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Restoring the American Dream: A Working Families’ Agenda for America
THOMAS A. KOCHAN
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In *Restoring the American Dream*, Thomas Kochan, one of America’s foremost industrial relations scholars, addresses the painful fact that the transition to the new ‘knowledge economy’ has meant hardship for many American families. Rather than simply detailing the waning of the American dream of secure jobs, fair pay, and economic justice, Kochan presents a bold agenda to revitalize that dream in the new economy. Among his proposals are advances in basic education and life-long learning, a reinvigorated labor movement, and above all greater investment in human capital, and he calls on business, labor, and the state to join hands in developing a more humane future for working families. With contributions from leading scholars representing the US, the UK, and Australia, this symposium offers wide-ranging perspectives on Kochan’s important new book.

CRAIG PHELAN
Editor

Reworking or Restoring the American Dream?

For many years Tom Kochan has observed, analyzed, and critiqued the breakdown of the social contract in the United States. His prolific publication record about changes at work and in employment, at national and workplace levels, attests to this. In this book, however, Kochan dares to do what few other academics would or could do—he develops a blueprint for rebuilding the American dream.

This is a book that appeals to the heart as well as the head. Kochan uses a blend of personal experience and social science to make a strong and impassioned ‘call for action’ to government, employers, unions, and the general community for reforming working life in America. Kochan also appeals to fellow academics to become more engaged in the policymaking process, drawing upon the ‘Wisconsin model’ pioneered...
by John R. Commons. Not unlike Kochan, Commons was concerned about the harsh consequences of economic and social change during the early twentieth century for workers and their families. Through his research, teaching, and collaboration with Wisconsin state legislators Commons helped to shape policies on labor protection for women and children, workers’ compensation, and unemployment insurance during the first half of the last century. Many of these initiatives laid the foundation for the reform of national labor and employment laws during the New Deal, under President F. D. Roosevelt, in which some of Commons’s former students played a key role. Commons was concerned about the problem of transition from an agrarian to an industrial society. Kochan demonstrates how similar social and economic dislocations are affecting workers and their families as the US and other countries move towards a post-industrial society—in which the divisions between the winners and losers are growing.

In laying out a plan for restoring the ‘American Dream’ Kochan covers a wide range of issues, from fostering ‘good jobs’ with portable benefits, to building knowledge-based organizations that are more socially inclusive. There is no doubt that he deserves praise for tackling such a massive issue, from both the practical and academic perspectives. Integral to the book is the concept of the ‘social contract’. This is a concept that has permeated much of Kochan’s thinking and writing in the field of labor relations and in his quest for more just and equitable workplaces. For Kochan, the ‘social contract’ includes the rightful expectation of Americans to work hard, loyally, and responsibly in return for fair rewards from employers and the state. This is a world that the post-war generation grew up in, the world that was characterized by the New Deal, Fordist production, rising income and consumption levels, job security, career ladders, and, importantly, organized and vocal labor. Kochan argues that this social contract was shattered in the 1990s; work–family and work–life pressures have increased and the state and organizations have done little to ease the strain.

The American Dream epitomizes Kochan’s ‘social contract’. Similar dreams existed in other developed nations and in Australia, for example, the exact parallel was the ‘Australian Dream.’ Usually explicit in this ‘dream’ is house ownership; and, more implicitly, a secure job, a decent income, a family, and bright prospects for the children’s education and future. Underscoring the dream was the male breadwinner paradigm. One of the problems today, for scholars like Kochan and ourselves, is how best to articulate and realize that dream. This raises many questions: How many people still have the dream? Has the dream changed? For instance, is the dream of American (or Australian, Canadian, or British) workers of the twenty-first century the same as it was for Kochan and his parents?

In our commentary we focus on two key concerns raised by Kochan, which have far-reaching implications for restoring a social contract and for work and family. First is the need to redesign work and institutions to meet the ‘dual agenda’ requirements of workplace performance and personal and family roles and responsibilities. Second is the importance of workers and their families gaining a stronger voice both at work and in society.
The Dual Agenda

One of the most significant economic and social changes to affect business and family life in many developed countries, including both the US and Australia, has been the rising participation rates of women—and specifically mothers—in the paid workforce. This phenomenon has been underway for many years, but appropriate policy response, among government, business, and unions, has lagged.

On the supply side, this growth is fuelled by a number of factors, including: changes in women’s education levels, social norms, and expectations and the need to maintain or increase family incomes; and, on the demand side, by increasing labor market requirements for human capital. In the US, female participation is now over 60 percent and in Australia it is 57 percent.¹ For mothers, the participation rate in the US is just over 70 percent while more than 54 percent of mothers with children younger than a year old participate in the paid labor market.² In Australia, the government is concerned that at around 60 percent³ the participation rates of Australian mothers is too low; yet at the same time the government is urging women to have more babies. In an infamous comment on budget night in 2004 the Federal Treasurer urged Australian mothers to have three children: one for themselves, one for the husband, and one for the country. Like America, however, the absence of public policies such as paid maternity leave and universal childcare makes the combination of work and motherhood a very demanding task for women and is associated with lower lifetime earnings for females.

Blending personal experience with academic interest, as Kochan does so expertly in this book, I recall one example of the childcare issue facing American mothers. On a recent trans-American flight I sat next to a young, professional, working mother of two pre-school children who was on her way home at 10 p.m. She explained that she had two nannies; one for the daytime and one for the evenings, to cover her late nights at work. This was not in the dream of older American families, and I suspect is not the work and family arrangement Kochan wishes to foster. Yet it is a reality and new policies are needed in response.

While the increase in female participation is of benefit to the economy and to businesses hungry for labor, the reorganization of work and the response of institutions and policies, as the example above suggests, have lagged considerably. This has led to difficulties in combining the demands of work, family, and community life. Added to this are other important issues confronting societies like the US and Australia, including low fertility rates and aging populations. These pressures to combine work and family, production and reproduction, have been felt most acutely by women, with studies in both the US and Australia showing little change in unpaid domestic labor from men and a lack of take-up of family-friendly policies by men.

