Regaining Control of Our Destiny: A Working Families’ Agenda for America

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A merica faces two big problems today. The first and most visible problem is its families are working harder and longer, but are not getting ahead as promised by the American dream. Deep pressures are building up in our workplaces that, if not addressed soon, will explode. The day of reckoning will come when many of our young people realize that they will never achieve, much less surpass, the standards of living they experienced growing up.

The second problem is that while advances in technologies and global market forces tell us we are in the midst of a historical transition from an old industrial economy to one in which knowledge is the key to future growth, income, and prosperity, much of American industry and the policies and institutions that support it continue to behave as if we are still in the heyday of the industrial era. As a result, many families are being left behind, caught in a world where the old jobs that supported them in the industrial economy are disappearing and they are left without the tools and opportunities to prosper in the current and future economy. The net result: more frustration, stress, and hardship for America’s working families, and an economy that is being held back from achieving the innovation and growth needed to sustain the standards of living Americans expect.

Taken together, these two problems lead to one central conclusion. America is on a disastrous course. Unless we make a fundamental change in direction, we will leave these problems to our children. Our generation will have the dubious legacy of being the first in the history of our country to pass the major problems of our time on to the next. We will have broken faith in the American dream and failed to meet our responsibilities to our children, to our society, and to the world.

What is this American dream we are at risk of losing? Let me put it in very personal terms here, as I will do from time to time throughout this report and ask those reading it to do the same by reflecting on the values, aspirations, and opportunities your parents and grand-
parents passed on to you. Then ask yourself: What do I need to do to give my children the same opportunities I was given?

I grew up on a small family farm in Wisconsin where work and family were inseparable. I have on a wall at home a picture of my four siblings and me with our grandfather standing together in a field on our farm at harvest time. This picture is a reminder of how farm life taught us the values of cooperation, community, responsibility, initiative, leadership, and, of course, hard work. With these values came an equally deep conviction that hard work should generate its just rewards—a psychological feeling of accomplishment and pride, recognition from others of a job well done, and fair compensation. I was lucky to have parents who recognized that the world was changing in ways that their children needed to move off the farm to go where job opportunities might take them. My parents encouraged us to get as much education as we could so that these opportunities would be open to us and to our children.

Because of its progressive traditions, Wisconsin gave us this chance. We received a solid foundation of basic education in our local parish school, an excellent public high school, and a world-class public university system that has now served two generations of our family very well.

In recent years, I have grown more and more concerned that these work and family values I was raised on were eroding in a world of people who had turned inward and selfish in the booming 1990s and then were shattered by the layoffs, restructurings, wage and benefit cuts, and corporate scandals of recent years. The social contract at work that allowed so many of us in the post war, baby boom generation to realize the American dream had broken down. Somehow, American business, labor, and government have lost sight of their responsibilities to workers and their families. Today they are not creating the same environment that allowed my generation to adapt to the changing economy of our youth.

So what can be done? The central message here is that the solutions must start with ourselves—with working families taking the steps needed to raise our voices so we can regain control of our own destinies. Why? Because these problems are too important to leave, as we have in recent decades, to “the market.” That solution, standing alone, will deepen the divide between a privileged few and the rest of society that has widened over the past two decades. Our democracy and social fabric are already wearing thin by the income and wealth inequalities found in America today. Making them worse will indeed risk the type of “class warfare” politicians fear.

Nor can we trust top business leaders and executives acting on their own to lead us to the promised land of the knowledge economy. This is not just because a few of them have engaged in scandalous behavior that has broken the workforce’s trust in them. A deeper problem is that they are making decisions in an environment where their main and most powerful pressures are coming from Wall Street’s demand for short-term returns to shareholders while there is no voice from Main Street holding executives accountable to workers and their communities.
Some business leaders and their firms are trying to restore trust and build the knowledge-based corporations that see employees more as assets than as costs to be controlled. Many of these same firms are leading the way in introducing flexible policies the modern workforce needs to meet their dual work and family responsibilities. Indeed there is a debate raging in corporate America today over which model of management will dominate in the future. Will we stay fixated on Wall Street’s view that stock prices are all that matters and employees are costs to be controlled and traded like any other commodity? Or will we see knowledge as an asset, organize work so employees can fully utilize their skills, and recognize that when employees invest and put at risk their human capital they should have the same rights to information and voice in governance as those who invest their financial capital? Working families have an enormous stake in the outcome of this debate and need to add their voices to it.

We cannot expect a return to the days in which big government takes care of our problems. The deficits government leaders face will limit their ability to spend their way out of the mess current and recent policymakers have created. We need a change in the direction of government policies, but that change should be focused on encouraging community groups, labor organizations, businesses, and government officials to work together to address these problems. We need to return to a strategy that has served America well in the past—empowering those closest to the problems to invent solutions that work for them. Then, when we discover new workable solutions, we can translate them into national policies and institutions.

In the past, these realities would lead many to turn to the labor movement. After all, throughout much of the industrial era, unions and collective bargaining helped millions of working families move from destitute wages and working conditions into the middle class. But union membership today has declined to a point that unions no longer serve as a powerful or effective voice for the full range of working families in the country. Nor would resurgence of a labor movement that is a mirror image of the one now in decline serve the needs of people or an economy entering an era in which putting one’s knowledge to work is a more important source of power than withholding one’s labor by going on strike. American workers, for their own benefit and for the welfare of families, the economy, and our democracy, need a renewed labor movement to help restore their voice at work and in society. The next generation of unions and professional associations need to be better matched to the diverse aspirations and needs of today’s workforce and help us speed the transition to a knowledge economy that benefits all working families.

This leaves it to working families to be the catalysts for action, to raise their voices to reassert the values on which the American dream is based and to build a new, broad based coalition that demands working families be given the tools needed to regain control of their own destinies in the knowledge economy they now find themselves entering.

How might we do this? In this report, I lay out seven steps needed to build a working families’ agenda and a coalition that can translate it into the actions needed to restore the American dream. Taken together, these steps fill the toolkit modern working families need
to both contribute to and prosper in the knowledge-based economy we are now entering. These tools are listed in Figure 1 and the steps needed to make them available to working families are summarized below and discussed in more detail in the full report.

**Step One: Enough is Enough!**

The first step is to put on the table for all to see the problems and frustrations workers and families are feeling today. These include the long hours families need to devote to work to make ends meet, continuing financial pressures from increased health insurance costs and lost retirement income, worries about job security in the face of outsourcing and off shoring options, and the general sense of unfairness that carries over from the boom and bust 1990s and the aftermath of corporate scandals. Together, these leave workers with both a sense of frustration and a desire to do something to turn their lives and their country around, to restore trust and confidence at work and in our community and national institutions.

What is remarkable is that these are not just the concerns of a few, or of specific socio-economic groups. They cut across all families—from the ranks of well paid but over-worked professionals and managers in organizations subject to intensified pressures to work harder with fewer staff and increased threat of restructuring; to blue and white collar workers who are watching their good paying manufacturing jobs and industries disappear; to single parents or recent immigrants who have to piece together two or more part-time or low wage service jobs to make ends meet and care for their children.

These concerns should be at the center of national debates today, especially in the heat of the election campaigns now underway. But these issues will only rise to and stay at the top of the political agenda if working families begin to stand up and say “Enough is enough” and demand they be given the tools they need to address these pressures and reverse the course of the country.

**Step 2: Flexibility to Integrate Work and Family Life**

If it takes two working parents to make ends meet and if society expects even single parents to work, workers and families need the flexibility and time to meet their dual responsibilities at work, at home, and in their communities. A collaborative approach to changing workplace policies and norms is needed so that flexibility is both available to all workers, not just those in the most privileged high income jobs, and that workers feel able to use this flexibility without fear that doing so will have a negative affect on their jobs or careers. Moreover, America needs to join the rest of the world by designing flexible ways to provide paid leave to attend to child, elder, or other family care needs.

Doing so requires that we reframe the way in which we traditionally have thought about and treated work and family matters. We have to stop treating work and family as separate entities and start recognizing them for what they are today: tightly coupled parts of the world in which we work and live. This will require a coordinated and collaborative effort
Executive Summary

...involving a diverse set of stakeholders that so far have been attacking pieces of this problem separately like ships passing in the night. Employers seek to build “family friendly” workplaces that allow their employees to work reduced or flexible hours only to learn that the flexible options are seldom used because employees fear using them will signal low commitment and eventually hurt their careers. Unions fight for restrictions on mandatory overtime for nurses and other overworked employees and meet resistance from employers unable to absorb the costs of adding more employees. Family advocates lobby for broader coverage of the Family and Medical Leave Act and for new paid leave policies with limited success. Clearly, by working together, we can do better and make flexibility work for more workers and businesses.

Consistent with American legislative traditions, we might start working together at state levels to figure out how to build on and complement the various paid and unpaid leave policies leading employers already have in place for some of their employees. These state level experiments would, I believe, provide the evidence needed to then forge a sensible and workable national policy that provides flexibility and income supports working families need to meet their dual responsibilities at work and home and provide American businesses with access to the full range of talent it needs to fuel a successful knowledge-based economy.

Step 3: High Quality Education and Life-Long Learning

A good basic education and set of marketable skills are as critical for workers and the economy today as in the past. As a growing body of evidence indicates, the basics today must start with early childhood education and development opportunities and extend through elementary, high school, and college programs that set high standards and deliver the mix of science, math, and problem-solving skills people and the economy both need to prosper.

The challenge here is straightforward: Governments at all levels have to step up to their duty to fund public education for all at adequate levels to ensure that in fact “no child is left behind.”

Today it is not enough to simply follow the advice our parents gave us to work hard in school so that we would graduate with the skills in demand when we entered the labor force. This advice is still as relevant today as in the past, but the rapid changes in technologies and uncertain markets require an equal commitment to and opportunities for life-long learning. Translating this rhetorical term, “life-long learning” into reality is just as critical as funding basic education. Given the deficits now built into the federal budget as far as the eye can see, we cannot look to some new public source of funding for this purpose. Nor can we expect individual firms to train workers only for their competitors to lure them away.

Here is where professional and occupational associations and “next generation unions” need to step into this void and become the vehicles of life long learning for their members.

Filling this void should become one of the defining features of the organizations that represent and serve the 21st century workforce and their families.

Step 4: Creating Good Jobs

If we encourage young people and current workers to get the best education they can, we need to ensure that there are enough good jobs available for them to begin their careers, support their families, and contribute to a vibrant economy and society. This starts with a
government policy that puts high quality jobs as its first priority, not just in its rhetoric as every politician will claim to do, but in reality—by enacting policies that create and sustain good paying jobs. Macro-economic policies need to put job creation as the first priority, not something that will hopefully be an eventual byproduct of tax cuts for the wealthy. The lesson learned from taking this indirect, tax cut approach is that it takes two years or more and wartime spending deficits before the economy starts replacing the jobs lost by the last recession.

A modern job-creating policy also means working collaboratively with universities, community colleges, and professional associations to spur innovation, entrepreneurship, and job creation, especially in those communities hardest hit by the loss of manufacturing jobs and industries. It also means meeting the health insurance, retirement security, and educational needs of families caught in the transition from the industrial to the global, knowledge-based economy so that their children can get the skills and education needed to transition to the jobs of the future. This is the price of broad based support for an open and fair global trade policy. And finally, it means eliminating a term that should be an oxymoron—the working poor—by using a combination of minimum wages, earned income tax credits, and a revival of union representation to ensure all who work earn a living wage and are afforded the dignity their efforts deserve.

**Step 5: Building Knowledge-Based Workplaces and Organizations**

We have to put knowledge to work in the corporations and organizations of the 21st century. American firms need to treat workers’ knowledge and skills as valued investments and sources of competitive advantage, not just as costs to be controlled, minimized, and shed at the first opportunity. Leading companies in industries as different as autos, airlines, and health care have demonstrated that world class levels of productivity and customer service require highly trained and committed workers, teamwork, and collaborative labor-management relations. These innovative ways of structuring and managing work need to become the standard for all companies in America, not just an elite minority in selected industries. This is a necessary condition if we are to build a truly knowledge-based economy and achieve what enlightened CEOs, public figures, and the American public says they want from corporate reforms, namely a better balance and integration across the interests of shareholders, employees, and communities. To achieve this I suggest a new principle should guide corporate governance: *Employees who invest and put at risk their human capital should have the same rights to information and voice in corporate governance as do investors who put at risk their financial capital.*

**Step 6: Restoring Worker Voice**

These changes will not happen unless we restore workers’ voice at work and in society. So a sixth step requires us to build the “next generation” unions and professional associations, not in the mirror image of the unions that helped working families move into the middle class in the industrial era, but ones that build on and go beyond this legacy to address the needs of today’s diverse workforce and the knowledge economy.

We have known for a quarter century that our basic labor law needs to be reformed and updated to truly fulfill the internationally accepted human right of workers to join a union.
But we have been blocked from doing so by an ideological divide between business and labor over how to do so. Breaking this stalemate and reforming labor law is absolutely essential if we are to encourage the next generation of unions to emerge to fill the void in worker voice now present in our workplaces. All working families should insist this be done. Their voice will be needed to break the business-labor gridlock.

But at the same time, new models of recruiting, representing, and serving the life-long needs of today’s workforce need to be invented. The “next generation” unions and professional associations need to provide life-long services to their members consistent with their changing needs as they move across jobs, through different stages of their family life cycles, and in an out of full time work over the course of their careers. Our national labor policy should encourage and support the development of groups and organizations that provide these services.

**Step 7: Portable Benefits**

A seventh step is to face the challenge of updating and adapting labor market and employment policies to fit the needs of the modern workforce, families, and economy. This will require new thinking and a long-term commitment to experimentation and learning how to adapt policies that by and large served working families and the economy well in the heyday of the industrial era of the 20th century when there was a sharp division of labor, time, and space between paid work and family responsibilities and when people worked for a single employer for an extended period of time.

Of all labor market policies, none is more in need of immediate attention than the way critical fringe benefits such as health care and pensions are funded and delivered. Benefits need to become more portable, secure, and widely distributed across the workforce. Solving the health insurance crisis in America is no longer an option that can be left to a future generation. It is paralyzing business and labor leaders across America as they sit down at the bargaining table and increasingly, providing even basic coverage is out of the reach of emerging small businesses. We have to gradually wean ourselves away from dependence on individual firms as the providers and payers of health insurance and other traditional benefits.

The same is true for the crisis in retirement savings. The reality is that a majority of Americans are not building up private pension reserves that will afford them the same dignity and security in their retirement years as the combination of Social Security and private pensions accorded most of their parents. Ensuring all Americans have access to portable and secure pensions must be part of the debate over Social Security reform that will have to take place in the years ahead.

**Building the Working Families’ Coalition**

All of this will only happen if working families themselves start asserting their voices clearly and strongly at work, in their communities and states, and in national discourse and policy making. Those loosely and informally allied progressive forces now need to come together, including: women and family advocacy groups, religious leaders and other community groups that are active around the country, labor unions and professional associations, business leaders who are showing the way with best practices in their organizations, and
finally the political leaders who “get it” and are willing to listen to these voices and support efforts to give working families the tools they need to retake control of their destinies.

In the months ahead, my colleagues and I at the MIT Workplace Center hope to use this report to raise these issues and engage working families and other groups and organizations that share an interest in building a working families coalition. We hope this report serves as a “first draft” of a working families’ agenda that will be refined as we get input from these different groups and from you. The report will be posted on the MIT Workplace Center website (http://web.mit.edu/workplacecenter). Please share it with others that may be interested. If you have comments on the report, please email workplacecenter@mit.edu. We also urge you to voice your concerns by writing directly about them in your local newspapers, joining radio talk shows and TV discussions on these issues, and by getting active in the campaigns underway in your communities, states, and in the Presidential race.

So the bottom line here is a call to action—for working families to raise their voices in constructive ways to get the tools they need to engage and work together with leaders of business, labor and professional organizations, and government to change the course of this country. If we do this well, our generation will both accept responsibility for addressing the deep problems facing our economy and society and leave our children positioned to realize the American dream.
Chapter 1

Enough Is Enough!

It is time for America’s working families to stand up and say: Enough is enough! For the past two decades, they have worked harder and harder only to see many fall further and further behind. In the 1990s, working families put their trust in business leaders and in the stock market. Both failed to protect their interests, or to prepare America for the knowledge-based economy of the future.

America needs to change course. The only way to do so is to give workers and their families the tools they need to regain a voice at work and to use their knowledge, skills, and energies to create and add value to the economy and to their communities. We need to do this, not just for the sake of today’s working families. Doing so is essential if we are to build a prosperous economy whose benefits are distributed fairly, consistent with our democratic values and principles. Most of all, we need to do so to give the next generation the same chance to realize the American dream that our parents passed on to us.

American society made the same mistake in the 1990s as it did in the “roaring 20s” when Calvin Coolidge said, “The business of America is business.” As then, the 1990s were the glory years for CEOs and Wall Street. The business press pumped out what seemed like a never-ending list of books exalting the “transformational leaders” at the top of American companies. Little did they or their readers know how short-lived their glory would be. Trust in American business and business leaders fell to new lows in the wake of Enron, WorldCom, Tyco, the New York Stock Exchange, and other scandals.

Figure 1-1 (below) appeared in Business Week at the peak of the booming economy in 1999. Remarkably, even in that period of prosperity, three fourths of Americans felt the benefits of the “new economy” were being distributed unevenly. More surprising, less than one third of Americans felt that they personally were experiencing improvements in their wages and job security and only half saw their lives as being better. These perceptions were backed up by fact: income inequality was growing throughout most of the decade.
**Figure 1-1**

**Business Week/Harris Poll “Survey of Discontent”**

<table>
<thead>
<tr>
<th>Question</th>
<th>Percent Agreeing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thinking about the impact that this economic productivity boom has had on you personally, do you think that it has or not:</td>
<td></td>
</tr>
<tr>
<td>Raised the level of your earned income</td>
<td>34%</td>
</tr>
<tr>
<td>Raised the value of your investments</td>
<td>50%</td>
</tr>
<tr>
<td>Increased your job security</td>
<td>30%</td>
</tr>
<tr>
<td>Generally speaking, would you say that the recent economic boom had made your life...better...had no impact, ...or worse?</td>
<td></td>
</tr>
<tr>
<td>Better</td>
<td>53%</td>
</tr>
<tr>
<td>Had no impact</td>
<td>37%</td>
</tr>
<tr>
<td>Worse</td>
<td>8%</td>
</tr>
<tr>
<td>Do you feel that the benefits of the New Economy are evenly distributed or unevenly distributed</td>
<td></td>
</tr>
<tr>
<td>Evenly</td>
<td>20%</td>
</tr>
<tr>
<td>Unevenly</td>
<td>70%</td>
</tr>
<tr>
<td>How would you rate the job business is doing of raising living standards of all Americans?</td>
<td></td>
</tr>
<tr>
<td>Excellent or Good</td>
<td>29%</td>
</tr>
<tr>
<td>Fair or Poor</td>
<td>69%</td>
</tr>
</tbody>
</table>


**Figure 1-2**

**Employee Views of their Employers**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Falling Short</th>
<th>Doing Well</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good health coverage at affordable cost</td>
<td></td>
<td>44%</td>
</tr>
<tr>
<td>Adequate and secure retirement benefits</td>
<td></td>
<td>37%</td>
</tr>
<tr>
<td>Loyalty to long term employees</td>
<td></td>
<td>37%</td>
</tr>
<tr>
<td>Permanent jobs with good benefits and security</td>
<td></td>
<td>35%</td>
</tr>
<tr>
<td>Concern for employees, not just the bottom line</td>
<td></td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: Peter D. Hart Research Associates, 2002
Figures 1-2 and 1-3 show what happened after the dot-com bust, stock market declines, and corporate scandals. By 2002, two out of three Americans saw their companies as doing a poor job of rewarding employee loyalty, attending to anything beyond the bottom line, or providing good wages and benefits. A national survey conducted in 2003 by The Conference Board, a leading research organization supported by business, showed American workers’ satisfaction with their pay, health insurance, and retirement savings had plummeted to equally low levels since the mid 1990s.

Who Are America’s Working Families?

Just who are America’s working families and why are they so upset?

• They are the average two parent families that have increased the hours devoted to paid work by approximately 15 percent between 1985 and 2000. Together, the parents in these families now work over 3,800 hours a year, nearly the equivalent of two forty hour per week jobs and more than any other country in the world.

• They are the middle class wage earners whose hourly pay declined between 1985 and 1995, then finally started rising again for the five years of extremely tight labor markets prior to the stock market bust in 2000, and since then have once again stopped growing. So the median wage earner in America today is in about the same position as he or she was a generation ago.

• They are the middle age white-collar professionals and managers who watched as their firms changed from defined benefit to cash balance and defined contribution or 401(k) programs. Because these plans shift the risks from employers to employees, those covered by these plans experienced significant declines in the value of their retirement plans. One estimate puts the decline at about 14 percent since 1990. A more graphic figure is that

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**Figure 1-3**

**Job Satisfaction**

<table>
<thead>
<tr>
<th>Category</th>
<th>2003</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-Workers</td>
<td>56</td>
<td>64.4</td>
</tr>
<tr>
<td>Interest in Work</td>
<td>54.9</td>
<td>65</td>
</tr>
<tr>
<td>Pension Plan</td>
<td>35.7</td>
<td>39.8</td>
</tr>
<tr>
<td>Health Plan</td>
<td>35.9</td>
<td>44.2</td>
</tr>
<tr>
<td>Wages</td>
<td>33.4</td>
<td>39.3</td>
</tr>
<tr>
<td>Job Security</td>
<td>46.8</td>
<td>48.6</td>
</tr>
<tr>
<td>New England</td>
<td>43.5</td>
<td>65.4</td>
</tr>
<tr>
<td>United States</td>
<td>48.9</td>
<td>58.6</td>
</tr>
</tbody>
</table>

Source: The Conference Board, September, 2003
the value of pensions declined by $7 billion or about $28,000 for every man, women, and child in America.\textsuperscript{1}

- They are one of the more than 40 million Americans without health insurance coverage today.\textsuperscript{2} Many of whom are young employees working in small firms or temporary jobs that either do not provide health insurance or that have premiums that are beyond reach. Or they are employees and employers who are struggling to figure out how to share the costs of health insurance that has been rising at double-digit rates in recent years. Or even worse, they are the retirees that face increases in the costs or loss of coverage of the plans promised to them while working.\textsuperscript{3}

- They are one of the more than three million people who lost their jobs and have either given up finding another or are working part-time or for less pay and fewer benefits in jobs well below their skill levels even two years after the end of the last recession. Or, they are professionals in highly skilled information technology jobs who thought their careers were secure only to watch jobs like theirs being “off-shored” to a lower wage country. They read in the business media that another three million high tech jobs could be outsourced to India or other countries in the next decade. These reports lead them to worry: “Is my job the next to go?”\textsuperscript{4}

- They are union members who watch the labor movement decline to its lowest level of membership and influence since prior to the Great Depression (below nine percent in the private sector). Despite significant efforts, unions have not been able to reverse their declining numbers and influence. As a result, collective bargaining can no longer move workers and families into the middle class, as it did for so many over the past half century. Workers and their families have lost their voice at work.

- Or they are one of the 40 million non-union workers who would join a union if given the chance, but are not able to do so in the face of determined management opposition and a labor law that fails to protect them if they tried. Or they are one of the over 70 million workers who want a more direct and cooperative voice at work and access to the information they need to decide whether to continue investing their human capital in their firm, but who have no channels for gaining this information or voice.\textsuperscript{5}

- They are citizens of our communities that are now absorbing the effects of the federal government’s tax cuts and deficits, forcing cutbacks in schools, family and child care services, and even public safety. They fear the effects will be increased crime and rising tensions and conflicts among groups opposing cuts in their particular services, programs, and jobs.

- Finally, they are parents worrying that they are passing on to the next generation many economic and community problems and the costs of dealing with them. This is something that no parent wants to do. At the very least, our children should be able to attain the standard of living that our generation inherited from our parents.

Yes, we are all members of America’s working families. We all share a stake in reversing the course of our country.

**What Is at Stake for the Economy?**

The stakes are equally high for our nation’s economy and democracy as they are for workers and their families. America is in the midst of a transition from an industrial to a “knowledge economy,” one in which human capital is becoming the most valuable resource and strategic asset for any nation or company that wants to compete in a global marketplace at
high standards of living. This means that we must fully develop and utilize the skills, abilities, motivation, and creativity of the workforce to invent and deliver new products and services efficiently, quickly, and safely. We cannot build a sustainable, stable knowledge economy with a highly stressed, frustrated, insecure workforce and with workplaces that are fraught with conflict, tension, and distrust.

Creative knowledge workers need and want to work together cooperative-ly in teams, organizations, and professional networks where they are empowered to use their skills and abilities and are encouraged to take risks. They have been taught that this is the workplace of the future and are prepared and motivated to work in this way. But they also want to make sure that they will not experience the same fate of their parents and older peers whose lives were shattered by the corporate restructurings and market meltdowns of recent years.

Mike Amati, a student in one of MIT’s mid career management and engineering programs, captured this sentiment well in a letter commenting on an op-ed I wrote on the pressures building in America’s workplaces:

*What you are describing in the article — increasing work hours, less security, shrinking benefits, lack of portability of benefits, etc — really hits home to me as I prepare to begin my job search for life after [graduation]. It is very important to me to find a job where I have some control over the amount of time I spend at work, the amount of travel I do, and the opportunities I have to control my career. Certainly I expect to work hard and realize I will never have complete control over my situation, but I compare what I saw my father and grandfather experience to what I’ve seen around me in my own work experience, and stories from my peers, and I can’t help but conclude that every generation is “living to work” a little more and “working to live” a little less. It scares me for my personal future and the future of our country.*

Mike captures the energy, creative potential, and willingness to work hard, along with the uncertainties and skepticism that young people bring to their jobs today. They want to do their part to turn this country around and are searching for a way to regain control of their destinies, for their own sake and for the sake of their country.

**The Growing Call: Restore Trust!**

Workers and families cannot reverse the course of this country acting alone, nor do they need to. A growing number of leaders in business, labor, and government recognize that America needs to rebuild the trust at work and in society that was lost in the 1990s. Carly Fiorina, Hewlett Packard’s CEO, made this point most emphatically in a speech that got a standing ovation from her fellow alumni of MIT’s Sloan School of Management when she said:

*Management serves at the pleasure and for the benefit of our shareowners, our customers, and our employees — not the other way around…. And managing a company for the long term, not the short term, requires building sustainable value for shareowners and customers and employees and communities. And these relationships of sustainable value require real trust and candor.*
At the same meeting, United Nations Secretary General Kofi Annan called on leaders of business, labor, and civil society in America to join him in a Global Compact committed to learning how to promote economic development and improved living standards.7

Even candidates for political office are sensing that the American public is ready for a new approach. Presidential and Congressional candidates sprinkle their stump speeches with calls for a new social contract at work, a new and fair deal, and for the need to restore faith in the American dream.

So there seems to be a broad based yearning to build a new social contract at work that is attuned to the realities of today’s economy and provides all who work their just rewards. This time around, however, no one is going to make the same mistake of putting their destiny in the hands of others. To borrow a phrase from Jack Welch, who until his recent fall from grace was one of the business press’s favorite CEOs, it’s time for working families to “Control Their Own Destinies, or Someone Else Will!”8

**What Can We Do?**

Here is a thumbnail sketch of what we need to do. Each of these points is developed in more detail in the following chapters.

We have to start by taking seriously the need to reduce the stresses on working families. This requires seeing work and family for what they are today, namely tightly coupled issues. Empowering working families to regain control of their destinies requires us to reframe the ways we think about, study, and shape policies and practices governing work and family life.

Since the emergence of the industrial era, work and family have been treated as separate spheres of activity. Family was viewed as an exclusively personal domain, not to be taken into consideration in business decisions. Work and business activities, on the other hand, were treated as private enterprise and enshrined with property rights that kept government and “outside” interest or pressure groups — such as unions, environmentalists, or more recently women and family advocates — at bay. Employees worked fixed schedules at workplaces outside the home. Gradually, a division of labor took shape in which the male breadwinner went off to paid work and an image of the “ideal worker” evolved as a male, full-time employee who could commit long hours and his full energies and loyalties to work because he presumably had a wife at home attending to family and community responsibilities.

None of these assumptions fits contemporary work and family life. Today, as back in the days of the farming economy, work and family are once again tightly coupled spheres of activity. Work is always with many of us, thanks to the wonders of modern information technology and our 24/7 economy. Today, most people work at work and at home and while traveling, even sometimes while on “vacation.” And less than one quarter of American households today consist of two parents in which one is the “breadwinner” and the other is the “homemaker.”

So there is a dire need to adapt workplace policies and practices, and the way we think about their relationships to family decisions and life, to accommodate this new reality. The
buzzwords are that we need to make our workplaces “flexible” and “family friendly.” We explore what we need to do to go beyond the buzzwords to realize truly flexible work and employment practices that are capable of meeting what my colleague Lotte Bailyn has coined the “dual agenda,” meaning the need to design work systems, organizational practices, and community institutions to support productive work and healthy family life.

There is activity on this front. In addition to firm-specific efforts to implement “family friendly” policies, unions are trying to negotiate limits on working hours and particularly on mandatory overtime. In some cases, union and employers are working together in joint programs funded through collective bargaining to deliver a range of services to help working families better integrate and meet their dual responsibilities. These, unfortunately, are too few and far between. But they point us in the right direction by bringing these two potentially powerful stakeholders together to work on these issues. There are also family and community groups that are promoting expansions in child care and related family services and paid family leave policies. Congress and state legislatures are considering or, as in the case of California, enacting limited forms of paid leave and minimum staffing levels for essential services like nursing.

Unfortunately, most of these efforts are working completely independently. Working families need to insist these different groups get together and work toward coordinated solutions. How to reframe our thinking to reflect the tight coupling of work and family life and how we might work toward more coordinated solutions are issues taken up in Chapter 2. If the term “working families” is to have any real meaning and serve as a guide to action, then we need to see it as one phrase, not two words that can be linked whenever it is politically convenient!

With this reframing in mind, we can begin preparing working families with what they need to be successful in today’s labor market and to add value to a knowledge-based economy. We need to go beyond the rhetoric about the “knowledge economy” or the oft stated phrase that “human resources are our most important asset” by holding workers, families, and our institutions accountable for investing in education and life long learning.

This starts at home with the type of good parenting that creates a learning environment for children. It requires adequate and equitable funding of early childhood development, elementary, and secondary schools and education programs — fulfilling the promise of the “No Child Left Behind” legislation. Business leaders have a special stake in improving educational opportunities in low income, minority, and immigrant communities since they will inherit the shortages of knowledge workers that demographic and college graduate trends suggest are coming as the baby boomers retire. Women, African Americans, and Hispanics are underrepresented in the talent pool of scientists, engineers, and other technical specialties, largely because few young people from these demographic groups go into these fields of study. Only by starting early in life to get children dreaming about what they might do in these fields and providing the opportunity for them to realize their dreams will America have the supply of knowledge workers needed to fuel a robust economy in the future.

We also need to rethink what knowledge and skills are needed to translate advances in
science and technology into products and services that serve society and help industry prosper. An innovative economy requires a scientifically and technically literate workforce that is skilled and motivated to work effectively in teams, to communicate and resolve problems and conflicts effectively, and that is empowered to put their knowledge and skills to work. The education system most of us graduated from was built to serve the industrial economy’s needs for discipline, specialization, and deference to authority that corresponded to the prevailing organization of work and growing bureaucracies of the industrial era. An overhaul of how we teach and how we integrate knowledge from different technical and behavioral science disciplines will be essential to prepare the workforce to add value to today’s knowledge economy.

Educational reforms are most quickly and effectively implemented when those who hire graduates work in partnership with schools, colleges, and universities. Many American universities are moving in this direction, overcoming their qualms about losing their “academic freedom” to outsiders. The key to making this work is to ensure that those getting involved are a representative cross section of the “customers” of education — industry leaders and entrepreneurs, but also leaders of professional associations, unions, and working families themselves. All these parties have a stake in educational reforms and should be part of the process.

What about the current labor force? Are those already working destined to experience the same fate as their parents who were victims of the restructurings and downsizings of the last two decades when many firms were laying off older employees while hiring younger workers because the skills needed were changing? Firms judged that the cost of retraining and retaining older workers far exceeded the cost of hiring younger workers who had or could more quickly learn the new technical skills in demand. History will repeat itself unless we get serious about “life long learning.”

