operating companies. Like Ameritech, AT&T has also increased the proportion of typically nonunion positions. The company suggests that this is the result of diversifying into new markets, such as computers and the international market, and their subsequent need for new professionals with expertise in these areas.

In May 1990 the CWA represented about 18,000 operators at AT&T. The union estimates that, if 1950s technology were still in place, there would be three million jobs for operators today! The current number of jobs for operators will be sizably reduced, perhaps even halved in the next few years because of operator system position switching (OSPS)

TABLE 10.3
Employment in Nonregulated Subsidiaries

	1984	1985	1986	1987	1988
BellSouth	6,666	12,064	16,906	18,252	19,285
NYNEX	5,658	6,163	14,196	16,424	20,646
Pac Telesis	860	1,665	3,749	3,619	3,147

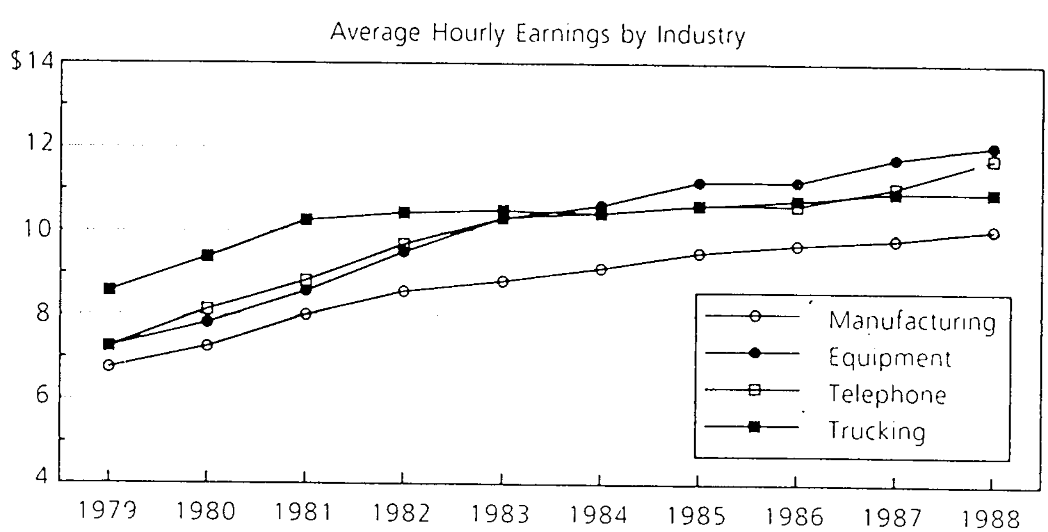
Source: Direct correspondence with companies

which is expected to quadruple the productivity of operators. Also, over 15,000 top craft workers represented by the CWA have been cut due to the reorganization of the company at AT&T Information Systems, and the position of cable splicer has been completely eliminated.

Both the reduction in the unionized work force and the application of automation have already had an impact on the union's bargaining power. Striking telephone workers once had the ability to shut down the nation's entire phone system. During the 1986 and 1989 strikes, however, supervisors at AT&T and the BOCs were able to fill in for striking operators with very little interruption in service. As a result, the unions had to find innovative methods such as the "invisible picket line" to try to exert economic pressure on management.

If regulation has produced high wages in telecommunications by

FIGURE 10.2



Source: U.S. Bureau of Labor Statistics.

eliminating firms' incentives to contain costs, then deregulation ought to result in a relative wage decline. This has not, in fact, occurred in telecommunications. Average hourly earnings have grown at approximately the same rate as in manufacturing, perhaps even higher.

Average hourly earnings of telephone communication and equipment workers are compared to averages in other industries in figure 10.2 and table 10.4. The average increase in hourly earnings for both telephone communications and telephone equipment workers in the pre-divestiture period (1978–1983) was 8.7 percent, while the average increase in hourly earnings for all manufacturing workers during this same period was 7.8 percent. In the post-divestiture period (1984–1988), telephone communications workers averaged a 3.3 percent increase per year, telephone equipment workers 2.5 percent, and all manufacturing workers 2.8 percent. Thus, there was a slight closing of the wage gap between telephone equipment and other industries, but no such closing in telephone communications.