The implications of the shift in women’s working lives are profound, touching all aspects of work, family, and community life and requiring policy response and innovation in a range of contexts, from governments through to businesses, unions, faith- and community-based organizations, families—and individuals themselves.
As Kochan argues, organizational practices and social institutions in the US are generally out of alignment, or ‘mismatched,’ with these work and social arrangements. The same is the case in Australia. There are strong cultural, institutional, and public policy lags in both countries and arguably workplaces and employment practices too are at a crucial crossroads.

The gendered assumptions arising from the separation of the work and family spheres, which were more pronounced fifty years ago, still underpin many workplace practices and organizational forms. They are yet to be fully understood and altered. Kochan’s colleague, Lotte Bailyn, with Rhona Rapoport and others advocated the ‘dual agenda’ approach to understanding and addressing this problem. They argued that working practices based on traditional gendered assumptions not only create difficulties for employees in integrating their work and personal lives, but also undermine organizational performance. Kochan also advocates this approach, citing some positive examples of organizational change that were achieved by integrating work and family life. Unfortunately, however, widespread adoption of such policies and approaches may be difficult to achieve.

Despite the good intent and the sense of Kochan’s arguments, organizational resistance to change and the persistence of the unencumbered ‘ideal worker’ norm are surprisingly strong. Even the participants in Kochan’s own example, where he brings together different stakeholders in a hypothetical exercise on how to integrate a government-paid family leave policy with organizational policies, found it difficult to let go of their personal assumptions and norms. Although they did eventually play along and briefly imagined alternatives (only after being persuaded by Tom!), they still left the room saying they couldn’t actually ask their employers to engage in community interaction, let alone envisage such a public policy being introduced. Why not? The limits of policy are not only in organizational and public policies, but also in individual employees’ and employers’ minds as well. Much more debate and exposure of the problems, and education about alternatives and solutions, are clearly needed if this is to change. Raising these issues about how to overcome such resistance to change is surely one of Kochan’s achievements in this book.

Then there is the difference between policies that do exist and the practices that are undertaken. As Kochan also points out, the existence of ‘family-friendly’ policies is often overridden by family-unfriendly cultures. The dual agenda studies we have conducted in Australia demonstrate that even with relatively progressive formal policies, use of parental leave and associated family-friendly conditions is influenced by other factors in the organization, such as sexism, information gaps, managerial discretion, conflicting policies, potential for career penalties and organizational culture. The mix of formal policy with informal barriers results in a highly feminized use of an organization’s policies, thereby tending to reinforce gender inequity at work and continuing to perpetuate the unequal division of labor in the home. The problem is not easy to resolve.
The lessons from this type of action research suggest that while innovations may occur in some organizations, they tend to be on a case-by-case basis and their diffusion is difficult. Public policy therefore is still very important in setting the normative agenda and the social expectations around work and employment. There has been considerable change in public policy with relation to work–family and work–life in other countries, such as the UK, Canada, and New Zealand. Federal governments in both the US and Australia, however, have adopted a much more neo-liberal approach to employment regulation and, consequently, progress in public policy that assists in balancing work and family, or more broadly in addressing the care crisis, is absent. This policy vacuum is not readily filled by a marketplace that does not highly value care.

In the US, as Kochan notes, there is considerable room for improvement in public policy at the federal level. For example, in relation to minimum standards of work, the US does not guarantee paid annual leave, maximum length of the working week, a mandatory day of rest, or evening or night shift premiums.\(^8\) Comparative studies quickly show that most developed nations have all or some of these as minimum standards. Kochan’s concern that it would be problematic for business to dovetail their own company policies with such state policies, should they be introduced, is possibly unfounded. Other countries successfully manage to provide a system where businesses top up minimum standards, either through a process of joint regulation with labor or directly through company policy.

Given that the male breadwinner plus female home worker norm no longer holds in the US, Australia, or other developed economies, one must ask if the dream, or the social contract, needs to be reconceptualized as well? The fundamental shifts in male and female labor market participation, marriage rates, fertility rates, and demographic structures suggest this should be the case. A new understanding of the working family’s dream—of the aspirations and expectations of women and men, as mothers and fathers, would assist us in understanding better who the ‘ideal’ worker is today. A deeper understanding of the empirical reality and needs of working families could also shift the emphasis to the promotion of the ‘ideal’ workplace, one that fits with the needs of workers as well as fair profits.

Kochan’s work does highlight the need to expand and integrate our knowledge of work and family and to extend this to the role of the community. By so doing, it also challenges us to theorize more accurately and more inclusively the place of gender in industrial relations and organizational studies. This could also be an exciting development in our subject area and open us to advances in theory and practice. For instance, there is a need to better understand and theorize how work and family entitlements actually make it to the bargaining or policy agenda, let alone the bargaining table. While theories grounded in the ‘dual agenda’ are a step in the right direction, the reach of such action research is not yet far enough to change all organizations or workplaces. More voice from those affected is needed, and this raises the next issue we wish to address.
Voice and Representation

The traditional ‘industrial relations perspective’ on voice and representation in the workplace has viewed this as an exclusive role for unions—particularly in the US and other English-speaking economies. However, with less than nine percent of the private sector workforce unionized in the US, and falling levels of unionization in many other industrialized economies, it is becoming more difficult for the union movement to speak for all workers. While there have been some examples of union revitalization through new organizing strategies, these have failed to create a renewal of unionization on the scale required to restore the power and authority of the labor movement. Kochan outlines a number of possible alternative strategies including: building new alliances between unions, community groups, and professional associations in order to reach beyond the individual enterprises and industries; the provision of portable services and benefits by unions and associations which could be utilized by members throughout their careers; labor–management partnerships that yield advantages to both organizations and their employees; and reforms to give workers a stronger direct voice at work.