Life long learning will not be translated from rhetoric to reality for most workers if we continue to depend on individual companies as the source of training and education. Nor can we expect our government with its monumental budget deficits to fund the investments that workers will need to keep their skills current. In Chapter 3, we explore ways for workers to fund and engage in life long learning.

Calls for young people to invest in education and training will fall on deaf ears unless there are jobs out there to reward those who make the investments. America is going through as big a jobs scare as any time since the Great Depression of the 1930s! While the official unemployment rate as of this writing is 5.6 percent — neither extremely high nor low when judged in the long stream of history, three things are scaring people today. First, even though the economy has come out its last recession over two years ago, the country still has fewer jobs than it had in 2000 just prior to the start of that recession. The great American job machine of the 1990s ground to a halt in recent years and only recently, more than two years after the recession ended, are jobs reappearing. Second, the more than two million Americans who have lost good paying middle income jobs in manufacturing have taken big and most likely permanent pay and benefit cuts. Third, job losses are now spread

In American corporations today, as in the past, finance and cost control trump investments in human resources.
more broadly across the blue and white collar labor force, leading to the concern of many people who thought their education and training protected them from insecurity to ask the “is my job next?” question.

Working families have achieved a milestone in American politics. They have put the issue of job creation and retention on the front pages of newspapers and at the top of the nation’s political agenda. There is no single silver bullet strategy for creating and sustaining an adequate number of good jobs in America. Instead, it will take a strong and sustained commitment to keeping job creation as a number one national economic priority and the combined efforts of policy makers at the national and state level, business leaders, entrepreneurs, university researchers who generate the ideas for the next generation products and services, leaders of unions and professional associations, and civic groups. The roles each of these groups has to play in this effort will be discussed throughout this book. The question we need to ask: Are these groups prepared to work together in pursuit of this common goal? Working families should insist that they do.

Suppose parents, families, and our educational systems do their part and supply industry with the knowledgeable and skilled workforce needed to fuel a knowledge-based economy. Does this ensure that today and tomorrow’s organizations will utilize this knowledge effectively in the “organizations of the 21st century”? Not necessarily. Despite the rhetoric about “human resources being our most important resource” in American corporations today, as in the past, finance and cost control trump investments in human resources and empowerment of the workforce to use their skills. We carry over the legacy of the corporate design and governance doctrines that rose to prominence during the early stages of the industrial economy when pools of financial capital were the key resource needed to build the large modern publicly traded corporation. For human resource considerations to now rise to the top of corporate priorities and decision-making, employees will need to find new avenues to exert their voice and to participate as equals with those representing financial concerns in management. Moreover, American corporate governance will have to come to terms with a new principle: Just as it is the right of investors to gain a voice in corporate governance by putting their financial capital at risk in a firm, so too should employees who invest and put at risk their human capital! More on this in Chapter 5.

These changes in organizational practices and governance structures are necessary but far from sufficient for workers and families to regain control of their destinies. The reality today is that no individual organization can any longer guarantee lifetime jobs or careers. So changes in labor market policies and institutions are needed to ensure that workers can move more easily across jobs if and when they either choose or are forced to do so. This means we need to slowly but surely wean ourselves from depending on firms as the institutions through which we fund and deliver standard benefits such as health insurance, pensions, leave benefits, educational and training opportunities, unemployment insurance, worker representation, and other services that employees need regardless of where they work. How to do this is taken up in Chapter 6.
None of the above changes will be accomplished unless America restores the independent voice workers have been losing as union membership falls to its pre-Great Depression levels. This does not, however, mean that we should simply try to bring back unions in their industrial-era mirror image. To be sure, for the sake of our democracy and our economy, America needs a strong, independent, and forward-looking labor movement. There is much in the legacy of unions and labor management relations to build on since efforts to transform labor relations and reinvent unions have been underway for some time. But more innovation and new thinking are needed. Indeed, a growing number of academics and labor activists are calling for and experimenting with ways to invent the “next generation” unions and employee associations and other institutions for giving workers the voice they need to prosper and add value in a knowledge-based economy. In Chapter 7 we take up this challenge, discussing both what unions need to do to reinvent themselves and by exploring complementary forums and institutions for giving workers’ voice that are needed and emerging in selected settings.

Chapter 8 turns to the hardest part of the challenge — the reforms needed in government to support working families and we lay out a working families’ agenda for a 21st century workplace policy. American workers, families, the economy, and indeed our democratic society have suffered from a twenty year stalemate over how to update and modernize workplace policies because of an impasse between two ideological behemoths: business and labor. The gridlock will be broken only if the American workforce itself demands change and is guided by a clear vision for what changes are necessary. Only then will elected leaders, Democrats and Republicans, take notice and respond accordingly.

But to borrow and adapt slightly a phrase from the late Tip O’Neill: “Not all policies are national.” Like the early years of the past century, local and state governments are beginning to experiment with new approaches to developing their economies and meeting the needs of modern workers and families. Historically, most innovations in American social policy have come from experiments at the state level. Progressive states like Wisconsin, New York, Massachusetts, and California brought us the models for unemployment insurance, industrial safety regulations and workers compensation, welfare reform, and women and child labor protections that are now part of federal law. We may be in a similar phase of policy development and experimentation from which we can learn and eventually extend nationwide.

The final chapter is a call to action for all of us — workers, spouses, community and family activists, business, labor, and government officials and leaders, and even university professors. It is a call for all of us to reexamine the core values we hold for work and its relationships to family and community life and to our democracy. Americans have always believed in the value of hard work — for religious and moral reasons and for the economic value generated by efficiency and innovation. Judging from the number of hours devoted to paid work, this has not changed and will continue to serve our economy and society well in the future.
But we expect more than efficiency and productivity from work. We must restore the dignity that all who work deserve. This begins with making sure that all who work are rewarded with a living wage. We must ensure that the opportunity to learn and gain access to good jobs is open to men and women of all races, family backgrounds, and cultures. And, perhaps, most of all we need to renew our sense of solidarity by working together for the common good so that the gains and hardships of economic booms and busts to come are shared in an equitable fashion. The agenda laid out here is a starting point for reversing the disastrous course of our nation in hope for a better tomorrow for our families, and especially for our children.

We must restore the dignity that all who work deserve.
Julie describes herself as ‘the engine’ of her family... She works hard at her paid job, carrying significant responsibilities in her company’s research and development efforts. She works hard at home, doing most of the childcare and housework. And she struggles to be involved in her community, though she minimizes what she had done and worries about what she is not doing. Next year, [her two daughters] will be in elementary school, making involvement in their school even more compelling, although Julie does not know how she will get the time off work to volunteer.


Julie is one of the 70 percent of mothers in two parent families with children now working in the paid labor force. As Ralph Gomory and Kathleen Christensen from the Alfred P. Sloan Foundation put it: “In today’s two-career family, there are three jobs, two paid and one unpaid, but still only two people to do them.”

Today these two parent, working families are on average contributing over 3,800 hours to the paid labor force, nearly the equivalent of two full time jobs. The stresses and strains on family life and community activities are apparent.

Wives and mothers were America’s safety valve for the past twenty years. Without the hours they added to the labor force, family incomes would have fallen precipitously. In fact, three fourths of the increases in family incomes in the past two decades came from the additional work hours contributed by wives and mothers. Looking ahead, the problem is obvious. These families are exhausted, literally and figuratively. They have no more hours to add to generate future increases in family income. The pressure cooker may be nearing its bursting point!

For single parents who have been working hard all along, the problem is worse. They had few available hours to add to work and so they fell even further behind.
Linda’s typical day started at 6:00 a.m. when she got her daughter ready for school. Her job at Kessel [a grocery store] started at 7:00 a.m. and ended at 3:00 p.m. She came home, changed, and went to her job at H&R Block at 5:00 p.m. and got off at 10:00 p.m. Linda lives in what she describes as a “rough neighborhood. There’s gambling, drinking and drugs in the neighborhood.”...She wants to move but she can’t afford it. Even working full-time it’s hard to pay the bills...After six years as a breadwinner, Linda admits she’s discouraged. ‘I work hard...I have a child to raise. I want my daughter to have a future, go to college, have the opportunities I didn’t have. But it is hard when you can’t save for her future.’


Welfare reform in the 1990s did bring approximately 3 million more single mothers into the labor force and cut welfare roles roughly in half. For some, moving from welfare to work produced some of the benefits we expect from work, such as greater pride and dignity and learning and human capital development. A living wage proved more elusive. Follow-up studies found that 58 percent of parents that moved from welfare to work earned wages that failed to move their families above the poverty line. Half were in jobs paying less than $7 per hour. The new workers whose families did best were ones in states like Minnesota, Illinois, and Wisconsin that provided childcare supports, education and training opportunities, and continued health care coverage through Medicaid or a similar state program.11 So the challenge lies in combining the job requirements of the welfare to work policies with adequate income and family supports parents need to meet their work and family responsibilities so that the children of these families can break out of the cycle of poverty they inherited.

These are just some of the stark facts that demonstrate why work and family issues now need to be seen as an integrated phenomenon.

What needs to be done?

**Recasting the “Ideal Worker”**

The workforce and employment policies that still govern work today were put in place as part of the New Deal in the 1930s and were designed to fit the industrial economy of that era. They were built around a caricature of the ideal worker as a long-term employee of a large firm who could devote his total commitment to work because he conveniently had a wife at home attending to family and community responsibilities.12 This view drew a clear separation of work from family life; family life issues were personal choices and private matters, not issues of concern for corporations, communities, or governments.

That was not the view of work and family issues in the earlier agrarian economy. Women and children’s labor were essential to the farming economy and so work and family issues were considered part of the same social policy fabric. The school year, for example, was designed so children would be available to work in the summer (and no one thought it inappropriate for us to take a day off from school to help with time sensitive fall harvesting or spring planting needs). Where I grew up, even our parish priest would, without hesitation,
absolve farm families from observing the commandment to rest on the Sabbath when there were crops to harvest!

We now find ourselves in a situation similar to the farming economy. But to rethink public policies and organizational practices, not to mention religious rules and doctrines, to fit the realities of current work and family life we first need to shed the industrial age notion that family issues are purely personal and private matters of no concern to business, community, or government. If it now takes two incomes for many families to make ends meet, and if society demands that even single parents work rather than stay at home, then society and business need to provide the flexibility and services people need to balance and integrate their work and family responsibilities.

The failure to reframe our thinking about the ideal worker perpetuates the default solution: Women simply absorb more of the burden of long hours of care at home.13 Unless they adopt the ideal male worker model and postpone or forego having children, their earning power and opportunities for advancement in their organizations and professions are limited. This is where society and labor markets are today. Despite some shifts in the family division of labor, surveys report that women still spend about twice as many hours doing care work and related duties at home as do men. Moreover, despite some gradual improvements in women’s wages, a male-female gap persists. In 1998 women’s average annual wages were approximately 72 percent of men’s; average hourly wages were 78 percent of men’s. Most studies now find that the difference that remains in male and female earnings has less to do with overt gender discrimination than to who gets access to higher level positions within organizations and occupations. These high level positions continue to be influenced by image of an ideal worker. Movement in and out of the labor force or between part-time and full-time career attachment lowers one’s chances of getting to the top of most organizations and occupations.14

The point here is not that all residual differences in division of labor and male-female wage differences will be or should be eliminated. Some of these are still matters of personal and family choices and reflect deep cultural norms that neither business nor society should attempt to eliminate. Instead, the point is we need to make these choices explicit and see them for what they are, namely closely coupled, so we don’t simply continue to shape workplace policies and practices assuming there is a “care workforce” that no longer exists. A broader, and more realistic vision is needed that recognizes the heterogeneity and shared nature of work and family arrangements and obligations.

**Engaging All the Stakeholders**

Rethinking and reframing the links between work and family will not be successful if each of the stakeholders involved goes it alone. The MIT Workplace Center was created to encourage all the groups that share responsibilities for integrating work and family life to work together to change this view and to bring their collective energies to bear on work and family issues. Doing so requires overcoming some ideological blinders that, if not shed, risk growing into insurmountable barriers.

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Ships in the Night: Hospitals and Health Care

Failure to bring different stakeholders together results in the ships passing in the night phenomenon, each going their own way, most of the time to no avail and little consequence, but every once in a while blundering into a costly and avoidable clash. Consider how one such issue is playing out in the health care sector: the challenge of the widespread shortage of nurses. Everybody recognizes the need to do something but to date, each interested stakeholder is acting independently of the others.

Employers are engaged in recruiting and raiding wars. An ad in The Boston Globe in mid winter from Las Vegas hospitals touted jobs in the sunshine, with hiring bonuses to boot! Unions in two hospitals in Massachusetts went on strike to try to eliminate mandatory overtime.

Figure 2.1
The Power of Bringing Together Diverse Stakeholders

Several years ago, I was invited to lead a workshop at a meeting of corporate human resource and work-family executives. I decided to try an experiment to see if this group could think collaboratively and outside the walls of their corporate boundaries. I asked them to assume that sometime in the foreseeable future America would pass some form of paid family leave. I asked them role play about how to best do this, assuming that at their table were people such as themselves representing corporate America and others representing small business, labor, women’s groups, and family advocates. Their task was to recommend to their governor and state legislature how (not whether or not) to design a paid leave policy that dovetailed with current organizational fringe benefit and leave policies and operational concerns that was acceptable to all the stakeholders involved.

What happened? First, the participants balked at the way the problem was framed. They wanted to debate whether such a public policy should be adopted. I told them this was not theirs to decide. Then some said, “but I can’t imagine dealing with labor leaders on this or any other issue in a collaborative forum. What could they possibly contribute? (Others echoed these sentiments for women’s groups as well.) And, besides, if our bosses heard we were engaged in such discussions we’d be fired!”

“Ah”, I said. This is the first lesson of this exercise. Is the knee jerk reaction of American managers to oppose any form of collective action on behalf of workers—an infectious ideology that is a root cause of the adversarial history of union-management relations in this country—now about to be carried over to how business responds to women and family groups as they find and raise their voices on these issues? Or can we find a better way?

Since I can be persistent, the group eventually decided to go along with the exercise. Once they started brainstorming ideas, the floodgates opened and all sorts of innovative, flexible arrangements that could fit with different organizational and business settings began to be proposed. And many of the ideas came from those playing (effectively I might add) their roles as labor and women’s advocates. They held their corporate counterparts feet to the fire.

This simple exercise demonstrated to the group, if only for a fleeting moment, the power of bringing together diverse stakeholders with different perspectives on work-family issues. But as the session ended, several participants said, this was fine and interesting, but they could never go back and advocate that their companies engage in a similar process in their communities.

Hospitals are turning increasingly to companies that supply “travel” nurses who move around the country working in particular hospitals for limited blocks of time. Other hospitals turn to immigrant nurses trained in other countries to meet their staffing needs.

Bills were introduced both in Congress and a number of state legislatures to set minimum staffing ratios and/or limit mandatory overtime, or apply some other uniform “solution.” California passed a staffing ratio bill; Washington and New Jersey enacted mandatory overtime limitations for nurses.

Meanwhile, nearly 20 percent of all registered nurses in the country have left the nursing profession. This is a tremendous loss of human talent and skills. While some of these nurses are retired, most left nursing because of the stresses associated with the hours, working conditions, shortage of staffing, and lack of respect they experienced on the job.
Imagine how the nursing shortage might be addressed if all these groups — hospital and health care employers, nursing unions and professional associations, and state governments — got together to work on coordinated solutions to the shortage. I suspect creative ideas and solutions would emerge, similar to those that came out of the multi-stakeholder discussions simulated at the workshop described in Figure 2.1. Even some of those nurses now in retirement, if given a voice in these discussions, might be enticed back to help out on a part-time basis if jobs were designed and scheduled to better fit with their personal and family roles and life stage.

Getting these stakeholders together does not mean individual organizations or groups should wait for others to take the lead. Employers, unions and professional associations, colleges and universities, and government all need to do their part, individually as well as collectively. Some of these groups are already doing so. Figure 2-2 describes an innovative career ladder educational program for nursing assistants designed to move them to higher level nursing occupations.

**The Dual Agenda: Making Flexibility Work**

Some firms are trying to do their share by introducing a host of “family friendly” programs and benefits. Flexible schedules, part-time career options, child and elder care referral, and a growing array of other support services are coming onto the books of many organizations today. Most of these, however, apply only to the professional and salaried labor force. Figure 2-3 summarizes data from a national Family and Work Institute survey showing the occupational and income divide in access to family friendly benefits. Managers and professionals and those earning about $45,000 are much more likely to have benefits such as flex time, ability to take time off to care for a sick child, pre-tax funds for child care,
and help in finding child care services. So the same income and status differences as one finds in access to other fringe benefits is being replicated in access to firm initiated policies designed to help workers address family needs.

Moreover, the evidence is that these policies are grossly underutilized by those covered by them because the culture of most firms has not changed to support the formal policies. Employees fear their careers will be hurt if they use these flexible options because they won’t be seen as conforming to that old “ideal worker” image.

Consider the experience of a young Boston lawyer, his wife, and family:

*My husband’s first law firm, one of the most prestigious in the city, offered a three-month paid parental leave to anyone who had just adopted or had a baby. When Jacob was born my husband took his full leave because it coincided with the term I was finishing my PhD dissertation and lecturing for the first time in the Sociology Department. There is no way I could have accomplished these things without him at home. It allowed me the maximum amount of time to devote to my writing and teaching. But it was so unusual for men actually to take advantage of the leave policy that it hurt him professionally and he eventually realized that he was going to have to leave the firm if he was going to advance.*

<table>
<thead>
<tr>
<th>Have daily flextime</th>
<th>38.4%</th>
<th>18.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowed time off without pay for a sick child</td>
<td>62.2%</td>
<td>43.3%</td>
</tr>
<tr>
<td>Employer offers service to help find child care</td>
<td>24.7%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Employer offers pre-tax account for child care</td>
<td>41.35%</td>
<td>23.4%</td>
</tr>
<tr>
<td>Employer offers service to help find elder care</td>
<td>29.2%</td>
<td>22.3%</td>
</tr>
<tr>
<td>Earn $45,000 or more</td>
<td>42.4%</td>
<td>16.6%</td>
</tr>
<tr>
<td>Allowed time off without pay for a sick child</td>
<td>63.3%</td>
<td>39.1%</td>
</tr>
<tr>
<td>Employer offers service to help find child care</td>
<td>26.9%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Employer offers pre-tax account for child care</td>
<td>42.8%</td>
<td>21.2%</td>
</tr>
<tr>
<td>Employer offers service to help find elder care</td>
<td>32.6%</td>
<td>19.7%</td>
</tr>
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He was at a new firm (equally well known and prestigious) when June was born. This time he did not dare to take advantage of their equally generous leave policy.

I faced a different type of problem when I was still planning an academic career. After Jacob was born, it became clear to me that I was only going to be able to devote a typical work day (9 to 5) to my profession if I wanted to live up to my own standards of parenthood. But those who are most successful in academia are the ones who have the freedom to read, think, and work from the moment they get up until they go to bed. This is not going to change, even if it becomes more acceptable to split one’s time between work and family. My guess is the same could be said of careers in business and medicine. It is certainly true in the world of law, where one bills by the hour. I find it hard to envision a world where entire fields reduce their standards of excellence when even a fraction of its practitioners are willing to make that extra effort.16

When this comment was made in 2001, nearly 90 percent of law firms in the country had already implemented formal part-time policies for associates and partners. Formal policies regarding time and criteria for promotion, part-time compensation arrangements, and related human resource policies were in place to support individuals choosing to take advantage of a reduced hours or part-time option. So most firms thought they had solved the problem of providing flexibility for their young associates to integrate their work and family responsibilities.

But the reality was something else. A study by the Women’s Bar Association of Massachusetts17 found, for example, that:

1. Consistent with the national pattern, over 90 percent of major Boston firms offered a part-time or reduced hours option;

2. Less than five percent of associates took advantage of it; less than two percent of all partners used it;

3. One third of those who used it (and an equal number who did not) believed that it hurt the careers of those using this option because they were perceived as being less committed to either the firm or their profession than those who continued to work full time, long hours;

4. The biggest barrier to use reported in both surveys and focus groups of lawyers was the stigma attached to breaking the norms of the profession, and;

5. Women constitute 28 percent of the attorneys in Boston law firms but account for 40 percent of attorneys leaving these firms. Approximately 40 percent of those who left their firm reported the attitudes toward the reduced hours arrangements affected their decision to leave.

Thus, the quote above, written in response to a work family report,18 reflected the experiences of others who took the option. The problem was far from solved. The formal policies failed to overcome the informal norms or culture that penalized these professionals for deviating from the image of the “ideal worker” that was engrained in the minds of senior partners and perhaps in the minds of others in the profession.

Yet there continues to be evidence that a substantial proportion of lawyers would individually prefer to work shorter hours. But as one study demonstrated, no individual is like-
Thus there is a collective action problem at work here.

This is the state of affairs today, among lawyers and perhaps among other professionals as well. Many organizations offer reduced hours options for family reasons; few people take it. Both those who take it and those who would like to but don’t, worry about the negative career stigma it connotes. Meanwhile, the inability to manage these policies effectively appears to induce high rates of turnover and all its associated costs of recruitment, training, and lost productivity.

Clearly, this is a problem with multiple stakeholders — employees who, given their family needs, would prefer shorter hours; managing partners who are concerned about attracting and retaining talented professionals; clients who want high quality services when they need them; and family members who bear the costs of unusable policies or policies that add more stress to those who use them.

What can be done? My Co-Director at MIT’s Workplace Center, Lotte Bailyn, and her coauthors have invented a solution to this problem. They call for redesigning work to meet the “dual agenda” requirements of workplace performance and personal and family roles and responsibilities. They see the design of work as the root cause of the problem and redesign of work as the place to start searching for solutions. This requires a very special kind of negotiations — a collaborative exploration involving front line employees, supervisors, and perhaps even spouses in search of options that meet dual agenda objectives. Figure 2-4 provides examples of how Bailyn and her colleagues have applied this dual agenda strategy in different workplaces.

The key to starting these negotiations lies in legitimating the dual agenda. That means American business executives and their organizations need to see work and family as legitimate business issues. Paul Osterman, another MIT colleague, estimated, based on national survey findings, that about half of American businesses see work and family as values that are legitimate business issues. How do we bring the other 50 percent along?

**Figure 2-4**

**Dual Agenda Action Research Projects**

The emphasis of these projects has been to identify work practices and assumptions underlying them that create difficulties both for people’s personal lives as well as for organizational effectiveness, and then to try, on an experimental basis, to change these practices.

To achieve this double goal researchers collaborated with local work units to understand the assumptions that underlie current practice and to experiment with new ways of working geared to helping employees’ lives and helping the organization become more effective.

In one case, for example, the structure of daily time was altered in order to allow software engineers to better plan their work; in another case, a 360º performance review was introduced in order to allow the nonmeasurable ‘invisible’ coordinating work of some employees to be recognized and valued; in still another case, a form was developed so that systems people could have a clearer view of what was requested of them and thus eliminate many of the ‘re-dos’ they had previously encountered. In each case, the work of the unit was enhanced while at the same time giving employees more control over their work and thus easing pressure on all.

In one case, creating a cross-functional team of service and sales employees produced double gains; increased sales, because service workers had customer information that helped sale, and greater control over time, since both groups benefited from sharing information on installations and service.

These dual agenda action research projects have shown that it is possible to design work that integrates work needs and family needs in a positive, synergistic manner. But they have also shown how very difficult this can be because it goes against the very deeply held beliefs about the separation of work and family spheres, some of which are embedded in law and personnel regulations.

One way to do so is for market forces to send a clear message to firms that do not engage the dual agenda as a business issue. This will happen if valued employees, like the lawyer-spouse described earlier, are attracted to firms that take the dual agenda approach seriously. One innovative law firm in Boston, Sullivan, Weinstein & McQuay (SWM), is testing out this approach. Bob Sullivan, the firm’s founder, designed his firm to appeal to lawyers who wanted flexible schedules and were willing to trade off some amount of income. Figure 2-5 describes how this firm competes in its niche in the market for legal services. The fact that SWM firm recruits young associates after they have been trained and worked for several years in one of the big Boston firms has not gone unnoticed. Senior partners in several of the biggest firms are now asking what changes they need to make to retain this talent. The open question, however, is whether the same type of flexibility and variation in work hours could work in the large firms.

Another strategy would be for law firms to address this issue collectively. Indeed, in 2000, at the peak of the tight labor markets for lawyers, a group of senior partners from Boston’s leading law firms began to meet to discuss what might be done. They were prodded to do so by the well-organized and persistent efforts of the Boston Bar Association’s Work-Family Task Force. Each partner listed the various things his or her (mostly his) firm was doing or planned to do to reduce the work and family tradeoffs their associates face. They met several times, but by mid 2001 interest dissipated as the labor market shortages turned into surpluses as the big firms considered layoffs and slowed down their hiring in the face of the recession and the evaporation of the dot-com market that had been attracting young talented lawyers. So much for the collective efforts of employers — their attention span is only as long as the labor market is tight!
If collective action is required to alter the professional norms of lawyers, change will need to start where these norms first get formed — in law schools. And the change will come if women lawyers continue to organize and fight for change in professional norms, firm specific practices and cultures, and if they continue to vote with their feet and leave the big practice firms for more organizations like the SWM.

Watch the lawyers — they have started something by raising these issues. While the efforts reflect a start and stop pattern, they may be ahead of others. Since almost 50 percent of current law school graduates are women, they might yet show the way for themselves and for other professionals who are facing the same pressures and obstacles to change!

The same challenge faces the health care professions and industry. Like their counterparts in legal services, some health care providers are indeed responding. Forrest Briscoe, an MIT Workplace Center PhD graduate, examined how physician careers have changed over the years in one particular large-scale health care organization. For physicians, the problem of finding time for family life is doubly hard because patients never stop getting sick and never go away. Yet Briscoe reports that a sizable and growing number of female and male physicians found it possible in this organization to pursue part-time medical practice. This organization has been able to offer multiple career opportunities for physicians at different points in their life and family stages. Yes, there are income and career trade offs, but over time as more women and men take up these options the image of an “ideal career” will change.

As a doctor said in a New York Times article that focused on the long hours physicians have taken for granted as part of their profession:

\[ \text{I want to have a family. And when you work 80 or 90 hours a week, you can’t even take care of yourself.} \]

And again, for widespread change to occur, the medical profession itself will have to change its norms. Kate Kellogg, a PhD student in our Center, studied resident surgeons who are now being required by the board that certifies hospitals to reduce their hours from 120 to 80 per week. She reports one of the biggest obstacles to overcome in implementing the hours reduction is the “Iron Man” image that surgeons have cultivated for themselves. To accept the reduction somehow attacks their self-image and in the view of some, would downgrade the status, power, and dominant role surgeons hold in the medical circles and organizations.

Kellogg’s study also identifies a critical, but mostly silent stakeholder in debates about long work hours — the spouses of the residents. They are the ones who often feel the brunt of the fatigue and stresses that follows these long workdays.

In an interesting gender role reversal, one of our mid-career students who is married to a resident surgeon made this comment in response to a class discussion of work and family pressures:

\[ \text{In spite of the fact that she [his wife] was putting in all this effort, the head of the program, coming from a time when surgeons were men, with wives at home taking care of everything, could not understand how this lifestyle was not maintainable for her. There were no support programs or other alternatives available.} \]
Surgeons were supposed to do their job, not complain, and stick it out. Even in universities, faculty who want to be at the top of their field and make their careers in renowned universities, often resist accepting that colleagues might have family aspirations or obligations requiring time and attention. One senior male MIT professor made the following comment at a promotion and tenure meeting several years ago: “Well there are lots of other (read less prestigious than MIT) places that people can teach and do research than MIT.” The notion was that it takes a commitment of long hours of work to make it at a place like MIT. I am happy to report that five years after making this comment the same professor has, as our kids would say, “gotten it”. He recently became a vocal advocate for young women and men taking junior sabbaticals to have the time they need to extend the tenure clock and better balance their family and career responsibilities.

Universities like MIT still have a very long way to go, but more and more now have policies in place to make it possible. Making it commonly accepted and standard practice without negative connotations and repercussions will require continued informal negotiations to change the culture of organizations, including the most elite ones. The good news is that labor market competition for the best and brightest talent is on the right side of this issue.

The Business Case for Flexibility

These market pressures help to strengthen what some call the “business case” for integrating work and family responsibilities. Indeed, there can be clear business benefits from reducing turnover and recruitment costs and for the increased motivation, commitment, and loyalty that is returned to employers by employees who have successfully worked out flexible arrangements. Figure 2-6 describes the savings Deloitte and Touche and other companies estimate that flow from allowing employees to

![Figure 2-6](image)

Luring Moms Back to Work

As more working mothers seek lengthy leaves to care for their families — or quit jobs entirely — some companies are devising new ways to lure them back to work.

After years of steady increases, the rate of working mothers with young children is declining. The percentage of new mothers who work fell to 55 percent in 2000 from 59 percent in 1998 — and it hasn’t risen since, according to the U.S. Census Bureau.

This development is likely to persist. According to a survey of about 3,500 workers, more than one-quarter of women who are planning to have children think they will stop working for more than a few months. Traditionally, many employers wrote off women who quit work to become stay-at-home moms. Now companies are experimenting with ways to retain moms or even would-be moms. Some are allowing employees to take leaves that can last as long as five years. Others are trying to recapture workers who have already left. (Many of these programs are open to men as well, but women tend to be the target audience.) The retention efforts go way beyond the offers of flexible hours and telecommuting that companies have used for some time to keep workers happy.

Deloitte & Touche LLP, the big accounting firm, is preparing to launch a “Personal Pursuits” program sometime in 2004, which will allow employees to take an unpaid leave of absence of as long as five years for various personal reasons. The firm will run training sessions for employees on leave, assign them mentors and periodically check to see if they are still planning to return to work. A major goal: further cutting turnover costs. Deloitte says flexibility programs already in place allowed it to save $41.5 million in such costs in fiscal 2003.

International Business Machines Corp. is a rarity; it has long allowed selected workers to take leaves of as long as three years. While open to both sexes, 80 percent of those using the program have been women, and the most common reason cited for taking a leave is “parenting,” the company says. The leave is unpaid, though workers retain a major perk: they keep their health benefits. And while they’re not guaranteed their old jobs when they return, IBM makes an effort to get them something comparable.

take extended “sabbaticals” to attend to family responsibilities. We have seen it in our own office at MIT as the example in Figure 2-7 illustrates. In some ways, the loyalty for flexibility trade may be a key component of the new social contract at work that will evolve.

In the 1990s, arrangements like this had to stay informal, below the radar screen of MIT’s personnel policies. Since then, MIT has begun to encourage this type of arrangement by issuing formal “flexibility guidelines.” This is a major step forward. But alas, we still hear stories from secretaries and other staff members around MIT that they encounter supervisors who resist requests to use the flexibility promised in the guidelines. Supervisors worry that “if we did it for them, everybody might want their own deal and I just don’t have the time to manage all this.”

Like MIT, most organizations have lots of creative and talented people who need and could benefit from flexibility and would provide handsome productivity and performance benefits in return. There are mutual gains to be found for those who pursue them. The challenge lies in making these opportunities available to all employees, not just those in the high income and occupational ranks or who happen to have supportive supervisors.

The key to finding these mutual gains opportunities lies in opening up discussions of how people work together to get their jobs done. The key to sustaining flexibility lies in ensuring that everyone shares in the benefits of flexibility in a fair way — including the supervisors, shareholders, and employees with diverse family needs and responsibilities. These on-going, collaborative negotiations are essential to changing workplace cultures and empowering people to take advantage of the flexibility that a growing number of leading firms now offer.

**Unions and Professional Associations**

But, once again, individual firms cannot do this alone. Nor do they need to. Some unions have taken the lead in introducing family care benefits and programs into collective bargaining at both firm and local industry levels.27

Local 1199 of the Service Employees International Union (SEIU) represents approximately 250,000 maintenance, clerical, and professional employees who work for hospitals in the New York City region. Based on a 1989 membership survey showing 80 percent of
their members wanted the union to pursue a child care benefit program, the union and 16 health care institutions created a joint child care fund financed by a 0.3 percent payroll contribution. By 2003, the joint program expanded to include 380 employers providing benefits to approximately 8,000 children per year. A joint labor-management board of trustees and local committees of parents and rank and file members manage the program.

The program runs several child care centers, provides tuition vouchers and subsidies based on salary and number of children in a family, and more recently added a summer camp and career counseling and educational assistance for teenagers.