These wage trends are also reflected in the provisions of the collective bargaining agreements. The 1977 contract provided a total general wage increase of 13.79 percent plus cost of living (COLA) over three years. The 1980 contract had an even larger increase of 14.65 percent plus COLA. But general wage gains in the 1983 contract were smaller than they had been in previous years. The contract provided a total wage increase of 8.5 percent plus the same COLA formula included in the 1980 agreement. As Peoples points out, it is difficult to determine whether this moderation was the result of uncertainty over the market conditions that would accompany the impending divestiture, or if it was in reaction to the economic recession of the period.[11]

After divestiture, the CWA and the International Brotherhood of Electrical Workers (IBEW) negotiated average general wage increases of 8 percent at AT&T, but lost the use of the COLA provision. This resulted in a significant decrease in union wage growth, since the COLA typically paid 65 percent of the increase in inflation above some minimum amount.

Generally, the 1986 wage rate increases for the Regional Operating Companies were no better than those at AT&T. They ranged from a low of 3.5 percent at Mountain and Northwestern Bell, to a high of 8.5 percent at Wisconsin Bell. However, the inclusion of lump-sum and profit-sharing as well as COLA provisions provided employees of all of the BOCs except Mountain Bell with a total wage package which was superior to AT&T's. Cappelli and Perry, however, note that these types of wage gains do not add to the basic rate, and therefore make the contract cheap in the next round of negotiations.

TABLE 10.4
Average Hourly Earnings in Selected Industries

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Manufacturing	5.63	6.17	6.69	7.27	7.98	8.50	8.84	9.17	9.52	9.73	9.91	10.17
Electric equipment	5.34	5.83	6.31	6.96	7.65	8.17	8.67	8.99	9.47	9.67	9.90	10.13
Telephone & telegraph equipment	6.25	6.73	7.51	8.24	9.14	9.86	10.27	10.69	10.82	10.93	11.17	11.62
Transport. & public utilities	6.94	7.55	8.18	8.89	9.72	10.31	10.81	11.15	11.38	11.63	12.01	12.32
Telephone communication	6.94	7.50	8.07	8.72	9.80	10.66	11.45	12.00	12.47	12.83	13.21	13.46
Switchboard operators	5.89	6.26	6.67	7.15	7.99	9.04	9.93	—	—	—	—	
Line construction employees	8.24	9.13	9.77	10.64	11.38	12.35	13.15	—	—	—	—	
Electric services	7.12	7.70	8.33	9.12	10.04	10.89	11.57	12.28	12.94	13.46	13.86	14.32
Gas production & distribution	6.64	7.10	7.65	8.27	9.16	9.81	10.43	11.14	11.76	12.53	13.00	13.32
Combination utility services	7.79	8.46	9.06	9.64	11.08	12.29	13.35	14.19	14.93	15.58	16.16	16.88

Source: U.S. Department of Labor, Bureau of Labor Statistics. *Employment and Earnings*, table C-2, "Average hours and earnings on private nonagricultural payrolls by detailed industry," March 1978–1989, p. 82.

In the 1989 negotiations with AT&T, the parties settled on an increase of 4 percent in services, and an increase of 3.5 percent with an 8 percent bonus in telecommunications equipment manufacturing, plus profit-sharing in both. Since the all-industries median first-year increase in the first twenty-four weeks of 1989 was 3.5 percent (4 percent with the expected value of bonus payments),[12] the telephone unions at AT&T continued to negotiate packages similar to those found in manufacturing. Wage settlements at the RBOCs have been similar. Of the settlements in 1989 the highest occurred at US West (5 percent including a $600 bonus in the first year, followed by 2.5 percent and 2.25 percent in the remaining two years, plus possible incentive pay in the second and third years) and Southwestern Bell (5.25 percent in the first year, which includes a $1,000 lump sum bonus, followed by 2.25 percent each year for the remaining two years, plus a COLA in the last two years), and the lowest at Bell Atlantic (3 percent-2.25-percent-2.25 percent plus COLA)[13] and BellSouth (4 percent-1 percent-1 percent plus COLA)[14] and NYNEX (3 percent-1.5 percent-1.5 percent plus COLA).[15]

Early post-divestiture results suggest that wages in telecommunications have not declined relative to wages in comparable industries. Peoples[16] investigated the effect of regulation on wage levels by examining pay differentials between workers within and outside the telecommunications industry both before and after divestiture. He found that the gap between union and nonunion wages in telecommunications was quite small prior to divestiture and has actually increased since that time. Since the Bell System is extensively unionized, and new entrants into the competitive post-divestiture long-distance sector are almost entirely nonunion, these results suggest that workers employed in the regulated sector continue to benefit from restricted competition—at least in the form of higher wages.

