THE TREND TOWARD LONGER-TERM CONTRACTS*

I. The Statistical Trend Toward Longer-Term Contracts


A statistical analysis of 923 contracts selected at random from contracts signed during the period June, 1955 to early 1956. Of these 923, "406 or 44% run for one year or less. Agreements running for more than one year and less than two account for 10.5%. Approximately one-fifth of the contracts are for two years' duration, while ... 14.4% run for three years. Contracts of more than three years' duration account for less than 3% of the 923 analyzed." Also includes a detailed breakdown of contract length by union.


A statistical analysis of the first period in which the trend toward longer-term contracts became pronounced—1947-1950. This study points out that in 1947-48, 75% of contracts studied by the Conference Board were for one year or less; in 1950 just 54% were for one year or less. Also, fewer contracts provided for reopenings in 1950 than in 1947-1948. According to this article, the basic factors underlying this shift have been: (1) greater stability of the price level and (2) conclusion on the part of labor leaders that the Taft-Hartley Act was not going to be repealed.


An analysis of 229 contracts signed shortly after the Korean War which corroborates the earlier Conference Board study showing a trend toward longer-term agreements. A significant difference between the studies, however, is that the trend noted in the July, 1950 study toward fewer wage reopening clauses was reversed after the start of the Korean War—probably because of the prospects of a rising and unstable price level.

*Items from this list should be ordered directly from the publisher. Addresses are given in connection with each reference.

A forthcoming statistical analysis of 534 major agreements in effect at the end of November, 1956. This survey indicates that one of the major collective bargaining developments in 1956 was the decided trend toward long-term agreements accompanied by deferred raises and escalator provisions. Tables are included which show the amount of deferred wage increases scheduled to go into effect in selected industries in 1957.

II. Appraisals of the Long-term Contract


Recent surveys of extent of long-term contracts made by the Bureau of Labor Statistics and National Industrial Conference Board are criticized for failing to report provisions made for adjustments. This report argues that two contracts of the same length may differ radically and that unions must be careful to keep contracts flexible. Alternative methods of permitting adjustments during the term of the agreement are discussed. The report considers the pros and cons of long-term agreements and concludes that "the wisdom of a long-term agreement ... necessarily depends on the particular situation."


A discussion of the problems which may arise during the life of a long-term agreement based on the experience of the Allis-Chalmers Company. It is pointed out that the long-term agreement is not an absolute guarantee of labor peace and that there are various situations in which a company may be forced to re-negotiate a contract before its expiration date. The importance of careful draftsmanship in the long-term contract is also stressed.

*Ammunition* (2457 E. Washington St., Indianapolis 7), April, 1953. "Resolution on long-term contracts." pp. 28-29. 15 cents.

Contains the resolution on the subject of long-term contracts adopted by the UAW-CIO at its 1953 convention as well as excerpts from the discussion. The union's "living document" interpretation of long-term contracts is outlined and the resolution goes on to say that "Such living documents must not, during their lifetime, foreclose the working out of ... practical problems that may arise which the parties could not anticipate at the time such agreements were negotiated."

The union says it will never negotiate another long-term contract unless General Motors is willing to accept this interpretation.

This special report defends the recommendation of the UAW Executive Board that the Auto Workers seek a contract with a maximum length of two years. It is argued that, because of the magnitude of the changes that may come from automation, the union "cannot tie itself to long-term contracts" because "to do so would be to surrender in advance the freedom to intensify the fight for higher living standards at the very time when this fight may become more urgent than ever before."


In discussing the union preference for a shorter contract than management would like, *Business Week* suggests the theory that the economic outlook is an important factor influencing the positions of management and labor at any given time. "At times when labor has qualms about economic prospects—as it did in 1950 before the Korean conflict erupted—it will seek long-term contracts in an effort to hold onto concessions already won. In the same situation, management will go after shorter agreements to gain more flexibility on the question of labor costs. But when economic prospects are bright, each group will switch to the other side of the fence."


This article includes a discussion of the advisability of compulsory adoption of the long-term contract, including escalator and productivity-improvement factor clauses. The author rejects this means of preventing the inflationary wage pressures arising out of annual or bi-annual wage negotiations for two main reasons: first, it is doubtful that such long-term agreements would actually accomplish this purpose; second, "long-term contracts tend to defunctionalize the union leadership and put top management out of touch with the union for an excessive length of time." This might lead to "revived industrial warfare."


A careful summary of much of the literature cited in this bibliography. The author discusses the "57 varieties" of duration clauses, the history of the long-term contract, including an analysis of the motives which led to its inception, experience under such contracts,
arguments for and against longer contracts, and the future of this type of agreement. Perhaps the most valuable part of this study is the resume of current thinking (1954) among management and labor presented as quotations from letters.


The close relationship between the duration clause and no-strike and wage reopening clauses is discussed and specific examples are given of situations in which unions have inadvertently relinquished the right to strike by "poorly worded duration clauses." The I.A.M. suggests a model termination clause to avoid this danger.


The author is very critical of the present "stop and start" system of negotiations and asserts that the annual bargaining cycle is a major hazard to industrial peace. It is alleged that long-term contracts are not the answer to this problem in that while they "may reduce the frequency of bargaining crises" they "are likely at the same time to increase their severity." The author proposes to eliminate from the contract any reference at all to a termination date and to put discussions and negotiations on a continuous basis.


An examination of the current trend toward longer-term contracts and the implications of this trend for labor peace. According to this article, the steel settlement cleared the way for an era relatively free of strikes until at least mid-1958. The strike prospects in major industries are summarized in chart form.


"The gist of interviews by Twentieth Century Fund investigators with over a hundred of those most concerned with collective bargaining in the United States: chief officers of the largest labor unions and . . . officials in leading business concerns." The conclusion of the duration of agreement chapter was that "both the businessmen and the union leaders included in this survey lean toward longer-term contracts . . . [but] neither party considers the duration of the general agreement a vital issue." This survey is particularly valuable in that, through the medium of direct quotations, the great diversity of attitudes towards length of contract are described most vividly.