Similar joint programs have been negotiated in a number of other settings such as the hotel association in San Francisco and the Hotel, Entertainment and Restaurant Employees and the United Auto Workers and Ford, General Motors, and Daimler Chrysler. The UAW-Ford Family Services and Learning Center was created in 1999 and takes what it calls an “intergenerational” approach by providing programs from early childhood development to family educational services, and community service and outreach that draw heavily on the voluntary services of UAW retirees.

The Harvard Union of Clerical and Technical Workers (HUCTW) takes a different approach. It has made work and family a central theme in its organizing, bargaining, and membership service activities. Its contract with Harvard University provides for 13 weeks paid maternity leave with flexibility to use additional time accrued in vacation or sick pay, pro-rated benefits for part-time workers, and child care subsidies. The union estimates that it resolves approximately 1,000 workplace problems informally or through mediation each year, about half of which involve scheduling flexibility. And it believes strongly in the need to take a dual agenda perspective to work design. HUCTW’s Kris Rondeau puts it this way:

Work design is a core family issue and without redesigning work we are not going to be able to take care of our families. Work is structured badly — it is not flexible enough, interesting enough, nor meaningful enough. Power relationships are unhealthy, and the work design consultants who say we should redesign work in America to improve quality and productivity are off base. While I care about quality and productivity and am interested in those issues, work-family is just as important. The family is in trouble and people are suffering and it is because work is broken.28

These are examples of what is possible when two key stakeholders — workers and employers work together to integrate work and family responsibilities.

Community and Family Groups

A growing number of groups are working to highlight the need for community, cross firm, and public policy initiatives on working family issues. In January 2004, for example, a coalition of 14 different sponsoring organizations ranging from the AFL-CIO to Corporate Voices for Working Families joined together to create a group called Takecarenet29 to share information and ideas on work family policies. Takecarenet is currently collecting signatures for a letter to national candidates saying that voters want paid leave for parents and early education for children. In the letter, Takecarenet cites a poll soon to be released in California, that shows a majority of voters without children approved of the state’s new
paid leave law. In a recent national poll, a majority of voters without children claimed that childcare programs are an “absolute necessity” in their community.

Also of interest in this mix of organizations is Corporate Voices for Working Families. This group is a cross firm network created by Donna Klein, the former head of work and family policies at the Marriott Corporation, a firm recognized as a leader in this area. She created Corporate Voices in recognition of the point emphasized in this chapter, namely, that the solution to work-family challenges requires a coordinated effort that goes beyond the boundaries and capabilities of any single firm. Her group’s mission is to bring “private sector voices to public discussions on issues affecting working families.”

Work and family advocacy groups and organizations seem to be growing by the day. They are making innovative use of websites, email lists, networking, coalition building, and other modern means of communicating and mobilizing. Their voices will be heard in future policy debates on these issues, and increasingly, they are becoming resources and participants in community and firm level discussions on issues of interest to working families. One of the most longstanding and effective of these groups, the National Partnership for Women and Families, is described in Figure 2-8. The National Partnership and other groups like it will be valuable resources in moving forward and sustaining support for a working families’ agenda.

**Toward a National Work-Family Policy: Paid Leave as a First Step**

Of all the work and family issues that are gaining attention, none is more visible and more likely, in my estimation, to see action at some point soon than provision for paid family leave. Indeed, all Americans should be embarrassed by the fact that the United States joins Australia as the only two advanced economies that lack a paid family leave policy.

Only since 1993 has the United States had an unpaid family leave policy! The first bill signed by President Clinton was the Family and Medical Leave Act. This law provides workers the right to up to twelve weeks unpaid leave per year to care for a newborn or adopted child or for an ill relative. Since its passage, a number of women, family, and labor groups have been lobbying for both expansion of coverage and improvements in the unpaid leave bill and for a paid leave plan, either at the national level or, failing there, at state levels.

In his last year in office, President Clinton approved a rule change that would allow states to use surplus funds in their unemployment insurance accounts to fund paid family leave. This idea met stiff opposition from business groups and others (myself included) who worried that the large surplus in the unemployment funds that had built up in the booming 1990s would evaporate as soon as the next deep recession came along. The critics were right about this and so as the recession of 2000–2001 began to bite into these funds, political support for this funding approach evaporated. It didn’t matter, however, because the Bush Administration rescinded the rule change when it came into office.

The upshot of this short political story is that there is considerable discussion underway in various states over the need for some form of paid family leave. Some states have acted. The Massachusetts legislature passed a paid leave plan in 2002, but the Governor vetoed it.
California passed the first comprehensive paid leave bill in 2002 to take effect on July 1, 2004. It is funded through payroll deductions, not through the unemployment insurance system. Several other states have limited paid leave programs for new parents or specific illnesses, some of which are funded through their Temporary Disability Insurance programs. Several governors such as Governor James McGreevey in New Jersey have endorsed paid leave plans. Senator Joseph Lieberman has put forward a specific proposal for a national plan, calling for minimum national standards of four weeks paid leave (out of the 12 unpaid) and financed with employee payroll deductions. States could augment these minimum standards if they so choose and could experiment with alternative financing arrangements.

There is some risk in legislating a single uniform paid leave policy. First, many firms already provide some form of paid leave to some of their employees — mostly to professional and managerial and other salaried employees. A major issue, therefore, is how do these apply? Would they be substitutes or additional benefits? Would firms now self-funding these leaves be able to off-load costs to the public program? All these issues call out for experimentation with a variety of different funding and dovetailing arrangements before enacting a one size fits all national policy.

I believe business, labor, and family advocates have a window of time to experiment with the forms of paid leave that best suit a diverse economy with a large number of firms and upper income employees that already have some form of paid leave to draw on for family needs. Working families should insist that we find ways to spread these more universally to low income workers through some combination of collective bargaining or other private sector initiatives and state level or national policies that dovetail with these firm-specific

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Figure 2-8

The National Partnership for Women & Families

The National Partnership for Women & Families is a nonprofit, nonpartisan organization that uses public education and advocacy to promote fairness in the workplace, quality health care, and policies that help women and men meet the dual demands of work and family. Founded in 1971 as the Women's Legal Defense Fund, the National Partnership has grown from a small group of volunteers into one of the nation's most powerful and effective advocates for women and families.

**Work and Family**

The Family and Medical Leave Act (FMLA) was drafted by the National Partnership in 1984 and was enacted in 1993. The National Partnership promises to work to increase public awareness of the need for society to better address the time pressures facing working families, and will persevere to expand the FMLA and other family leave policies to cover more working people and more family needs.

**Workplace Fairness**

Ensuring equal opportunity, protecting civil rights, preventing discrimination, and monitoring welfare reform—these are just some of the challenges that the National Partnership battles everyday in our workplace fairness program. Unfortunately, discrimination is still a factor in women's access to jobs, pay, promotions, and fair treatment. This is a critical obstacle to economic security for low-income women, women moving from welfare to work, and those living on the economic margins. The National Partnership works to educate women about their legal rights in the face of discrimination, and to inform the public about the severe costs of discrimination to our families and our economy.

**Health Care**

The National Partnership is a voice for women in the managed care debate, promotes access to the full range of reproductive health services, and works to prevent discrimination based on genetic information. The National Partnership also works to expand health services for low-income women and children and to ensure quality care in Medicare and Medicaid.

Source: http://www.nationalpartnership.org
policies. Failure to move in this direction leaves as the default solution a top down and probably all too rigid government mandate if and when the political forces are aligned to end America’s embarrassment.

In short, working families should insist elected officials follow through by enacting a national policy that meets two key conditions:

1. Paid leave should be universal, covering all workers not just the highly paid professionals and salaried employees who are allowed to take time off without losing pay.

2. While some minimum standards should apply to all, individual firms and employees should have the flexibility to design and fund their paid leave policies in ways that dovetail with the vacation, sick leave, or other leave policies already on their books or that they negotiate or implement in the future. This would overcome the common employer criticism that government regulations are too rigid and conflict with benefits already provided by the firm.

Enacting a paid leave policy is only one piece of a comprehensive national working families’ policy agenda. It would, however, not be a bad starting point, as long as politicians don’t view it as the end point as well.

**State Level Initiatives**

America has a longstanding tradition of first developing and experimenting with workforce and related social policies at the state level and, once proven, moving them to the national level. As suggested above, we are now in the early phase of this pattern with respect to paid family leave. But there is more to a state level effort than just passing paid leave. Our MIT Workplace Center has called for development of state level Work-Family Councils that would bring together the various stakeholders to develop a private and public policy agenda for working family issues. We are attempting to create such a Council in Massachusetts. Time will tell whether these stakeholders will be willing and able to work together for the common good. Working families in Massachusetts and elsewhere should insist they do so.

**Summary**

The first step for working families to regain control of their destiny is to start talking and thinking about work and family as tightly coupled. This reframing does several things. First, it eliminates any ability for opponents of change to argue that this is simply “special interest” politics at work. How can efforts to address the needs of 130 million workers and their families be a “special” interest? It encompasses nearly all Americans. Second, this framing of the issue broadens the array of parties who should have a voice on these issues, thereby taking workplace policy and practice debates out of the old and stalemated labor-management divide and opening up the possibility of building new cross group coalitions and partnerships to pursue a working family agenda. Third, it takes family policy issues out of the purely personal and private realm and puts them front and square in front of business, labor, and community leaders.

In short, to put this reframing to work for them, working families need to:

- Insist that work and family issues are treated as linked and legitimate concerns in business decisions and national workforce/workplace policies. This is a cultural issue — a
shift from an assumption that grew up during the industrial age that work and family were separate and should be viewed as individual choices outside the scope of business concerns. Overcoming this engrained view will require constant reminders by workers and family members themselves that these issues need to be on workplace agendas.

- Promote individually and collectively the adoption of formal organizational policies at work that allow for flexibility and collaborative engagement at the workplace to make it happen. Then employees need to work with their peers in their firms and in their professional associations to go beyond the formal policies to help change the culture that has inhibited use of these formal policies.

- Advocate changes in the internal cultures of unions and professional associations, perhaps by electing and/or appointing more women to key offices, and by putting work-family benefits and flexibility at the top of their priority lists.

- Build and participate in broad-based, community networks and coalitions that invent solutions to specific work and family challenges by engaging the stakeholders who are normally silent or that otherwise are locked in adversarial or arms length battles.

- Hold elected officials’ feet to the fire by supporting national policies providing paid family leave policies/experiments that dovetail with firm policies; flexibility in work hours that rest on a foundation of worker control; and a return to the long run objective of reducing working hours rather than relying on longer hours as the engine of America’s productivity.

- Work with other stakeholders in their communities and states to foster coordinated attacks on problems of work and family integration.
My father began working full time on our family farm in Wisconsin after only eight years of schooling. He knew first-hand what he missed and admonished his children to stay in school and get the most and best education we could. In his view, education was the ticket to a better, more secure, and prosperous life. He was right.

His advice is just as right for our children as it was for his. The only amendment to that advice is that our children cannot stop learning when they leave school and begin their careers. Learning has to be a life-long activity.

The cliché is we live in a “knowledge economy.” Comparing who got ahead and who didn’t in recent years demonstrates that this is more than a cliché. What is less well recognized, however, is how family structures and life choices interact with knowledge to shape who gets ahead.

Massachusetts comes close to the paragon of a knowledge-based economy. Over the past twenty years, its small and shrinking manufacturing sector has given way to knowledge-intensive industries such as biotechnology, health, finance, and education. As manufacturing declined from 24 percent of all jobs in the state in 1983 to 13 percent in 2000, the number of jobs requiring a college degree or more increased from 30 to 38 percent. Everyone expects this trend to continue. What families prospered in this state over the past twenty years? Figure 3-1 provides a clear answer; those with two highly educated parents who were both employed. Families where both the husband and wife had bachelor or higher degrees increased their family incomes by a third between 1980 and 2000, while those without a high school degree lost eight percent and the median family’s income remained stuck at about the same level it was two decades ago. As noted in Chapter 2, those who gained ground did so at the price of adding more hours to paid work.

In this type of economy, knowledge is the most important source of power families have to draw on to regain control over their destiny. And because knowledge and the opportunity to apply it to paid work are the keys to value creation, they are also essential to pro-

Learning has to be a life-long activity.
ducing mutual gains for families and for the economy. A necessary condition for turning this
country around is to make sure the future workforce is well prepared to support a knowl-
edge-based economy. That means we need to figure out how both to encourage and to help
more young people get the education they need to contribute value to the economy so that
they have a chance to share in its benefits. We also have to continue to reinvest in those
already of working age to keep their knowledge and skills current and marketable.

The Basics

Let’s start with the basics. There is no substitute for high quality education from the earli-
est years of child development and pre-school and beyond. We know this and we are doing
our part. This is true for families able to afford living in communities with well funded
public schools or who can afford to send their children to private pre-school programs and
elementary and high schools. These are the same families that very likely have emphasized
education and child development at home from early on in their children’s lives. This seg-
ment of the population is preparing for the knowledge-based economy and their investments
in and commitment to education will serve them and the American economy well in years
to come. The problem is that this is not the reality for enough children and families today.

A day before the normal start of the school break for the Christmas-New Year’s holidays
in 2003, the Attelboro school district in Massachusetts closed its doors to conserve funds.32
Most of these kids probably saw this as an early Christmas present. I doubt they calculated
the effects of losing one day of education on their future earning power or value to the econ-
omy. And no one probably bothered to estimate the costs to parents who had to juggle
schedules and absorb the expense of an extra day of childcare. These, however, are the long
and short-term costs of failing to adequately fund our basic educational system.

Attelboro is a small, low income, working class, immigrant community in southeastern
Massachusetts. Its school district gets 55 percent of its budget from state and federal funds.
Its families do not have the discretionary incomes to supplement the budgets of its schools
with voluntary contributions, fund raising auctions, and in-kind contributions as is the
norm in the more exclusive, high income suburbs of Boston. Attelboro spent $6,679 per
pupil in 2002 compared to between $10,000 to $12,000 per pupil in Brookline, Newton, Weston, and the other high-income districts in the state. Failure to support the children of Attelboro ensures the gaps in income between families that have access to the best and the most education and those left behind will continue to plague the state and, if replicated elsewhere, the nation.

The families of Attelboro were not alone in feeling the pain of state budget cuts. The cuts in federal funds and the decline in state revenues that followed the recession and the 2001 tax cuts caused Massachusetts to cut $500 million in state aid to local governments between 2000 and 2003. One careful study, summarized in Figure 3-2, reports it would take $600 million to restore spending on education in the state to its pre-2000 levels. As the Massachusetts Lt. Governor notes in Figure 3-3, she and the governor and state legislators recognize the need to restore these funds, but they simply do not have the funds to match the need.

Business leaders, both as citizens and self-interested employers, should be up in arms over both these cuts and in the disparity between the high and low income communities and school systems. Assuming the economy grows at even a moderate rate over the next decade, business will once again face shortages of knowledge workers. The biggest pool of young

Figure 3-2

Education Budget Realities in Massachusetts

Massachusetts has the dubious honor of having cut real per pupil spending by a larger percentage than any other state, by more than 14 percent between fiscal 2002 and 2004. While cutting school aid, the state also cut aid to local governments by nearly 15 percent in its fiscal year 2004 budget. Just to make up for the reduction in real education resources caused by the cuts in state aid, property taxes would have to increase by an extra 11 percent over the past two years.

For 2005, Governor Romney proposed increasing spending on education by $115 million. While this increase is welcome, it would take an increase of over $300 million just to make up for the nominal cuts in state education spending over the past two years and an increase of about $600 million to restore the level of real per-pupil state education spending that Massachusetts enjoyed just two years ago.


Figure 3-3

Investing in Education versus Revenue and Budget Realities

When Governor Romney and I came into office one year ago, we were confronted with a stubborn recession that showed no signs of abating. Our administration resolved to avoid short-term fixes, like raising taxes, which would hurt small businesses and hinder our competitiveness in the long term.

This year’s budget reflects an ongoing commitment to fiscal discipline and reform as well as new investments in education intended to lay the groundwork for long-term economic growth in Massachusetts. A key factor contributing to future economic growth will be the quality of our public schools and graduates. While we still have economic challenges, this year’s budget demonstrates the administration’s deep commitment to investing in quality education for all children, in building a high educated workforce and the belief that public education should extend from kindergarten through employment: “K through Job.”

In the 2005 budget, state spending in elementary and secondary schools will increase by more than $100 million.

Recognizing this problem, the National Science Foundation commissioned a group of business and academic leaders to explore ways to encourage more young women and minorities to take up scientific and engineering degrees and careers. Figure 3-4 summarizes the depth and breadth of the challenge. Given what this distinguished group described as the “quiet crisis” in the talent mix America will need to remain a world leader in scientific discovery and innovation, it challenged the business community to work in partnership with the full “educational supply chain” and with leaders of minority and women’s organizations to address this crisis.

There are countless government and private sector reports like this, all making the same point: Education is important; we are not doing a good job at preparing the next generation

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**Figure 3-4**

**The Best Report on the Science and Engineering Workforce**

The nation’s aging technical workforce draws from a narrow and decreasing segment of the U.S. population. A successor generation has shown declining interest in pivotal fields including mathematics, computer sciences, physical sciences, and engineering itself. These trends, building gradually over many years, have produced a “quiet crisis” in the development of technical talent.

America’s talent imperative is to attract and academically prepare a larger share of all of our citizens for science and technology careers. White men made up almost twice as great a share of the science and engineering workforce as they do of the population, while white women represented are underrepresented in technical fields by about 50 percent. The under-representation of African-Americans and Hispanics remains even more pronounced. African-Americans comprised 12 percent of the U.S. population, but held only 3.4 percent of the science and engineering jobs in 1999. Hispanics made up nearly 12 percent of the U.S. population in 1999, but were only 3.4 percent of science and engineering employment. Moreover, these demographic imbalances scarcely changed during the technology boom years of the 1990s.

Women, who comprise almost half of the college-degreed workforce, make up less than 25 percent of the science and engineering workforce, regardless of ethnicity or race. They are most fully represented in the life sciences, but account for just 23 percent of physical scientists and 10 percent of engineers.

At the graduate school level, although minority enrollments have increased during the last decade, the numbers are still dismally low. For African-Americans, Hispanics, and American Indians, fewer than 100 of each group received doctorates in science and engineering fields in 2001. During a period from 1981 to 1999, the top 10 Ph.D.-producing institutions graduated fewer than 100 African-Americans and fewer than 200 Hispanics per institution during that time period, with the majority of institutions not surpassing the 100 mark.

The outlook is somewhat more encouraging for women, who increased their share of baccalaureate degrees in almost every broad field of science and engineering during the 1990s and earned almost 40 percent of the Ph.D.’s in those fields in 2001. Still, women have stayed away from engineering and the physical sciences in droves. In the field of computer sciences, where demand is projected to grow much faster than the rate of other occupations, the number of women has actually declined from its high in the mid-1980s.

To remain on this course is perilous.

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Source: *The Quiet Crisis: Falling Short in Producing American Scientific and Technical Talent.*
for the workforce and economy of the future; we are at best perpetuating and perhaps even widening the gap in educational opportunities between rich and poor families and children; and, therefore, thoughtful business, government, and civic leaders ought to do their part to change all of this. I have participated in enough of these types of study groups (as I did in the group cited in Figure 3-4) to realize these nice words will lead nowhere. Why? Because they reflect the same top down view of the problem, they lack the perspective and direct involvement of the precise families they target for improvement, and they leave it to the conscience of the individual leaders and organizations to drive action. Not much will be done to change until working families get involved in shaping these reports, feel personal ownership for their content and recommendations, and are in a position to hold all groups, including themselves, accountable for taking the actions called for.

If the working families of greatest concern to the report cited in Figure 3-4 were directly involved in its drafting, I think they would recommend stronger action in stronger language. I could imagine such a group recommending something along the lines of …

• Close the gap in funding of schools between rich and poor communities.

• Stop treating CEOs and their firms as individual fiefdoms and get the business leaders in our community and/or industry together with us and work out clear goals, timetables, and metrics for making progress by providing jobs, internships, and mentoring programs led by successful young men and women, and hold all of us collectively accountable for meeting the goals we set.

• Keep putting the families you want to target for improvement in the same room with business, government, education, labor, and civic leaders on your panel, get us all on the same page, working together for a common purpose.

However, that type of working families-business-government-academic study group has yet to be convened. Working families should insist on it the next time such a study is proposed!

On the topic of early childhood education, a growing body of evidence has now convinced everyone that the early years of life are critical to a child’s potential for learning. Early childhood education and development, therefore, has to be the starting point for a knowledge-based economic strategy. This was the idea behind Head Start, one of the most successful and yet under-funded programs that came out of Lyndon Johnson’s War on Poverty in the 1960s. More recently, the bill called “No Child Left Behind” enacted in 2001 with the support of the President and the Congress again recognized this principle.

There is one problem. We are not putting our money behind our rhetoric. The original bill authorized Congress to allocate $18 billion a year to fund the provisions of the bill. President Bush’s budget proposal called for $11 billion in 2002 and slightly more in 2003. Even if the bill had been fully funded, it would have provided only a fraction of what independent estimates suggest would be needed to fund all of its provisions for supporting early childhood education programs in poor neighborhoods, upgrade teacher quality and certifications, set and support achievement standards, and so on. No child left behind indeed!

The challenge lies in holding whoever gets elected to national office to follow through on their intentions and campaign commitments at levels that can make a difference.
Candidates for office are aware of the need to increase funding for all levels of education. Democrats have ambitious plans to promote early childhood education, to lower the costs of college tuition, etc. President Bush has also responded, albeit in a symbolic rather than substantive fashion. In his state of the union address in January 2004, he called for increasing the funding of community college job training programs by $250 million. The goal is to “prepare people for the 21st century workforce.” This is a laudable objective and labor market and educational experts generally agree that community colleges serve a critical role in the preparing the workforce for the future economy.

Putting $250 million into community colleges is a nice, symbolic gesture. It allowed the President to give a rousing speech at Owens Community College in Toledo, Ohio in support of his initiative. There is one problem. Investing $250 million in 2004 will not get the funding for community colleges back to even where it was in fiscal year 1999! Indeed, the week before the President visited Owens Community College, six staff members lost their jobs because of funding cuts. Perhaps they should have briefed the President on what is needed to make a real difference in the education and training programs he was talking about.

There is no shortage of good ideas and good intentions. The challenge lies in holding whoever gets elected to national office to follow through on their intentions and campaign commitments at levels that can make a difference. That is the job of working families and a critical part of their agenda.

**The Knowledge Economy Skill Mix**

There is no substitute for a good education in the basics. But what are the basics for a knowledge-based economy? Clearly, as stressed above, mathematical, technological, and scientific literacy are essential. But in today’s workplace, the ability to lead and work effectively in teams, to communicate clearly, and to solve problems are equally critical. These are key skills that employers are looking for in job applicants. They are the skills needed to put scientific and technical knowledge to work. So parents and employers need to insist that these skills be built into the pedagogy and curricula from elementary school to college.

“When I recruited MIT students they had great technical grounding but not a good notion of how the real world works, how to get things done, and how to deal with people!”

—Dana Mead, former CEO of Tenneco

Elementary and secondary schools may be ahead of most universities on this score. If my own family is any indication, changes are well underway in the style of teaching and learning in good public schools. Our youngest child experienced much more emphasis on team projects and a more interactive style of teaching and learning than did his older siblings.

Nothing, however, changes more slowly than college curricula! But even as traditional a place as MIT’s Engineering School is starting to give more emphasis to these skills, prodded in no small part by comments similar to Dana Mead’s. Several years ago the School of Engineering developed a program called Undergraduate Practice Opportunities Program (UPOP) to give its technologically savvy students experience and training in group dynamics, decision-making, leadership, and project management. MIT is about to take a further
step by developing an undergraduate minor in management to complement its science and
engineering majors by providing a deeper understanding and mastery of the skills needed to
function effectively in today’s workplaces. Employers (indeed students themselves) should
be demanding students in all colleges be exposed to this type of material and experience it
as part of their undergraduate education. These are the skills needed to be productive in
today and tomorrow’s knowledge-based workplace.

**Life Long Learning: From Rhetoric to Reality**

In the farming economy of my father’s youth, eight years of formal schooling was all the
time his family could afford to have him away from working on the farm. Yet over the years,
he somehow learned the skills needed to supplement income from the farm by being a self-
employed plumber and a union carpenter. When milk prices fell, he would put more time
into these other trades. He seemed to believe in the value of life-long learning long before
the term was coined.

Members of today and tomorrow’s workforce need to have the same willingness to con-
tinue learning throughout their working lives. But there are two big differences from my
father’s time. First, scientific and technical advances of the last fifty years make it less pos-
sible to do this on one’s own without access to formal educational programs. Second, keep-
ing skills current is especially important and perhaps a special challenge for women (or men)
who move in and out of the labor force or work part-time at different stages of their fami-
ly life course. Not only might their occupational knowledge base and job opportunities
change, their access to both on-the-job and employer-sponsored training and educational
programs are likely to be more limited than those of full-time employees. This raises two
key questions: Will there be a sufficient supply of life long learning opportunities and will
the full range of people who need to continue learning have access to them?

The American Society for Training and Development (ASTD) reports that business
spends something on the order of $200 billion or two percent of payroll annually on train-
ing and development. 36 This sounds like a lot of money. Indeed it is. The problem is that
most of it goes to a small fraction of the labor force and much of the training (setting aside
questions of quality) is focused on what the economics profession calls specific training i.e.,
training that is relevant to the work of the firm, as opposed to the general training workers
need to keep their skills current if they are to find a job in the external labor market.

We should not find this surprising. It has long been recognized that the American econ-
omy suffers from what the economics literature calls a market failure with respect to train-
ing. That is, there is less general training than what would be good for the overall economy
because individual firms fear that others will not invest their fair share. 37 No rational indi-
vidual firm will want to pay the costs of general training while its competitors don’t, instead
they lure those trained by others to come and work for them! This problem will persist as
long as individual firms make training investment decisions.

Leaving training largely to individual firms may have been tolerable in the old days when
firms made a commitment to provide long term, secure jobs for those loyal employees who
chose to stay with them throughout most of their careers. We know those days are over. And
it is hard to trust employers who say don’t worry, we can’t provide you with employment security, but we will give you the training and experience needed to be employable if you do need to leave. This promise always sounds to me a little like a husband who encourages his wife to keep in shape and stay attractive so that if things don’t work out between them she will have other good options. Few of the men I know are that open minded or willing to put their relationships in constant competition with the market!

There are two ways to overcome this type of market failure. One would be to fund education and training on a collective industry or society basis, as we do with public education. The reality, however, is that in a world of constrained budgets and large deficits, we are not likely to see the federal government reinvest or raise taxes targeted to lifelong learning at any levels close to what is needed. Indeed, federal spending on employment training has declined in the last five years. In 1999, the U.S. Department of Labor’s Employment and Training Administration budget for training programs was $7.0 billion; in 2004 the President’s budget request for training programs was $4.9 billion. We should not expect a dramatic increase in funds from this source, regardless of who is in the White House or Congress.

Former Secretary of Labor Robert Reich learned this lesson in the early years of the Clinton Administration. He and the President had campaigned hard on the notion that the new economy required more training and investment in human capital. But when the Administration had to choose between cutting the federal deficit and the investments on which it campaigned, we know the choice it made. Reich captured it well in the title of his memoir as Secretary: Locked in the Cabinet. The lesson to workers and families that depend on lifelong learning should not be lost: Don’t wait for the federal government to provide the funding and access needed.

If working families can’t expect individual employers or the federal government to provide lifelong learning, what are they to do? The answer is to make continued learning a priority on our own negotiating and decision-making agendas and to build the institutions that will see it as in their organizational interests to supply lifelong learning opportunities. Some workers are already doing this.

Surveys document that most young professionals are following the advice of their college placement professionals (and some of their professors) to give top priority to opportunities for learning and development in choosing a job. This is the type of labor market pressure that has the best chance of getting employers to invest in continuous development.

But the longer one stays with an employer, the less individual bargaining power a person will have since the costs of leaving the firm increase. So for the long run, there is no substitute for ensuring one has the time, financial resources, and institutional opportunities to keep skills fresh and updated. That is, employees themselves, individually or collectively, need to take control over the funding and delivery of lifelong learning.

A number of models already exist for doing so. Various professions require a certain number of hours of education and training to retain one’s certification. Nurses, lawyers, civil engineers (now even labor arbitrators!) lose their “license” unless they meet the mini-
mum hours of continuing education. Some of this is provided directly by their professional associations and some is provided by a variety of other private sector vendors, conference organizations, or universities. The key is that the profession itself requires all members to participate and therefore a market develops to meet the demand. And, many employers pay part or all of the costs of this on-going professional development.

Another model is the joint union-management training programs that are funded through hourly contributions negotiated in collective bargaining. Figure 3-5 describes one well-developed joint program between the Boeing Corporation and the International Association of Machinists. This type of joint program has many positive design features. It is funded with regular, predetermined contributions (in this case $.14 per work hour) and so it is not subject to the vagaries of annual budget making (and cutting). The fact that it is jointly negotiated means the parties have to make their own judgments about how important investment in training is relative to putting additional money toward pay or other fringe benefits. The workforce has a direct voice in the governance and use of these funds so that the training provided is, as is the case in the Boeing program, more likely to involve general, marketable skills. Clearly, workers and the economy would benefit from having pro-

**Figure 3-5**

*Life Long Learning: Boeing and the Machinists' Union*

The concept of a joint program was first introduced in the 1989 collective bargaining agreement between the International Association of Machinists and Aerospace Workers (IAM) and the Boeing Corporation. The contract language states; “The Union and the Company agree that workplace knowledge and skills training for bargaining unit employees will be the joint responsibility of the Union and the Company through the IAM/Boeing Quality Through Training Program (QTTP).” The IAM/Boeing Joint Programs are financed by a fund that receives 14 cents per payroll hour for all bargaining unit employees. In 1999, the budget for the Joint Programs was approximately $25 million.

The following nine activities are supported by the joint programs with staff selected from union and management ranks.

- Career and Personal Development
- Job Combinations
- Technology Change
- High Performance Work Organization Initiatives
- Laid-off and Reemployment Training Services
- Industrial Skill Training
- Certification and Regulatory Requirements Training
- Transfer Process Improvement and Support
- Support for “The Mutual Objectives of the Union and the Company”

During layoffs, QTTP buffers the pressure on government agencies as it helps to transition people to federal funds and gets them prepared to start training under the provisions of the Worker Adjustment and Retraining Notification (WARN) Act. QTTP has responded to three major lay off events: 29,000 workers in 1993, 14,000 workers in 1999, and 17,660 workers from 2001 to late 2002. Additionally, QTTP makes projections about labor market growth areas, teaches unemployment survival skills, and offers financial and retirement planning courses.

grams like Boeing’s available to more workers. One way to spread these to larger numbers would be for the federal government to provide a tax credit to firms and employees who make these investments.

Even in the absence of collective bargaining, a variety of tax incentives could be devised to encourage the build up and use of life long learning funds. Some of these could be vested in individuals so that they would not lose them if they leave an employer. They might, for example, use their learning accounts to finance the cost of further education or refresher courses. The key to all these models is that workers and their professional associations and unions take the initiative to supply on-going learning opportunities and have a strong voice in their design, funding, and delivery.

Nearly all of the above life long learning models rely on being in an on-going employment relationship. What are we to do about people who want to reenter the paid labor market after having spent extended periods of time devoted to family care duties? Of course, here I mean mostly women.

Currently there are relatively few models other than self-financing that might meet this need. So the task is to invent new options. One option might be for professional associations and unions to step into this breach by becoming the major providers of life-long learning. I will return to this idea in Chapter 7 when we take up the future of unions and associations. For now it is enough to note that this is a void waiting for some inventive institution to fill.

**Summary**

Working families have a major stake in translating rhetoric about the knowledge economy into reality. Without putting knowledge, skills, scientific and technological innovations forward as the key competitive strategies of the nation, regional economies, and individual companies, America will engage in a futile and losing race to the bottom with lower cost countries. And we will become even more of a nation divided between haves and have-nots until the cohesion of a democratic and peaceful society breaks down.

To avoid this fate, we need to make sure the next generation is equipped to build and grow a knowledge-based economy. America’s working families need to insist on:

- Educational systems that encourage young girls and boys of all races and cultural backgrounds to develop interests in and to obtain the scientific, technical, mathematical, and behavioral knowledge and skills needed to be successful in and contribute to a knowledge-based economy.

