

An Invitation to Help Build a New Social Contract for Work¹

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America needs a new social contract at work. This has been apparent for a long time to many of us who study work and employment relations. The central argument has been that the public policies, institutions, and organizational practices governing employment relations have not kept up with the dramatic changes taking place in the workforce, nature of work, and overall economy. The failure to keep up with these changes is one of the main causes for the rise in income inequality and the divisions in society that have built up in recent decades and were laid bare by the results of the 2016 election. Failure to address these issues will not only further exacerbate these divisions and tensions; they risk an even greater explosive backlash in the future.

For the past three years teams at MIT and Cornell have been teaching online and on-campus courses that explore ways to build a new social contract. We have also written a handbook (Kochan Dyer, 2017) and produced a large number of video lectures to support the courses. As part of the courses participants complete an exercise in which they generate specific proposals for what they expect business, labor, government, and education leaders to contribute to a new Social Contract. We would like to invite others to join in this process by exploring these same issues with their students and with leaders of the different stakeholder groups. I will use this Academy of Management Symposium to brainstorm options for engaging more students, workforce participants, and leaders of key stakeholder groups that share responsibilities for shaping the future of work in this exercise, all in an effort to lay the foundation for putting these or other features deemed essential in place across America.

In what follows we describe the exercise and the social contract our 2017 classes produced. We invite you all to think about ways you can use this exercise or some revised version of it to incorporate the views of your students and others in the Academy and the stakeholders you all interact with in your teaching, executive education, and other outreach activities.

Background

Both economic and social imperatives point out the need for what some of us have called a new social contract at work that might better meet the “mutual expectations and obligations that workers, employers and their communities and societies have for work and employment relationships.” The economic imperative is the need to reverse the income inequalities that have grown up and persisted for several decades. The social imperative is the need to heal the deep divisions laid bare by the 2016 election in the U.S. and parallel movements toward more extreme and nationalistic politics in Britain and Europe.

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While many are recognizing the need to encourage people and groups with different interests to engage in constructive dialogue and actions that promote the common good, to date few avenues for doing so have been explored. So we put the challenge of how to build a new social contract to students in our online MIT course on *Shaping the Future of Work* and a parallel course at Cornell on *Forging the Future of Work* by providing them with a template for specifying what they expect business, labor, government, and educators to contribute to a new social contract that meets the expectations and obligations they hold for each of these key stakeholders.

The purpose of the courses is to bring together what research and experience has taught us about what it takes to build an economy dominated by companies that are both financially successful and the provide and sustain good jobs and careers. We see this as a necessary condition for building a more equitable and inclusive economy.

The courses stresses three key actions needed to make this happen. First, firms have choices in how they compete and these strategic choices will determine whether or not the workforce shares in the benefits of firm performance or whether the rewards largely accrue to investors, owners, and high level executives. One module of the course is devoted to reviewing what has been learned from research on the power of “High Road” strategies capable of achieving both good financial and employment outcomes. Second, we take a stand with respect to the need for employees to have a strong and supportive voice in shaping the future of work and the conditions of work offered by their employers. That is, we see the task of rebuilding the bargaining power lost by long term union decline as a necessary condition for building and sustaining a high road, inclusive economy. At the same time we do not call for a simple rebuilding of unions in the mirror image of the past but instead explore the variety of innovative efforts underway within the labor movement, those involving unions and community coalitions and partners, and those emerging from the growing number of worker advocates using advances in technology, social media, and other mobilizing tools to test new ways of rebuilding worker bargaining power. Finally, we stress the need for all the stakeholders that share a responsibility for work and employment relations to break out of the silos that have too long separated them and allowed public policies, organizational practices, and labor market institutions to fall behind changes in the workforce and the nature of work.

The Social Contract Exercise

The social contract exercise serves as the capstone for the course. We report the results of this exercise, not to suggest that these class participants have either all the answers to what should constitute a new social contract or the power to implement the actions they identify as high priorities. Instead we believe these results illustrate what the real stakeholders might do, and need to do. The social contract they developed provides a vision of the policies and practices this group believes should govern the future of work and strategies for achieving it. Some of their views are based in their work experiences and aspirations for work they brought into the course and some are likely influenced by the evidence provided in the course materials. But if a group of people who have studied and discussed these issues together over the span of an eight week course can do this, perhaps people in positions of influence could do so as well. The final section of this paper suggests ways to jumpstart a process for doing so.