While Kochan notes recent initiatives by Senator Edward Kennedy and others to reform US labor laws, successive Democratic Party presidents, from Carter to Clinton, have failed to achieve any significant improvement in collective bargaining rights for unions or for protection for workers. Furthermore, the failure of the Dunlop Commission on the Future of Worker Management Relations (appointed by President Clinton) to achieve any significant labor law reforms provides little grounds for optimism about any legislation action at the federal level to improve workers’ voice at the enterprise or industry level. Yet it was in the political arena that John R. Commons succeeded in gaining significant improvements in people’s working lives. Hence, Kochan’s advocacy of seeking reforms at the state level, which could provide models for future national changes in the US, has considerable merit for other countries, like Australia, that have federal political systems.

However, for countries such as Australia where the US example of de-unionizing the workforce has found strong support, Kochan’s book raises dire warnings. The so-called ‘Work Choices’ legislation recently introduced by the conservative government in Australia has radically reduced the role for unions to collectively bargain and to provide a voice for workers. The new labor laws in Australia end a century in which the state sought to balance economic efficiency against fairness for the worker and aimed to reduce (if not abolish) the role of independent tribunals and trade unions in the joint regulation of working conditions. The Australian government is emulating US experience by advocating ‘individualism’ and the ‘free market’ while acting in a highly interventionist manner. It is using the term ‘deregulation’ to describe an extremely prescriptive set of laws which transfer bargaining powers and rights from workers and their unions to the employers.

Hence, while agreeing with Kochan’s advocacy of a more cooperative approach between labor and management in order to achieve a more direct voice for workers at the enterprise level, we must ask if this will this be sufficient to turn the tide?
The evidence presented in the book demonstrates the urgency of strengthening the legal rights of workers and their unions. Although Kochan advocates modernizing labor law and ‘fixing the basics’ so that workers have a voice in strategic decisions and corporate governance, this is unlikely to happen in the US or any other comparable country, like Australia, unless labor rights are radically strengthened.

One possible force for change lies in the shift towards a more ‘knowledge-based economy’ in countries like the US and Australia. Like the craft workers of times past, knowledge workers are becoming a scare commodity in many industrialized economies and are exercising individual bargaining power in relation to employers through both voice and exit strategies. A recent survey by The Economist entitled ‘The Battle for Brainpower’ noted, ‘[As] loyalty to employers is fading, thanks to all that downsizing, the old social contract—job security in return for commitment—has been breaking down, first in America and then in other countries.’ Both Kochan and The Economist note that the ‘old social contract’ practiced by companies such as Southwest Airlines, which has achieved among the highest levels of efficiency and profitability with a committed, long-term, and unionized workforce, may provide the model for the future. Hence, the American Dream and those dreams of other countries for a better future for working families may be achieved by a combination of enlightened self-interest by employers and public policies that treat workers as valuable assets rather than commodities to be bought and sold at the cheapest price. But the task for reformers at all levels—unions, businesses, governments—is formidable and will require far-reaching changes in the political economy of countries such as the US and Australia. Indeed, the dream itself may need to be reworked.

Notes

References
Restoring the World’s Dream

‘A house divided against itself cannot stand’ were the words invoked by Abraham Lincoln in warning of the threat to the government of the United States arising from the polarization of labor ‘half slave and half free.’ One-and-a-half centuries later Tom Kochan renews the call. Once again, he argues, it is the extremes in the conditions of labor that have become so gross as to threaten the basis of social stability. But now the problem is international. Similar concerns are to be found in other countries. Indeed, there is growing awareness of the potentially destructive consequences of gross and growing differences in the conditions of labor across the world economy as a whole. Unless the problem is tackled, deepening inequalities will rend the fabric of tolerance on which modern economies rely. The universal dream of dignified and adequately paid employment is truly in jeopardy for developed and developing countries alike.

This author sees no reason to disagree with Kochan’s powerful and persuasive analysis of the state of America. What follows discusses the issues that the analysis raises from a transatlantic perspective. How general are the problems? How feasible are his remedies? What might be the role of government? How do we involve the people affected? Let us start by agreeing the centrality given to employment in his analysis.

For all modern economies, the main driver of social equality and inequality lies in the employment contract, broadly defined. How citizens as employees are paid, trained, employed, and pensioned is the main determinant of the social as well as the economic differences between them. These differences in turn have a profound significance for the broader functioning of society. For there is a limit to the inequalities that a society can tolerate without the basis of democratic support becoming threatened. Democratic institutions, in turn, appear to be a necessary
accompaniment to the restless science-driven innovation that has proved to be so potent a vehicle of productivity growth in the modern world.

Perhaps we have come to forget the difficulty of curbing extreme inequities in employment. The more sophisticated the technologies that drive productivity growth, the greater the variance that arises in the levels of expertise, and in exposure to competition, associated with people’s employment. Both technology and the extents of markets ensure that there are massive and increasing variations in the access that workers have to a share of profits. For Europe and America this was, to some extent, masked through much of the twentieth century. Collective bargaining had developed in a world of relatively simple technologies and of product markets that were usually nationally constrained. Trade unions could, as a result, win substantial gains for their members. And while much of the workforce of a country remained unorganized, these gains set standards of employment that were widely followed. They were followed, to varying extents, in union-organized public employment and unorganized private employment. Indeed, governments often provided legal support for institutions, such as industrial agreements and minimum wages, that reinforced these gains and disseminated them to the unorganized in the interest of industrial peace.

The collapse of effective trade unionism in private sector employment in most countries has changed all this. The cause of the collapse has much to do with the internationalization of trade and ownership. Product markets are much less constrained by the national frontiers within which collective bargaining could be made effective. Company ownership has become internationally more footloose, more able to switch operations or to outsource to countries offering lower labor costs. The competing world has recently expanded massively with the participation of the relatively well-educated, but still lowly paid, work forces of China, India, and the old Soviet bloc. Massive movements of migrant labor have been another challenging feature of this opening up of the world economy. For much of private sector employment, trade union organization based on the tried and tested use of collective sanctions has become ineffective, even self-destructive.