- Regional economic development networks and strategies that bring university, industry, and workforce leaders together to promote entrepreneurship and ensure that future organizations are built to make the best use of employee knowledge and skills.

- National economic policies that fund basic education adequately and equitably and that support and reward regions and firms for investing in human capital.

- New institutions for delivering life long learning. These may be professional associations, unions, or some other entities yet to be invented.
The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government... to promote maximum employment, production, and purchasing power.”

—The Full Employment Act of 1946

[It is]...the right of all Americans able, willing, and seeking paid work to opportunities for useful paid employment at fair rates of compensation.”

—The Full Employment and Balanced Growth Act of 1978

“I won’t be satisfied until every American who wants a job can find one.”


The big question on everyone’s mind today is: Will there be enough good jobs available for all those who want to work? In the booming economy and tight labor markets of the 1990s, this would have seemed like a silly question. Then we had what the business books called a “War for Talent.” Today, however, the lack of job growth, and concern that the quality of jobs available is deteriorating worries blue and white collar working families alike. The good news, if there is good news here, is that the nation’s dismal job growth record between the end of the last recession in 2001 until early 2004 has heightened public awareness and elevated this issue to the top of the political and policy making agenda. Working families have a major stake in keeping it there, even if and when we once again get back on a track of steady and healthy job creation and growth.

It may come as news to most Americans, but since 1946 “full employment” has been the stated policy of our country. This policy was reinforced in 1978 when Congress passed “The Full Employment and Balanced Growth Act,” or as it is better known, the Humphrey-Hawkins Bill. As the quote from President Bush illustrates, nearly always, politicians couch
their arguments for their favorite economic policy as one that will provide jobs for all Americans who want to work. Yet the reality is that historically job creation has taken a back seat to other policy objectives like fighting inflation, cutting taxes, and balancing the budget. So the challenge to working families lies in figuring out how to hold elected official and private sector decision-makers to their promise to translate their rhetoric about creating and sustaining good jobs into reality for “all those who wish to work.”

**Will There Be Enough Knowledge-Based Jobs in America?**

The term “jobless recovery” first coined following the recession of 1990 has been replaced by a new term: “jobless” recovery. America had 2.2 million fewer jobs in February 2004 than three years earlier, even though the last recession ended in November 2001. This record would be bad enough on its own. It is made worse by the lack of agreement among experts over why job growth is so slow. The leading suspects are rapid productivity growth that makes it less necessary to hire workers to increase output, reluctance to add new workers given rising health care and other costs, loss of manufacturing jobs to low wage countries that fail to respect basic human and labor rights, global competition to keep prices down, loss of jobs to “off-shoring,” and general business uncertainty given concerns over how we will pay for the budget deficits the federal government has built up. Most likely all of these factors play some role and so attacking each has to be part of a national strategy to create good, sustainable jobs in America. The key question is, where should working families urge policy makers and organizational decision-makers to focus their energies in creating and sustaining jobs in America?

**Starting Points: Job Focused Macro-economic Policies**

Because job creation is such a visible political concern, federal policy makers often make overly optimistic predictions of job growth. Figure 4-1 illustrates the point in stark terms. It charts the projections of future job growth offered by the Council of Economic Advisors (CEA) against the actual record. Each year since 2002, the CEA predicted the country would create over 200,000 jobs per month. The tax cuts enacted in 2001 and again in 2003 were supposed to do the trick but did not, in large part because they went to the people at the top of the income ladder who are more likely to save than spend significant portions of their tax cuts.

American working families are getting tired of waiting for these indirect strategies for job growth to have their promised effect. A more direct job creation strategy is needed. Numerous more direct options are available. If tax cuts are to be used, then they need to be targeted to lower and middle-income families that can be depended on to spend all or most of the monies received. Another option that has appeal for reasons mentioned in the previous chapter would be federal grants to states to make up for the cuts in state and local budgets. A favorite suggestion is to invest in infrastructure projects such as school repairs and renovations. The point here is not to advocate a specific spending target. There are lots of worthy options. Instead working families should simply insist that the supposed national commitment to full employment be taken at face value and hold elected officials accountable by adopting tax and spending strategies that are focused on job creation.
Obviously, there are limits to how much direct tax cuts and stimulus packages can do, if for no other reason that we have this enormous deficit to contend with. The next option, therefore, is to encourage existing firms to create new jobs. The tax system can help with this task. From time to time the Congress and both Republican and Democratic Administrations have provided tax credits to companies for investing in physical capital or research and development. This type of policy is often criticized for giving firms tax breaks to do what their business strategies would lead them to do with or without the incentive. Economists label this the “deadweight losses” associated with tax incentives. This is a real concern. But it has not stopped the Congress from turning to these options before. If it does so again in the future, there is no reason why the same tax credits or other suitable incentives should not be used to encourage and reward investments in human capital. So perhaps the basic rule here should be that if federal policy makers are willing to absorb the deadweight losses associated with incentives to invest in physical capital or research and development, they should be willing to do so for investments in human capital or actual jobs as well.

In a recent conversation about tax incentives, the CEO of one of America’s largest global communications’ company noted that just before the Berlin Wall fell his company invested significantly in a European country — lured there by significant tax breaks. The tax break became part of history as soon as the wall came down and the government changed. The economic calculus of his firm’s investment no longer made sense.

He used this example not to make a point about international affairs, but to illustrate why most business leaders, for good reasons, dislike the uncertainty associated with temporary tax incentives. They need to make long term investments based on certain cost and rate of return estimates. This CEO vowed never to make the same mistake again. Yet he
noted that government can influence business decision-making with permanent features of the tax code. This is one of the country’s most effective tools for better aligning the goals of business with the goals of national policy and the interests of workers and their families. Providing permanent tax credits for job creation or for education and training investments would go a long way to aligning business decision making with the stated goals of national policy.

**Inventing the Next Generation’s Knowledge Work**

Sound macro-economic policy is only a necessary starting point. A proactive approach is needed to ensure American industry stays on and pushes out the frontiers of science and technology to discover and create the next generation products, entrepreneurial companies, and jobs.

At MIT we know something about how to do this. Over the past thirty years, MIT has spawned over 4,000 companies that in turn have created over one million jobs. Many other progressive and innovative private and public universities can make similar claims. The University of Wisconsin prides itself in nurturing many of the bio-tech and medical instruments businesses growing up around Madison and for its reach to industries across the state through its network of state universities centers. The University of Texas has helped Austin to become a leading high tech center rivaling Silicon Valley and Boston. So have the public and private universities in the “research triangle” in the Raleigh-Durham, North Carolina region. Like many others, these universities put a high priority on linking their scientific and technological research to industry and to entrepreneurial networks. The hope is that out of these university laboratories and networks will emerge the future generation of Intels, Microsofts, Biogens, and Starbucks.

Something important, however, is missing in these networks. They tend to be enclaves of engineering and scientific inventors huddled with venture capitalists and other potential investors. As such, they focus mainly on the technical and financial requirements for creating and building new firms, carrying over the legacy and organizational design ideas of the past industrial age. They have not yet come to grips with the role that knowledge and human resources need to play in organizations today.

A Stanford research group has studied the origins and evolution of these entrepreneurial firms in Silicon Valley, the west coast’s paragon of innovation. They found that only a little over half (57 percent) of the founders of these firms built organizations around individual “star” knowledge and talent or gave primary focus to strategies for gaining competitive advantage through teamwork and employee commitment. The rest carried over the inherited organizational practices of autocratic, top down, and highly bureaucratic firms of the industrial age. So the transformation in organizational design and practice will not come about by osmosis. To get to this other half of the distribution to come into the modern era, we need to teach these would be entrepreneurs what it takes to create, build, and manage knowledge driven, innovative organizations.

The best way to teach this is to involve the professional workforce in these networks. The absence of their voice means that the investments in education and life long learning are not keeping up with changing technologies and skill requirements. So perhaps it is time to bring
knowledge workers together with leaders in their industries and with the academic institutions that will be producing the next generation of knowledge workers. As noted above, this networking and dialogue happens in some of the community clusters with universities that see it as their mission to foster new enterprises and engage entrepreneurs. We should be expanding the number of such university networks and ensure that we bring the workforce into these discussions.

Government’s role in this process is to provide the support needed to keep American universities the crown jewels of our educational system and, in return target sufficient portions of support to the development of these regional networks. In the early 1990s, Congress authorized funds to support “Manufacturing Extension Centers” that built on the legacy of the highly successful Agricultural Extension programs of an earlier era. Now is the time to apply this same model by creating Technical and Human Resource Development Centers that spread an understanding of how to integrate these complementary strategic assets in ways that foster the innovations needed to support a knowledge-based economy.

The Off-Shoring Scare

Can we still say to our children, as our parents said to us, “get as much education as you can and you will be sure to do well?” It used to be that knowledge intensive, professional and technical jobs were among the most stable. Now, however, increasing numbers of knowledge workers have unstable, “contingent” jobs as consultants. They also seem to be at just as much at risk to being shipped off-shore as lower skilled production jobs.

Last year, a team of IBM executives was overheard to say that the company will need to off-shore more jobs in the future because “our competitors are doing it and so we have to do it.” Several months later, the company followed through.44 This herding instinct has led Forrester Research, an information technology consulting and research firm, to estimate that America could lose 3.3 million information technology jobs in the next decade.45 This sends a chill down the spine of all professionals who wonder, “Is my job next?” And, if it prevails, it becomes a self-fulfilling prophecy resulting in a race to the bottom among companies seeking to minimize short-term labor costs. In doing so, they erode a strategic resource, not just for their company, but for the overall economy. So what appears to be good for any individual company may not, in the end, be good for the future of the economy! 46

The debate over off-shoring is in part one of whether the industrial era view of labor as a cost to be controlled will continue to dominate in organizational decision-making or whether business decision-makers will begin seeing knowledge and those who hold it as strategic assets. As will be argued in the next chapter, this debate is being played out in decisions made every day in organizations, yet the voices of those who would speak for knowledge workers are sorely absent or at best weakly represented in these debates. Before we can assess how working families might get their voices heard in these debates, however, we first need to understand how much of knowledge work is at risk of being outsourced or off-shored and how decisions about where and how to do it are being made.

Much of professional and technical work is organized and conducted in projects. Some of these involve cross-disciplinary teams. A product development team, for example, might include scientists, design engineers, manufacturing engineers, marketing specialists, and a
team leader responsible for integrating the different components of the development process. Within specialized fields, such as information technology (IT) a team may consist of specialists in areas such as hardware, software, specific domain or process specialists (e.g., experts at building systems for tracking trades through a financial market), and so on.

In addition to using regular employees, firms often use outside consultants on these projects, individuals who are either working on a temporary basis for the firm or as independent contractors. Some of the work may also be done outside the organization, either in the U.S. or abroad. Hence comes that new word we are all learning: “off-shoring.” This variety in employment relationships clearly has important implications for workers and for the managers and organizations that supervise and employ them. Matthew Bidwell, a recent graduate of our program, has been studying this question intensively in the context of IT projects in the financial services industry. He finds that many projects do indeed mix together regular employees and outside consultants and contractors working side by side under very different terms and conditions of employment. Often, the mix is driven by senior management’s desire to increase workforce flexibility by reducing the number of regular employees that they hire.

On the face of it, firms go to great lengths to differentiate the various groups of workers on their projects. Wages, fringe benefits, and promotion opportunities obviously vary. But so do more subtle aspects of work such as the nature of supervision. Managers are cautioned by company lawyers to avoid supervising contractors directly for fear of being labeled “co-employers” under the nation’s labor and employment laws. For the same reason, supervisors are cautioned to avoid training contractors. Some firms even exclude contractors from social functions and company communications so that if called upon to do so, their lawyers can point to a clear line between employees and contractors. Human resource departments in some firms try to limit the tenure of contractors to further protect the firm from co-employment liabilities.

In the reality of everyday project work, however, this line of demarcation gets blurred, often to the point of becoming invisible. Why? It all comes back to the role of knowledge. While sometimes outside contractors are hired simply to reduce labor costs and/or to avoid making a “permanent” commitment to new hires, many contractors are hired because they bring specialized professional or technical knowledge that the organization does not have in house. Bidwell’s work shows, however, that as contractors do their work they often acquire highly specialized knowledge that is critical to the firm. So, if the company has to downsize its workforce, lo and behold, front line project managers sometimes resist following the stated human resource policy of dismissing all contractors before they dismiss regular employees. Why? Often the knowledge that these “outsiders” possess is as, critical or more to the company as the knowledge of regular employees. Given the growing importance of knowledge as an asset, such considerations can dominate the more traditional questions of who is a regular employee and who is a consultant.

This scenario captures the reality of knowledge work and raises a number of questions that get right to the heart of the debate over how employment is changing in knowledge
intensive organizations. In particular, while senior management may focus on questions of relative labor costs and flexibility, the “real” nature of employment relationships are being driven by the nature of firms’ work systems, and the knowledge that they demand. There is a real risk that such dynamics will also shape the way that jobs are out-sourced and off-shored, if these workers are evaluated solely on the basis of relative costs rather than the current and future value of the knowledge these workers carry. Thinking only short term about relative labor costs risks throwing the baby out with the bathwater. Companies may be saving dollars today but dissipating the knowledge assets needed to be competitive in the future.

These are tough strategic issues and choices for companies, especially in a hyper-competitive global marketplace. It is hard, given the immediacy and intensity of the cost pressures facing managers, for them to give appropriate weight to considerations of whether the organization is protecting and developing its knowledge base for the future. After all, from the point of view of any specific manager, “the future is someone else’s problem; my budget constraints hit me today!”

There is a voice missing from these debates: the knowledge workers themselves. Their voice is important for two reasons. First, it can help to make sure that companies really are making decisions that are in their long-term interests. They can help to explore important questions such as:

- What are the cost differences between doing this work inside or outside, in the U.S. or abroad?
- Are the total costs or just simply hourly labor rates being considered in making this decision, or even worse, is just some headcount reduction or algorithm driving it?
- Is the knowledge that project team members bring to the task central and strategic to the firm today and in the future and therefore a capacity that needs to be developed in-house, or is it so routine and based on standard knowledge that it can be purchased outside at the lowest total cost (including the management and coordination costs associated with integrating the work into the company’s core activities)?

Too often only the first question in this list is asked. And because these decisions are made separately, one organization or even project at a time, we are not asking these questions at an industry, occupation, regional, or even national level. Creating a broader dialogue on these topics can help to ensure that these hard questions are properly addressed. Taking the broader perspective of the economy, one might ask: Is this work strategic to our ability today and tomorrow to stay on the cutting edge of technology and innovation?

Engineers at Boeing have begun to raise this question about their company’s decision to off-shore big components of engineering work to competitors in other countries. This is known in the aerospace industry as “offsets.” That is, Boeing feels it has to place portions of work for products it wants to sell to foreign customers in their country. Sometimes this is an explicit condition of getting foreign contracts. Sometimes it is implicit. Sometimes, it is little more than an outright bribe to secure the support of foreign governments or customers. But the engineers’ concern, in addition to their obvious concern about job security,
is that offsets are increasingly giving away Boeing’s proprietary technologies and knowledge that heretofore was part of the company’s competitive advantage.

Whether or not this is the case cannot be determined without much more detailed information and analysis. But this is precisely the type of strategic analysis that should be going on inside Boeing and any other company when it considers whether work should be done inside or outside the company’s boundaries, by company employees, independent contractors, or outside suppliers. If Boeing engineers had access to this type of information, they could both challenge HR executives to make rational decisions and, even more importantly, work with managers to figure out what changes could be made in how the work was organized, to make it competitive with outside options. This is the difficult, company-by-company work needed to make sensible decisions that find the right balance between controlling costs and protecting and further developing the strategic knowledge assets of the organization.

Just as important though, including the voice of the workers can ensure that these decisions will take the interests of the workforce into account alongside those of shareholders. Involving them would lead to questions such as:

- Am I treated and paid fairly regardless of whether I am employed as a “regular” employee or as a “contractor”?

- Does this work allow me to learn the skills and develop knowledge that will keep me marketable within this organization and in the external labor market?

- Has my employer made implicit promises to me that if I invest my skills and assuming the company continues to survive and prosper I will continue to have a job?

There are good reasons to be asking these questions. Isabel Fernandez-Mateo, another of our recent graduates, has studied the wages paid to highly skilled contract workers. She finds significant variations in wage rates for comparable workers that vary in part based on how close the relationship is between the temporary help agency and the host employer. Clearly, these temporary agencies know who are their important clients!

My fear is that by not engaging this full set of issues, we are heading unconsciously toward the default solution of outsourcing and off-shoring work today — dissipating knowledge assets that could help keep America competitive and provide good jobs in the future. In the process, we ignore the efficiency and equity consequences of treating people differently who work side by side doing very similar, if not equivalent, work. The old principle of “equal pay for equal work” seems to be a thing of the past!

Workers need to put this broader set of questions on the table in their organizations, industries and professions, and on the national stage. Answering them is critical to making the transition from the industrial view of labor as a cost to the knowledge economy view of labor as both a cost and an asset. The debate over off-shoring is alive inside corporations and in society. It just needs to be reframed and opened up, for the benefit of working families and the economy!
The Future of Manufacturing Jobs

Blue collar guys without a lot of skills were never going be rich. We knew we’d have to work until 62 or so. And we always understood that,” says Paul Soucy, president of United Steelworkers Local 2285, who put in 25 years at Wyman-Gordon, his father and his uncles more than 40 years apiece; his brother is working there still. “What I don’t understand is why people don’t get what’s happening to us now. We’re Middle America. We’re what makes America go. We’re the ones buying the cars, keeping the local stores afloat, trying to put our kids through college and provide for our families. We’re the core of America. And it boggles my mind that we’re under attack.


What, if anything, can be done about the loss of good manufacturing jobs? Paul Soucy had one of the two million that were lost in the last three years alone. The percentage of the workforce employed in manufacturing has declined from 17 percent in the mid 1980s to about 14 percent in 2003. With each manufacturing job lost, some semi-skilled, blue-collar worker and his or her family takes a significant drop in income, living standards, and long-term financial security in large part because the replacement jobs available to these workers in the service sector do not pay as much.

This was brought home to me in a very personal way one morning on my drive to work. My daily driving companion, National Public Radio, came on with a story about the closing of a mainstay manufacturing company in Manitowoc, Wisconsin, the hometown of my youth and where many in my family still live. A partial transcript of the report is provided in Figure 4-2.

This all sounded much too familiar. I closed my eyes and heard my father’s voice some nearly 50 years ago saying: “don’t depend on farming — there is no future in it for you. Go to school and go where the jobs are.”

Are we in the same place today in manufacturing as we were in farming 50 years ago?

Yes and no. Yes, the percentage of jobs in manufacturing will probably continue to decline gradually, but probably not to the three percent level as is the case in farming today. And, if we continue to invest in new technologies, the manufacturing jobs that will remain in the economy will be more productive and therefore higher paying, safer, and less physically arduous than the jobs lost.

The big difference between the loss of farming jobs and the loss of manufacturing jobs is that the generation that moved off the farms to other occupations could look forward to wage and income improvements in making the transition. The reason was the economy and its working families were jointly prospering from having in place that old social contract. Displaced farmers could go to work in good paying jobs like the ones lost when Mirro shut its doors. And the farmers’ children could go to excellent public high schools and public universities to get the education needed to make a better life for themselves and their future.
It is this virtuous intergenerational cycle that must now be replicated as we make the transition from the industrial to the knowledge-based economy!

Some of the components of a transition strategy are mentioned in the Manitowoc story — a good community college that provides training in health care jobs in high demand; an entrepreneurial start-up by local people to recapture parts of the lost business (even better if in markets that are growing and sustainable), and a determination to evaluate candidates for the job creation programs they offer.

But more is needed. One concern I have had for years about my home town is that it did little to bring business, labor, community, and education leaders together to adjust to what
has been a twenty year decline of good manufacturing jobs in the region. This has to be a key part of the strategy.

Sean Safford, one of our PhD students, has studied how once thriving industrial communities that hit on hard times as their industries declined have reacted. His tale of two cities, Allentown, Pennsylvania and Youngstown, Ohio is summarized in Figure 4-3. The key point in his story is that in Allentown, a rich and diverse network of community, civic, business, labor, and government leaders worked together to encourage new business investment, accept new industries, and move on together. In contrast, similar network-like efforts were tried in Youngstown, but those involved tended to be more tightly tied to the old elite and the old industries and spent more time trying to rearrange the chairs on the deck of a sinking ship rather than look outward for new opportunities. As a result, Allentown adjusted successfully; Youngstown did not. The lesson here should not be lost: If we want to look to and plan for the future, we need to engage and involve directly all those who will inherit the future!

But this sounds insensitive to the current workers and families who are now losing the good manufacturing jobs? What can be done to help them? This is a tough problem with no easy answers, as much as our politicians would have us believe. Neither my ideas nor anybody else’s, including the various politicians putting forward proposals on this, are going to eradicate totally the wage losses these workers experience. Instead, we would be better off dealing with the costs to their families by (1) continuing their health care coverage, (2) protecting their pension investments, (3) providing tuition and other financial assistance to their children so that they can (to use my father’s words) “get the education they need” to achieve a better life, (4) making sure that the displaced workers can negotiate the types of severance and adjustment packages that leading companies offer to some of their employees or that the strongest unions and companies have negotiated in collective bargaining, and (5) ensuring that these displaced workers can carry some of these benefits to their new jobs, continue their union representation, and use the union representation to begin the process of negotiating gradual improvements in wages, benefits, and conditions on these jobs. That is a realistic plan for working families caught in the transition from the declining industrial to the growing knowledge-based economy!

Trade: Scapegoat or Savior?

As I was drafting this chapter, I got a call from a former student now working for a leading consulting firm. He wanted suggestions for how to advise his client, a mid-sized manufacturing firm in the Midwest, on how to approach its employees and union to negotiate wage and work rule concessions as an alternative to moving the plant and jobs to Mexico.

The good news in this example is that the parties are now talking about whether and how these jobs can be saved. The bad news is that these types of discussions are happening so frequently.

No discussion about jobs can be complete today without engaging the questions the public has about the effects of international trade on jobs. Economists of all persuasions agree that in the long run increased world trade is good for all economies, including ours. But
Figure 4-3

A Tale of two Cities: Allentown and Youngstown

Allentown, Pennsylvania and Youngstown, Ohio both prospered as centers of manufacturing in the mid-20th century. But in the last several decades, they have been forced to undergo painful transformations as large manufacturing operations pulled up stakes and moved south. Allentown has been successful in making this transition. Youngstown has not. In 2003, Allentown’s unemployment rate was 4.8 percent compared to 6.8 percent in Youngstown. Average wages in Allentown were 10 percent higher than Youngstown’s. Thirty-one entrepreneurial companies in Allentown had garnered $1.8 billion in venture capital funds compared to 15 firms and just $280 million in Youngstown. Allentown’s population grew by 35 percent since 1980 while Youngstown’s declined. In the recent economic downturn, Allentown has retained many lucrative jobs as firms have consolidated operations into the region while Youngstown has suffered further job losses as more production has slipped away to the American South, Mexico and more recently, China. What accounts for the difference?

Ask anyone in the city to cite one of the reasons for Allentown’s success and they are likely to point to the Ben Franklin program, a collaboration between universities and local industry to spur innovation, entrepreneurship, and new company formation. The program has produced 23 such companies since its inception contributing over 5,000 high end jobs to the local economy. However, my research shows an even more important role Ben Franklin has played is as a focal point for community building among local companies, government officials, universities and labor leaders.

Why did Youngstown fare poorly in its efforts to make a post-industrial transition? The main thing I found lacking there was the ability to bridge across major divisions within the community. When steel manufacturing—the city’s core industry—declined, non-steel related companies were not included in the process of looking for solutions. Neither was labor, nor many of the city’s major suburban leaders. Each of these constituencies ended up developing their own plan of action in the wake of the city’s decline and competed with each other to achieve their own narrow goals. There was no mechanism for them to engage each other’s interests; no way for them to forge new relationships to the rest of the community.

The key lesson seems to be that to adapt to the changing economy, civic leaders have to overcome the divisions between large and small companies, between various ethnic groups, between suburbs and inner cities, and between labor and management, all of which reflect their industrial legacy.


don’t try telling this to the workers and families who are watching their jobs go abroad. The gap between the theoretical macro-economic benefits and the real costs trade imposes on individuals and communities has to be closed if we are to avoid a negative political backlash to free or fair trade.

The type of family adjustment policy outlined above for coping with the loss of manufacturing jobs is a starting point. Ensuring that basic human rights are protected in trade agreements and enforced is a second step. Figure 4-4 lists the core human rights adopted by the United Nations’ International Labor Organization as the minimalist conditions human rights and employment standards that should be present in all paid workplaces. These will not close the labor cost differences between high and low wage countries. But including them in trade agreements and developing meaningful ways of enforcing them will ensure that jobs that move to lower cost countries serve as a means of improving the human rights and the standard of living of the global labor force.
A third step is to hold companies accountable for the employment standards of contractors in their global supply chains. Nike and other apparel companies learned the hard lessons that come from being signaled out for violating basic human rights and employment standards. As Phil Knight, Nike’s CEO once complained, “the Nike product has become synonymous with slave wages, forced overtime, and arbitrary abuse.”49 By using newspapers, TV, and the internet to expose abusive practices in contractor shops in Pakistan, Vietnam, and other countries, a coalition of “non-governmental organizations’ (NGOs), student groups, and labor activists succeeded in convincing Nike to take responsibility for the employment standards and working conditions of contractors across its full supply chain.50 This is an example of what can be done, not to stop or block world trade, but to make sure that its full costs are absorbed by those who benefit from it and that the benefits are shared by all who help produce them.

**A Fair Day’s Work for a Fair Day’s Pay**

It is not enough just to create a sufficient number of jobs so that all who want to work are able to do so. There is equal concern in society about the quality of the jobs we produce. Have we abandoned the simple notion that a fair day’s work should produce a fair day’s pay? That principle was solidly grounded in the old social contract that now seems to have broken down. The notion of a “living wage” is also deeply rooted in our religious doctrines. Pope Leo XIII first endorsed the concept of a living wage in his famous 1891 encyclical *Rerum Novarum* when he wrote that all people who work should be paid at a level “required in order to live.”51

The principle that workers’ wages should grow in tandem with productivity and firm profits became generally accepted in collective bargaining following what Fortune Magazine called the “The Treaty of Detroit” in 1950 in which General Motors agreed to a three percent wage increase to match the trend in productivity growth plus an “annual improvement factor” to adjust for changes in the cost of living.52 That basic principle then guided the parties for many years in the auto industry and other industries that adopted this wage setting principle.

Future historians will very likely look back on the last two decades of the twentieth cen-
tury as the time that America lost sight of these basic wage setting norms and principles. Three things will stand out when this history is recorded:

- Wages for median workers stopped growing, and up until the final years of the booming 1990s had actually declined.
- Income inequality grew throughout the 1980s and even in the booming 1990s to the point that by the year 2000, the top five percent of families in America earned 21 percent of the income and the bottom 20 percent earned only five percent of total income.
- In 2000, young families started out with about $1,700 less real income than did their counterparts in 1979 and, if the trend of the past two decades continues, could expect their incomes and living standards to improve much more slowly than families of prior generations.

Given these trends, it is surprising that there has not yet been an explosion of pressure to increase wages. That explosion is likely to come soon, when young families realize they are working harder today for less than what their parents achieved.

We can wait for this explosion or working families can call on basic moral principles and demand a living wage and gradual improvement in their standards of living.

Like the other problems facing working families, there is no single strategy or solution to how to get wages moving in the right direction again. But the starting points of a strategy have already been identified in the last chapter — building a knowledge-based workforce and using knowledge as both a source of power and a means of adding value to the economy. Using this and other sources of power that will be discussed in later chapters will require workers across the full occupational spectrum to gain a new voice at work and to demand a new transparency in organizations so that all decisions, including compensation decisions, can stand up to the simple norms of fairness Americans continue to hold for wages, layoffs, and other employment practices. It is the young, mobile, and well-educated employees and their families that will have to be on the vanguard of this movement, since they have so much at stake.

What about Low Wage America?

A century ago Upton Sinclair’s novel *The Jungle* made Americans aware of the unsafe and unsanitary work and inhumane treatment of workers in the emerging industrial economy. His classic novel about Chicago meatpackers and their family and community lives brought their appalling condition to the attention of the public. It was then up to the social reformers of the day — the earlier industrial relations researchers and leaders of the Progressive Movement — to invent the institutions and policies eventually embodied in many of the New Deal reforms.

Today we find ourselves with a similar challenge with respect to the low-end jobs in the service sector. We even have several modern day Upton Sinclairs, although this time the books bringing to life the harsh conditions of low wage work in America are not novels, but are based on real people doing real jobs.

Barbara Ehrenreich’s *Nickled and Dimed* reports the experiences of a middle class woman who tried to live off earnings of low wage service jobs. She chronicles her experi-
ences in moving from town to town, taking jobs in housecleaning, restaurants, retail stores,
and nursing homes, each time comparing her temporary and self-inflicted indignities and
frustrations with those stuck in these jobs. She ends her account by noting our responsibil-
ity to the working poor:

When someone works for less pay than she can live on — when she, for exam-
ple, goes hungry so that you can eat more cheaply and conveniently — then she
has made a great sacrifice for you, she has made you a gift of some part of her
abilities, her health, and her life. The ‘working poor,’ as they are approvingly
termed, are in fact the major philanthropists of our society. (p. 218)

Beth Shulman’s The Betrayal of Work55 reports the stories of low wage workers with the
experienced eye of a former union leader who represented people in many of the types of
jobs held by the people she interviewed. She calls for society to agree on a new set of prin-
ciples — a compact with working Americans that, in her words, has a clear and simple pur-
pose: “workers should be treated fairly and have the resources to provide for themselves and
their families.” (p. 149)

David Shipler uses his reporter’s ability in The Working Poor56 to tell the stories of work-
ers and families who cannot seem to escape their poverty even by putting in long hours,
often working multiple jobs, and battling all the health, housing, safety, and other family
problems that go along with being poor in America. He notes that eliminating the need for
the term “working poor” will take a coordinated private and public sector effort that treats
these problems together rather than as separate or isolated issues. “The term ‘working poor’
should be an oxymoron. Nobody who works hard should be poor in America.” (p. ix)

Katherine Newman’s No Shame in My Game57 brings an anthropologist’s perspective to
the family struggles of the working poor in Harlem and shows vividly that most of the peo-
ples living and working in our inner cities aspire to and are willing to work hard for the same
things as middle class families. They want a living wage, education for their children, and
the dignity and respect we all expect as the just reward for working hard.

In Low Wage America58, Eileen Appelbaum, Annette Bernhardt, and Richard Murnane
and a team of researchers assembled by the Rockefeller and Russell Sage Foundations doc-
ument the fact that 34 million people work full-time for less than $8.70 an hour, the hourly
wage rate needed for a family of four to reach the poverty level in America today. Their
industry-by-industry analyses show that there is variation in how work is organized and
how employees are managed and treated, even in “low wage” service and manufacturing
industries. This gives us some hope that managers can learn and adapt practices that can
make a difference in these jobs and the lives of workers.

Together these books should not just awaken, but also embarrass Americans, just as
much as Upton Sinclair and his fellow muckrakers embarrassed early industrial America.
The question is, what can be done about jobs that currently do not pay a living wage or that
treat workers in ways that violate our basic values of dignity and fairness, and that seem to
leave those who are stuck in these jobs with little hope for the future?

There are no immediate fixes or easy answers here any more than there are easy solutions
to the loss of good paying manufacturing jobs. But neither are we without options or strategies. Many of the manufacturing jobs of Sinclair’s time were transformed by the passage of minimum wage, industrial safety and health, wage and hour, and collective bargaining laws and by progressive managers and labor leaders determined to do better. Can we not imagine and mobilize a similar combination of sensible public policies and private sector leaders and innovations to do the same for today’s low wage workers?

The mix of tools that need to be brought to bear on this task are readily apparent. They include:

• Sustained macro-economic growth is the starting point. It took years of strong economic growth and tightening labor markets, from 1992 through 1995, before wages at the bottom of the labor market began to rise. Over the next five years, while the boom lasted, wages grew more rapidly for those at the bottom than they had in years and more rapidly than for most higher wage workers. So a strong economy is the best friend, indeed, a necessary ally, in the effort to upgrade low wage jobs. But, while necessary, it is far from sufficient since, as we have seen, the economy is not immune from business cycles. Wage growth at the bottom stalled again in recent years. Something more is needed to continue the momentum for upgrading low end jobs during bad times as well as good.