The exercise has two phases. In phase one, participants are provided a list of potential issues each stakeholder (business, labor, education, and government) could address to help build a new social

contract. The issues are clustered under five broad topics—Workforce Capabilities, Fair Treatment/Worker Representation, Organizational/Enterprise Performance, Rewards/Benefits for Workers, and Family/Community/Society. (See Appendix 1 for a full listing of the topics and issues). Students were instructed to choose the top two issues they want each stakeholder to address and then write out specific proposals for what they want that stakeholder to do about those issues. Our teaching staff (with the help of MBA students) then reviewed the issues getting the most proposals within the different topics for each stakeholder and summarized them into consolidated proposals for phase 2 of the exercise. In phase 2 class members were asked to rank the priorities they would attach to these consolidated proposals and to rate their overall satisfaction with the new Social Contract that would be produced if each of the proposals were to be implemented.

The Participants

While the exercise focuses on the U.S., the 220 participants in the exercise come from 55 countries. Forty-six percent live in the U.S. Fifty nine percent are female; 7 percent have a high school or less education; 12 percent have education beyond high school but not a college degree; 34 percent have bachelor’s degree, and; 47 percent have advanced degrees. The median age is 25 and ranges from 18 to 75. Twenty five percent have 2 or less years of work experience; 30 percent have between 3 and 10 years of experience; 16 percent have 11-20 years of experience, and; 27 percent have more than twenty years work experience. Thus, the majority of participants are already active participants in the workforce. Overall, this group generated approximately 1,346 proposals for the different stakeholder groups.

Results: Phase 1

Figure 1 Stakeholder Priorities for Different Topics

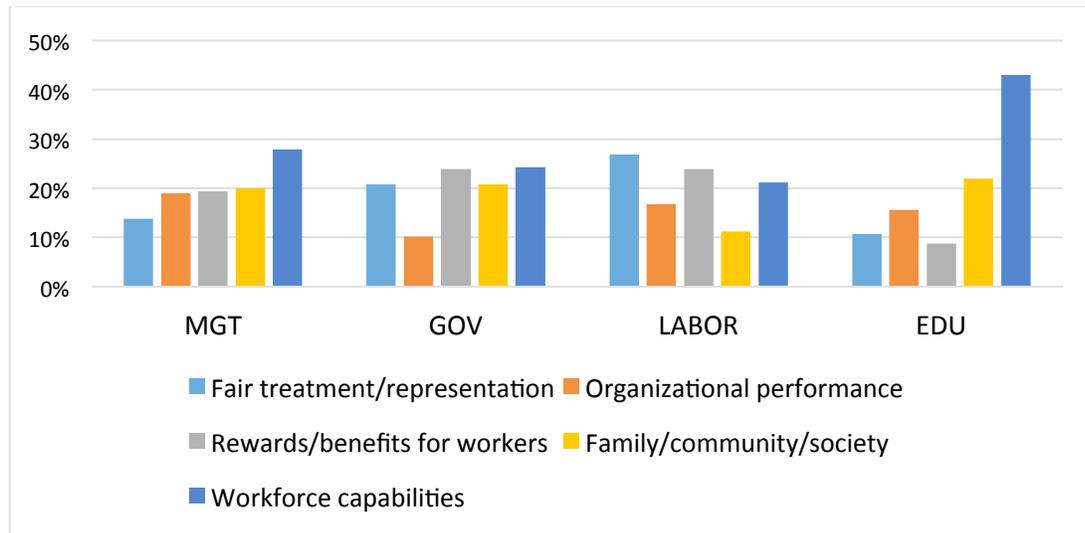


Figure 1 summarizes the results from the phase 1 survey showing the priorities students assigned to each of these topics for the different stakeholder groups. Some common patterns across the stakeholder groups are revealed by these data and by some of the specific proposals students

offered to elaborate on what they expect the different stakeholders to do about these topics. Contributing to building Workforce Capabilities through entry level and on-going training and development is a high expectation for all the stakeholders. There are also some obvious and predictable differences across groups. Issues such as health care benefits, parental leave, and equitable distribution of wages between workers and managers/executives contribute to the relatively high ratings on Fair Treatment and Rewards/Benefits across Business, Labor, and Government. Government is also expected to support Fair Treatment by increasing minimum wages, updating labor and employment policies and ensuring equitable access to education and training opportunities. Labor (current unions and other worker advocates) is expected to prioritize Fair Treatment through negotiations of wages, profit or other forms of sharing gains from firm or economy-wide performance, and assuring universal and portable health care.

Results: Phase 2

Figures 2 through 5 provide the full list of proposals for each stakeholder group ranked in order of the priority participants assigned to each proposal in this second phase of the exercise. Note that in this second phase, Rewards and Benefits gets the top ranking for Business, Labor, and Government while Workforce Capabilities remains the top priority for Education (Workforce Capabilities comes out second or third from the top for the other stakeholders).