The consequences for employment standards have been substantial but, because of their historical traditions, Europe and America have had very different responses. Western European countries are largely accepting of collective labor market behavior. This is partly because their trade unions were often successful mobilizers of political action during the twentieth century, supporting parties that from time to time won power and reciprocated with supportive legislation. It is partly because, in varied circumstances, trade unions were seen to have played an important and honorable part in the world wars. For whatever reason, there has been an acceptance, in Europe, that both government and trade unions should play an important part in the regulation of the labor market and of social insurance.

The development of what has come to be the European Union has greatly developed this. The reason is primarily political. For the idea of a united Europe was conceived first and foremost as a means of avoiding the disasters of a further European war, and an economic union was seen to be a necessary precondition of
this political union. But a precondition of an economic union was some reassurance to the richer member states that they could not be undercut by low labor standards in the poorer members. The consequence was that for fifty years Europe has encouraged the construction of a broad array of individual employment rights. Many of these, such as health and safety protections, parental rights, working hours restrictions, paid holiday entitlements, employee rights when employers go bankrupt, and employee consultation rights, are comparable across all member states. Others, such as minimum wages, unemployment insurance, and rights to strike, vary between member states but are, as matters of principle, uncontroversial. Despite rapidly declining trade union membership in most states, unions and employer associations have retained a central role through the involvement of what are called the ‘social partners’—the union and employer over-arching confederations—in European Union labor market policy formulation.

Although it is doubtful whether the architects of the European Union ever envisaged the collapse of collective bargaining, the legal structures they, back in its flood tide, caused to come into being have, in the event, provided valuable protections of labor standards. It is not that the competitive shocks of the past decade have left European labor unscathed. Far from it. Manufacturing jobs have been vanishing east at an unprecedented rate. Public sector employees have become the most strike-prone as they have struggled to resist the outsourcing of jobs to the private sector. But the contrast with the American picture drawn by Kochan is sharp. The general experience in Europe has been of rising real incomes, of continued reduction in working hours, and of extension of paid holidays. Despite considerable pressure, not least from the newly arrived Central and Eastern European member states, the main subjects of direct EU regulation, such as health and safety, sex discrimination, working hours, and paid holiday protections, are standing up relatively well, despite much-enfeebled trade unions. And while the public provision of health care, of tertiary education, and of retirement pensions are currently often matters of great debate, the issue is just how far, not whether, the state should play an important part in their provision.

A key issue in such debates is that of the proportion of children growing up in poverty. This has direct bearing on the extent to which societies offer equality of opportunity to their citizens. It also has direct bearing on the potential of their workforces to acquire economically essential skills and live useful and productive lives. A recent UNICEF (UN Children’s Fund) report on child welfare demonstrated that countries that provide best for their children are not necessarily the richest in terms of GDP per head, but those which, often using cooperative ‘social partnership’ approaches, actively seek to reduce inequality of income, provide social insurance, and invest in children as economic assets. As on wider social well-being indicators, Scandinavian countries fare relatively well, the Netherlands a little behind them, with France and Germany in the middle; Britain comes off relatively poorly, but significantly higher than the United States.¹

Britain’s experience on child poverty provides an interesting case for Kochan’s argument. British governments during the 1980s and most of the 1990s pursued what
they described as an American neo-liberal approach to social security and an actively hostile policy towards collective bargaining. Britain’s position on child poverty deteriorated sharply after about 1980, jumping from a relatively stable 10 percent of children living in families with less than half average income to over 30 percent. The causes were varied but included widening income distribution, partly as a result of the decline of trade unions and the removal of minimum wages from some low-paid sectors, as well as the deliberate erosion of a number of features of social security support. The rise in conspicuous poverty, and the cost to the state of dealing with family hardship were already matters of concern to the Conservative governments of the 1990s before Labour was returned to power in 1997. With the new government came the gradual introduction of what were called Working Tax Credits—analogous to Earned Income Tax Credits—combined with a statutory National Minimum Wage. The minimum wage was not only intended to have a direct effect on incomes, but also to prevent the growing practice whereby unscrupulous low-paying employers milked the welfare system by encouraging employees to claim maximum benefits as an alternative to better wages.

This combination of tax, benefit, and minimum wage innovations has, thus far, been an unalloyed success. The National Minimum Wage immediately brought around one million workers an average pay rise of over 20 percent, and has gradually been edged up relative to average earnings so that about two million workers—10 percent of UK employees—benefit. Perhaps remarkably, there have been no significant adverse consequences for employment. In part this has been because low-paid jobs are mainly in service industries sheltered from international competition, and often with overall employment relatively insensitive to changes in wage levels, such as caring, cleaning, and catering. There is evidence that some badly managed low-paying firms have handed over their market share to better managed firms, with consequent productivity improvements. There has been an annual net gain to the Exchequer of around a quarter of a billion pounds sterling as a result of diminished benefits payments. While there has been no evidence of any overall inflationary effects, within some low-paying sectors the evidence suggests prices have risen by very small amounts. The acceptable implication is that the cost of this very substantial improvement to the position of the low paid has been borne, not by job loss or increased taxation, but by a combination of improved productivity and of consumers paying a little more for the services they receive. The proportion of children in families in poverty has been in gradual decline since 2000.²

One of the notable achievements of Britain’s introduction of a National Minimum Wage in 1999 has been something that has not happened. Partly as a result of its comparative economic success, Britain has become a substantial net importer of labor. The admission of the Central and Eastern European countries into the EU in 2004 has greatly increased the inflow, with approaching five percent of the employed workforce having recently arrived as economic immigrants. The evidence is that this influx has held back slightly the increase in wages of the least skilled of the native population, but that there has been no substantial breach of the National Minimum Wage. Enforced very effectively by the Revenue and Customs service, it has provided
a robust floor in the face of a substantial supply shock. It is reasonable to suggest that, had there been no minimum wage, the shock to wages of the unskilled in the indigenous population would have been substantial. It is also likely that, in Britain’s now highly multi-ethnic society, an early response to such a shock would have been serious inter-communal unrest. As Kochan observes in the American context, greater equality in the world of employment enhances the stability of society more widely.