• The experiences of moving people from welfare to work in the late 1990s shed some light on what else is needed. The evidence, mentioned briefly in the previous chapter, shows that the chances that single parents who go to work will move their families out of poverty are greatest when job opportunities are combined with education and training and with family and child support. So once again, the link between family and work is brought home!

• Two policy instruments are clearly central: minimum wage legislation and a provision of tax law called the Earned Income Tax Credit (EITC). Both of these have key roles to play in setting a floor on wages and on family income.

• The traditional economic view of service work is that it is destined to be low wage because it is so labor intensive and requires few skills. While there is considerable truth to this view, some jobs are being transformed by creative integration of advances in information technology, employee training and education, and changes in the way work is organized. Farm work changed as it became more capital intensive and informed by better information and management methods (compare the behemoth tractors, combines, and plows and the modern mechanized processes used for feeding and milking cattle used in farming today with the miniature, noisy, and more dangerous machinery of the laborious chores of my youth). Advances in information technology and work design now offer the same potential for upgrading many low wage service and manufacturing jobs.

• The craft unions of Sinclair’s day thought it was not possible to organize and upgrade the jobs of unskilled production workers. Today, a number of unions are hard at work trying to organize and represent low wage workers, in both traditional ways, and by working in coalition with community, religious, and family advocates. These efforts will need to be successful if the campaign to eliminate the worst labor conditions in America is to be sustained through good and bad times.
The mix of managerial, community, labor-management, and public policy instruments that need to come together to upgrade low wage jobs will be outlined individually in subsequent chapters and brought together in Chapter 8 when we outline a working families’ agenda for government policy. For now it is sufficient to note that none of these private or public policy initiatives will take place unless working families across the full spectrum of the occupational and income distribution recognize that we have a common stake and a moral responsibility to take up this challenge. Our modern day Sinclairs — Barbara Ehrenreich, Beth Shulman, David Shipler, Katherine Newman, and Eileen Appelbaum and colleagues — are doing their job in bringing these conditions to our attention. Now it is our turn to act.

Summary
What would a comprehensive working families’ agenda to create and sustain good jobs for “all Americans who want to work” include? Here is set of elements to consider.

• Macro-economic policies that are directed at achieving the full employment goals enshrined in our national policies, but too often traded off for other seemingly higher priority economic objectives. The specific tax, fiscal, and other human resource policy instruments chosen need to reflect the economy as we find it at any given point in time. The key is to keep job creation at the top of the public agenda and hold policy makers accountable for delivering on this objective.

• Permanent changes to the tax code to reward job creation and investment in education and training.

• Investment in research and development and basic research in our universities and in building inclusive networks that link those generating new ideas to the entrepreneurs who will build the next generation organizations and the professional employees who will staff them.

• Going beyond the current rhetorical debates over off-shoring by engaging business decision-makers in a dialogue over whether we are preserving or giving away our future knowledge assets and sources of competitive advantage in pursuit of short term cost savings. This will require professional employees to raise their voices on these issues in organizations!

• Adjustment and transition strategies focused on helping working families caught in the transition from the industrial to the knowledge economy by focusing on meeting their ongoing health insurance, retirement, and educational needs.

• Integrated private and public efforts to upgrade conditions in low wage jobs to ensure they provide a living wage, dignity, and opportunities to learn and advance — the features all Americans expect and deserve from work.
Suppose American young people, parents, and citizens do their part and provide the business community and economy with the knowledge-based workforce both need. Can workers be assured their knowledge and skills will be translated into good, sustainable jobs and careers in the organizations of the future? Not necessarily. It all depends on the outcome of a largely invisible and often only implicit debate underway within American corporations. The battle is over whether or not companies will make the transition from industrial era, finance dominated, command and control, and shareholder maximizing corporations of the 20th century, to knowledge-based and human capital centered corporations of the 21st century. Or to state the two polar positions in the debate: Are workers to be viewed and treated as costs to be controlled or as strategic assets in which firms invest, develop, and protect?

This debate has both a soft and a hard side. Both are real and must be engaged directly by working families if they are to trust, prosper, and use their knowledge and skills to add value to the organizations that employ them.

MIT Professor Douglas McGregor perhaps best described the soft side challenge over 50 years ago in his classic study of *The Human Side of the Enterprise*. By comparing what he called Theory X and Theory Y perspectives on employee motivation, he challenged managers to reexamine their assumptions about the motivations employees bring to their jobs. The question was: Could employees be trusted and empowered to do good work or did they have to be closely directed, monitored, and controlled to act in the interests of the firm?

The recent corporate scandals, and their root causes, illustrate what is at stake on the hard side of the debate, namely the issues of the underlying purposes of the modern corporation, who has a voice in its governance, and how should the risks and rewards generated by the organization be shared among shareholders, employees, and other stakeholders.

**The Soft Side Challenge: Rebuilding Trust**

McGregor’s question is perhaps even more relevant today than half a century ago. Trust is an essential, necessary feature for the full potential of a knowledge-based organization to be
realized. Without it employees will neither use their energies, nor share their knowledge and experience with others or with the organization, and thus limit the ability of firms and the overall economy to push out the frontiers of discovery and innovation. Unfortunately, many of the principles of the 20th century industrial corporation were designed using Theory X assumptions that make the workplace a low trust zone!

Management principles stemming from the era of Frederick Taylor’s scientific management and then embodied in labor laws of the 1930s separated people at work into two distinct classes: production workers, mostly paid on an hourly or piece work basis and supervisors and managers who were paid on a salaried basis. These two groups were assumed to have separate loyalties — workers would be loyal to themselves and their families, peers, and union, and supervisors and managers would owe their loyalty and allegiance to the company. With this division came different legal rights and status — workers were covered by wage and hour laws, particularly overtime protections and their rights to join a union and engage in collective bargaining. Supervisors and managers were “exempt” from overtime coverage and from collective bargaining rights. The adversarial assumptions built into these distinctions further reinforced the tendency for a low trust-high conflict cycle to become the norm in organizations.

Anyone working today will recognize how dysfunctional, and in some cases out of touch with how work is really done, these 20th century organizational and legal principles are. But they persist, both as the law of the land and, in some cases, organizational practice.

Now consider the rhetoric in the contemporary literature on organizational behavior and management practice. As the list of attributes cited in Figure 5-1 suggests, the 21st century organization should be highly networked — that is, people should be interacting with each other in cross function teams to speed the process of innovation. Decision-making authority should be delegated to front line employees to empower them to solve problems and foster continuous improvement in operations and delivery of services to customers. Employees should be encouraged to use their discretion to solve problems and generate ideas. Supervisors should be mentors, coaches, and resources; those closest to the actual work know best how to do their jobs. And as Arlie Hochschild pointed out, when workers come to work they want a positive social environment where they can develop friendships, engage others constructively, and perhaps even escape some of the tensions and hassles felt in their family lives! One need not agree with all of her views on this, but her main point resonates with most of us. We want a hassle free work environment where we are trusted, treated with respect, valued for our ideas, and given an opportunity to contribute to the success of our organizations.

Is this just rhetoric, an idyllic and unrealistic view of work today? If we are to gain value from human and social capital, this idyllic and rhetorical view has to be translated into the reality of everyday organizational life. As McGregor and the host of organizational behavior scholars who came after him stress, it all rests on trust. But to build and sustain trust requires more than just enlightened management. It will require a fundamental and comprehensive transformation of how work is organized and the roles that employees play in
organizations, a rethinking of basic processes of leadership and governance, and a redefinition of the goals of organizations. This is what it will take to build sustainable, value added organizations that benefit shareholders, employees, and their customers.

Trust is a two way street. Employees have to do their part. The old (maybe outdated) phrase of giving a “fair day’s work for a fair day’s pay” still holds, only today we might revise this adage a bit to note that knowledge workers need to share ideas and expertise with others at work and be willing to work effectively in teams. In return, organizations and their managers have to be willing to respect employees and reward them for the contributions they make to the goals of the enterprise.

Perhaps no organization better illustrates the low trust, command and cost control mentality in America today better than Wal-Mart. It is all the more instructive because Wal-Mart has been so highly successful, now reaching the distinction as the country’s largest private employer. But there is growing recognition, and some increasing public outcry, over how

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**Figure 5-1**

**Organizational Design Principles for 21st Century Organizations**

- Organize around cross-functional core processes, not tasks or functions
- Install process owners or managers who will take responsibility for the core process in its entirety
- Make teams, not individuals, the cornerstone of organizational design and performance
- Decrease hierarchy by eliminating non-value-added work and by giving team members who are not necessarily senior managers the authority to make decisions directly related to their activities within the process flow
- Integrate with customers and suppliers
- Empower people by giving them the tools, skills, motivation, and authority to make decisions essential to the team’s performance
- Use information technology (IT) to help people reach performance objectives and deliver the value proposition to the customer
- Emphasize multiple competencies and train people to handle issues and work productively in cross-functional areas within the new organization
- Promote multiskilling, the ability to think creatively and respond flexibly to new challenges that arise in the work that teams do
- Redesign function departments or areas to work as ‘partners in process performance’ with the core process groups
- Measure for end-of-process performance objectives (which are driven by the value proposition), as well as customer satisfaction, employee satisfaction, and financial contribution
- Build a corporate culture of openness, cooperation, and collaboration, a culture that focuses on continuous improvement and values employee empowerment, responsibility, and well being.

Wal-Mart treats its employees. Over the past two years, newspaper stories have exposed the company for shorting employees of overtime pay, discriminating against women, firing workers who attempt to organize a union, and incredibly, locking the doors at night to keep employees from stealing products (or getting out if they need to for good reason)! Figure 5-2 contains several letters to the editor of The New York Times after the newspaper ran a front page story exposing this at Wal-Mart. One reader goes so far as to suggest this story sounded like something out of the 19th, not the 20th, century! Command and control is alive and well in at least one of America’s most “successful” enterprises!

So McGregor is as right today as he was 50 years ago. Trust is a key building block of the knowledge-based organization. Building and sustaining trust is a two way street. A key element of the new social contract at work is that employees commit to using and applying the knowledge they bring to work by working collaboratively in modern day teams and networks and in return supervisors and executives trust employees to get the work done in ways employees decide are best suited to meeting the needs of their organization and their personal and family lives. This would be a good foundation to build on indeed! But it is only a starting point. Next we need to organize work in ways that use and combine the knowledge people bring to their respective jobs. Let’s look at what it takes to do so both for front line employees and for those in professional and technical jobs.

**Knowledge Work Systems on the Front Lines**

“In today’s global world all citizens must become the next generation’s intellectuals.”

—Kim Dae Jung, former President of South Korea

Too often the term *knowledge worker* is viewed as limited to only our most elite professionals. President Kim Dae Jung got it right. The reality is that all workers in advanced nations are at risk from lower wage competition so all workers, from technicians and professionals to front line manufacturing and service employees, need to use their knowledge and skills to full advantage. To do this, organizations need to build what are called “knowledge-based work systems.”

American industry is learning how to do this, largely by trial and error and from a generation of academic-industry research on workplace innovations for front line employees and project based management. We’ll start with the front line story.

It all started in the auto industry in the early 1980s, when Toyota, GM, and the United Auto Workers transformed one of GM’s most inefficient, conflict ridden plants and labor management relationships into the most productive, high quality, and model labor management partnership in the industry. They did so by matching the Toyota Production System with a no-nonsense, but high trust, team based, and flexible work environment that empowered workers to use their knowledge and skills to improve operations and then rewarded them with good paying, secure jobs. The plant they call NUMMI (New United Motors Manufacturing Inc) set the standard and became the icon for innovative manufacturing that integrated technology, human resources, and organizational policies. As a result, NUMMI reemployed over 2,000 workers in 1982 who were laid off when GM closed the Fremont,
California plant and has sustained this level of employment (and plant performance) for twenty years. This set the standard for the rest of the auto industry and became a learning laboratory for similar innovations in other industries.

What NUMMI was to autos and manufacturing in general, Southwest Airlines is to the airline industry and the service sector. Like NUMMI, Southwest has performed as the nation’s most consistently profitable carrier and most highly acclaimed company to work for because it focuses like a laser on the task of turning its planes around quickly in airports. To do this successfully, it needs a highly motivated, knowledgeable, committed, and coordinated workforce.

A visit to Southwest’s corporate headquarters will take you down a hall with pictures of family events, picnics, and other celebrations. The symbolism is backed up in practice.

Southwest values families and tries to make its workplace resemble a family atmosphere and be a fun place to work. This is a key part of its business strategy. Southwest could not succeed if people did not trust each other or the company and were constantly in fear of losing their jobs or being forced to take deep wage and benefit cuts, as have workers at most other major airlines.

Both NUMMI and Southwest are highly unionized organizations. They break the stereotyped argument that unions are dinosaurs of a bygone industrial era that have no future in a knowledge-based economy. But they also demonstrate that traditional, adversarial union management relations are no longer viable. Both cases illustrate the potential power labor and management have when they work together in partnership and apply what we know is needed to build state-of-the-art production, service, and labor management systems. I will have more to say about this later when we discuss how to build the “next generation labor unions.”
Will Industry Learn from NUMMI and Southwest?

The good news is that American industry has leading examples like NUMMI and Southwest to learn from. The bad news is that many companies have been slow learners. Part of the reason for this slowness is that employees have not raised their individual or collective voices to insist that these state of the art approaches be adopted at their workplaces. Their voice needs to be heard on this — both in pressing managers and, where present, union leaders to get on with the job — their jobs and their company’s survival may depend on it!

Consider airlines. Southwest has been successful for twenty years in an industry that has been plagued with some of the worst labor relations in the country. Given this, one might think other companies would learn from Southwest. Some have, but most have not (yet). Continental has, but only after two bouts with trying to compete by slashing labor costs and decertifying its employees’ unions. That was the strategy that Frank Lorenzo brought to Continental in the early 1980s and that failed so miserably. Lorenzo was eventually banned from the industry by court order (he had been found to be cooking the books as he took over and ran into the ground former airlines like Eastern, Peoples Express, Frontier, as well as Continental).

In 1994, following a second round in bankruptcy court a new management team decided to try a different strategy at Continental — one that was based on a very simple notion: rebuild trust with the workforce on a day to day basis, carry over these same open and honest approaches to collective bargaining and labor relations, and the people side of the company will add value to airline operations and the bottom line. At the same time, Continental has sought to avoid falling into old traditional labor relations patterns with rigid work rules that add costs and make it difficult to serve customers well. It also has increased wages gradually over the years and has avoided the big swings in compensation of its pilots and other employee groups that one has seen at competitors such as United, US Airways, Delta, and Northwest.

Continental, like other large network carriers, continues to struggle to survive and prosper in this turbulent and uncertain industry. But, at least for the past decade, it has served as a poster child of a firm determined to find the appropriate balance between treating employees as valued assets and partners in growing the business and as costs that need to be kept under some reasonable control. While not immune from the perilous state of the airline industry since the 9/11 attacks, Continental has both become profitable again and has joined Southwest as the only other airline to be listed by Fortune Magazine among the “top 100 places to work.” It has made the high trust model work in a very difficult industry environment largely by being honest and straightforward with its employees and the union leaders who represent them.

Meanwhile, the other major network carriers continue to have highly adversarial labor-management relations, even as some of them and their union counterparts march like lemmings toward liquidation or dissolution. Only recently have the companies and unions and the industry more broadly begun to discuss what needs to be done to turnaround labor-management and employee relations to support the survival and recovery efforts.
JetBlue’s strategy was to combine common sense with innovation and technology to “bring humanity back to air travel.”... [David] Neeleman wanted to set up a new kind of airline; one that would leverage technology for safety and efficiency and with a commitment to people.65

JetBlue Airways has learned from Southwest. Jet Blue was founded in 1999 by a team that included several former Southwest executives and has very quickly built a rapidly growing, low cost airline around many of the business and employee relations strategies used at Southwest. Since it began operations with lower wage and benefit costs than older and larger airlines, it has a double advantage. This serves to intensify the need for existing airlines both to cut costs and accelerate the pace of change and improvement in employee and labor relations.

My colleagues and I are working with an industry-wide labor-management-government group to accelerate the process of learning and change. Figure 5-3 summarizes some of the lessons these leaders have learned from their experiences in trying to adjust to the harsh eco-

Figure 5-3
Lessons from Experience: The Airlines

Among the key lessons industry and labor leaders indicated they took away from recent restructuring negotiations were:

1. Open honest communications and information sharing were critical to successfully concluding recent crisis negotiations. The same will be true going forward in future negotiations.

2. Agreement on a costing methodology facilitated negotiations where it was present and held up negotiations where it was not. Pre-negotiation agreements on a common approach to costing proposals and options should become a standard bargaining practice.

3. Reaching agreement with any single employee group was contingent on negotiating or implementing agreements that called for shared sacrifices from other employee groups, including non-represented employees, managers, and executives. Where this principle was violated, agreements were either held up or rejected by employees. This suggests that any future compensation adjustments will likely receive the same cross-occupation within-company scrutiny and have to meet the same test of fairness.

4. In times of extreme crisis, it is important for a firm to have a clear and single target for what reductions in costs are needed while being flexible and responsive to input from union representatives in how different elements of cost reductions are arranged. Having to return for more than one round of cuts because the initial target is not sufficient reduces credibility of the management and labor leaders involved and makes acceptance/ratification extremely difficult.

5. Bargaining in the age of the internet is an open and public process with information, false or accurate, often communicated to employees almost immediately. Future bargaining processes will need to have an agreed upon strategy for how to communicate with constituents and other interested parties to keep them accurately informed.

6. Improving labor relations requires a consistent approach to how people are treated on a day-to-day basis and in the negotiations process. Effective and timely negotiations will not be realized unless a culture of high trust has been achieved at the workplace.

nomic climate they face. But progress is slow, and perhaps too incremental and limited to make a difference. Let’s hope it is not too late for them to apply these lessons.

Adversarial traditions built on an experience of low trust and broken promises are hard to overcome. Some of these big network carriers may not be around by the time you read this, unless they find a way to change and engage their workforce in a more constructive fashion and unless their employees and unions likewise recognize the need to change. Our case studies of Southwest, JetBlue, and Continental, our quantitative research on the links between labor relations, financial performance, and customer service, and our work with labor and management leaders all lead to a clear conclusion. The flying public, company shareholders, and employees will not get the service, financial returns, or the job security each expects and needs until we turn employee and labor relations around in this industry.66

NUMMI and Southwest are not isolated examples. A large and growing body of research has documented that knowledge-based work systems can help companies achieve high levels of performance in industries as diverse as apparel, semiconductors, computers, steel, telecommunications, and health care.67 So it is important for both working families and for the economy to encourage more firms to transform their work systems and employment relationships. This is, however, a slow, difficult, and hard to sustain process, not just in airlines, but in other industries as well.

**Diffusing Knowledge-based Work Systems**

It is perhaps this legacy of low trust that explains why the diffusion of knowledge-based work systems is proceeding at a very slow pace in airlines and in other industries. My colleague Paul Osterman estimates that perhaps one third of American workplaces have transformed their practices and relationships from the traditional command and control approach to what we are calling here the knowledge-based model.68

What can be done to facilitate and speed up the diffusion of knowledge-based work systems and high trust organizational strategies? One lesson from past efforts is clear: Government can neither dictate nor cajole firms and employees to do so from on high. This was tried in the 1970s and 1980s with various governmental initiatives such as the National Commission on Productivity and the Quality of Work, an effort started under President Nixon that limped along through the Ford Administration and up to the Carter years. It failed because business and labor did not share a sense of urgency or ownership of the problem or the proposed solutions. Similar efforts and similar results were experienced by the Reagan, Bush (the first one), and Clinton Administrations, each of which tried different approaches to convincing business and labor to work together in a more cooperative and innovative fashion. None succeeded and each administration disbanded its efforts before leaving office.

There is another model that works better and that should be expanded in the future. Diffusion of the types of transformations in employee and labor management relations and of knowledge-based work systems is best achieved in industries where management, labor, and academic groups create networks for sharing data, evidence on what works, and experiences in adapting innovative practices and models to different settings. Over the past ten years, the Alfred P. Sloan Foundation has sponsored efforts to build such collaborative proj-
ects in sixteen different industries. Like the airline project just mentioned, each of these is led by a university team that works directly with industry, union, and professional association leaders in carrying out and disseminating research on what is needed to compete successfully in the industry. This industry-labor-academic network model has supported the innovation and diffusion process very effectively in industries as different as autos, semiconductors, apparel, food processing, pharmaceuticals, aerospace, steel, and others.

This is a model worth continuing, expanding to other sectors, and using as part of a national strategy for transforming workplace practices to support diffusion at knowledge-based work systems. Note the key here is to get companies, employee representatives, and university educators and researchers collaborating on diffusion of these innovations — just the way the old Agricultural Extension Services taught and convinced farmers like my father how to adopt new hybrid seeds, better fertilizers (than the natural stuff cows produce), etc. They did it by getting out into fields and experimenting with lead farmers who then showed their peers the bottom line results that could be generated by changing deeply engrained ideas and practices. They knew about learning organizations before the term was invented!

**Integrating Technology and Human Capital**

*Dr. Hammer points out a flaw. He and others in the $4 billion reengineering industry forgot about people. “I wasn’t smart enough about that… and was not sufficiently appreciative of the human dimension. I’ve learned that’s essential."


Some MBA programs are based on the dubious premise that their graduates can manage any organization, in any sector, effectively. This is reinforced by the gigantic and lucrative business consulting industry that employs so many of our MBA graduates. These general experts flitter from company to company offering seemingly wise strategic advice to managers often without first learning how the underlying technologies and human capacities that produce the products and services fit together. Failure to understand these things can prove disastrous, for the companies, their employees, and customers. Michael Hammer’s quote at the top of this paragraph says it all. He made this statement after his “business process re-engineering” consulting business had destroyed jobs of thousands of workers only to fall short of realizing the promised benefits of relying on new technologies and “re-engineered” business processes to improve efficiency. MIT knows this first hand. It has very little in the way of process improvements to show for the $40 million it invested in re-engineering efforts under the consulting tutelage of Dr. Hammer.

Today there is growing recognition that just general management skills or a consultant’s standard technical remedy will not be enough to diagnose or manage a large firm. Decision makers need to have a deep understanding of the scientific and technical underpinnings of their products and services and have an equally strong understanding of how these technical features intersect with the knowledge and human capabilities of the workforce. Researchers have a name for this: socio-technical integration. Japanese scholars have a nice phrase to capture this point: “Workers give wisdom to their machines”. Whatever we call it, the key is to have sufficient technical and human organizational literacy to ask the right questions.
Employees should be asking these questions — are we using our technologies and scientific capabilities wisely and to produce products and services that meet a business need and add value to society? Neither solely technical nor solely managerial knowledge is sufficient in organizations today. The real payoffs come from integrating these different knowledge bases and applying them in creative ways to new problems.

So a high level of trust, knowledge-based work systems for front line workers, knowledge-based strategies for professional and technical work, and a well informed integrated strategy for using advanced technologies are all essential building blocks of a knowledge-based organization. These then are the soft side of the debate over how to transform our legacy of industrial era enterprises. Now, on to the hard part of the debate.

**Knowledge and Governance in the 21st Century Corporations**

One would think that in the wake of Enron, Tyco, WorldCom and their progeny, America would be engaged in a broad based debate over how to reform corporations to guard against a repeat performance some time in the future. There was a debate, albeit limited in duration and scope, but it skirted the real issue. The root cause of the scandals, and the breakdown in the social contract governing employment relationships in large American corporations that preceded them, is the increased, almost singular focus on maximizing shareholder value that dominated corporate affairs in the latter part of the 20th century. Without changing this trend, America will not transform to a knowledge-based economy.

The duty of executives and members of corporate boards to pursue shareholder value is obviously nothing new. The modern public corporation emerged as the dominant business organizational form in the early years of the 20th century when amassing large pools of financial capital was essential to build the transcontinental railroads and other large industrial companies. By putting their capital at risk, investors earned a property right to the assets of the firm and with that came the financial duty of management to use these assets in a prudent fashion on behalf of owners. But this was not the sole or exclusive force shaping management behavior. In the aftermath of the Great Depression and World War II, large industrial firms had to contend with another force — the countervailing power of employees and their growing industrial unions.

John Kenneth Galbraith captured the essence of the unions’ role in this era. They served as a source of countervailing power to large firms. Gradually, as the post war economy grew and labor and management developed the basic principles and practices of collective bargaining and modern personnel management, an implicit social contract evolved in which management remained free to make strategic decisions governing how to allocate the firm’s assets and other resources, subject to honoring some implicit norms for how to treat employees, some of which became explicit obligations negotiated into collective bargaining agreements. Productivity growth would be shared in some combination of wages and benefits and/or reduction in working hours. And employee loyalty and good performance would be rewarded with job and financial security that grew with tenure. Layoffs would be used as a strategy of last resort, and when they were necessary, tenure would decide the order of layoffs.
Over the past two decades, a series of interrelated forces weakened and then produced a breakdown in this implicit contract. Unions began their long and steady decline from the mid 1950s through the 1970s and then went into a more precipitous fall in the 1980s. Deregulation of key industries such as trucking, airlines, and financial services increased domestic competition as the rising value of the dollar and improving capabilities of foreign firms heightened competitive pressures on American firms. The 1980s witnessed, for the first time since the Depression, widespread wage and benefit concessions and rollbacks and job cuts in industries most affected by these pressures.

At the same time, new financial instruments were becoming available that created what got labeled as “the market for corporate control.” Takeover artists could amass resources and use junk bonds to threaten or in fact take over firms that appeared to have opportunities for returning more to shareholders by either selling off parts of the enterprise and/or by restructuring their finances and taking on greater debt.

The restructuring of corporations that resulted from the confluence of these developments led to large scale layoffs of blue collar workers in the 1981–83 recession and then to layoffs and dismissals of white collar managers and other salaried professionals in the 1991–92 recession. These differed from prior layoffs in two respects. First, more of them were permanent, not temporary layoffs. Second, the stigma and norms associated with announcing layoffs under the old social contract gave way. Suddenly, executives realized that they could lay people off permanently without experiencing a workforce, public, or stock market backlash. Layoff and restructuring announcements even were rewarded by Wall Street with a bump up in stock prices, albeit temporary in nature. Once they realized this, some firms turned to downsizing as a pre-emptive strike to position the company better for the future rather than as a strategy of last resort.

As pressures from Wall Street grew, executives turned more and more of their attention to meeting Wall Street analysts’ short term earnings’ expectations and to restructuring operations to boost earnings. Board committees and compensation consultants restructured executive contracts to better align management incentives with investor interests. Boards likewise turned to CEOs who could best manage relations with the financial community and project an image of confidence.

The era of the charismatic CEO was born. Wall Street, the business media and press, and business school case writers alike reinforced these trends by committing a classic attribution error — they attributed the successes of organizations to the leadership and vision of the CEO and his (mostly his) top executive team. Leadership in organizations became equated with the “transformational” CEO. These visionary leaders could be entrusted with the task of revitalizing both their firms and the American economy. The booming stock market and resurgent economy of the 1990s reinforced this view and the perceived value of CEOs. The self-reinforcing escalation of executive compensation that ensued eventually led to a 400 to one ratio of CEO compensation to the average worker. Power became highly concentrated at the top of organizations and Lord Byron’s adage that “power corrupts and absolute power corrupts absolutely” once again proved to be true.
As the dot-com bubble grew, a new class of younger entrepreneurs and professionals followed the lead of CEOs by taking big portions of their compensation in the form of stock or stock options. It may have been, as Alan Greenspan put it, “irrational exuberance” that fueled the rise in stock prices beyond their real values, but the result was a further loss of proportion and balance or sense of responsibility to employees. Clearly, by the end of this era, the pendulum had swung to view employees as costs to be controlled more than strategic assets to be developed and valued.

It took the bursting of the market bubble and the litany of corporate scandals and the outing of how stock analysts were under constant pressure to make overly optimistic projections to finally generate a response. One response was a series of modest reforms in corporate governance designed to provide more transparency and more accurate information to investors. Congress passed the Sarbanes Oxley bill that, among other things, holds CEOs and CFOs accountable for certifying the accuracy of their financial reports and builds more protections to ensure the independence of auditors. Another response came more quietly as labor unions and other groups representing shareholders became more active in sponsoring shareholder resolutions to protest excessive executive compensation or to overturn management actions such as reincorporating the firm in Bermuda or some other tax haven.

These are useful steps, but they all miss diagnosing the root cause of the problem. They seek to increase the accountability of management to shareholders and their Wall Street agents rather than ask whether the singular focus on shareholder wealth has gone too far and left behind the workers, families, and communities that depend on responsible behavior from corporations.

The scandals served a sobering and somewhat humbling function for some CEOs and business leaders. The view that corporations need to find ways to be more accountable to shareholders and to their employees, customers, and communities grew in acceptance. The question, therefore, is how. The answer I propose is that employees have at least as much at stake in their corporations as do financial investors, and if we give them a direct voice in corporate governance they can both bring about the independence corporate government reformers are calling for and safeguard their human capital investments. I suggest a simple new principle: Employees who invest and put at risk their human capital should have the same rights to information and voice in governance as do investors who put at risk their financial capital!

The principle that those who invest and risk their human capital should be treated just like financial investors is consistent with what corporate governance theorists Margaret Blair and Lynn Stout call a team production view of the modern firm. They suggest that the modern firm is best thought of as a team in which shareholders and employees contribute necessary assets and share risks. Members of the board of directors should make decisions that are in the interests of the team, not just in the interests of maximizing the investments of one player (shareholders or employees). In their view, the movement toward maximizing shareholder value that dominated corporations in recent years was the result of a shift in power — from employees to financial investors — rather than some preordained
rule of economics or law. So the debate over the future of the corporation is alive and well, at least in the high level world of economics, legal, and organizational scholarship. The task is to move this debate from these rarified academic circles to the real world of organizational life.

**Employee Voice in Corporate Governance.**

Do workers really need a voice in governance? What would it accomplish? For workers? For the economy?

For a number of years, Wayne Horvitz, former Director of the Federal Mediation and Conciliation Service, and I sat on the board of directors of a large trucking company. We were nominated by the Teamsters’ Union as part of an Employee Stock Ownership (ESOP) arrangement they had negotiated with the company. While nominated by the union, our job was to serve as any other board member. But obviously, we were also there to safeguard the investments (15 percent of their wages) employees made to help this company survive in this highly competitive, deregulated industry.

At one board meeting, the CEO announced that management was considering a merger offer (we all knew at some point a merger would be necessary and the question was with whom) from a company that neither Wayne nor I recognized as a significant player in the industry. The CEO recommended accepting the merger offer since the offer price would provide a handsome premium over the current price of our stock. (Since the CEO owned a big piece of the company, the immediate cash benefits of this offer to him were quite substantial). Wayne and I asked: “What is this company’s business plan? What will happen to our employees?” We got no clear answer. After doing some homework on our own, with the help of the union, we discovered why there was no good answer to our question. This “company” was essentially a small number of speculators and financial wizards who specialized in buying companies, selling off physical assets, declaring bankruptcy, dissolving pensions, and making money from the proceeds!

At the next board meeting we opposed the merger, but were about to be outvoted when we proposed a short delay. “Let’s hear about this company from people who have dealt with them directly,” we suggested. Reluctantly the CEO and several board members agreed.

What took place next was one of the more surreal experiences of my professional life. The CEO and several of us boarded a chartered jet and flew to Palm Springs to meet with Teamster leaders who were there for a meeting. After two hours of listening to top Teamster officers and their lawyer tell us that we were about to deal with a bunch of crooks, we got back on our plane and the deal was scuttled. I felt we had just been part of a bad movie!

This vignette is perhaps just one rather colorful example of why, in crucial strategic situations, having an employee voice in governance can make sure that bad or even unethical (note this would have been perfectly legal and would have fulfilled our “fiduciary responsibilities” to maximize shareholder value) actions are blocked. Had Wayne and I not been there, this transaction would have been consummated and all employees would have lost their jobs and perhaps their pensions.

This is a “watchdog” example of why employees should have a voice. But there are
equally powerful positive examples where by being in these decision processes, human capital (employee) considerations are raised that lead to positive value added outcomes. Consider the following example:

Earlier this year the top twenty or so executives and physician leaders of Kaiser Permanente held a day-long retreat with the labor leaders who represent their employees. This meeting was an outgrowth of the most comprehensive labor-management partnership in the country today. The partnership at Kaiser provides employee representatives access to the information and the ability to participate in decisions that affect the viability of the organization and the long-term job and financial security of their members. This meeting illustrated the power of having worker voice at this high level of management strategy making.

