

UPDATE: How Will The Booming Economy, Corporate Tax Cuts, And Healthcare Uncertainty Affect Labor Negotiations In 2018?

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2018 is underway, and we now have our first preview of how the economy, corporate tax cuts, and healthcare may be affecting labor agreement [negotiations this year](#) – at least in terms of wage settlements. *Bloomberg BNA* [released a report](#) on findings from a survey of 46 recently ratified union contracts that summarizes data on agreed-to wage scales. Based on the report, it's a mixed bag thus far. According to a summary offered by *Bloomberg*: "The manufacturing sector is showing lower wage increases in 2018 than in 2017. Manufacturing unions negotiated an average 1.8 percent wage increase in the first year of their contracts, lower than the 2 percent average in the comparable period of 2017. Nonmanufacturing contracts also provided for lower wage hikes in 2018 (3.1 percent) than in 2017 (3.6 percent)." Public sector unions are faring better: "Unions in state and local government workplaces ... continue to rise above last year's pace when it comes to pay increases. The average first-year wage increase for public sector contracts is 2.9 percent, far exceeding 2.2 percent in 2017." These developments are noteworthy as many expected private sector unions to get more in wages in light of the fact that [many non-union companies](#) have publicly announced [higher wages and bonuses for their employees](#) based on the tax overhaul. That doesn't appear to be the case, at least to this point. It is very early, though, so it remains to be seen if this small sample size is an accurate indicator of things to come. To the extent a company is covered by the National Labor Relations Act and is receiving pressure from a union to give significant wage or other benefit hikes, it is important to recall that the act requires an employer to bargain in "good faith" (a standard that varies depending on the facts of a given negotiation), but it generally does not require that a party ultimately agree to a proposal from the other party. Accordingly, a best practice is to think about the long-term both in terms of proposals a company is proffering and those that it may entertain from the union. Indeed, [one recent case](#) where union retirees just had a class action lawsuit certified over free lifetime insurance benefits provided for in prior labor agreements demonstrates the potential pitfalls of not keeping an eye on the future regardless of how rosy the present may seem.

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