The changed role of trade unions has implications for all developed countries. Market circumstances are increasingly constraining private sector unions to cooperative rather than confrontational strategies if they are to retain employer recognition and survive. Part of the package of legislation the new Labour government brought to Britain at the end of the 1990s was statutory trade union recognition rights and procedures, analogous to those Kochan calls for but, for Britain, a completely new departure. For those who placed great hopes in these the result has been disappointing. Despite low unemployment, a sympathetic government, and sustained economic growth, the legislation has been little used. The decline in trade union membership has been stemmed—perhaps more because of the changing structure of employment—but there has been no revival, least of all in the private sector. Employers all too often have little incentive to take trade unions seriously, and there is little the law can do to force them.

Where employers do take unions seriously, where they see benefits in their employees’ having a genuinely independent voice, the results can be impressive. The Trades Union Congress and the Labour government did much to encourage what were called ‘workplace partnership’ deals in the late 1990s, and although the term has become politically tainted and less used, the principles embodied in these have continued to be influential. These include, in return for the union’s acceptance of the business priorities of the employer, the employer’s commitment to make job security a condition of greater job flexibility, to have a responsibility to enhance worker skills, to provide employees with information, to make work more interesting to employees, and to consult with them when appropriate. Trade unions have been given enhanced representation and consultation rights, including the right to have employee representatives designated as ‘learning reps’ to facilitate the continuing education of the workforce. It would be good to report a renaissance of trade unionism as a result, but this has not happened. If anything, consultative arrangements have contracted as collective bargaining has diminished in both extent and scope of issues. Partnership-like arrangements are generally effective only where union membership has held up, and whether they are nurtured depends very much upon employer preference, rather than on action by the trade unions themselves.

It is, consequently, hard to see British trade unions making major progress in their traditional private sector domains of workplace bargaining. At the national level, their role as social partners has achieved some successes, of which the National Minimum Wage is probably the most enduring. Even at the level of the European Union, where the social partners have been so effective, the room for progress is limited. The expansion of the EU with the relatively poor Eastern and Central European states has obliged a pause for digestion, rather than encouraged any
appetite for more progress. But one area where, paradoxically, trade unions may be able to make progress is in helping the unorganized. Kochan comments on the surprising success of consumer campaigns. The threat of adverse publicity about poor employment practices of suppliers has stimulated many international brand name companies to institute and incur the costs of ‘ethical trading’ audits. The success of ‘fair trade’ brands suggests many consumers are willing to pay a ‘conscience premium’ to be reassured that producers are following acceptable labor standards. The scope for action may be patchy, but the internet offers trade unions both an opportunity for observation and a campaigning drum for decent labor standards.

The challenge confronting Tom Kochan’s agenda is daunting, but his proposals are based upon deep understanding of the practicalities and potential of American employment and society. As he observes, a great opportunity is offered by political decentralization, whereby individual communities, or states, can experiment and set the agenda for others. Europe has many examples of member states learning from each other, and none more so than the Irish experience with social partnership. From a position little short of economic disaster in the 1970s, Ireland has propelled itself to remarkable, and apparently secure, economic success through a series of national deals, impressive in the wide range of social and economic issues they have covered, concluded by the social partners. Relatively small political entities can prosper in a challenging world through intelligent cooperation and compromise. As to what they might aim for, one cannot do better than the words of Franklin Roosevelt 70 years ago: ‘The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.’

Notes


References

Reengineering Labor Market Institutions in the Context of an Aging Workforce

Tom Kochan’s *Restoring the American Dream* is a detailed and systematic effort to provide a scholarly assessment and moral case to support a major reengineering of labor market institutions in the twenty-first century. His book argues for a ‘New Deal’ for workers that provides for increased investment in skills, institutional support for balancing work and family responsibilities, increased job creation, protection and expansion of employee voice in the decisions that affect their work environment, and a more shared prosperity. He issues a call to action for employers, government (federal, state, and local), organized labor, and workers and their families to develop the labor market policies for the next fifty years that will meet the challenges of globalization and technological innovation. The book provides a sobering assessment of how well, or not, our current labor market institutions assist workers to achieve the so-called American Dream. His policy recommendations are clear and well supported.

However, the book is surprisingly silent on perhaps the most profound change to affect the American workforce and our labor market institutions over the next twenty years—the aging of the population. Demographic change has played an important role over the past fifty years in the shaping of our labor market institutions and will continue to do so over the next fifty years. As baby boomers entered the labor market in the 1960s and 1970s policymakers struggled to develop programs to improve the school-to-work transition and address rising youth unemployment. Female baby boomers defied the predictions made by economists in the 1960s and joined the workforce in ever increasing numbers with their labor force participation rate rising from 34 percent in 1950 to 60 percent by 2000. This young and diverse workforce challenged employers and government alike during the latter half of the twentieth century to provide structures that supported their human capital formation and conditions of work. Globalization and technological innovation had a negative impact on those with limited skills but they also provided many new opportunities to this more educated and large cohort. However, the first of the baby boomers turned 60 this year and, as discussed by Toossi, the US Bureau of Labor Statistics projects that by 2020 almost one in four workers in the labor force will be over the age of 55. Therefore, part of the restoration of the American Dream will include the ability of our labor market institutions to respond the challenge of this demographic change.