The group was brought together to address a major problem: the decline in its customer base as companies turned to lower cost, less comprehensive health care plans. Earlier, a management team in one of Kaiser’s biggest divisions had met on its own to discuss how to respond to this development. They proposed three immediate actions: layoffs, deferral of scheduled wage increases, and cutbacks in sick leave and absenteeism policies. Left to their own devices, this Regional Division of Kaiser Permanente would have implemented some mixture of these strategies as its first line of response to this problem. Doing so would, however, have broken the trust being built up through the labor management partnership, not to mention fail to address the deeper strategic challenge these membership losses were signaling.

But because of the labor management partnership, top level leaders at Kaiser had to respond to union leaders insistence that they work together to look for alternatives to layoffs and wage or benefit reductions. At this top level meeting, these executives and their union partners discussed everything from how to restructure the organization to cope with rising costs, to what types of new health insurance products to develop, to the need to stay the course on their longer run challenge and shared objective of helping to achieve universal access to health care for working families in America. At the end of the day, this group agreed to create joint task forces to tackle both the need for cost reductions and for customer growth. These task forces are now hard at work!

As I listened to and participated in this rich exchange of ideas, I kept wondering what America would be like if this type of dialogue were repeated in all companies around the country. That would indeed put workers on the same footing as financial investors and result in a much more balanced, and potentially more fair and transparent corporate governance process. I bet such boards of directors would not approve CEO and executive salaries that are 400 times higher than that of their average employee!

Summary

I often begin the first session of our MBA organizational processes course with a series of questions about where the companies these students last worked are positioned on a continuum anchored on one end by the features of the prototypical industrial era firm and on the other end by the knowledge-driven organization described here. The vast majority of students place their organizations somewhere near the middle of the continuum. Their com-
panies are farther along on some components of the transformation process such as net-
working and use of teams. They are closest to the industrial era prototype when it comes to
the goals of the firm: Most are seen as continuing to give primacy to maximizing share-
holder value over an effort to do what Carly Fiorina calls for: managing the organization
for the benefits of shareholders, employees, and customers. While most of our students feel
their companies are trying to move in the knowledge-based direction, many are skeptical of
their companies’ commitment to this effort and even more worry there are strong counter-
vailing pressures pulling management in the other direction.

The students almost universally agree on one thing, however. They clearly would rather
work for companies closer to the knowledge-based end of the continuum. And, after some
discussion, the majority agrees that neither extreme would be good for the economy (after
all, costs still do matter!). But they see the greatest potential for achieving joint gains for
workers, families, communities, and the society in firms that stay the course and continue
to move toward the knowledge-based end of the spectrum.

I suspect these students speak for all working families and indeed for most informed cit-
izens. But they also signal a warning: There is no invisible hand of market forces nor any
confidence that simply enlightened management will get us where we need to go. These stu-
dents recognize that the debate is underway and that they as managers in the organizations
of the future will be in positions of power to influence these debates.

This is a way we can make important changes. Our students will be better equipped to
move this transformation along than prior cohorts, in part because they feel the same pres-
sures on working families as the rest of us. But, these decisions are too important to leave
to management alone! Remember Jack Welch’s line: Control your own destiny or somebody
else will.” Working families need to engage these debates directly in their organizations.
They need to evaluate organizations that want to employ them against what they believe
would be a fair and productive social contract.

Here are some of the key elements they might want to check on in evaluating prospective
employers, and then advocate once employed:

- Does management believe in a Theory X or Theory Y? Do they trust employees to be self
  motivated or see them as costs to be controlled?

- Is work organized in ways that allow employees to use their knowledge and skills effec-
tively, to learn and deepen them, and to build the social capital with others needed to add
value to the firm?

- Are there processes in place that provide employees with a voice on how to do their job,
  how to integrate their professional and personal/family responsibilities, and how high
  level strategic and governance decisions affect their human capital investments and the
  future of the organization?

These are some of the elements of a new social contract that are needed to create and sus-
tain knowledge-based organizations that could work for working families, their companies,
and the economy. But, how can working families gain this voice and exert this influence?
We turn to this challenge a bit later. But first, we need to take note of the limits to what we
can expect from individual firms in today’s uncertain economy.

Building Knowledge-Based Organizations 73
Chapter 6

Portability

Polaroid was one of the best corporate citizens in Massachusetts for the first 40 years of its history. Dr. Edwin Land founded the company in 1937 and guided it up until his retirement in 1980 to become the world’s recognized leader in instant photography. Polaroid provided life time employment security, encouraged husbands and wives to come to work for the company, introduced profit sharing for all employees, created an elected employee council to provide workers with a voice in decision-making, and contributed time, money, and leadership to community affairs.

The beginning of the end for Polaroid started in 1982 when it announced the need to do what it hoped would be a one time only “voluntary severance” program. It was, unfortunately, not to be a one time adjustment, but the first of many to come over the next twenty years as the company slowly declined. In 1988, in an effort to fend off a hostile takeover, Polaroid made its employees part owners in the company by cutting wages five percent and investing these funds in company shares. It even put an “employee,” in this case, a high level marketing executive, on its board of directors.

The downward spiral continued in the 1990s. More layoffs occurred, but this time they were no longer “voluntary.” A new CEO and top management team was brought in from outside to try to turn the company around. Unfortunately, he and his team did just the opposite. The end came in 2002 when the company stock became essentially worthless and there was no way to survive without going through a bankruptcy and reorganization as essentially a new company. As it went through this process, the same top management team awarded itself (with board approval of course) “retention bonuses” so that the company would not lose its talented leadership in this time of crisis!

When a new set of buyers finally purchased the assets of the company for a bargain price, it cancelled retiree health care and dropped the salary payments promised to those on long term disability. Several of the top executives who had taken the company into bankruptcy got jobs and a stake in the new firm.
Stories like Polaroid’s are enough to tell us that we have to do better for working families as we think about how to design, fund, and deliver health care, pension, and other benefits in the future.

Few firms today can make a credible promise of long term careers or employment security. Nor do many employees stay with a single employer over their full careers. This is likely to be even truer in the future than in the past. Young and old workers alike have learned from the sad experiences of their parents, or through their own personal experiences, that it is too risky to “put all your eggs in one basket.”

America has a long term task ahead of it — to gradually wean ourselves from depending on individual firms to provide health insurance, pensions and other benefits and services such as family leave and life long learning. This will not be easy. Taking up this challenge puts us right in the heart of debates over the U.S. health care system, social security, and the absence of any national policy for paid family leave. Yet addressing these issues is critical to meeting the needs of working families and to supporting the transformation to a knowledge-based economy.

**America’s Historical Legacy: Do It through the Employers!**

Understanding why this is such a big challenge for America requires that we take a step back in time, to the 1930s. When Franklin Roosevelt and his advisors crafted social security, unemployment insurance, and other labor market policies that govern employment relations today, they chose to use employers as the funding and delivery vehicle for these and other benefits and services. Then, as industrial unions grew in size and power, unions reinforced this pattern by negotiating health insurance, private pensions, various forms of leave, and other benefits with individual firms. Most of these benefits improved with seniority. Some further rewarded loyalty and long service with “back loaded” benefits such as defined benefit pension funds that had payoff formulas that increased with length of service or were based on wages earned in the years immediately prior to retirement. This approach made sense in an economy of stable jobs, where employers encouraged and rewarded loyalty and long service, and employees could trust firms to keep their implied promises.

The first signs of a crack in this system came in the 1980s when a number of firms figured out that, according to the government’s actuarial calculations, their pension plans were “over funded.” Then some crafty lawyers realized that firms could grab the over funded amounts from their pension funds and use them for other purposes. The fear (real in some cases, probably imagined in others) was that if the firm didn’t re-appropriate these funds, a hostile buyer would see an opportunity to take over the firm and take the money and run.

Another crack in the dike came when employers observed in the mid 1980s and early 1990s that they could lay off large numbers of blue and even white collar workers, not, as in the past, as a strategy of last resort in times of economic difficulty, but in good times as well. As noted in the prior chapter, maybe, with the right spin for the analysts, they could even get a little bump up in their stock price.

A third weakening of the firm-centered model came as firms shifted from defined benefit to defined contribution, cash balance, and/or 401(k) pension plans. Instead of guaran-
teeing retirees as fixed amount of monthly income at retirement age and funding the pension plan adequately to cover these future liabilities, the new plans shifted the risk to employees by making a specific contribution to a fund that would accrue until retirement age. Rather than getting a certain amount, retirees would get whatever the invested funds generated up to that point.

The final straw came in more recent years as health care costs went into their second upward spiral in less than a decade. The gradual growth in health care coverage that had been achieved from the 1940s onward stopped by 1980 and pressures to share more of the costs with employees increased. More recently, as Figure 6-1 reports, policies promised retirees were cut back and/or cancelled as their costs and numbers covered increased. As a result, health care is now the number one issue in collective bargaining and human resource budgeting in companies across the country.

By 2004, thoughtful leaders in business, labor, and government finally began to recognize what workers already knew: the firm-centered model for financing and delivering benefits

Figure 6-1
Cutbacks in Retiree Health Insurance

Employers have unleashed a new wave of cutbacks in company-paid health benefits for retirees, with a growing number of companies saying that retirees can retain coverage only if they are willing to bear the full cost themselves.

Scores of companies in the last two years, including the telecommunications equipment giants Lucent Technologies and Alcatel and a big electronic utility, TXU, have ended medical benefits for some or all of their retirees and instead offer to let them buy coverage through a group plan. This coverage is often more expensive than many retirees can afford....

Many companies, especially retailers with high turnover and low-paid workforces, and technology companies with relatively young workers, do not provide retirees any health benefits. [See chart below]

Many retirees are bitter about such changes. “I took the offer to retire in 2001 mainly because they were protecting health care benefits,” said Edward Beltram, 58, a former Lucent human resources manager [who] must now pay $375 more a month to maintain coverage for himself and his wife.

Mr. Beltram, who worked for Lucent and for units of a predecessor company for 31 years, added, “I feel they have reneged on their promises.”

Leaving a Job, Losing Coverage

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<th>Number of Employees</th>
<th>Percentage of Companies Promising Retiree Health Benefits to Current Employees</th>
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<tbody>
<tr>
<td>10–499</td>
<td>5%</td>
</tr>
<tr>
<td>500–999</td>
<td>24%</td>
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<tr>
<td>1,000–4999</td>
<td>30%</td>
</tr>
<tr>
<td>5,000–9,999</td>
<td>41%</td>
</tr>
<tr>
<td>10,000–19,999</td>
<td>45%</td>
</tr>
<tr>
<td>20,000 or more</td>
<td>51%</td>
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no longer makes sense. But, the unanswered question is how to change to something better suited to a more mobile and uncertain labor market and employment relationships?

Some steps in the right direction can be taken.

One big step would be to adopt a new design principle for all future labor market services, benefits, and social insurance policies: Do not tie them to employment with a specific employer and do not make them graduated benefits linked to weeks, months, or years of service with a specific employer! All future benefits and funding formulas should be one hundred percent portable.

In this regard, social security is the model to follow; unemployment insurance is the model to avoid. Social security benefits are not tied to tenure with a specific employer and part time work is covered. Unemployment insurance requires a minimum length of service with a specific employer before a worker becomes eligible. So while social security covers nearly all workers, today only about one third of those out of work receive unemployment benefits. Some are not covered because they are new labor force entrants who can’t find jobs, some have not worked full time for a specific employer long enough to gain eligibility, and others have exhausted their benefits (normally 26 weeks in length unless extended by Congress or state legislatures during periods of high unemployment).

**Health Insurance**

Employer provided health insurance got an initial boost during World War II when the War Labor Board, the agency overseeing collective bargaining, allowed unions and companies to introduce this benefit in return for holding down wages. This quickly became a popular bargaining issue because employees do not pay income taxes on money they or employers put to health insurance (or pensions). Figure 6-2 shows the gradual growth in health insurance coverage that this development set off. As the chart shows, growth in coverage peaked in 1979 at just under 70 percent of the workforce and had declined to approximately 64 percent by 2000. Today an estimated 43 million Americans do not have health insurance coverage.\(^74\)

The problem is deeper. Costs once again are escalating, rising an average of 15 percent in both 2002 and 2003. Firms providing health insurance are desperately trying to contain and lower their costs by increasing employee insurance premiums and co-payments for office visits, drugs, and other services, eliminating or raising the costs of health care cover-
age previously promised retirees, or shifting to lower cost, less comprehensive plans. New firms are less likely to provide health insurance today than did start ups in the past and those new or small employers that do provide coverage are turning to the bargain basement priced plans. Some temporary help firms provide what are now known as “access only” plans to people they place. That is, they are available if the temporary workers pay most or all of the premiums. Few can afford to do so.

In the past several years, many employees either accepted in collective bargaining or had imposed on them increases in co-payments for their health insurance. Retirees were especially hard hit. The Medicare Reform Bill passed by the Congress in 2003 has a provision to subsidize firms so that they do not drop their retiree health care and drug coverage. So the question might be asked: Who should get this subsidy? Should it go into the general coffers of the company or should it be transferred to employees or retirees who made concessions in this area already? This is an interesting question, but not one that will even be asked unless employees have the opportunity to voice it.

The widespread recognition of these problems has sparked a host of proposals for reform, some of which would continue to rely on employers as the funding and delivery channel, some of which rely more on government funding, and some of which allow for individual medical savings plans similar to 401(k) pension plans. Some companies and unions are working together with their health care providers to improve quality and lower costs. Others have agreed to work together to find a national solution to this crisis. To date, however, these have been more words than actions. Presidential candidates and several Congressional leaders have put forward plans for reform.

This is not the place to propose a solution to this complex problem. If American history is any guide, a “solution” is more likely to evolve out of a series of incremental steps, each dealing with a piece of the problem, rather than in one big comprehensive reform. So what is most important for working families is that they be a part of this process of reform and that they have a clear focus on their interests and goals. Among these should be:

- **Universal and continuous coverage.** All family members need to be covered by health insurance whether or not parents are working in paid jobs, moving between jobs, or out of the paid labor force.

- **Fairness.** If employees have to bear higher costs of health insurance, they should also share in any cost relief provided to employers if and when transition programs are introduced that offer options for moving from employer sponsored plans to publicly funded or individual medical savings plans.

- **Pooling.** Continuation of broad pooling principles is essential if we are to avoid creating even more of a divide between young healthy people and the elderly or otherwise higher risk and higher cost populations.

- **Weaning from reliance on individual employers.** While it may be neither necessary nor wise to absolve employers from all responsibility to provide health care benefits, a gradual, perhaps step by step, process of moving to other funding arrangements is critical. Otherwise, we will continue to penalize the most progressive and mature firms that are doing their best to meet their responsibilities to employees and retirees and reward those
that would undercut them by breaking prior promises or starting up new firms unencumbered by any of these legacy costs.

**Pensions**

The growth in coverage of private pensions can also be traced to collective bargaining developments back in the 1940s. Like health insurance, pensions bargaining got started during World War II, but really took off after a 1949 Supreme Court decision ruled that pensions were included in the list of mandatory subjects in collective bargaining. That is, employers and unions had to negotiate over pensions if the other side introduced a proposal on this issue. As shown in Figure 6-2, like health insurance, pension coverage gradually expanded up until the late 1970s and has stayed at about 50 percent of the workforce since then.

This simple chart masks a major change in the nature of pensions. In the past two decades there has been a massive shift in pensions from defined benefit plans to various types of defined contribution plans. Between 1992 and 1998 among all the households with pension plan coverage, the share covered by only a defined benefit plan dropped from 40 percent to 20 percent while the share of households covered only by a defined contribution plan grew from 37 percent to 57 percent. About 17 percent were covered by some mixture of the two plans. Whether measured by total assets, contributions, or members, defined contribution plans are now about twice as large as are defined benefit plans.75

Coverage is also highly unequal. Over 80 percent of households in the top 20 percent of the income distribution have some type of pension plan compared to less than 30 percent of households in the bottom 20 percent. Young workers, part-time workers, short tenure employees (less than one year of service), and those not represented by a union are less likely to have a pension plan.

Recently a friend of mine who is high level labor relations executive in one of the country’s most successful firms described how he protested to no avail the company’s decision in the mid 1980s to shift its high salaried employees’ annual bonuses from cash awards into investment in company stock that could not be redeemed until their retirement date. He thought it both unfair and unwise to require this amount of their compensation to go into company stock. He believed that this was ill advised even when a company is doing well and likely to continue to do well. Neither employees, nor as it turned out, this executive, had a voice in this decision. The CEO decided this was the way to go. Like most others, the CEO’s decision looked great in the go-go 1990s as the company’s stock more than doubled. But then it fell to about one third its peak value when the stock market went bust. My friend will not be scraping to make ends meet now that he is about to retire. But he and I share a concern for the thousands of less well-paid salaried employees. They are left with much less than would have been the case had the company continued a defined benefit plan or listened to his plea to put less of their deferred compensation into the company’s stock.

We will never know how much American workers actually lost in future retirement savings as companies made a host of decisions to change pension, deferred compensation, and retirement policies over the course of the last decade. Some was lost as companies took back portions of “over-funded” plans, some was lost through the shift in risk to employees, and some was lost because employers are contributing fewer dollars into retirement savings in
the new defined contribution arrangements than would have been the case if the defined benefit plans had been maintained.

These are complicated decisions requiring technical expertise and involving choices that often trade off company and employee interests. It is unfair and indeed, undemocratic, to exclude employees from having a voice in deciding how these choices are made. It is, after all, their money and their future retirement security that is at stake!

Another concern I have is that Americans are not saving enough to prepare for their retirement. A 2001 Federal Reserve study found, for example, that among households with retirement accounts that were approaching retirement, half had savings of $55,000 or less and one fourth had savings of less than $13,000. Clearly, this will only provide a meager supplement to whatever social security income these families will receive. Unless something changes, the next generation of retirees will not come close to having the level of retirement security as did their parents who retired in the era of defined benefit plans.

The movement to defined contribution and 401(k) plans does increase portability, since these funds can be rolled over to a new plan if an individual changes jobs. Most of these, however, are still under the control of employers, many require significant amounts (although less post Enron than before) to be invested in the company’s stock, and very few have any employee role in their oversight and governance. When we add the shift in risk of these plans to employees and their families and the reality that the dollars flowing into these plans will fall far short of the amounts needed for financial security for most retirees, it is obvious that further reforms and improvements are needed.

This issue will be high on the national agenda and will be a major policy issue within private corporations for years to come. It will be closely tied to debates over how to address the coming shortfall in funding of social security. Working families have a major stake in the choices made in both the public and private forums where options are debated. They need to be there to give voice to the following goals:

**Expanding pension coverage.** America needs to break out of the twenty year lull in growth in pension coverage, particularly among lower income workers and families.

**Higher contributions.** More money needs to be saved and invested, both by employers and employees. To do otherwise ensures that America will return to having many retired households living below the poverty line rather than having the dignity of financial security that most of today’s elderly enjoy.

**Portability.** We need to continue to move toward the ultimate goal of 100 percent portability of pensions.

**Employee choice.** Employees should have the choice over where to invest their funds and not be required to invest specific amounts in their employer’s stock. This is just as simple and sensible as the common sense advice not to “put all your eggs in one basket.”

**Expanded options for 401(k) plans.** Today only employers can offer and administer 401(k) programs. This constraint should be lifted to allow professional associations, unions, and others to do so as well.

**Employee representation on all pension funds.** It seems almost unconscionable to exclude employees from voting their own representatives to serve as trustees of their own money!
Funding social security. Private pensions can only be supplements to and not replacements for a solid and safe social security system. Addressing the problems in both programs is essential to providing a dignified and secure retirement for all working families in America.

Other Benefits and Services

How can we move away from dependence on individual firms for other benefits and services? There is no single or easy answer here either. Some new ideas and solutions will need to be invented. We have already suggested the need for a national paid family leave policy and for individual pre-tax savings accounts that could be used for life long learning or to meet other personal or family needs when moving between jobs. Flexible and portable accounts like this might be part of the solution.

What, If Not Employers?

Ultimately we will need to create new institutions that take up the role that single employers played in funding and administering benefits when they were bound by the old social contract. One option is to encourage unions and professional associations to step into this void, an idea we will take up in earnest next.
Chapter 7

Restoring Voice at Work

By now it should be clear why working families need to restore their voice at work and in society. The question is, what forms should this voice take and how can we get there? Will this come in the form of a resurgent and revitalized labor movement? Or will some new instruments of worker voice and organization emerge that replace unions as we knew them in the industrial age? Which option would better serve the interests of working families?

Lessons from History

In the heat of a debate at the 1935 convention of the American Federation of Labor (AFL) over how to organize the growing number of unskilled and semiskilled production workers in the rising industrial economy, John L. Lewis, head of Mineworkers Union, punched “Big” Bill Hutchinson of the Carpenters Union in the eye, and stormed out of the hall with his industrial union supporters. What was to become the Congress of Industrial Organizations (CIO) was born. Over the next three decades, the CIO organized ten million production workers in steel, autos, rubber, electrical, and other manufacturing industries. Through collective bargaining, jobs that had been given up as inherently low wage, unsafe, and unskilled and that were held by workers destined to remain poor, were transformed into jobs that allowed these workers to move their families into the middle class, send their children to college, and retire with dignity and security.

Union representation has risen and fallen in long cycles in the United States. Declines tend to be gradual and extended; rebirths and resurgence, like the rise of the CIO, tend to come in abrupt and unpredictable bursts. Each time labor’s resurgence tends to coincide with three things: (1) a shift in the nature of the economy and the organization of work and production, and (2) an economic, social, or political crisis that shocks America into recognizing the need to change the direction of the country, and (3) emergence of a new vision and strategy for how to rebuild unions that are more in tune with the needs of the contemporary workforce, organization of work and production, and economic realities.

American working families are at another of these historic turning points. Union membership has fallen to below its pre-Depression numbers. Today less than nine percent of...
private sector workers are represented by unions. American workers once again have lost their voice at work and in society. Incremental efforts of unions to organize in the same ways they did in the heyday of the industrial economy will not work. Something new is needed. The shift from the industrial to the knowledge-based economy calls for new models of worker voice and representation at work, in corporate enterprises, and in community, state, and national affairs. What is needed is a new vision and strategy for mobilizing and giving voice to modern working families.

The good news is that many progressive leaders in the labor movement and outside of it recognize this. There is an active debate underway over what shape the “next generation unions” will look like, as Amy Dean, former CEO of the South Bay Labor Council and one of the creative voices for change, puts it. The elements of a new model are emerging, as in the past, through a combination of innovations within existing unions and associations and the development of new, complementary efforts of groups outside the labor movement. So, if history is a guide, out of the ashes of the current labor movement will emerge new agents and models of worker voice and mobilization that, together with the legacy unions that do survive, will constitute the “next generation” labor unions and organizations.

Before taking up how working families might help shape the next generation unions and be served by them, we first have to address the negative image of unions and union leaders that many Americans harbor in the minds. Americans have always had a dual image of unions. The majority value and approve of unions because they know fairness dictates and workers and their families need a voice in a democratic society. Yet many Americans also harbor a negative image of the leaders who represent “Big Labor.” Only by acknowledging the existence of both these images can we begin to think creatively about the forms of worker voice and organization that are needed and could be built.

The Best and Worst of Labor Unions

In October 1991, I stood in a corridor at the Omni Shoreham Hotel in Washington, D.C. waiting for Polish President Lech Walesa to finish speaking to the AFL-CIO Convention. I was there to meet with Billy McCarthy, the President of the Teamsters’ Union, to discuss a problem with a trucking company his union represented (a different problem then the merger example in Chapter 5). I was thrilled when Mr. Walesa walked by and we shook hands and exchanged greetings. Then, as I sat down across the table from McCarthy in the Teamster’s suite, it dawned on me that within minutes I had seen about the best and the worst the world’s labor movements had to offer.

This dual image comes to mind whenever I find myself explaining to students and other skeptical audiences why a free, independent, strong, and innovative labor movement is both in their interest and essential to the future of our economy and democracy. Yes, unions carry considerable baggage. They are overly bureaucratic and slow to change. Some have long histories of corruption. And yet, warts and all, unions have served as the most important instrument of economic and social progress for working families of the 20th century. As one union bumper sticker puts it: “Remember who brought you the weekend.” One could add to that, middle class wages and life styles for millions of blue collar workers and families,
private pensions, health insurance, vacation pay, grievance procedures and most other elements that we now associate with a “good job.”

Workers agree. Some might find it ironic that as union membership and power declined over the years, a growing majority of Americans “approve” of and see a need for unions. Americans are leery of letting “big labor” get too powerful, but evidently a growing number now worry that it has lost too much power and believe some rebalancing is needed. National polls reported in 1980 that 55 percent of Americans approved of unions compared to 67 percent in 1999. Today, nearly 50 percent of the workforce would join a union if given the chance compared to 30 percent in 1976. And over 70 percent want a more flexible and cooperative voice in workplace and corporate affairs. So the majority of Americans recognize the continuing need for a voice at work and want to see a new generation of unions and some new forms of more direct worker voice and participation develop and be available to them.

**Out of the Ashes: Reinventing and Revitalizing Unions and Professional Associations**

John Sweeney won the first ever contested election for the Presidency of the AFL-CIO in 1995 promising to renew the labor movement’s commitment to organizing. Indeed he has done so and reinvigorated organizing efforts by expanding and strengthening the Organizing Institute, recruiting talented and dedicated young people to the labor movement, and urging national unions to put more resources into organizing. But these efforts have not produced a resurgence in membership, in large part because the traditional organizing model is incapable of turning the labor movement around. Working families need to insist on a new model.

The traditional organizing model is governed by the National Labor Relations Act (NLRA) that was first passed as part of the New Deal in 1935. For years, independent researchers, government commissions, and participants in union organizing drives have known that this law no longer protects workers or fulfills its promise of providing them the voice at work. We will discuss how the law needs to be reformed and modernized in Chapter 8. For now, we simply need to understand why, even with proper reforms, the current law and the organizing model it supports will not provide modern working families with the voice they need.

Following the traditional organizing model under the NLRA, it takes a majority of workers in a given location or bargaining unit to vote to join and be represented by a union for collective bargaining. If a majority is not achieved, none of those who preferred to be represented gain representation. It is an all or nothing, high risk venture. To get a majority to vote for a union, the evidence shows that workers must be deeply dissatisfied with and distrust their employer, risk their jobs or career prospects, and hold on for two to three years before any benefits are likely to be realized. Their chances of winning an election are on average about 50 percent, and considerably lower if the employer resists or delays the process (as they are counseled to do by their lawyers and consultants). And even if they gain certification, these workers face another 30 percent chance that their

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*It is largely American managers and their consultants, not American workers or unions, who decide who will be organized.*
union will be not be able to achieve a first contract or sustain a relationship with the employer.79

These threshold conditions for gaining access to representation via the traditional organizing model are simply too high and too risky for all but the most desperate workers. Moreover, the ultimate irony is that by following this traditional organizing approach, it is largely American managers and their consultants, not American workers or unions, who decide who will be organized. From a working families’ standpoint, this is ludicrous. Aren’t workers supposed to be the ones to decide whether or not they want and get representation? An alternative approach is needed to take management out of the process.

What Needs To Be Done?

A new model must be based on what workers and their families want and need from work. The next generation unions have to ask how can they best articulate a positive vision and credible strategy for representing and meeting the changing needs of workers and families as they move through different stages of their careers at work and family life.

Figure 7-1 summarizes this point vividly by showing the common and different priorities workers of different ages and family situations bring to work. These data come from surveys of over 8,000 workers conducted by Towers Perrin, a leading human resource consulting firm. They report one obvious fact: Good wages and benefits remain as important as ever to today’s workers. Regardless of age, these are expected to be part of any good job and, therefore, the first responsibility of any institution that seeks to represent workers is to address these needs. But that is not enough. As noted earlier, young workers are especially concerned about gaining access to opportunities to learn and advance on their job. Balancing work and family life is a high priority throughout normal child bearing and raising ages and rises to the top priority as people move through middle age. Retirement security rises in priority as people advance in age and approach the later stages of their working years.

Positive Vision and Strategy. To interest and mobilize these modern workers, the next generation unions will need a positive vision and strategy that addresses these common and

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<th>Figure 7-1: What Attracts Employees by Age</th>
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<tr>
<td><strong>Top Attractors</strong></td>
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<tr>
<td>U.S. Overall</td>
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<td>----------------------------------------</td>
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<tr>
<td>Competitive Base Pay/Salary</td>
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<tr>
<td>Competitive Health Care Benefits Package</td>
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<tr>
<td>Opportunities for Advancement</td>
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<td>Work/Life Balance</td>
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<tr>
<td>Competitive Retirement Benefits Package</td>
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<tr>
<td>Pay Raises Linked to Individual Performance</td>
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<tr>
<td>Learning and Development Opportunities</td>
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Key: ■ Core rewards that rank at the top for all groups 1–3 Top differentiators in rank order
varied needs. That means going beyond the traditional organizing model that relies on deep dissatisfaction, frustration, and distrust of one's employer before turning to collective representation. Unions must offer a hopeful, positive vision of how workers themselves can regain control of their destinies and realize their aspirations over the course of their careers and family life stages.

The Harvard Union of Clerical and Technical Workers’ (HUCTW) organizing slogans illustrate this approach quite nicely: “You don’t have to be anti-Harvard to be pro-Union” and “Harvard works because we do.” The union backs up these slogans with an organizing strategy that emphasizes building a supportive community and network among employees before seeking collective bargaining certification.

This same approach has been successful in organizing predominantly female health care workers in Massachusetts, Minnesota, and elsewhere. The fact that women respond well to such an organizing strategy should not be surprising. For many years, women have expressed significantly greater interest in joining unions than their white male counterparts. In fact, women account for nearly three fourths of all new union members in the 1990s. So addressing the needs of women is clearly a necessary condition for restoring voice at work and meeting the needs of working families. Strategies such as those followed by the HUCTW and other unions that have been successful in organizing large numbers of women need to be pursued more extensively.

While work-family balance and integration are not solely women’s issues, the reality is that women have been on the forefront of this movement, are likely to respond with more enthusiasm to organizations that champion this cause, put it high on their agenda, and provide leadership to such efforts. Women are a prime constituency and potential source not only of new union members, but of creative new ideas, energy, and leadership.

Life Time Individual and Family Memberships. Under the standard industrial organizing model, union membership and representation are linked to a specific job or bargaining unit. Once a worker leaves the job, representation is lost. Given this, it is not surprising that today there are twice as many former union members in the country as there are current members!

An alternative approach, better suited to today’s mobile workforce, would be to recruit individual workers and family members independent of their workplace and employer and outside of the process built into labor law. Once recruited, the relationship with members could be maintained for life by providing the labor market and educational services and benefits individuals and families need as they move through different stages of their careers and family lives. Consistent with the history of the way many unions began, these types of organizations might serve as mutual benefit organizations by providing workers with health insurance, savings programs that build retirement security, life long education, work-family supports, the social networks and information needed to find jobs when required, and provide quick and effective advice and representation to solve problems and if necessary represent workers in trouble, individually, and collectively. As noted earlier, this is the void

Women are a prime constituency and potential source not only of new union members, but of creative new ideas, energy, and leadership.
that needs to be filled if America is to wean itself away from reliance on individual firms to fund and deliver these key benefits and labor market services. Let’s build the type of worker-led organizations needed to fill this void!

A good deal of experimentation is already underway with this approach. Both the National Education Association and the American Federation of Teachers recruit and provide an array of representational services and benefits to teachers under collective bargaining contracts and those not able to obtain formal bargaining recognition. Working Today, an innovative organization described in Figure 7-2, follows this approach in providing an array of health benefits, networking, and other benefits and services to independent contractors in New York’s media industries. The Communications Workers of America (CWA) has experiments underway such as Washtech, the Alliance at IBM, and an internal organizing effort called WAGE at General Electric. These are all examples of efforts geared to situations where it is not yet possible to achieve the majority support needed for gaining collective bargaining status.

This does not mean that unions should give up on the goal of achieving a collective bargaining relationship. America still needs a forum where hard decisions are made over how to balance worker and employer interests. Once bargaining rights are achieved, these services can complement and become an essential part of the collective bargaining process and relationship.