**Figure 2
Priorities and Consolidated Proposals for Business**

Priority Ranking	Issue	Consolidated Proposal
1	Rewards & Benefits for Workers	All employees should expect to be paid a living wage and have access to affordable and portable healthcare options. Compensation systems should provide some means (profit-sharing, stock ownership, etc.) for all employees to share in the performance of the business. A dialogue in each company should be initiated over fair ratios of executive compensation to managers, supervisors, and lower level workers.
2	Workforce Capabilities	Employers above a specified size should provide on-going training to workers and contractors at all levels of the organization in the key technical and behavioral skills needed to be competitive and to prepare the workforce for future technological changes. Education and training should be carried out in collaboration with employees, technical schools and universities that support apprenticeships, internships, and on-line courses relevant to the industry and occupations.

3	Family, Community and Society	Businesses above a specified size should be required to provide paid parental leaves and flexible scheduling practices that allow workers to meet their work and family responsibilities. Employers should consider a broader set of stakeholders and be active citizens in their communities.
4	Organizational Performance	Employers should implement high performance work systems and engage employees in continuous improvement processes. If unions are present this should be done in cooperation with them. Work systems should include opportunities for flexible modes of working (working from home, variable hours, etc.) and a portion of employee compensation should be tied to improvements in long-term organizational performance.
5	Fair Treatment and Representation	Employers and employees should collaboratively establish a clear set of policies that ensure fair treatment and environments free of discrimination that are enforced by a governing board with representatives of all workers. Employees should be informed of these polices during on-boarding and orientation processes and retrained and retested on them annually.

The proposals for business share a common theme with those of other stakeholders around increasing equity and fairness in the distribution of wages and benefits. It is clear that these participants want to hold business leaders accountable for reducing inequality and for supporting universal access to health care. However, they also stress the need to better align compensation incentives between investors/owners and employees via options such as profit sharing, employee stock ownership or other means. Moreover, they recognize that employees can contribute to improving organizational performance by engaging in continuous improvement efforts that lie at the heart of “high road” strategies (referred to in this Figure as “high performance work systems,” i.e., work systems that draw on employee knowledge, motivation, teamwork, and voice to improve work processes, productivity, and customer service). There is an equally strong emphasis on ensuring employees have the skills needed to make these contributions, both when initially hired and throughout their tenure with the organization and throughout their careers. As will become evident in the proposals summarized below, contributing to life-long-learning and development is viewed as a responsibility of all the stakeholders. Two additional themes evident in Figure 2 will be visible in proposals made to other stakeholders as well, namely the need to provide some form of paid family leave and the expectation that all the parties will work to eliminate discrimination in employment relations.

Figure 3
Priorities and Consolidated Proposals for Labor

Priority	Issue	Consolidated Proposals
1	Rewards and Benefits for Workers	Labor leaders need to continue to be strong advocates for living wages and access to healthcare for all workers. They must also encourage pay practices that link pay growth to the performance of the organization and the overall economy and negotiate for more equitable distribution of company profits across management and employees.
2	Workforce Capabilities	Labor leaders should pursue workforce development as a top priority by expanding their apprenticeship and training programs, negotiating in collective bargaining to expand training for their members, and advocating for increased investment in publicly funded training programs for displaced workers.
3	Organizational Performance	Labor leaders should play an active role in working with management to promote innovation and responsiveness to a changing business environment. In addition, labor organizations of the future need to more fully embrace and communicate to their members the importance of contributing to organizational performance of their employers.
4	Family, Community, and Society	Labor leaders should increase their efforts to advocate for all members of the community, not just their members. In particular, labor leaders should champion family benefits and flexible working arrangements for all workers in the community.
5	Fair Treatment and Representation	Labor leaders should reach out and give voice to a broader cross-section of workers using traditional and new methods that leverage technology.

A module in the course addresses the question of whether or not unions are still needed and, if so, what strategies should unions or worker advocates pursue in the future. Participants were generally supportive of the need to restore worker voice and representation, however, they offered a number of proposals aimed at broadening the range of workers that unions or other worker advocates reach, “rebranding” the image of unions to be more inclusive, and leveraging new communications technologies as new sources of bargaining power and to communicate with members. Note again the top priority for Labor focuses around raising wages and improving benefits, again combined with an emphasis on training (especially expanding apprenticeships) and by working with employers to engage workers in driving innovation and change. Another strong message for Labor can be seen in the proposal for Family, Community, and Society: Champion the needs of all families in their communities.