As Kochan discusses in his book, the supply of skilled workers in the US is just not keeping pace with the pressures of technological innovation and an increasingly international labor market. This skills gap threatens to be a significant drag on the nation’s ability to remain competitive in the global economy through the production of innovative high-skill-content goods. Fixing this crisis requires one to understand both the skill quality of workers entering the labor market and the skill needs of a workforce that is getting older. In terms of the skills of new entrants, we see that in spite of a significant increase in the wage premium paid to those with a college
degree, there has been a slowdown in the rate of growth in the United States for college enrollment and completion rates. This slowdown is concentrated among individuals from low-income families and minority families. Thirty years ago 25 percent of 17-year-olds dropped out of high school and did not return or only passed the Generalized Educational Development test (a high school equivalency exam). That percentage today has risen to 28 percent. Meanwhile around the world, young people are staying in school longer and outperforming US youths in math and science. The Organization for Economic Cooperation and Development (OECD) Programme for International Student Assessment 2003 results for 15-year-olds reports that the US ranked 28th out of 40 countries with respect to their performance in mathematics and 22nd out of 40 for science performance.

Understandably, then, a great deal of national and state government attention as exemplified by ‘No Child Left Behind’ has focused on raising standards in the US’s K-12 system. Additionally, many academics and policymakers have focused on ways to encourage greater enrollment in higher education. However, reliance on a front-loaded human capital strategy where individuals decide how much schooling to pursue is not enough to meet the human capital needs of a workforce that is also aging. With the median age of the workforce projected to be 42 by 2020 most workers will have long since completed their formal education. So new investments in their human capital will need to come from other sources such as employer-provided training programs, government training programs, or continuing education and training that workers pursue on their own time. We know that employers are an important source of post-school investments in human capital. Workers who receive employer-provided training have higher wages and displaced workers who had more multi-skills in their pre-displacement job suffer smaller subsequent wage losses. However, employers invest more heavily in the most educated workers so workers with less schooling get caught in a vicious cycle wherein their initial low level of skills means they are also less likely to get post-school training. In addition, a significant challenge for low-skilled but employed workers is that they suffer from a shortage of discretionary time to undertake training outside work. As Kochan documents in his book, in order to make up for stagnant or declining real wage growth lower-skilled workers need to work more hours to maintain income. Furthermore, for many women workers time when they might be able to invest in off-the-job training is at a premium as they struggle to balance their family and work commitments. Now add to this a strong resistance among employers to providing skills training to older workers and we run the risk of an even wider skills gap in our economy over the coming decades.

While we do not have any systematic survey of workers and post-school training over time, we did see in the 1995 Bureau of Labor Statistics (BLS) employer–employee training survey that older workers are much less likely that younger workers to receive training. Only 50 percent of workers over the age of 55 and working in an establishment employing more than 50 employees report that they received any formal training in the past year compared with 78.5 percent of workers aged 25–34 years. From an employer’s point of view, returns to skill investments will
occur over a shorter horizon for an older worker than for a similar younger worker. They may also be concerned about the ability of older workers to acquire new skills—i.e. it is harder to teach an old dog new tricks. There has been relatively little discussion at the national level of providing incentives for employers to train their workers, especially older workers. At the state level there have been more efforts to partner employers with training providers, especially community colleges, but these efforts are difficult to sustain over the business cycle. Overall, in the US, employer-provided training is viewed as the result of private choices of individuals and firms. There has been little interest in funding the kind of evaluation of employer-provided training programs that government training programs have been subjected to in order to assess private and social returns. Instead, much of the recent policy discussion has focused on accounting standards for these investments in their role as intangible assets to the firm. In the United States our statistical agencies do not systematically collect in any of our national surveys of households or firms how the training investments by employers or workers have changed in response to supply and demand shocks—including technology and trade. This is a large deficit in our understanding of trends in this area and challenges our ability in the United States to formulate sensible policy. As a result, the US is behind other advanced industrialized countries such as Canada and the European Union where these data are collected and used to track the impact of policy changes on training investments.

For adult workers there has been much more effort put into assessing the impact of government-funded training programs for unemployed workers. Here the good news is that classroom training for displaced workers—especially in math/science and health vocational training—has a significant impact on wages and employment. In particular, older workers are able to acquire skills and these skills do not seem to depreciate over time. The bad news is that in spite of these healthy returns to this type of worker training the amount of national money devoted to funding training for adult workers has fallen over the past twenty years in inflation-adjusted terms. In 1985 the national government spent a little over US$30 per worker on government-funded training programs. By 2004 this number, after adjusting for inflation, had fallen to around US$17 per worker. The US is spending about US$1 billion a year less on worker training today than it would have spent 15 years ago for a similar state of the economy.

The aging of the US workforce and the changing nature of unemployment also mean that the nation’s traditional unemployment insurance system is not serving the needs of many displaced older workers. Job losers are increasingly made up of people who have permanently lost their jobs rather than being on temporary layoff. Their struggle to find new employment shows up as a break in the relationship between the duration of unemployment and the unemployment rate. We see much higher shares of long-term unemployed workers at lower unemployment rates than we did in the past. Wage insurance has been promoted as the alternative way to address the increase in older unemployed workers. This may well be an important alternative to the current unemployment system which is designed to only provide temporary relief from short-run demand fluctuations. However, one of the dramatic trends over the
past 15 years has been the sharp increase in the labor force participation rate of the 55–64-year-old age group. After declining from the late 1960s through 1985 to a low of 54 percent, it has steadily increased to 63.7 percent in 2006. Therefore, as older workers stay on in the labor force longer wage insurance will not be of sufficient duration to fill in the gap between work and retirement without becoming prohibitively expensive. This increase in labor force participation of older workers also suggests that worries about recouping investments in older workers’ training may be excessive.