As noted in Chapter 2, unions such as the UAW and SEIU’s Local 1199 of Hospital and Health Care Workers have both negotiated and set up joint union-management funds and programs that provide a wide array of family, child care, immigration, training and development, and other services and benefits suited to the needs of their constituents and families. Many craft and occupational unions and professional associations also provide many of these services and may provide the experience base for learning how to implement this model.

Direct Participation. Today’s workers want a direct voice. They no more want to be told how they are being represented by a centralized bureaucratic union or association than they
want to be told to trust that management will take care of their interests. Having a direct voice in how to do one’s job, how to improve the flow of work, and how to build a collaborative, high trust work environment increases job satisfaction, dignity and self worth. As discussed in Chapter 5, studies have shown that worker participation, combined with other appropriate workplace innovations and investments in technology, increase product and service quality and productivity. So any modern system of worker voice and representation must be based on a foundation of employee participation in the day to day affairs and decisions that affect how they do their jobs and how they can better contribute to the success of the enterprise.

American industry has developed lots of ways to do this, dating back to the quality circle movement of the early 1980s to more on-line organization of workers into teams that take responsibility for some of the duties traditionally assigned to first or second line supervisors. The challenge with these processes lies in sustaining them through turnover of managers and others who championed their creation or through the first budget crunch, layoff, or other normal crises that one can expect to occur. Employee participation is often the first thing to go when crises arise, either because they are viewed as nice, but not essential things to do or because a new executive takes over who carries a command and control managerial style that should have been left behind in the last century. The key, therefore, is to give workers the ability to initiate and sustain a direct voice at the workplace with or without managerial champions.

On this score, Europe is ahead of America by several decades. Most European countries, and now most recently the European Union, provide all employees in an enterprise the right to elect representatives to a “works council,” a representative body that meets, consults, and works with management on workplace and workforce issues. See page 105 for more on works councils.

**Collective Bargaining: Past, Present, and Future**

Throughout the 20th century, collective bargaining served as the main tool for both determining union members’ wages and for advancing union and non-union workers’ wages, benefits and working conditions. Collective bargaining has been most successful in advancing worker interests when two conditions were present: (1) Unions organized, or served as a credible threat to organize, a sufficient part of the relevant labor and product market to “take wages out of competition,” and (2) Unions could mount a credible strike threat as their key source of power.

Today, both of these conditions are problematic. Global competition and the rise of domestic non-union competition in all but a few industries and some large cities make it difficult to take wages out of competition. Moreover, since 1980, the strike, with some notable exceptions, has largely turned into a defensive weapon used only as a very last resort to ward off employer demands for concessions.

The four month strike by grocery workers in California is a recent case in point. The workers went on strike to oppose employer demands to cut their health care plans in anticipation of Wal-Mart opening stores and paying lower wages and benefits. In the end, the
union was able to hold the line for its current, but not for its future members. The strike ended only when the union agreed to allow the companies to pay lower wages and benefits to all employees hired in the future.\textsuperscript{83}

The most visible exceptions to this shift in the effects of the strike are examples like the Teamsters-UPS strike in 1997 and the Justice for Janitors’ campaigns in Los Angeles, Boston, and several other large cities in recent years. These illustrate how the role of the strike has changed from an economic action aimed at stopping production to a more public and political action designed to mobilize the public support. While these strikes imposed economic costs on their target employers, their real source of power came from the support these unions gained from the public and the coalition partners the unions mobilized in support of their demands.

Nobody likes strikes. Yet a deadline does focus the mind and motivate parties to make hard decisions. The right to withhold one’s labor individually or collectively is something that most people see as an essential safety valve that workers should have to draw on if necessary, as long as it does not pose significant risks to the safety or welfare of the public or other bystanders. The implication is that the public would like to see collective bargaining do its work without having to rely on strikes to get the job done!

The good news is that there is a range of tools that parties can use to improve the effectiveness of negotiations and dispute resolution that reduce reliance on strikes. Today a growing number of union and management negotiators are learning and applying the techniques of modern “interest based” negotiations. At its core, this is simply the application of standard problem solving techniques to bargaining problems — focusing on identifying each party’s interests, brainstorming and exploring multiple options, sharing and using information, using mutually agreed upon criteria to choose among options, and communicating actively and jointly with constituents and other concerned stakeholders throughout the process and when an agreement is reached. This does not mean that differences in interest are eliminated or all conflicts are avoided. Instead they are addressed and engaged in a more constructive fashion.

Variants in interest based negotiations now occur in nearly half of labor negotiations in the country.\textsuperscript{84} In reality, as the processes unfold, most tend to be some combination of interest based and more traditional negotiations. So the modern tools of the trade for labor negotiations are at hand and can be used in ways that are consistent with finding innovative and effective and equitable solutions to today’s problems. Working families should insist that these new tools be used by the union and management teams that negotiate contracts on their behalf.

One other feature of labor relations needs to change — the notion that bargaining occurs on fixed two, three, or more year schedules. Today’s markets, technologies, and workplace conditions change too rapidly for things to remain fixed for long periods of time. That is why many of us in the field have long advocated more continuous interactions and consultations in what have been called labor management partnerships. We have already referred to several different examples of such partnerships — ranging from the most extensive and
far-reaching one found at Kaiser Permanente, to more limited but focused partnerships such as at NUMMI, or even more informal ones such as at Continental or Southwest Airlines.

Not all of these last indefinitely. One of the most ambitious partnerships ever designed was used to create and manage the Saturn Corporation. In the early years of Saturn it helped achieve the vision of building a “new kind of company and a new kind of car”. Within two years of its startup, Saturn achieved the highest customer satisfaction ratings among all cars built in the U.S. But, alas, as the initial champions of the Saturn partnership retired, the partners fell back into more traditional ways. Indeed, the history of labor management partnerships is that they come and go as the need arises. Partnerships are not a panacea, but they continue to be an option that parties can turn to if they develop sufficient trust and confidence in each other to make them realize their full potential.

The lesson here is that partnerships or broader transformations in labor-management relations indeed can and do serve important functions and work when labor and management are well matched in strength and share a pragmatic judgment that by working together each can serve its constituents better than by other more traditional or arms length means. They may have an important role to play in labor management relations today and in the future, and could have a stronger role if supported by public policy, as they were in the federal sector from 1992 to 2000.

**Voice in Strategic Decisions and Corporate Governance**

Over the past two decades, union leaders have come to recognize the need to go beyond collective bargaining to get access to where the real power lies in corporations and the key decisions are made that shape workers’ long term security and welfare — in the inner circle of executive decision-making and corporate governance. This level of management has traditionally been viewed as off-limits to workers and their unions. Management’s right to make these strategic decisions is specifically protected under the National Labor Relations Act. That doctrine is another holdover from the industrial era notion that it is best to set up a clear and distinct division between management and workers. In a knowledge-based organization, this line becomes blurred and needs to be erased if the full potential of this type of organization is to be realized. Employees have important knowledge to bring to strategic decisions and have a stake in how and who makes them.

Recognition of the need to influence these decisions has produced a variety of different efforts ranging from creating labor-management partnerships (health care, autos, steel, and others) seeking seats on corporate boards (steel, trucking, airlines), negotiating commitments to neutrality in organizing campaigns (telecommunications, autos, aerospace), and mounting capital strategies aimed at using the leverage of union pension funds to mount shareholder resolutions on specific topics and/or to pressure companies to change specific anti-worker practices (the AFL-CIO, several national unions, several state employee pension funds). All of these have had some successes and some show considerable promise. But none
have penetrated more than a small fraction of the corporate world.

Thus, even more fundamental breaks will be needed from the traditional New Deal doctrine that workers and their representatives have no legitimate right to a voice in strategic business decisions or corporate governance. As noted in Chapter 5, this requires challenging very basic concepts regarding the goals and responsibilities of corporations and those who govern them.

**Workers’ Voice in Society**

Two weeks after the attack on Pearl Harbor, President Roosevelt called labor and business leaders together and told them he needed their support and cooperation to win the war against America’s totalitarian enemies. Roosevelt’s Secretary of Labor, Frances Perkins, and other government officials followed up that historic meeting by working with labor and business leaders to create the War Labor Board (WLB). This tripartite body (made up of labor, business, and government appointed neutrals) oversaw labor management relations for the duration of the war.

The dividends for the war effort were immediate and obvious. American factories and workers (many women who filled “men’s jobs”) produced the goods and services needed to support American soldiers. Work stoppages were either avoided or settled quickly and fairly in ways that avoided setting off an inflationary spiral.

Six decades later, Americans are still reaping the longer term dividends of bringing these diverse stakeholders together. Out of the deliberations of the WLB came many of the principles and benefits that guided labor management relations and personnel management for decades following World War II. Along with pensions and health insurance, cost of living allowances, grievance procedures, sick leaves and paid vacations were among the workplace innovations endorsed by the Board that went on to become accepted principles of modern human resource management and labor relations.

Imagine how America’s labor and management leaders could have and would have responded had the same approach been followed after the terrorist attacks of September 11, 2001. Unfortunately, unlike Roosevelt, President Bush saw no need and has shown no interest in asking national labor and business leaders to work together with him to help pull the country through a prolonged period of national crisis and the war on terrorism. Nor did his Secretary of Labor, Elaine Chao. When a Secretary of Labor from a previous Republican Administration suggested Chao call business and labor leaders together to discuss what they might do to help the country through this crisis, she said: “Why would I want to do that? I’m interested in the 21st century labor force, not the past.”

Dialogue among top business and labor leaders has also dissipated to perhaps its lowest level since the 1930s. The few longstanding forums for business-labor dialogue that did exist, such as the National Policy Association (formerly the National Planning Association), the Collective Bargaining Forum, the Work in America Institute, and several private labor management groups, have all disbanded. The demise of these forums signal a perception on the part of business, labor, and government leaders that it is no longer necessary to build and maintain communications and personal relationships with each other.

A small personal anecdote illustrates the void left in national discourse when business
leaders discuss issues of significant importance with and then without well informed, articu-
late, and independent representatives of workers and their families.

In 1984, former Undersecretary of Labor Malcolm Lovell created a national level labor 
management group called the Collective Bargaining Forum. For the next fourteen years, 
CEOs of some of America’s largest companies such as General Motors, Xerox, Alcoa, 
Kaiser Permanente, and American Airlines met to discuss labor management issues with 
leaders of the AFL-CIO and presidents of the major unions representing workers in indus-
tries such as steel, paper, clothing, health care, communications and autos.

My colleague Bob McKersie and I helped Lovell facilitate these meetings. At one meeting, in the midst of a discussion of the need for corporations and unions to do more to help local communities affected by plant closings, a 
new CEO who just joined the group that day leaned over and asked me “who’s that guy talking?” I told him it was Jack Sheinkman, President of the Amalgamated Clothing and Textile Workers Union. “He’s really good” the CEO whispered, “I never hear this kind of thing at the Business Roundtable!”

Later that morning, all the union leaders had to leave for another meeting. The discus-
sions among the CEOs who stayed for lunch turned to the issue of corporate philanthropy. One highly influential CEO argued strongly and eloquently for eliminating all corporate giv-
ing to community organizations on the grounds that this amounted to giving away share-
holders’ money. None of his CEO colleagues challenged his views, or pointed out the incon-
sistency of this view with the discussion of a few hours earlier. I wondered whether this view 
would have gone unchallenged if Jack Sheinkman or his other labor colleagues had stayed 
for lunch.

America’s democracy is being weakened by this void in national dialogue. The personal 
bonds so needed to pull society through crises are not being formed. Instead America is 
growing farther and farther apart. We can do better. Perhaps working families have to take 
the lead by inviting business and government leaders to join them in community and nation-
al dialogue over the future of this country!

**Building New Sources of Power**

_The story of David and Goliath poses a question about which many remain 
intensely curious: under what conditions can the resourcefulness of an underdog 
overcome the institutionalized resources of the powerful?_

—Marshall Ganz, *Five Smooth Stones: Strategic Capacity in the Unionization of 

*Five Smooth Stones* is the creative title Marshall Ganz chose for his PhD dissertation that 
chronicled how Cesar Chavez and his United Farm Workers (UFW) drew on the sources of 
power they had available to take on the objectively more powerful California agribusiness 
industry. The UFW succeeded in getting contracts for farm workers in the 1960s because 
they reframed the issue from one of traditional collective bargaining to one of a social move-
ment that drew on deep religious faith, ethnic solidarity, peaceful civil disobedience, per-
sonal sacrifice, and broad based coalition building. These were the sources of power they 
used to overcome the odds, just as David drew on his personal resources to defeat Goliath.
— his experience in firing stones with his sling shot to herd and safeguard his sheep.

So where will the power come from to get business (and government) to the table and to once again deliver tangible benefits to workers and their families? The days are over where unions could simply “take wages out of competition” and enforce standard common rates of pay and benefits on all employers competing in the same labor or product markets. This may have been possible when markets were coincident with national borders, but no American worker or his or her union can take wages out of competition with workers in China or other low cost developing nations. Nor will the power that is typically associated with a strike be sufficient.

So, like David facing the prospect of going up against the objectively more powerful Goliath, the next generation unions will need to draw on new sources of power. As we will see, there are opportunities to be exploited.

**Knowledge as Power.** We have already identified the most important source of power workers can bring to their jobs today: their knowledge, skills, and readiness to put them to work. As noted in Chapter 3, knowledge is the necessary condition for workers to have the individual bargaining power to navigate successfully in today’s labor markets. That is why unions need to expand current efforts to provide workers with the life-long education and training needed to keep their skills current. Life-long educational opportunities can be one of the key benefits and services unions offer to recruit and retain life-long members. If unions and professional associations take up this role, they will help society wean itself from dependence on individual firms and help overcome the market failure mentioned earlier.

**Information and Communications.** Consider the successful efforts of the coalition of forces that have come together to make transparent and publicize exploitation of labor in the supply chains of transnational companies. The campaigns to fight child labor and achieve fair labor standards for employees of Nike and other highly visible transnational firms came about because of the publicity given to exposés of violations of basic human rights of workers in these companies’ supply chains in developing countries. The strike at UPS in 1997 and the Justice for Janitors’ efforts in Los Angeles and Boston were successful in part (maybe large part) because they were able to gain broad public understanding and support for their cause. A sustained and effective, multi-channel information and communications strategy is essential to any modern organization, including a modern labor movement.

The internet is one obvious tool to support using information and transparency as a key source of power for labor. Colleagues at Harvard and Wisconsin, Richard Freeman and Joel Rogers, respectively, use the catchy term “open source unionism” to emphasize this point. They envision the next generation unions using the internet to get their message to workers around the world, to organize them, mobilize them in organizing campaigns, political campaigns, and collective bargaining negotiations, and to educate and represent them on a daily basis. Clearly the internet is a tool that all modern organizations and social movements need to master and incorporate into their strategies. Labor is no exception.

More traditional media channels are equally important. Often labor leaders complain
that the existing media is biased against them and only covers labor when there is a conflict and therefore misses the good things labor does on an on-going basis. By and large this is an accurate critique of the current media. Changing this bias and increasing exposure to the concerns and perspectives of working families will require a significant investment of talent and resources on the part of the labor movement. The fact that Barbara Ehrenreich’s book *Nickeled and Dimed* has been so popular and widely acclaimed suggests there is a large ready audience for this type of information about work as it is actually experienced today.

**Exit.** Industrial unions have urged employees who are dissatisfied with conditions on their job to stand up and fight to improve them rather than simply leave in search of a better job. That approach fit the stable workplace and long term employment relationships of the industrial era many union members both wanted and experienced. For many this will continue to be the dominant way unions improve the working conditions and lives of their members. But for a significant portion of the workforce, particularly for more educated, mobile professionals, the ability to move from a job that does not meet their needs or expectations to a better one is equally important. And, over time, reducing the costs of mobility and making exit a more viable option serves as a key source of power not only for the individuals who move, but for those who stay. As any manager (or dean) will attest, nothing focuses the mind or generates improved conditions like a credible alternative job offer. Thus, reducing the costs of inter-firm or geographic mobility by providing information on job opportunities, contacts and referrals, and portable benefits could be an increasingly important source of power for unions and professional associations.

**Leveraging Labor’s Capital Investments.** After receiving a Morgan Stanley newsletter to clients that warned against investing in unionized companies, AFL-CIO President John Sweeney wrote Morgan’s CEO a letter (with a copy to union pension funds that use Morgan’s services) indicating labor’s strong disagreement with this point of view. The response from Morgan’s CEO was quick and decisive: a personal visit to John Sweeney, a public clarification that the article did not represent Morgan Stanley’s view of unions, and a series of meetings between union leaders and Morgan Stanley analysts discussing the productive contributions unions and good labor-management relations can make to firm financial performance. Morgan Stanley understood immediately the potential power of a large, unhappy client! Clearly, pension power is labor’s sleeping giant!

The AFL-CIO and several unions have been active in developing shareholder resolutions and other capital strategies. The evidence from these efforts is that they are more successful when they focus on governance issues or executive compensation rather than traditional workforce or labor-management issues and when they are done in coalition with other groups such as Institutional Shareholders Services (ISS). Specific pension funds such as CALPERS and those in strong union states like New Jersey and Wisconsin have also been supportive and active in shareholder resolution campaigns. This is a source of power for the future.87

**Coalitions and Networks.** Labor can’t go it alone. Labor’s biggest wins in recent years have come when labor unions in specific communities have built coalitions with communi-
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Labor has formed coalitions with local affiliates of organizations such as the National Interfaith Committee for Justice, the Industrial Areas Foundation, and ACORN. Working together, these coalitions have passed living wage ordinances, supported “no-sweat” campaigns, implemented school reforms, and created employment and training programs. Working families will benefit enormously if these coalitions increase in number and become more visible in their communities and across the country. In return, these coalition partners will be there for labor unions in their times of struggle. Coalitions are a critical source of power for working families and their unions.

Passion with an Umbrella

Several years ago, two MIT colleagues, Maureen Scully and Amy Segal, wrote a paper with the creative title of “Passion with an Umbrella.” They studied the growing number of informal groups arising in corporations that seek to bring about change by working within the prevailing culture of an organization. Some of these are known as “identity” groups since they form around specific racial, gender, ethnic, or other identity features. One of the earliest and most successful of these was the Black Caucus at Xerox that started as far back as the 1970s.

The catchy title of Maureen and Amy’s study conveys the essence of how these groups bring about change. Rather than confront or challenge the prevailing culture, values, or ways of doing things in the organization, these groups seek to use the culture to promote their group’s objectives. An MIT example illustrates this approach.

In the mid 1990s, women faculty in the School of Science met with their dean to discuss their feeling of being treated unfairly and being under-valued compared to their male counterparts. The dean, in MIT fashion, said, “show me the data” behind your feelings. In response, the women did a careful study of salaries, lab space, committee assignments, and other indicators that are central to the work and careers of scientists. When shown the data, the dean, true to his word, and then the provost and the president, recognized MIT had a serious and significant problem. Subsequent studies of women faculty in other departments showed similar, problematic patterns.

MIT leaders had begun to quietly take actions to address these issues when The New York Times and The Boston Globe somehow got wind of them. To MIT’s pleasant surprise, the national publicity that resulted turned out to be overwhelmingly positive, because MIT acknowledged its problems and demonstrated a determination to work on them.

This approach will be needed in the knowledge-based organizations of the future. Informal collective action, by employees who share a commitment to the overall goals and values of their employer but are not afraid to raise tough issues that need attention, are exactly what employees want most and what will be critical to restoring workers’ voice in the knowledge-based organizations of the future.

Summary

The cumulative effects of labor union decline have left a void in worker voice at work, eroded the standard of living in America and weakened our democracy. Standard calls for union
resurgence — to put more resources toward traditional union organizing, to reform labor law, or even to promote greater dialogue, cooperation, or consensus between business and labor — have not worked and will not on their own reverse the decline in worker voice.

More fundamental changes are needed that build on a vision capable of addressing the aspirations and expectations workers bring to their work, careers, and families, a strategy for recruiting individuals into life long membership in unions, structures that support community, state, and national initiatives and coalition building, and a broadening out of the sources of power unions see as part of their toolkit.

Many of the pieces of this alternative approach are already being tried out in isolated experiments within individual unions and around the country. The time appears ripe for such an effort given the pressures on working families today, the void in political leadership and discourse on these issues, the lost confidence in corporate leaders and market forces, and the toll that is being exacted on current and future generations by the war on terror, and the domestic and international tensions that will very likely be with us in its aftermath.

America is once again at a historic crossroads with respect to worker voice. We can begin by working collaboratively to fashion the next generation organizations, institutions, groups, and forums for engaging the voice of today’s knowledge workers and their families in the constructive ways that can produce mutual gains for workers, families, and the economy and society. Or we can continue to ignore and suppress efforts to restore voice at work and in society and wait for the pressures on working families to explode. If we wait for the crisis we will risk recreating the adversarial culture and modes of interaction that characterized the industrial era.

Working families should not wait for others to decide their fate. Instead, here are the initiatives they might take to restore their voices at work and in society in a fashion that adds value to the economy and strengthens our democracy:

• Take the lead in organizing and building progressive and forward looking labor organizations and professional associations that do not depend on distrust of employers as their basis for organizing.

• Maintain these memberships over the full course of their careers and family life stages. Develop a new array of family membership benefits ranging from early childcare and development through college tuition assistance. Make these priorities in negotiations with employers to the point that they too become a part of the standard portfolio of benefits and services families get from work.

• Use exit as a source of power by developing services and portable benefits that lower the costs of changing jobs and help to allocate the economy’s human resources to their most efficient uses.

• Insist on a new transparency in organizations so that employees have access to the information they need to decide whether to continue to invest their human capital in a firm or move it elsewhere.

• Insist on a direct voice at work that involves peers and managers in cooperative efforts to solve operational, personal, and family problems.

• Promote labor-management partnerships that add value and realize the full potential in human capital and knowledge-based organizations.
• Rekindle dialogue at community, state, and national levels needed to build the networks that are required to promote economic development and change, build stronger and collaborative communities, and strengthen the economy and democracy.

• Expand the range of options used to promote change at work by taking collective action consistent with the norms and culture of ones organization and profession.

• Realizing this vision will require fundamental changes in public policies, if for no other reason than to restore the promise of labor law to provide all American workers who want access to union or other forms of collective representation access to this fundamental human right. We will return to how this might be done in Chapter 8.
From 1993 to 1995, I served on one of the best kept secrets in government: The Commission on the Future of Worker Management Relations. Shortly after taking office, President Clinton and his Secretaries of Commerce and Labor charged this group of former Cabinet Secretaries, business and labor representatives, and a few of us miscellaneous academics with the task of updating labor and employment policies. We all felt this was a worthwhile, maybe even noble effort since academics and professionals in our field have known for some time that our policies are badly out of date and no longer deliver the results they promised when enacted as part of the New Deal.

Alas, few American citizens understood this or even knew that a Commission was working on these issues. As a result, we got mired down under the weight of standard business versus labor politics, lacked a public constituency demanding change, and in the end failed to get much done. But, we wrote two nice reports that are gathering dust on various shelves.

The failure of this commission was only one example of the larger problem Robert Reich, President Clinton’s first Secretary of Labor, described in his aptly titled book Locked in the Cabinet. Despite campaigning for the presidency around the slogan “Putting People First” and emphasizing the need to invest in America’s workforce, once President Clinton was in office the pressures to reduce the budget deficit dominated any consideration of workforce issues. Sound familiar? Likely to happen again? Absolutely. In fact, things can and did get worse.

Having considered the security screeners’ critical role in national security, I have concluded that collective bargaining would be incompatible with national security interests. I have therefore issued an order today that precludes collective-bargaining on behalf of screeners.


In early 2003, a staff member of the newly created Transportation Security Administration, the unit responsible for screening passengers at airports, sent me a copy of
Admiral Loy’s letter quoted above. (This person was struggling with the moral dilemma of having to implement this policy or resign in protest and wanted my advice. You can guess what advice I gave). I never thought I would see the day when we let a government executive, acting with the full force of the President, unilaterally strip workers of their right to join a union and engage in collective bargaining. Couched under the Orwellian guise that worker voice would constitute a threat to national security, this action, more than anything else, signaled the disrespect the Bush Administration has for the fundamental rights of workers and disdain for what these employees could add to our national security, not to mention to customer service.

This was not an isolated action. Since taking office, the Bush Administration has assaulted working families in other ways as well. One of the first acts, signaling the direction of future actions, was to rescind Executive Orders promoting labor management partnerships in the federal government and cooperative project agreements in construction. Apparently, if you can’t get rid of union representation, adversarial labor relations are preferred over cooperation and partnership. Then ergonomic reforms endorsed by a panel of the National Academy of Sciences were set aside “for further study.” Later, ignoring a majority vote in Congress, the Administration’s Labor Department revised its wage and hour rules to eliminate overtime after 40 hours of work for a large number (the new rules are so complicated and subject to different interpretation that the exact number affected is hard to estimate) of middle income professionals, technicians, and office workers.

The key lesson from this history of stalemate under a Democratic Administration and regressive steps under the Republican Administration that followed is this. A forward looking working families’ policy agenda and actions will only rise to the top of the public policy plan when the American public stands up and demands its voice be heard in Washington, regardless of who occupies the White House and which party controls Congress. Working families need their own agenda, one guided by a clear vision of what needs to change.

The vision for a working families agenda has been laid out throughout this book: Government policies should be geared to giving working families the tools to regain control of their destiny and to help transform our policies and practices from ones that fit the industrial age of the 1930s, to ones that can help all the parties at the workplace build a prosperous knowledge-based economy.

Two Americas at Work

One useful thing our Commission did was to go around the country and listen to American workers, managers, and community leaders tell us about their experiences at work. Hearing people talk about their work and how it intersected with their families, illustrated vividly that we have two distinct worlds of work in this country. These two worlds are best expressed in the words of some of the people who met with us and told us their stories.

The Atlanta hearings were a case in point. In the morning, we heard all about the innovative and progressive things community colleges, companies, unions and other groups in the region were doing. Figure 8-1 provides excerpts of their testimony. By the time we broke for lunch, we were feeling pretty optimistic about what was possible, indeed what was really happening in this part of the country. A rude awakening awaited us in the afternoon.
After lunch, we turned to the dark side of labor relations in America. The tragic but all too real stories of Florence and Jimmy Hill and of Deborah Wright and her family, told in Figures 8-2 and 8-3, remind us that America has failed these working families.

These stories (and the mountains of research evidence behind them showing that these were not isolated or unrepresentative examples of today’s workplace realities) convinced me that we need a two track government workforce and workplace policy. One track should govern those progressive firms, unions, and workplaces that are moving forward to empower workers, to work together in a collaborative fashion, that respect everyone’s rights and responsibilities at work, and that have structures and processes in place that provide employees an independent voice and means of resolving disputes. These workplaces are well on their way to building the type of knowledge-based economy described throughout this book. They are out in front of government policies and for them the best thing the government can do is to serve as a catalyst supporting their good works. They best know how to meet the goals and expectations society has for work and should be given considerable flexibility over how to meet these goals and expectations.

Then there is the reality of workers like Florence and Jimmy Hill and Deborah Wright and their families. They work in environments that carry over the worst features of our industrial legacy. Theory X management is not harsh enough to capture the human indignities they suffer from firms that still see workers as throw-away commodities, as labor costs to be controlled, and

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**Figure 8-1**

**The Bright Side of the Morning**

Excerpts from Testimony at the Southeastern Regional Hearing of the Commission on the Future of Worker Management Relations

January 11, 1994

On a state-wide Collaborative Council:

“[The] Council on Competitiveness is a collaborative effort, at the state level, to develop a unified work force development system for Georgia...It involves seven agency heads, the state AFL-CIO, the state Chamber of Commerce, the George Council of Vocational Education, and the Employment and Training Council. The interesting thing about the Council is that it is a voluntary collaborative...”

—Amanda Hyatt, Chair, Council for Competitive Georgia

On a joint union-management training program:

“Right here in Atlanta at AT&T’s Atlanta Works Cable Manufacturing facility, the nearly 2,200 workers represented by the Communications Workers of America are being offered a unique approach to skill upgrading...workers volunteer for an assessment session to evaluate their strengths and skills in areas of reading, writing, decision making, goal setting computation, communication, organization, critical thinking, motivation, learning preferences, and problem solving...each participant develops an individualized learning program...”

—Kathy DeLancy, The Alliance for Employee Growth and Development

On Bell South’s commitment to continuous negotiations and problem solving:

“As we are finding it necessary to change how management and unions deal with each other on a day-to-day basis, we are also finding that...the longstanding practice of negotiating a contract every “X” number of years—three years in our case—no longer is adequate to meet today’s fast-changing environment. With rapidly evolving technology and ever increasing competition, that constantly demands changes in the work environment and the work rules which govern that work environment must also be assessed.”

—Jerry Barnes, Bell South

On Delta Airlines’ philosophy of employee involvement:

“Corporations and employees that pursue a harmonious relationship which addresses all parties’ concerns and needs will be able to perform more productively, thereby insuring the long-term viability of the company, and the job security of employees. A more proactive approach by companies and employees in encouraging employee involvement and participation would benefit everyone involved.”

—Maurice Worth, Delta Airlines
that see unions as an outside force to be avoided and suppressed at all costs, regardless of society’s values or laws.

In these workplaces, government must continue to perform its historic role of protecting worker rights and enforcing vigorously the laws of the land. By targeting its enforcement efforts on the most egregious violators, and providing more flexibility for those demonstrating their ability and willingness to internalize responsibility for meeting the letter and the spirit of the law, those stuck in the old industrial, adversarial mode might begin to see the light. They will have an incentive to get on the transformational track.

Priorities for “The First Hundred Days”

There is a brief window of opportunity for almost any new Administration and Congress when it takes office. Historians write about Franklin Roosevelt’s “first hundred days” in which the blueprint for the New Deal was laid out and much of it moved through Congress. The foundation laid in these initial days signals to the country both the direction and the intensity of an Administration’s priorities. So it is critical to choose a set of initial workforce policy priorities that are ready for action. These must be ones that are doable, where what needs to be done is already clear and well documented, and that signal and fit into a broader, long term vision and policy agenda.

Three working families’ priorities fit these criteria: (1) minimum standards and state-level enabling legislation for paid family leave, (2) labor law reform and modernization, and (3) minimum wage and earned income tax credit increases.

Paid Family Leave

The case for allowing states to experiment with different ways to fund and deliver paid family leave was outlined in Chapter 2. Putting it at the top of a working families’ agenda sends three important messages. First, it signals the intent to reframe all workforce policy initiatives and thinking to conform to the dual agenda of addressing workforce
and personal and family needs. It makes an analytic and political point and sets the stage for all that is to come. Second, it brings together the broad coalition of forces that need to work together on the full workforce agenda — women, family advocates, labor, and the progressive forces in the business community that recognize the need for a sensible, workable, and flexible family leave policy. Bringing this coalition together early and showing what can be done when these groups work collaboratively will send a powerful message — to themselves, to members of Congress, and to the American public. Third, it illustrates how we can put the two track strategy and work to accelerate the pace of workplace change and innovation.

As suggested in Chapter 2, the design features of a paid leave program could be left to state-level experimentation, subject to meeting some minimum standards. If a state does not enact a program to meet these standards within a definable period of time, the federal minimums and funding arrangements would then apply. The virtue of this approach is that it would encourage dialogue at the state level to address a host of work and family policy and community issues and allow the business community to work constructively to design a paid leave policy that dovetails with what firms in their state already provide for some of their employees. These state policies could go a step further for those workplaces in which workers have a voice in deciding how to integrate paid leave into their existing employment policies and benefits by allowing them to certify that their policies meet or exceed the minimums.

What should be the minimum standards and default funding arrangement? These would undoubtedly need to be worked out with members of Congress who would serve as the sponsors and champions of the bill. Senator Lieberman has proposed the clearest set of standards and funding methods that are consistent with the approach noted here. His proposal calls for four weeks of paid leave at 50 percent of a workers’ wage, funded through employee contributions of about $30 per year for the average worker. The program would be administered at the state level with flexibility over how each state designs its benefit payments. This offers a concrete way to get started, and perhaps could also help jumpstart state level collaborative discussions among business, labor, family representatives, and govern-
ment over how to ensure this policy dovetails with existing company and union practices and benefits. If my experiment with corporate human resource and work and family professionals described in Chapter 2 is any indication, this type of collaborative and representative group and process would indeed generate creative and workable ideas no legislator or government regulator could dream up on their own!

**Fixing and Modernizing Labor Law**

The failure of labor law to protect people like Florence and Jimmy Hill and the inability of the law or other government policies to promote and support the positive efforts of those testifying for the Commission on the Future of Labor Management Relations should get the attention of all Americans. Labor law is broken and outdated and needs to be fixed and modernized.