Figure 4

Priorities and Consolidated Proposals for Education

Priority Ranking	Issue	Consolidated Proposals
1	Workforce Capabilities	Educational institutions should teach skills that will prepare students to be successful in the 21st century labor markets. They should do this by partnering with businesses to ensure a practical and an up to date learning experience. In addition educational institutions should expand

		accessibility and options for life-long learning (e.g. courses designed for mature workers).
2	Organizational Performance	Educational institutions should work with industry to teach and conduct research on high road organizational practices and to create a pipeline of employees that have the technical and behavioral skills needed to contribute to innovative and agile organizations.
3	Fair Treatment and Representation	Schools should educate students on how to understand and embrace differences across many dimensions, including race, ethnicity, age, gender, and socio-economic status. Also, schools should teach courses that build practical capabilities and knowledge such as self-advocacy, legal rights, and bargaining capabilities.
4	Family, Community, and Society	Educational institutions must ensure accessibility and diversity in the classroom, and should set expectations for students to be active contributors to their community. Educational institutions must also offer flexible learning opportunities to accommodate workers with diverse schedules and family commitments.
5	Rewards & Benefits for Workers	Employees should be compensated for completing courses/certifications that demonstrate increased skills. In turn teacher salaries should be raised for those now paid below the national average and teachers should be held accountable for teaching the mix of technical and leadership/organizational skills industry needs to be agile and competitive.

We included Education as a key stakeholder in shaping the future of work and devoted a module of the course to the growing importance of education in a “knowledge based” economy. Indeed, a central theme in the course is that continuous education, i.e., access to life-long learning, will be necessary to empower the workforce of the future to adapt and adjust to changes in technologies that they are likely to encounter over their careers. The underlying theme developed in the course is that while there are widely varying predictions about the pace and scope of job displacement likely to come from technological innovations, workers and these stakeholders should not be passive receptors of how their jobs and occupations may change. Instead they should be well prepared to both participate in decisions that shape the ways new technologies might be used to augment how they do their work and be prepared to adapt to these changes if and when they occur. That is, we emphasize the need for proactive strategies to embrace and shape the future of technology and the future of work.

The proposals shown in Figure 4 indicate how these students expect Education leaders to support efforts to pursue this proactive approach. They expect Education leaders to form effective partnerships with industry in order to ensure schools teach the skills expected in 21st century labor markets. Part of this requires educators to learn and then teach what it takes to build and sustain high road firms that rely on worker knowledge and engagement to achieve the high levels of productivity and organizational performance necessary to support good jobs and careers. They also expect educational institutions to expand their roles in offering life-long-learning opportunities, again presumably in

partnerships with employers and labor organizations. To complete the circle, they encourage improvements in wages for teachers both for equity reasons and to ensure the teaching profession attracts and retains the talent needed to prepare and support the workforce of the future. Finally, there is again, as with the proposals for the other stakeholders, a strong fairness theme in the Education proposals: Education opportunities need to be accessible to all; educators should help students embrace diversity, and; educators should teach students about their rights and their obligations as citizens and as workers.

Figure 5

Priorities and Consolidated Proposals for Government

Priority Ranking	Issue	Consolidated Proposal
1	Rewards and Benefits for Workers	Governments should ensure that all workers (e.g. employees and contractors) receive portable and affordable healthcare benefits and minimum wages that are linked to increases in cost of living. Governments should also play an active role in the more equitable distribution of company profits between management and workers.
2	Workforce Capabilities	Governments need to increase investments in three aspects of education: 1) early childhood education, 2) apprenticeship and related technical training, and 3) retraining of at-risk or displaced workers. Across all these programs, governments must ensure that education is affordable and accessible for all.
3	Fair Treatment and Representation	Governments should update labor laws and enforcement mechanisms to reflect the changing nature of work and employment relationships.
4	Organizational Performance	Governments should play an active role in promoting and supporting high road companies.
5	Family, Community, and Society	Governments should invest in strengthening local communities with a focus on long-term economic development. In addition, Governments should ensure universal access to paid family leave.

Figure 5 reports the priorities students assign to Government (local, state, and federal) leaders for helping to build and sustain a new social contract. In the course we emphasize that for many years federal policy makers have been mired in a gridlock over most aspects of labor and employment policy. Yet the need for updating and improving the effectiveness of public policies governing work and employment is as critical as ever. We also discuss the role of local and state governments as laboratories for testing policy innovations and note that, in the face of the longstanding gridlock at the federal level, many states and communities have taken actions to raise minimum wages and other labor standards.