The increase in the labor force participation rate of older workers reflects a variety of factors, including a healthier working population that is increasingly employed in less physically demanding service sector employment. It is also a consequence of the dramatic switch from defined benefit to defined contribution pension plans and the dropping of retiree health care by employers. Therefore, as Kochan discusses in his book, the restoration of the American Dream will require new policies to support pension coverage and employee voice in the investment decisions associated with their pension funds. Portable benefits, however, also require a marked increase in investment in the financial literacy of the workforce. If employers with all their resources have struggled to invest wisely their defined benefit plans, why do we assume that this will be any easier for workers? Since 1991 the Employee Benefit Research Institute, EBRI, has published results from an annual Retirement Confidence Survey. From the 2006 survey we learn that only 40 percent of workers indicate they or their spouse currently have a defined benefit plan, yet 61 percent say they are expecting to receive income from such a plan in retirement. Given what we know about trends in the provision of employer-defined benefit plan many workers are going to be shocked to learn that they will not have this type of income in retirement. The survey also reports that 57 percent of 45–54 year olds have saved $50,000 or less (excluding the value of their primary residence and any defined benefit plan they have or think they have). In addition, half of all workers over the age of 45 have not tried to do a retirement needs savings calculation. All of this suggests that the need for financial literacy training is large and will need to be a critical component of the US’s human capital investment strategy in the coming decades.

As companies reduced their health care benefits for retirees many workers who expected to retire before 65 found it necessary to continue working. In addition, rising health care costs for those in employment have meant that many workers have reduced their pension contributions. The EBRI reports in their 2006 Health Confidence Survey that 36 percent of workers have decreased their contributions to retirement plans and 53 percent have decreased their contributions to other types of savings as a result of health care cost increases. This smaller nest egg will in turn mean that workers will need to remain in the workforce longer to build up the savings necessary to support their retirement. This delay in retirement for whatever reason will challenge monetary policymakers as they try to project the potential output of the economy in the future.
The baby boom generation has defied all attempts by demographers and economists to pigeonhole their labor market behavior. As they age they will redefine hours of work, conditions of work, and where work is conducted. For example, technological innovations are likely to actually increase the options for part-time work and telecommuting work for older workers. Family leave will need to be flexible enough to meet the special challenges associated with workers taking care of older parents as opposed to younger children. As workers enter and exit the labor force traditional forms of labor representation will be challenged to include this part of the labor force. Older workers will be increasingly looking for organizations that will keep them in touch with work opportunities and help them navigate work/retirement choices. Whether those organizations will be unions, professional associations, or organizations like the American Association for Retired Persons will depend in part on how successful these groups are in meeting the needs of an aging workforce.

Finally, to ensure the restoration of the American Dream Kochan argues in his book that working families need a voice and advocate in the US Department of Labor (DOL). Part of DOL’s responsibility is collecting information on the labor market so that we can better understand the trends in employment and assess the impact of different policies on labor market outcomes. While DOL does collect a great deal of information on employment and unemployment trends little information has been collected in a systematic fashion over time on worker training, conditions at work, how workers are planning for their retirement, and how they provide for their health needs. The justification for this has been that collecting information on worker training or other types of workplace practices is too difficult. However, statistical agencies in Europe seem to be able to do this and the US’s failure to collect these types of data means that policy decisions run the risk of being driven by what is easy to measure, not what needs to be measured.

Notes


References

Response

I appreciate the thoughtful reviews and comments on Restoring the American Dream offered by Lisa Lynch, William Brown, Marian Baird, and Russell Lansbury. Their contributions demonstrate that the challenges facing working families are not limited to the US and have dimensions that go beyond those discussed in the book. Perhaps the next step in moving analysis and action forward is to take the debate over work, family, and the changing workforce to a global level. That would expand the array of institutional and policy experiments and options available for all to learn from and to perhaps do what Baird and Lansbury suggest, namely to rework the dream to fit the workforce and world of work as we find them today.

Reading these comments also demonstrates the need to bring more historical analysis to bear on current policy debates. So in my brief comments I will expand on some of their points to illustrate the global and historical dimensions of the challenges facing working families today and in doing so hopefully encourage more historians to engage these issues.

Lisa Lynch does a good job of analyzing a key issue not addressed in my book, namely the effects of an aging US baby boom generation on labor market policies and institutions. The fact that baby boomers are likely to work and live longer poses challenges to a host of employment policies and practices ranging from who gets access to training, to the design of unemployment insurance and retirement systems, to institutions for worker representation.

One might think that the role of changing demographics would both be well understood and prominent in policymakers’ minds, since population trends move slowly and can be tracked more easily than most other labor market developments. But the labor force implications of demographic trends cannot be projected accurately unless their interactions with labor market policies and institutions are considered. For example, as Lynch points out, extrapolations of women’s labor force participation in the 1950s failed to predict the accelerated rate of growth in women’s participation rates and hours of work that occurred in subsequent decades in response to increased women’s education, legislation outlawing gender
discrimination, changing cultural norms, and, most recently, stagnant or declining earnings of their male partners.

A look to other parts of the world reinforces Lynch’s point that the interactions between demographic trends and workforce development policies need to be taken into consideration more fully. Policymakers in India, for example, look forward to the potential ‘demographic dividend’ their economy could experience in the next twenty years. This is not surprising, given that as recently as 2000 one-third of India’s population was under 15 years old. In 2020 the average age of its population will be 29 compared with 37 in China and the US, 45 in Western Europe, and 48 in Japan. This large supply of working adults should, in principle, increase the labor supply, reduce the dependency ratio (ratio of the non-working to working population), and be a source of economic growth. But these demographic trends do not guarantee economic growth or improved living standards (Latin America experienced a similar bulge in working age adults in the 1950s and 1960s but growth and living standards did not accelerate as expected). Rather, the increased supply of potential workers will only translate into a dividend for the economy and living standards if India increases its investments in the education and training of their lower-class (caste) children and working adults. The scale of investment needed is indeed massive, but so would be the dividend to their society.

China faces a similar growth in the number of prime-age workers between now and 2020. The growth in working-age adults in China will interact with the massive migration of workers from rural to urban labor markets that is already underway. Some of the biggest debates in China today, therefore, involve how to better educate and train the largely unskilled rural migrants, how to protect them against exploitation, and how to reform the role of unions to better represent the interests of this enormous pool of workers.