This conclusion is further supported by an examination of the 1986 labor contracts, since organized employees at all of the BOCs except Mountain Bell received greater total wage gains than their counterparts at AT&T. Although wage growth in the nonunion sector of the telecommunications industry was decelerating, Peoples found that the growth rate still exceeded the wage gains in other industries.

Several explanations may account for the lack of any substantial decline in relative wages after deregulation. First, workers may not have earned rents under regulation. In this case, deregulation will not affect wages. Second, there may not have been any substantial shift in market power among the firms in the industry. In the following chapter of this volume, Crandall will attribute the absence of relative wage decline to the fact that much of the industry continues to be tightly regulated. The unregulated sector employs such a small fraction of the labor force in telecommunications that its impact on the average industry wage is minimal. In that case, future changes in this fraction might still undermine union ability to maintain the wage gap with other industries. Although Crandall acknowledges that the slight decrease in the relative wage of the telephone equipment industry may be the result of competitive forces, the rise of import pressures prior to the fall of the dollar may have also contributed to its decline. Finally, the stability of the telephone wage premium might indicate that the impact of deregulation has been entirely offset by significant improvements in productivity—a result that has seemed to occur in airlines.

From an industrial relations perspective, the divestiture is much more interesting than the deregulation which occurred in telecommunications because it created a natural experiment in which the parties had to reestablish bargaining structures and negotiate rules to govern the movement of workers to the newly established companies. Because the parties had been anticipating the divestiture for years, they were able to begin planning for the transfer of employees long before the reorganization actually occurred. In the 1980 contract the CWA and AT&T negotiated a Memorandum of Agreement (MOA) which guarantees employees continued employment and salary level for five years, moving and travel expenses, continued pension and insurance coverage, and a seven-year preferential right of rehire if they were laid off.[17] The MOA was amended in 1982 and 1983 in what is known as the New Entities Agreements. These guarantee continued application of the bargaining contract and continued recognition of the CWA as the bargaining representative of the transferred employees.

The CWA was also actively pursuing employee protection in the judicial arena. They argued that any changes in the pension plans ought to be determined through collective bargaining. After AT&T submitted its plan for reorganization, the CWA formally objected to it on the grounds that the one-year limit on pension portability was too restrictive. They also contended that breaking up the Bell System pension plan into eight separate plans would open up the possibility that benefits among the operating companies would no longer remain equal.[18] The final Court ruling rejected all of these objections.

Consequently, the CWA turned to the legislative arena to obtain protection for transferred employees. They were successful in obtaining a provision in the Deficit Reduction Act of 1984 which extended the period of pension portability past 1984 for workers earning less than $50,000, and extended the recognition of service credit indefinitely.[19]

Employment security continues to be an important issue with the unions due to the significant reductions in the organized work force from technological change, and the continuing threat that work may be shifted to nonunionized subsidiaries or overseas. In several of the negotiations between the CWA and the RBOCs during 1986, job security was of central importance. Workers at Pacific Telesis received a no-layoff guarantee in exchange for management having more flexibility in work assignments. Employment security was later extended to management and holding company employees and continued in the 1989 agreement. BellSouth agreed to fund a $7.8 million a year career continuation program. At NYNEX, displaced workers won the right to bid on vacancies in nonbargaining unit operations, including NYNEX subsidiaries. Management cannot lay off workers who are eligible for these jobs and willing to take them. Moderate employment security provisions were obtained at US West. As Perry and Cappelli note, job security provisions were conspicuously absent at Bell Atlantic, despite expectations of significant workforce reductions.[20]

In the 1986 negotiations with AT&T, the company agreed to contribute $21 million to an employee retraining program. Although there is a "reassignment pay protection plan" which allows employees to work for three years at their past pay, most of the jobs being eliminated are in top craft occupations, while those opening up are in clerical and administrative positions. Since most of the top craft workers are mature workers, many have opted for early retirement under the supplemental income protection plan.

The CWA continues to lobby for wage and job protection legislation. They have voiced opposition to any lifting of antitrust restraints imposed on the BOCs. The union is also lobbying Congress to require manufacturing of telecommunication equipment domestically.

