The American Worker
Disposable or Indispensable?
Thomas A. Kochan
MIT Sloan School of Management


Layoffs have become a strategy of first not last resort in American business. Why and when did this occur? What are its consequences for workers, families, communities, and the economy? Can anything be done about it? These are questions Louis Uchitelle takes up in The Disposable American. I discuss his answers and my own views on how to move forward to address the growing pressures on workers and families.

Keywords: layoffs; public policy; labor market institutions

In The Disposable American, Louis Uchitelle combines his training and experience as a journalist with a compassionate and thorough analysis of how layoffs came to be an accepted part of doing business. In the process he produces a book that I hope will serve as a wake-up call for the American public. That is what it will take to answer one of the key questions Uchitelle and many of us are raising these days: Why is there no public uproar and reaction to the economic devastation so many working families and their communities have experienced in the wake of layoffs, restructuring, corporate scandals, and government indifference?

Uchitelle focuses on the use of permanent layoffs of blue- and white-collar workers, not as a last resort as seemed to be the case in the three decades immediately following World War II, but as a normal step when faced with either the need to cope with serious market decline or the opportunity to boost earnings that are not in jeopardy. He examines when this shift occurred, why, and its effects on individuals, families, communities, and the national economy and society. The story of the uniquely American tragedy is told with a rich blend of personal narrative that lays bare how executives rationalize their decisions and conveys the effects layoffs have on the lives of workers and families. Interspersed in these personal stories
is good use of the academic research on this topic. Those who have been long-time readers of Uchitelle’s New York Times articles (or one of many on his extensive rolodex) have come to expect nothing less from this powerful and probing voice.

In the opening chapter, the author profiles the slippery slope that characterizes how, when, and why layoffs became acceptable as a strategy of first rather than last resort. He follows the CEO transitions at Stanley Works, a venerable New Britain, Connecticut, manufacturer best known for its high-quality hand tools, from the tenure of Donald Davis, the classic post–World War II executive (now a part-time colleague of mine at MIT), to Richard Ayers, an incremental restructurer, to John Trani, the prototypical modern CEO. Trani’s words sum up his approach best: “Layoffs and plant closings are not such a rare event anymore that one generally makes a big deal out of them” (p. 12). That is, as CEO he doesn’t have to think twice about taking these actions because there is no public outcry or push back from workers, unions, or the government.

The Stanley Works’ story dates the time of the shift as starting with tentative and reluctant layoffs in the late 1970s through the early 1980s during the final years of Don Davis’s tenure. More incremental steps were taken in the early 1990s as layoffs expanded from blue- to white-collar occupations under Ayers. With Trani’s arrival in 1997, layoffs and plant closings became the normal by-product of a strategy to shift to new products and increase shareholder value. He got the timing right. Blue-collar workers bore the brunt of the deep recession of 1981-1983; however, by the time a milder recession hit a decade later, white-collar workers and other professionals were no longer immune. Still, it wasn’t until early evidence from the stock market showed no negative (and for a while even a short-term positive) effect on share prices that layoffs got institutionalized as the strategy of choice for corporations faced with declining sales or opportunities to move into new markets.

Why did this happen? CEOs such as Trani would argue one word: globalization. However, that is too simple. Uchitelle describes a more nuanced process that gathered force from the decline in union power, the emergence of new financial instruments that created the market for corporate control and the rise of shareholder capitalism in the 1980s, and the blind eye of the Clinton administration and the Federal Reserve. Like the proverbial frog that fails to react to slowly warming waters, it seems society has concluded it is too late to respond now that the temperature has approached the boiling point. However, is it? And have we really come to terms with the root causes and therefore identified the steps needed to reverse these trends? I come to this in a moment.
Uchitelle is at his best in documenting the personal, family, community, and societal effects of layoffs. Because this is not one of those quickly written tracts rushed to press in reaction to a specific event, Uchitelle went back and interviewed workers and families at multiple times, watching their disillusion grow as they adjusted to a lower standard of living. The families he interviewed were far from alone. National data show that about three fourths of those laid off experience long-term if not permanent income declines (Schmidt, 2004). However, he shows the personal costs go beyond income effects. Layoffs reduce self-esteem and often require other family members to increase their work hours to stay afloat. Plant closings or large-scale layoffs depress community living standards that can take decades to reverse, as in the case of Allentown, Pennsylvania, or fail to materialize at all, as in the case of Youngstown, Ohio (Safford, in press). Job cuts that appear arbitrary or unnecessary have negative effects on worker trust and loyalty in future jobs and often exert hidden costs as survivors not laid off worry that “their job could be next.” And the evidence is quite clear that layoffs alone do not produce sustainable corporate recoveries (Cascio, 2002). It is not even clear that on balance layoffs are good for the macro economy because they give CEOs too easy an out to try to compete in a global economy by making a fetish out of trying to minimize labor costs while ignoring the need to stay one step ahead on the innovation curve.