South Korean policymakers have recently awakened to work and family issues in their society in large part because the birth rate has fallen to an all time low of 1.08 per adult woman. They now are beginning to recognize that workplace practices contribute to the declining birth rates. Discrimination against married women, and particularly women with children, encourages women to put off marriage and children as long as possible.

These three national examples further illustrate the importance of bringing a deeper analysis of the relationships between demographic/population trends, fertility and mobility patterns, and educational and labor market policies and institutions.

I also agree with Lynch that new forms of representation are needed to meet the needs of workers moving in and out of the labor market or between full- and part-time jobs. This is why a lifetime organizing model in which membership is not tied to a particular job or employer but covers workers throughout their full careers would be better suited to today’s mobile workforce than the job/workplace-centered model inherited from the industrial economy. The American Association of Retired Persons (AARP) might serve as a model. Occupational unions and community-based worker advocacy groups that better match the labor market movements of workers over the course of their careers might serve as another model. Historians have addressed these
issues in different time periods and thus have a great deal to offer to the analysis of the future of unions and other institutions for representing workers.

William Brown shows that the pressures of trade, globalization, and changing technologies are universal but that societies do have policy tools that can make a difference. The success in reducing poverty of Britain’s national minimum wage and income tax credits introduced following the election of the Labour government in 1997 should serve as a lesson to policymakers in the US, to be sure, and to policymakers around the world concerned with global labor standards. The British approach to setting minimums at sensible and adequate levels and evaluating their effects (Britain uses a bipartisan expert commission to set and review the minimum wage) serves as a model worth adapting to labor market policies worldwide.

Brown also puts current debates over globalization and trade in historical perspective by noting how the creation of the European Union made it possible to gradually reduce trade barriers, maintain and even expand labor protections, and improve living standards. He also points out that the original motivations for forming a European Union involved both economic and political objectives—to better integrate the economies of nations with long histories of rivalry and conflict in order to reduce the likelihood of another disastrous European war. Thus, the design of the European Union required changes in governance arrangements and careful attention to social and workforce policies that went well beyond simple reduction of trade barriers. This contrasts with the narrow approach taken in the North American Free Trade Agreement and to the discourse that dominates contemporary trade policy debates in North America. The Europeans put in place the requisite changes in political institutions needed to ensure that economic integration resulted in social progress while their North American counterparts relied on the invisible hand of markets to do the work. A deeper comparative and historical analysis of the elements of these and other trade agreements might just help move beyond the stale theoretical and ideological arguments about whether labor standards and globalization are complementary or opposing tools for development to a more complete understanding of the political and economic elements needed to sustain support for gradual integration of regional and global economies and societies.

Russell Lansbury and Marian Baird challenge us to not just restore the dream of improving living standards shared by working families in the US, Australia, and other countries but to rework the dream to reflect the workforce and families as we find them today. The traditional image of the American Dream, as Baird and Lansbury note, was built around on an unstated assumption, namely that it would be a male breadwinner who would be responsible for working hard, playing by the rules, and thereby insuring his family would get ahead. This view of the division of labor within family units is not only American-centric. It also lacks historical perspective. Clearly, many economies (and a number of matriarchal cultures) do not fit this model. The ‘family farm’ of America’s past certainly depended on the combined labor of parents and children. The same is true today not only of farming families in most of the
developing world but also, unfortunately, of the vast majority of families making a living in the informal sectors of many economies. The dream of parents in the developing world today is no different than was the case for many of us growing up in farming families a generation ago. They want their children to get the education needed to compete in a changing economy. So while the dreams and hopes of parents for a better life for their children are universal, a better historical and comparative perspective is needed to frame the policy options needed to help families realize their dreams.

All three sets of commentators focus on a historical trend that lies at the core of the field of labor history, namely the nearly worldwide decline in union membership and power as a countervailing force in employment relationships and in society. Baird and Lansbury describe how the current Australian government’s Work Choices legislation is undermining workers’ basic rights to collective representation. Brown reviewed the effects of the Thatcher government’s labor policies. All authors commented on the slow but clear erosion of worker rights and enforcement of America’s labor laws and policies. Yet there is a need for a deeper analysis of a point all of us make in our work but seldom document with reference to the historical record. Our shared concern for the decline of labor movements reflects a view that the void in worker representation not only exacts a severe price on the living standards of working families; it also weakens the very foundations of our democracies. There is no shortage of examples of this in history or shortage of examples of historical analysis of the attacks on worker rights that accompanied the rise of totalitarian regimes in the past. Yet the question before us is whether this historical association applies to democracies today. An alternative argument might be that civil society is more pluralistic today, composed of multiple groups that derive their identity and mobilize power to assert their interests outside of the employment relationship (e.g. groups that draw their identities along racial, religious, ethnic, gender, sexual orientation, or other lines) and the emergence of these different groups provide alternatives to the political and social roles formerly provided by labor movements that mobilized around class or the division of labor. This is a debate that sorely needs to be better informed by historical comparisons. The stakes involved are high indeed.

For too long labor market and employment policy debates have largely been the province of neo-classical economists who largely either ignore or are ignorant of history. But there was another time when the joining of economics and history made an enormous contribution to the analysis and design of labor market policy and institutions. I am referring of course to the influence of the Webbs in Britain and to John R. Commons and his students in the US in the latter part of nineteenth and early part of the twentieth century. Their work helped launch and give direction to the fields of labor history and industrial relations and by doing so they both deepened the understanding of events unfolding in their midst and helped their societies adapt to the changes in the world of work they were experiencing. I hope my book and
these commentaries encourage historians to once again bring their voices and analytic tools to bear on contemporary debates over the future of work and family relationships and labor market policies and institutions. The legacy left by Commons and the Webbs suggests that recognition of value of a clear and rich historical perspective only increases with time.

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