The divestiture and the subsequent expansion of the RBOCs and AT&T into unregulated markets precipitated two major issues between management and the unions. First, the parties had to decide on the appropriate bargaining structure. Second, the companies had to form a policy toward the possible unionization of their new subsidiaries. Prior to 1984, bargaining in the Bell System was characterized by a high degree of centralization. The CWA had attempted to gain national bargaining for many years before it was actually codified with the 1974 agreement. This centralization was probably a direct outgrowth of restrictions on entry into the industry, which were a result of regulation. But divestiture changed the bargaining arrangements considerably. The 1983 agreement (in which the CWA and IBEW bargained at the same table for wages at AT&T and all the BOCs) was the last agreement signed on a national basis.

The CWA preferred centralized negotiations. Prior to the 1986 bargaining round, it attempted to centralize negotiations at AT&T and to form a single multi-employer unit with the RBOCs. It was successful at AT&T, although the IBEW and CWA bargained in separate negotiations, but there was no possibility of getting the RBOCs to negotiate together. Failing this, the union attempted to obtain regional level negotiations at each RBOC. This was achieved at all companies except US West and Ameritech.

Ameritech was able to settle with the IBEW prior to its settlement with the CWA in the 1986 negotiations. As a result, Ameritech was able to exert considerable pressure on the CWA to sign under similar terms. Both Ameritech and US West also achieved contracts which were not unfavorable to management with the Mountain Bell contract, widely regarded as the worst overall settlement for the union. Thus, decentralization of negotiations seemed to favor management.

In the 1989 negotiations, the CWA again pushed to centralize negotiations at US West, Ameritech and AT&T. Unlike the 1986 negotiations, the CWA and IBEW bargained together ("coordinated bargaining") at AT&T. However, AT&T was able to negotiate different patterns for service (largely organized by the CWA) and manufacturing (largely organized by the IBEW) to reflect differences in cash revenues and cash flows of these businesses.[21] The CWA was successful in combining three separate contracts with the individual BOCs at US West into a single contract. However, CWA was unsuccessful at Ameritech. Ameritech was again able to negotiate an early settlement with the IBEW at Illinois Bell, Ameritech Services and Indiana Bell. The subsequent strikes of CWA employees at the five Ameritech operating companies probably reflected, in part, management's desire to maintain separate negotiations, and the union's desire to centralize these negotiations.

These confrontations on bargaining structure are only one symptom of the overall environment in negotiations between the newly formed companies and their unions. One interesting line of inquiry is whether or not this environment carries over to the companies' position on unionization of its new subsidiaries. In their 1988 paper, Perry and Cappelli investigate this question. They examine each company's policy towards the union in the negotiations for the company's regulated businesses, and compare this with company policy regarding union representation in the new nonregulated subsidiaries. It is often the case there are considerable differences in the company's relationship with

TABLE 10.5
Characterization of Union–Management Relations, 1986

Cooperative	*Co-Existence*	*Contentious*
Pacific Telesis	Ameritech	Bell Atlantic
BellSouth	US West	NYNEX
AT&T	Southwestern Bell	

Source: Perry and Cappelli, 1988.

the union at the bargaining table, and its tolerance of union organizing activities in the new subsidiaries.

Perry and Cappelli characterize the current bargaining relationships between each of the telephone companies and the unions as either cooperative, coexisting, or contentious. A summary of their findings is provided in table 10.5.

Both Pacific Telesis and BellSouth have relationships with the union that are labeled cooperative, despite previous years of antipathy. In the 1986 negotiations with Pacific Telesis, the union agreed to remove contractual restrictions of transfers in exchange for a no-layoff guarantee. This alleviated some of the tension between the parties which had arisen during the company's efforts at labor force reductions. Still, Pacific Telesis was the target of a short strike in the 1989 negotiations. In the 1986 negotiations with BellSouth, the company agreed to regional bargaining in return for the union's sanction of contract flexibility with regard to differences across labor and product markets. The 1989 agreement was settled without a strike.

Ameritech, US West and Southwestern Bell have a relationship labeled as "coexistence" by Perry and Cappelli. Relations are generally good. In the 1986 negotiations, however, the strategy of Ameritech and US West was to settle first with the IBEW instead of allowing the two unions to bargain jointly. This alienated the CWA. Since Ameritech followed the same strategy in the 1989 negotiations, their position of "coexistence" might be tenuous. Perry and Cappelli suggest that because Southwestern Bell includes many states with right-to-work laws, the union is weakened, and this creates a tension in the relationship between the two parties.