Should we just be nostalgic and long for a return to the more secure norms and practices of the post-war era? Or do we simply have to accept that in a global economy layoffs are an inevitable fact of life? Neither Uchitelle nor I believe we can turn the clock back completely. However, neither do we believe that Americans should just throw in the towel and simply live with the present state of affairs. And we further share the view that the place to start is to get back to a debate over basic values. Uchitelle starts his chapter on “Solutions” with a call for a return to community values:

Are we going to once again be a community of people who feel obligated to take care of one another, or are we going to continue as a collection of individuals, each one increasingly concerned only with his or her well-being? If we can band together again, as we did during a forty-year stretch that started in the Depression and ended with the Vietnam War, then job security will gradually return to the United States—not to the degree that once existed, but more than we have today. (p. 205)

I want to agree with Uchitelle but wish it were that simple. I agree with his starting point—the need to rekindle a debate over the basic values we
want the economy and its key institutions to serve. Just as checks and balances are core principles of our constitution and way of governing, Americans are ready for corrections that bring balance and fairness back into our economic vocabulary and behavior. Returning to these basic principles would give us the courage to act on the worry many harbor silently, namely that by ignoring these problems we are leaving them to be solved by the next generation and thereby leaving our children in a position that will make it hard for them to realize the American dream.

No parents want the legacy of leaving their kids worse off than their parents left them. As I talk about these issues, this is the comment that hits the most responsive chord. Yet just as negative campaigning has its limits, worrisome statements like this need to be combined with a clear and convincing argument about what we can do to change the direction of the country.

I would support the specific policy changes Uchitelle suggests would be needed to reverse course. These include increasing the minimum wage, more accurate counting of layoffs, ending the wars between states over tax incentives to lure businesses, including labor standards in trade agreements, investing in public infrastructure and other worthwhile projects to move toward full employment, restoring progressive tax policies to rein in outrageous increases in executive pay and wealth, and restoring union power as a countervailing force at work. Indeed, I have argued for most of these policies as well and see them as part of an overall strategy for dealing with the growing pressures on working families (Kochan, 2005). However, I am left with a nagging concern that something deeper needs to be confronted if we are to get to the root cause of this phenomenon.

To me the root cause is the failure to update all of American work and employment policies and institutions to keep pace with the shift to a more global economy, diverse workforce and employment arrangements, and changing technologies. In short, we have to deal with the economy as we now find it.

Above all this means we have to face the reality that most families today have two working parents or are headed by a single parent spending long hours in the paid workforce. That means we need to link family and work policies in new ways by providing flexibility and financial resources needed to integrate work and family life over the full life course from starting a family, to raising young children, to carrying for elderly parents. This requires recasting all of our labor market and workplace institutions and policies to think about families, not individuals, as the basic economic unit. It takes reform of labor market institutions to empower people to move across jobs. If firms are not willing or able to return to a day of rewarding
loyalty with security, then let’s lower the costs of moving across jobs by decoupling health insurance and retirement income and all other fringe benefits from employment with specific firms. It means that the next generation of unions and professional associations (yes, we need a union and/or association resurgence but not one that just is the mirror image of the one now in the final throes of decline) have to see exit and mobility as much as a source of power as voice on the job. They can do this by becoming the champions and agents of life-long learning, networking, and information on where the job opportunities lie (Barley & Kunda, 2005), and the nodes in a rich network of community, state, and national-level coalitions committed to helping families navigate in uncertain labor market waters.

With this base, we can insist that corporate executives be held accountable for balancing the interests of shareholders and their workforce. We can demand that our labor laws be reformed in ways that support these new institutions and approaches to the labor market, and that we bring fairness and balance to workers and consumers into the management of a global trading system.

We owe Louis Uchitelle a great debt for focusing our attention on the fact we have allowed corporate executives to treat American workers and the families as disposable. Now we need to translate the righteous indignation that he is generating into a positive vision and convincing strategy for the future.

**References**


