Toward a Mutual Gains Paradigm for Labor-Management Relations

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The U.S. labor-management relations system is at a historic crossroads equivalent to that of the 1930s. For the past two decades labor-management relations have gone down two contradictory paths. On the one hand American firms, workers, and unions experimented with a variety of innovations designed to transform workplaces in pursuit of improved productivity and employment outcomes. While these efforts vary across different settings, they generally include some aspects of employee participation, team-based work organizations or task forces, decentralization of decision making, quality improvement programs, compensation systems that reward skill attainment and/or performance, increased investment in training, and increased information sharing, consultation, and in some cases representation in managerial decision making and corporate governance. Where unions are present, these innovations often are governed by joint union-management committees or similar structures that supplement the formal collective bargaining process. Where employees are unorganized, groups of employees sometimes serve in an advisory capacity to management in these processes.

While showing great promise, these innovative practices to date have not diffused widely across the economy and remain fragile, at risk of being written off as just another in the long list of passing fads. Meanwhile, at the macro level labor market outcomes of the past decade were characterized by: (1) productivity growth rates that are approximately 1 percent below those needed to sustain the long-term rate of increase in American living standards; (2) declining real wage levels for nearly all classes of employees below the senior executive level; (3) increased wage inequality; (4) increased use of contingent workers in jobs that provide low wages and limited fringe benefits, training, or development opportunities, or job security; (5) high rates of unemployment and job displacement affecting both blue and white collar workers in large firms and good jobs; (6) declining rates of union membership; (7) increased adversarial tensions between business and labor over the basic labor policies governing industrial relations.

The strategies adopted by government, business, and labor representatives in the next few years will determine which of the above paths will dominate the future of U.S. labor-management relations and labor market outcomes. The question is whether our labor-management system will contribute to or inhibit efforts to reverse the negative trends in labor market outcomes and help to achieve the mutual economic and social gains envisioned in the term "a high skills and high wages" economy. To do so, the barriers to broader diffusion and sustainability of innovations like those listed above will need to be overcome.

Not since the eve of the New Deal have we faced as crucial a set of challenges and opportunities to achieve a fundamental breakthrough in labor-management policy and practice. Fortunately, there is growing recognition of this point both inside...