Both NYNEX and Bell Atlantic have a contentious relationship with their unions. According to Perry and Cappelli, in the case of Bell Atlantic, the source of militancy is management. While the company has been willing to negotiate wage changes at the regional level, many of the problems have concerned work rules and grievances procedures which are negotiated at the individual companies. These local issues have caused significant difficulties in arriving at settlements. In the case of NYNEX, the unions have been historically militant. Perry and Cappelli indicate that this is a product of both the local labor-market conditions and a rivalry in this area between the CWA and the IBEW. While the two unions attempted to coordinate bargaining at the same table in the 1989 negotiations, NYNEX refused. Both NYNEX and Bell Atlantic faced strikes in their 1989 negotiations. The strike at NYNEX was particularly bitter and lasted over 100 days. Financial analysts told the *New York Times* that NYNEX was forced to take a tough stance "because much of its operations lie in dense urban areas, making its operating costs higher than those of the other companies."[22] More likely, the dense urban area makes future competition for local service a greater possibility in New York than in some other regions. High wages would put NYNEX at a competitive disadvantage in dealing with new competitors.

The unregulated sector of the telecommunications industry is largely unorganized. The union's attempts at organizing subsidiaries that have arisen in the nonregulated sector have met with a variety of reactions from the telephone companies which range from hospitable (AT&T, BellSouth) to neutral (Ameritech, NYNEX) to hostile (Bell Atlantic, Pacific Telesis, Southwestern Bell, and US West).

Both AT&T and BellSouth have been hospitable to union organizing of their subsidiaries. The New Entities Agreement between the CWA and AT&T ensures continued representation rights in any unit to emerge from existing functions or reallocation of existing employees.[23] Problems may arise in the future, however, if unorganized companies are acquired, or if competition in the industry intensifies and AT&T's rivals remain unorganized. BellSouth has been diversifying into the equipment market, and has agreed to union representation in its new subsidiaries.

Neither Ameritech nor NYNEX has opposed union organizing efforts. This is probably because employment at Ameritech's subsidiaries is only a fraction of its total work force, and NYNEX has not diversified much beyond its core industry. Bell Atlantic, Pacific Telesis, and Southwestern Bell have ambitiously launched into the unregulated market. Each company has also vigorously opposed union organizing attempts at any new subsidiaries.

Thus as Perry and Cappelli point out, the likelihood that a company will resist unionization of their unregulated subsidiaries appears to be correlated with how extensively they intend to diversify into the competitive sector. It is less likely to be linked with the company's relationship with the union in its regulated business. The future environment of union-management negotiations in the industry may therefore depend on regulatory decisions which open up new unregulated markets for the BOCs. The companies can be expected to become more militant in negotiations in an attempt to compete in labor costs with competitors who are likely to be nonunion.

As in airlines and trucking, deregulation in telecommunications brings on mixed blessings for labor. On the one hand, lifting the hand of regulation from some markets will allow firms to compete more rigorously, decrease prices and increase output. As a result, expansion of employment will occur as the firms move into these new areas. Ameritech, for example, has been able to expand employment, even though technological change has reduced the need for workers in the regulated sector. On the other hand, competition in these new areas is likely to be more severe than in the past. Some firms will take this as a sign to increase their competitiveness by reducing their labor costs. This means either a nonunion or a hostile union atmosphere. In trucking, deregulation caused virtually all markets to become highly competitive. With very little room for significant increases in productivity, this change naturally led to reduced wages and lower employment for union drivers who did not accept significant reductions in their relative wages. In airlines, significant productivity increases and continued market power (in part brought on by the new "hub and spoke" technology) cushioned the deregulation impact for some workers (although not all). It seems that telecommunications is likely to follow the airlines' example over the next few years, since many companies have regulated markets in which they experience relatively little competition, as well as newer, deregulated markets in which the competition is fierce. If experience in airlines is a good indication, a variety of approaches will ultimately be taken: some firms will follow the Frank Lorenzo lead while others will not. Some firms will be able to remain competitive even while paying relatively high union wages, because they are relatively insulated from low-wage competition or because they are leaders in technological development or in improvements in productivity.

ENDNOTES

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19. See note 5.

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22. Supra at note 15, p. B2.

23. See note 20.