The proposals for government reflect the determination of class participants to forge a new and positive direction for updating employment policies. Topping the list is again the need for government

leaders to do their part to both improve wages and especially to ensure all employees, including contract workers, receive portable and affordable health care benefits. Once again, there is a strong theme of supporting life-long-learning from early childhood through the formal educational years and as workers experience disruptions to their jobs/careers. Government is also called on to enact policies that support diffusion of high road companies and strategies. Finally participants underscore the need for the U.S. government to catch up with most other developed countries by providing universal access to paid family leave.

The ratings and rankings summarized in Figures 1-5 provide only a snapshot of the expectations our class has for each of these stakeholders. The messages embedded in some of the proposals offered by individual students further illustrate the desire for the stakeholders to be more proactive rather than passive reactors to the changing world of work. Here's a brief sampling:

“Government leaders should more strongly enforce basic labor standards to push low road companies in the right direction. By doing so, workers will have better working conditions, which will therefore increase satisfaction, and boost productivity and the quality of the job.”

“Labor leaders should expand the scope of labor unions to...not only help in their image building among the public but also become a source of rendering new skills to their members.”

“Employers should reduce the portion of executive stock options in their executive compensation packages. Reducing Wall Street's pressure to maximize short term profit would focus employers to invest in human and non-human capital instead of stock buybacks.”

“Education leaders need to develop programs that are committed to lifelong learning. Public universities should work with major businesses in their communities to offer joint-training programs targeted at adults who need to develop their core skills.....Courses and learning must be contextualized wherever possible and have real-world applications.”

Overall, the participants gave a satisfaction rating 8.0 on a ten point scale for the complete Social Contract they generated. This suggests that it is possible, at least with this group, to generate a new Social Contract that gains broad support; but the less than perfect rating also suggests that there remains room for improvement.

Conclusions and an Invitation to Participate

The results of this simulation illustrate the possibility that through engagement with other stakeholders and informed by knowledge of today's realities and information about priorities and viable options, leaders of these diverse stakeholder interests could forge constructive agreements. Indeed, taken together, the proposals offer an ambitious, forward looking, yet achievable blueprint of an inclusive social contract for governing work and employment relationships.

To date this exercise has only be completed by on-campus students at Cornell, MIT, and the participants in the MITx course. Our hope is we could adapt it in ways that would serve as an equally good learning exercise for other students and for leaders of the actual stakeholder groups that share responsibilities for governing and shaping the future of work. We might consider this as a set of opening proposals for further discussion on how to tailor, adapt, or supplement them to fit different industries and occupational groups. The ultimate goal would be to produce a shared set of principles and strategies representatives that leaders commit to pursuing individually and collectively. Just engaging in such an exercise would send a clear message that constructive dialogue is possible across these interest group lines and that perhaps it is possible to construct a shared vision for the future of work. We invite your ideas on how you might help take this exercise to broader audiences and by doing so join us in our efforts to better shape the future of work so that it works for all parties.

You can access the exercise at website <http://iwer.mit.edu/>, complete it with your students or other groups, and compare your results to the views of others who have completed the exercise. We invite you to do so. This will help send the message that leaders of the different stakeholder groups better do so as well or bear the consequences of inaction.

Reference

Kochan, Thomas A. and Lee Dyer. 2017. *Shaping the Future of Work: A Handbook for Action and a New Social Contract*. Cambridge: MITx Press.

Appendix 1
List of Topics and Issues for Stakeholder Proposals

Cluster A: Workforce Capability Issues

Formal Education (Pre-school, Primary, Secondary, College/University)
Apprenticeships or other Forms of Technical Training
Life-Long Training and Development
Career Planning and Development
Training for New Technology
Other

Cluster B: Fair Treatment/Representation Issues

Voice/Bargaining Power/Representation
Dispute Resolution
Anti-discrimination/Inclusion
Privacy Protection
Labor and Employment Laws
Other

Cluster C: Organizational/Enterprise Performance Issues

Organizational Purpose/Goals
High Road/High Performance Work Systems
Staffing Patterns (Employees or Contractors)
Performance/Productivity Improvement
Innovation and Agility
Other

Cluster D: Rewards and Benefits Issues

Pay Level – Managers/Executives
Pay Level- Workers/Supervisors
Pay Mix – Fixed vs linked to Individual, Group, or Organizational Performance
Health Care
Pensions
Other

Cluster E: Family/Community Issues

Flexibility of Hours/Workplace
Work Scheduling
Dependent Care
Parental Leaves
Community Economic Development
Other