**Fixing the Basics.** The empirical evidence and details for the types of reforms needed can be found in the two reports of the Commission cited above. It documents that 10,000 workers a year are fired for organizing. This amounts to about one out of every 20 workers who voted for union representation in the 1990s. Workers trying to organize can expect it to take two to three years to get through an election process if an employer decides to use legal delaying tactics. Then there is a 25 to 35 percent chance that even if a majority of workers vote for union representation, they will never get a first collective bargaining contract because employer resistance shifts to the bargaining table. The data are clear. The law does not work to protect workers’ right to join a union in America. This is nothing short of a national disgrace. Fixing labor law should be a top priority on a working families agenda.

How to fix its basic features is also relatively clear. The Commission, and most others who have proposed changes from time to time, focused on three aspects of the law: (1) reducing time required to determine whether or not a majority of workers want to be represented by a union, (2) reducing the conflicts and risks associated with voicing one’s views in support or against organizing, i.e., raising the penalties imposed on those employers or unions that violate workers’ rights, and (3) ensuring that if a majority support a union, they will in fact get a first contract and start their bargaining relationship off on a constructive course.

There are a variety of ideas on how to meet these criteria. Senator Edward Kennedy and others have introduced a bill that proposes the clearest approach consistent with these criteria. Their Employee Freedom of Choice Bill provides for (1) recognition of a union if a majority of workers give written authorization for a union to represent them or if a majority votes in an election, (2) stiffer penalties for labor law violations, and (3) mediation and binding arbitration in first contract negotiations if the parties cannot agree to terms on their own.

This is a good starting point. Fixing labor law in this way is essential to protect workers from employers and unions that continue their adversarial and in some cases abusive behavior reminiscent of the industrial era. Taking these overdue actions will deal with the most egregious violators of workers’ basic human rights.
That’s half the job. What can be done to support those firms, unions, and workforces that are on a more positive track and are ready or trying to empower employees to help build knowledge-based organizations?

Giving Workers the Cooperative Voice They Want and Need. As surveys consistently show, employees want access to information about their job and enterprise and a direct, cooperative voice in decisions that are critical to their future. Unfortunately, American labor law does not provide for this type of worker voice. That is why for many years I and others have advocated allowing all workers — hourly and salaried — in an establishment to vote to create something akin to the works councils found in Europe. These bodies consult with management on the full range of human resource and workplace policies and practices and have access to the types of information employees need to determine whether their human capital is being safeguarded and well invested. Moreover, these councils meet what the vast majority of American workers say they want at work — a cooperative form of direct employee participation with a cooperative and involved management. Equally important, it leaves it to the employees to decide if they want this type of forum at work. It can then serve as the umbrella that is needed to support the more decentralized involvement of groups to promote positive changes — pursue, for example, the dual work and family agenda in their respective areas as the need arises. Remember the “Passion with an Umbrella” example from Chapter 7? America needs a means to foster this type of collaborative approach to meeting the needs of working families and their employers!

Voice in Corporate Governance. Earlier I proposed a simple principle for corporate governance in knowledge-based organizations: Employees who invest and put at risk their human capital should have the same rights to information and voice in governance as do investors who put at risk their financial capital.

The need for employee voice in corporate governance can be addressed, in part through public policy changes, but in part through initiatives by workers themselves. The one policy change would be to require that workers be allowed to elect representatives to be trustees of their pensions. This is already the case for most state and local government employees and for those employees covered by multi-employer pension funds. But it is not the case for employees covered by firm specific pension funds. There is no logical reason for this exception and simple fairness would dictate that the people who contribute to these funds and depend on them for their retirement security should be represented on the board that oversees them! This should be part of any modernization of labor law.

No laws bar workers from electing members to corporate boards of directors. It is just very difficult to do so unless a severe economic crisis forces firms to give employees a board seat in return for wage concessions. Congress could take an affirmative step to providing employees a voice in healthy companies by requiring public corporations to have worker nominated directors, as is the case in Germany and several other European countries. There may, however, be better ways to do this such as simply having the Security and Exchange Commission make it easier for employees to mount candidate slates and have them put on the shareholders’ ballots rather than leave this process to corporate executives to nominate...
their chosen candidates and to block nominations by others. Opening up the election process and allowing employee groups, unions or otherwise, to propose their candidates would be a major step in making corporate governance more open to employee voice.

**Diffusing Knowledge-Based Work Systems.** Thoughtful government leaders have struck out several times in efforts aimed at supporting the diffusion of progressive workplace practices that have demonstrated their value in improving productivity, firm performance, and employee well-being. Some of these were reviewed earlier, along with the one example of a highly successful strategy for promoting adoption of these innovations. The successful strategy is actually not one initiated by government, but by the Alfred P. Sloan Foundation. The industry by industry academic, business, and labor networks created over the last fifteen years are models from which government can learn. The key to Sloan’s success, and the central lesson for future government efforts of this type, are to engage these stakeholders directly in the learning process and to provide them with the type of concrete data and evidence that they find convincing about how to engage the workforce and integrate new technologies, production and service delivery processes, and human resources to build world class organizations and industries. So in this case, government may not need to be the driving force. Simply encouraging foundations like Sloan to stay the course and continue their efforts might be the best policy. At a minimum, learning from the successes of the Sloan approach would be essential to future government initiatives to promote workplace innovations that will support a knowledge-based economy.

**Promoting Labor Management Partnerships.** Lessons from history should also inform a working families agenda to promote the types of labor management partnerships needed in a modern economy. As noted earlier, the Bush Administration rescinded Executive Orders that encouraged labor management partnerships in the federal government and project agreements in the construction industry. Reversing these actions would for signal support for transforming labor management relationships from their adversarial past to more constructive and productive partnerships.

Beyond this, grant funds, similar to those already available from the Federal Mediation and Conciliation Service, to support labor-management joint initiatives, should continue to be made available to private sector parties. Other more proactive steps could also be considered, such as providing capacity building grants to labor organizations to develop the skills needed to construct and lead the “next generation unions.” A similar approach was followed in the 1970s to support efforts to train a cohort of industrial hygiene experts in the labor movement who went on to provide advice to unions and companies in how to implement the relatively new Occupational Safety and Health Act.

These labor law reforms and updates should be pursued as part of the first burst of legislative activity in any newly elected administration! Taking care of this long overdue task will provide a foundation for addressing other challenges that require effective institutions of worker voice to be in place in American workplaces so we can experiment with new ways to address the most pressing problems facing working families and their employers and communities.
Minimum Wage and Earned Income Tax Credit

A third initial priority should be to take decisive action to help working families earn incomes that move them out of poverty. It is an affront to the dignity of working families to have to work for poverty wages and incomes. Moreover, the growing gap between the haves and have nots in American society is an insult to our democracy and inconsistent with the moral standards of social justice and solidarity (support for the common good) embedded in our various religious traditions.

We know what the tools are for addressing these issues: an increase in the minimum wage and expansion of the Earned Income Tax Credit (EITC). These are now widely recognized as alternative and complementary instruments for raising the real incomes of low wage workers and families. The evidence is clear. Over 34 million Americans work at wages that keep their families below the poverty level. The minimum wage has stayed stuck at $5.15 per hour since 1996. Increasing it would help those at the bottom and make a small but substantive contribution to reducing the wage inequality so present in America.

The standard argument against raising minimum wages is that it reduces demand for entry level, low wage workers. The empirical evidence, however, has now convinced most objective analysts that moderate increases have little if any negative employment effects. Obviously, if the minimum wage is pushed up too high, it will have this effect. Given it’s been six years since the last increase, a modest increase of the magnitudes used in the past would clearly not pass this threshold. Moreover, an increase of $1.50 spread over a reasonable period of time would be about what it would take to restore the minimum wage to its purchasing power level of 1970!

The EITC has two advantages over the minimum wage. First, it has no negative employment effect because it reduces (or eliminates) income taxes on earned wages rather than increases the wages employers pay. Second, it is linked to family needs by being graduated for the number of people in one’s household. It is geared to helping working families! A combined proposal to complement increases in the minimum wage with increases in the EITC to ensure that working families achieve incomes that move them at least above the federally determined poverty line should be a key part of the “first hundred days” working families agenda.

The Full Agenda: Staying the Course for Working Families

These immediate legislative initiatives would set the stage and signal the Administration and Congressional intent to pursue a comprehensive and forward looking working families’ agenda geared to supporting a knowledge-based economy. Some of these on-going efforts also require legislative action, particularly those that involve macro economic policies, tax reforms, health insurance, social security, and private pension policies. But much of what needs to be done involves leadership and administrative actions aimed at generating and supporting collaborative initiatives among working families, business, labor, and other private sector leaders.
Creating Good Jobs

Clearly, creating and sustaining good paying, high quality, knowledge-based jobs has to be an on-going, top priority of any working families’ agenda. As suggested earlier in this book, there is no single strategy for making this happen.

The Basics: Sensible Macroeconomic Policies. A strong jobs agenda requires a combination of efforts, starting with a strong macro economic policy that promotes sustained economic growth and job creation. Without this, all other micro or specific job creation or training and education initiatives are likely to fall short of their objectives. This lesson has been clear since the 1960s and it is as valid today as in the past. The basic rules of economics do hold, even as we saw in the “new economy” of the 1990s and there is no reason to believe they will be repealed in the knowledge-based economy of the future.

So attending to the basics is critical. At this moment in time, a strong case can be made for reallocating the tax cuts of recent years to benefit more directly lower and middle income families. And some federal relief to state and local government budgets could both address critical infrastructure needs and have a direct effect on job creation. But economic conditions change and so any suggestion that priority should be given to greater stimulus or more fiscal restraint may have only at best a 50 percent of being right by the time you read this!

One thing is clear, however. The large budget deficits future administrations will inherit need to be addressed through repeal of some or all of the tax cuts that have gone to the most wealthy Americans in recent years. The prospect of a debt overhang (or should I say hangover) of $3 trillion will scare off investors, keep the economy struggling to create the jobs we need, and starve all domestic programs that serve working families. We will suffer and our children will pay the ultimate price for our irresponsibility.

Working families can also insist that federal policymakers follow-through on the nation’s stated commitment to full employment by putting this objective at the top of the list of policy objectives. Tax and spending policies can then be judged against their ability to deliver on this objective.

Investing in Human Capital. Can we promote job growth through more targeted tax or investment initiatives? A number of proposals have been put forward to do this. One is an investment tax credit that would apply to new jobs and/or to investment in education and training, akin to the investment tax credits sometimes made available for capital investments. In principle this sounds good; in reality these are hard to monitor and to avoid paying organizations for what their business strategies would lead them to do even in the absence of incentives. While these are serious drawbacks of these types of incentives, they are no more problematic than incentives offered for capital investment. So the principle here might be if Congress or an Administration is willing to absorb the dead weight losses associated with capital investments, they should do so for human capital investments as well.

Earlier I emphasized the need to promote research, entrepreneurship, and regional economic development by supporting university-industry-employee networks. This should be a visible and central part of an Administration’s job creation strategy. These networks should, however, be inclusive. The next generation new business start ups need to begin by building
knowledge-based organizations that are committed to and attuned to meeting the needs of all their investors — financial, human, and community. By building inclusive networks up front, communities have a better chance of making the transition to a knowledge-based economy in which family and civic responsibilities are taken seriously.

These same groups can ensure that we follow a design principle of proven value for funding education and training programs. Studies of employment and training programs and community colleges consistently document the benefits of having good industry links so the skills being taught are the ones in demand in today and tomorrow’s organizations.

One of the earliest non-legislative actions of an Administration committed to both building and sustaining good knowledge-based jobs in America should be to host a series of regional industry, technology, and jobs summit meetings in which university researchers, and leaders of specific industries and employee associations and unions meet to discuss what it will take to stay on the frontier of science and technology and what skills will be needed to support efforts to push out this frontier. Adapting a popular sports’ saying to fit this scenario is the following, the best defense against the threat of off-shoring jobs will be a good offense.

But these types of gatherings must be more than symbolic gestures. The federal government is investing less today in workforce training than it did before the Bush Administration took office. Recall the irony of President Bush’s speech to that community college in Ohio that had just laid off staff members? His intent to support a small increase in funding for community colleges rang rather hollow, given cuts in employment and training imposed during the first three years of his administration. If we are to truly “prepare the 21st century workforce” we have to put our money where our mouth is!

**Jobs, Trade and International Standards**

Can or should something be done to stem the loss of jobs to trading partners or other low cost countries overseas? This is a highly contested debate, made even more hotly contested by the visibility “off-shoring” issues are getting in the press and in the minds of working family members. It is time to go beyond the platitudes or rhetoric on this issue as well.

Some candidates for public office have proposed tax penalties for moving jobs off-shore. These are likely to be extremely hard to implement, much less to enforce. These ideas make for appealing political rhetoric, but are not much more than that. Working families deserve to be treated as intelligent consumers of ideas. This proposal ultimately hurts more working families than it helps. It should not, however, stop the United States from taking principled positions that respect core labor standards endorsed by international business, labor, and government through the International Labor Organization and insist they be included in all trade agreements.

The final plank of any trade and jobs program must be to support the families that are bearing the costs of economic and technical change. This is one of the costs that society must be willing to bear if it wants to enjoy the benefits of an open and fair trade policy. Building broad-based political support for a fair trade policy will require going beyond the limited programs such as Trade Adjustment Assistance (a program that provides limited income

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The best defense against the threat of off-shoring jobs will be a good offense.
supports for workers who can show they lost their jobs because of international trade) or even more ambitious ideas such as “wage insurance” (tax subsidies that would make up the difference between wages on a job that is lost and wages on a replacement job). These are helpful supports for the individuals who can show a direct link between trade and their job loss. A more meaningful and necessary program would focus on helping families adjust to permanent job losses by covering health insurance, retirement security, and most of ensuring the children of those caught in the transition from the industrial to the knowledge economy have access to the educational opportunities they will need to move on to where the job opportunities beckon them.

**Work Hours and the Overtime Quagmire**

No set of rules is more complicated, controversial, and out of step with the way people work today than those governing who is covered and who is exempt from payment of overtime. We noted earlier that the distinction between exempt and non-exempt is at best blurred in workplaces that empower workers. The Bush Administration stirred up controversy on this issue by having its Labor Department revise the overtime rules in ways that could eliminate coverage of many middle income employees!93

The net result is that the working hours of these people may well increase, for less pay than they would have received in the past, precisely at the time that working families are already stretched to the limit. This makes no sense and is a direct assault on working families. The simple agenda objective would be to reverse the Bush Administration’s actions. Working families should insist on it.

But the complex rules governing exempt and non-exempt distinctions that are in place also no longer work. A well grounded, analytic, and transparent process is needed to modernize and simplify these rules.

Any effort to change these rules should be guided by a clear and simple principle: *No changes in overtime regulations should have the effect of increasing the hours of work or reducing the take home pay of employees, or reducing employee control over their work schedules!*

**Workplace Regulations**

For years I have advocated providing those employers and employees that have effective institutions and forums for employee voice and representation to have more flexibility to “internalize” enforcement of regulations governing their workplaces. Here is where our two track approach can demonstrate its greatest potential for working families, progressive businesses, and society.

Over the years, the number of employment standards and other regulations governing the workplace has increased substantially. The need for flexibility in how firms meet the goals of employment statutes increases over time as the economy and range of employment arrangements become more varied. Business leaders often voice legitimate complaints about the rigidity and complexity of government regulations of the workplace. They note, often with good reason, that today’s economy is too varied for a “one size fits all” approach to regulating the workplace and that all too often regulations are written to deal with the worst
violators of employment law and thereby create costly and inefficient restrictions on those employers who are committed to meeting their legal obligations, and in fact go beyond the minimum standards required by law. So the challenge lies in finding ways to allow more flexibility in how good employers meet the objectives and basic standards society sets for work and employment relationships while still safeguarding the rights of employees in settings where this commitment is lacking in their workplace.

If there was assurance that employees have an independent voice at their workplace through collective bargaining and/or through the American equivalent of a works council, a range of possibilities opens up for internalizing enforcement of things such as safety and health, family leave, working hours and overtime arrangements. If the parties add an alternative dispute resolution system available to employees that meets the standards of due process that professionals in this field have developed, one could also encourage use of these systems, including private arbitration, to provide more prompt and less costly resolution of employment disputes.

**Pensions, Social Security and Health Care**

As noted in Chapter 6, health care, pensions, and social security reforms will all be front and center on the national agenda for years to come and I laid out a working families’ agenda for these issues in that chapter. The key is for working families to assert their interests on these issues and insist on having their voices heard and represented in the deliberations to come.

**Whose Department of Labor Is This Anyway?**

> “The purpose of the Department of Labor shall be to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment”

—Congressional Act creating the Department of Labor, March 4, 1913

Working families need a voice and advocate within the federal government to put this agenda to work. Theoretically, they have had one since 1913. That was the year the U.S. Department of Labor was created and given the above charge.

Since then, this cabinet level department and its Secretary have served as the primary locus of ideas, analysis, policy development, and advocacy for workforce issues. The Department has had its ups and downs, with a number of highly distinguished Secretaries such as Frances Perkins, Franklin Roosevelt’s Secretary (and the first woman cabinet member) leading the efforts that became the signature labor and employment policies of the New Deal. Other distinguished Secretaries have served in Republican and Democratic Administrations since then. President Kennedy appointed labor expert Arthur Goldberg who then went on to become a Supreme Court Justice. W. Willard Wirtz and Ray Marshall, both widely recognized national experts and advocates for education and training, served Presidents Johnson and Carter respectively. President Nixon chose George Shultz as his first Labor Secretary and Shultz went on to serve the country as Secretary of Treasury and then as Secretary of State during the Reagan years. John Dunlop and William Usery, two of the countries most respected and experienced experts in labor management relations, served
under President Ford. Each of these people brought stature, independence, professionally grounded ideas, and built staffs with the technical expertise needed to analyze and evaluate the merits of alternative proposals and programs.

But the Labor Department has also had its low points. Sometimes it has been used as a depository for political appointees for Administrations looking to place somewhere out of the way. Under President Bush, the Department has become essentially a puppet of the White House, unable to challenge the President’s White House Advisors or to stand up for working families.

What would it take to reestablish the Labor Department as the place where working families voice is heard? Staffing it with respected and experienced people who have a clear agenda endorsed by the President would be a good place to start.

Frances Perkins illustrates this best. She laid out a clear agenda for Franklin Roosevelt when he asked her to serve as his Secretary of Labor. Figure 8-4 tells her story in her own words.

The same clear agenda and means of pursuing it are needed today. Here is where the full range of working families comes in. The main message of this chapter, indeed this book, is that a working families agenda must be backed by a strong and broad-based political coalition.

In the past, the biggest political force behind the Labor Department was the labor movement. This seems appropriate because the AFL-CIO is the largest, most representative, and most powerful voice for workers in America. But the labor movement cannot be the only constituent. When the Labor Department is viewed as only a voice for the AFL-CIO, the department gets marginalized by others in the Administration and targeted as a “special interest” enclave. Then the political and policy task comes down to “what do we need to give them to make them minimally happy and how do we keep them at bay on other issues we want to pursue?”

So a broader political coalition is needed to work with and complement the labor movement. Several Secretaries made good use of National Labor Management Committees or groups to advise the Secretary and/or the President on key issues. As noted earlier, the 9/11 attacks provided a golden opportunity to take this course, but it was rejected. Some process is
needed to build support and to explore where possible consensus might be found on how to best pursue a working families agenda.

But as noted earlier, there is a deep ideological divide between business and labor. New voices need to be added to diversify and broaden those consulted to break the stranglehold that business and labor together hold over working families’ issues.

In the heat of debates among members of the Commission on the Future of Worker Management Relations, a coalition of 21 different women’s organizations came together and insisted their voice be heard. They could not and would not be ignored. They asked to testify at a commission hearing. Our Commission Chairman, John Dunlop, agreed. They then organized a day-long conference on working women and Dunlop and I attended, listened, and spoke. I found this to be the most refreshing and innovative group of all those that presented ideas to the Commission. They brought a perspective on work, labor, family, and community issues that we did not hear from other union or employer leaders. Despite their diversity, they surprised everyone (including themselves) in reaching agreement on several controversial policy issues. And, this coalition worked in partnership with the labor movement and with some groups within the business community. The value they added to the discussion should not be lost on whoever takes on the task of building the political coalition needed to support a working families agenda in the federal government.

**State Level Policy Initiatives**

Finally, the potential for state level policy making should not be ignored. Again, history offers a possible lesson. The progressives and labor reformers of the early 20th century achieved much of what was to end up in the New Deal labor and social legislation by first getting their ideas enacted and tested at the state level. States like Wisconsin, New York, and other progressive enclaves served as the experimental testing grounds for the New Deal by enacting safety and health, unemployment insurance, and women and child labor protections. A similar effort has been underway in recent years by organizations such as the National Partnership for Women and Families in their quest to enact paid family leave statutes at the state level. So far, they have only been successful in one state — California. This is why my colleagues and I at the MIT Workplace Center have called for the formation of state-level Work Family Councils.

**Summary**

Working families should insist that government leaders take their agenda seriously. The overriding goal needs to be kept front and center: To provide working families the tools they need to regain control of their destinies and to contribute to building a knowledge-based economy.

The key tasks that lie ahead are to support those organizations and institutions that are committed to working together to realize this goal and to protect workers and families who work in environments that do not share this commitment. To do this we need to (1) enact flexible paid family leave, work hours, and other policies needed to support efforts to address the dual agenda of work and family in America’s workplaces, (2) design, fund, and implement a coordinated job creation and human capital investment and development strat-
egy, (3) make sure all working families earn incomes that move them out of poverty, (4)
restore worker voice at work and in society in ways that support this overriding goal, (5)
update overtime rules and other government regulations through a process of consultation
with those affected by these rules and (6) restore the Department of Labor to its former
stature, professionalism, and influence and broaden out the coalition behind it.

To be specific, the working families agenda laid out here would:

• Enable states to enact flexible options for funding and delivering paid family leave to all
  working families
• Reform and modernize labor law
• Raise the minimum incomes of working families to move them out of poverty through
  the combined instruments of the minimum wage and the earned income tax credit
• Commit to reducing working hours as the long term objective of the country, without
  reducing take home pay and reform rules governing overtime in ways that encourage
  workers and employers to redesign work schedules to meet their dual responsibilities at
  work and at home.
• Pursue a macro economic policy that promotes the growth of good, sustainable jobs,
  complemented by adequate investments in education, training, and collaborative region-
  al economic development, innovation, and entrepreneurship.
• Require all parties in future trade agreements to respect and abide by the core labor stan-
  dards of the International Labor Organization.
• Continue to encourage and learn from state and local level innovations and support
  efforts to build working family coalitions.
• Engage the broad constituencies that make up a working families coalition in on-going
  dialogue over how to keep up the momentum in moving toward a knowledge-based
  economy that works for everyone.
Chapter 9

Taking Action: A Working Families’ Toolkit

What if American working families do stand up and say “Enough is enough” at work, in their communities, professional associations and unions, and in interactions with elected leaders or candidates for public office? What should be their action plan for addressing the cumulative effects of the growing pressures of long work hours and stresses associated with work and family conflicts, disappearing jobs, inadequate wages and benefits, and loss of voice and trust at work? What tools do they need to regain control of their destinies? The individual tools and elements of an action plan have been laid out in the previous chapters. Now we need to bring them together in a shorthand way that serves both as a guide to action and a template for holding themselves, their leaders, and their institutions accountable for getting on with the job of restoring faith in the American dream and transitioning to a knowledge-based economy.

Figure 9-1 presents such a template. I call it a Working Families’ Toolkit. The rows list what working families and the economy most need today: flexibility to integrate work and family life, education and lifelong learning, good jobs, adequate family incomes, portable benefits, voice at work and in society, and a broadly shared commitment to working together to restore trust and the values Americans hold for work and family life. The columns list where working families need to pursue this agenda — in their states and local communities, at work, through their unions and professional associations, and with the federal government. The individual entries are the tools working families need to regain control of their destinies and to contribute to a knowledge-based economy.

Gaining access to these tools and putting them to work will take both individual and collective efforts. Individuals need to speak up, get involved, and provide the leadership needed to produce changes at work, in their communities, in their associations and unions, and in state and national politics. In each of these settings, they need to keep in mind and advance their dual agendas as workers and family members. This same dual agenda can also be advanced collectively by building the types of “next generation” professional associations and unions envisioned here, continuing to work creatively in the types of partnerships, coalitions,
and networks that are emerging to give voice to women and family issues, and by joining efforts to build multi-party Work Family Councils or similar bodies called for here.

Each of these individual and collective efforts needs to be guided by an agenda that is the product of its own deliberations and that is responsive to its participants’ most pressing interests. What is laid out in this book and reviewed here is only a starting point for these deliberations and the actions they motivate.

**Flexibility to Integrate Work and Family Life**

If it now requires two incomes to support most families, society no longer has the luxury of treating work and family concerns as separate domains of life, public policy, or organizational practice or as purely private and personal matters. Consistent with American traditions, this reframing is beginning to happen in selected communities and states and in leading workplaces.

Just as the Progressive Era first ushered in the first state-level policies on wages and hours, unemployment insurance, and social security, a number of states are once again beginning to debate how to finance and support paid family leave. This is a good starting point for the broader discussions for the state-level Work-Family Councils advocated here. These Councils would bring business, labor, community groups, and state officials together to identify and discuss the full array of interrelated issues regarding school hours and after school programs, housing and transportation, health care and child development programs, all of which will affect the attractiveness of the state and community as a place to live, work, and raise a family and will prepare the state to participate in the knowledge economy of the future.

Many employers have taken the lead in adopting family-friendly policies to provide greater flexibility for working families to meet their dual responsibilities at work and home. Where these policies exist, the next step is for employees and supervisors to put them to work by taking up the dual agenda of improving workplace performance and meeting personal and family responsibilities so that all employees feel free to use these policies without fear that doing so will hurt their careers. And supervisors, as well as peers, need assurance that the work they are responsible for will get done without making their work or their lives more difficult!

These individual workplace efforts are necessary but not sufficient steps. Standing alone, they will likely remain focused on professional and other high income workers in scarce supply today. Making flexibility and work-family benefits available to the full workforce will require the business community to work together and with others who share concerns for these issues. This will only happen if business leaders tear down the defensive walls they have built up over the years to avoid working with each other, with government, or other “third party” interests and become responsible corporate citizens in the network of interested parties needed to address the interconnected problems of work and family life. Since business needs the efforts of all those in the labor force today (and even more tomorrow) it has as big a stake in the dual agenda as do working families.

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Gaining access to these tools and putting them to work will take both individual and collective efforts.
### Figure 9-1

**A Working Families’ Toolkit**

<table>
<thead>
<tr>
<th>Tools</th>
<th>Government</th>
<th>States &amp; Communities</th>
<th>Unions &amp; Employers</th>
<th>Federal Prof. Assns.</th>
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<tbody>
<tr>
<td><strong>Flexibility to Integrate Work &amp; Family Life</strong></td>
<td>Create Work-Family Councils</td>
<td>Adopt Flexibility Policies</td>
<td>Give High Priority to Work Family Benefits</td>
<td>Enact Paid Family Leave</td>
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<td></td>
<td>Enact Paid Family Leave</td>
<td>Support Dual Agenda Work</td>
<td>Develop Programs that Deliver Family Services</td>
<td>Take a Dual Agenda Perspective to All Employment &amp; Family Policies</td>
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<td>Redesign &amp; Cultural Change Efforts</td>
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<td>Cooperate with Other Stakeholders</td>
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<td><strong>Education &amp; Life-Long Learning</strong></td>
<td>Invest in Basic Education</td>
<td>Treat Labor as an Asset Not Just a Cost</td>
<td>Negotiate and Deliver Life Long Learning Opportunities</td>
<td>Adequate Funding of Basic Education &amp; Training</td>
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<td></td>
<td>University-Industry-Workforce Networks</td>
<td>Collaborate with Others to Support Life Long Learning</td>
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<td>Tax Incentives for Human Resource Investment &amp; Life Long Learning</td>
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<tr>
<td><strong>Good Jobs</strong></td>
<td>Support Education and University-Industry-Workforce Networks</td>
<td>Focus on Knowledge-based Strategies and Work Practices for All Employees</td>
<td>Champion Knowledge-based Work Systems</td>
<td>Job Creation as a Top Economic Policy Priority</td>
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<td>Employee Voice &amp; Information on Decisions</td>
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<td>Direct Voice for All Employees</td>
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<td><strong>Adequate Wages</strong></td>
<td>Apply Living Wage Principles to Private and Public Funded Jobs</td>
<td>Ensure Compensation Policies are Fair and Transparent</td>
<td>Develop &amp; Use Knowledge and Other New Sources of Power in Negotiations</td>
<td>Update:</td>
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<td>• Minimum Wage</td>
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<td>• Earned Income Tax Credits</td>
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<td>• Family Income &amp; Adjustment Supports</td>
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<td><strong>Portable Benefits</strong></td>
<td>Support Movement from Firm-centered Benefits</td>
<td>Advocate Movement from Firm-centered Benefits</td>
<td>Engage Stakeholders in Gradual Process of Moving Away from Firm-centered Models</td>
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<td>Deliver Portable Benefits</td>
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<tr>
<td><strong>Voice at Work and in Society</strong></td>
<td>Involve Working Family Groups</td>
<td>Build Partnerships with Employees, Unions &amp; Professional Associations, and Women &amp; Family Groups</td>
<td>Create the “Next Generation” Unions and Associations</td>
<td>Reform &amp; Update Labor Law</td>
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<td>Engage Leaders of Working Family Groups</td>
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**Trust: Work Together to Restore the American Dream**
The same type of constructive engagement is needed from professional associations and unions. Working families should insist that the organizations that speak for and represent them step up their involvement in work and family issues by putting them at the top of their list of priorities. The next generation of employee organizations will need to provide lifelong membership and services that address members’ needs as they move through different stages of their family lives. The action plan for members (or prospective members) of these organizations should be clear: Encourage and help lead these organizations to take up these issues; if these efforts meet with resistance, form new networks, groups, and advocacy organizations that will do so.

Federal policy makers likewise have an important role to play in reframing work and family issues and supporting state level experimentation and policy innovation. Working families should insist that federal government leaders put work and family issues, starting with the passage of a paid family leave bill, at the top of the legislative agenda and then follow through by reviewing the full range of work and employment policies against an integrated work-family lens. Coalitions of women’s and family groups should assert their rightful place as a key constituent and advisor of federal officials, in the Department of Labor and elsewhere in government, and insist on a place at the table in deliberations over the future of key policy issues such as social security, health care, and other issues affecting them. If retired persons have the American Association of Retired Persons (AARP) to give voice to their interests, shouldn’t working Americans be able to assert their voices with equivalent power and impact?

**Education and Life Long Learning**

If knowledge is the key source of power and value for families and the economy, working families should insist we invest in our local schools, community colleges, and state universities as if our future depended on them. Could it be put any more simply than this? And let’s build the multi-party networks of university, community, professional association, and labor leaders who are responsible for preparing the workforce for the jobs of the future and link them with the venture capitalists, would-be entrepreneurs who will create the organizations of the future. To borrow and adapt the Japanese saying mentioned earlier, a knowledge economy needs people to give “wisdom” to their organizations as well as to their machines.

Working families need to join and win the debates underway within organizations over how to restore trust, build a new and viable social contract at work, and ensure that human and social capital are treated as assets rather than solely as costs. By understanding better how organizations work and where the power to make critical strategic decisions lies, employees can ask the right questions, demand access to the information they need to decide whether to continue investing their human capital in the enterprise, and contribute ideas and options for how to best use their knowledge and skills to enhance organizational performance. If human resources are the most important strategic assets in 21st century knowledge-based firms, then human resource management, and management in general, are too impor-
tant to leave to managers! Employees who invest and put at risk their human capital need to assert their rightful place at the table with those who invest their financial capital!

In the industrial economy of the 20th century the labor movement helped millions of families move from poverty to the middle class by mobilizing employees to withhold their collective labor in strategic situations. Working families need the next generation unions and professional associations to serve a similar function, but this time the key source strategic use of power lies in supplying knowledge and putting it to work! Working families need their unions and professional associations to support and deliver life long learning opportunities that are not tied to a specific job, employer, or that are dependent on fickle, firm-controlled or government training budgets.

Let’s not let the federal government off the hook for lack of money to invest in people! Again, perhaps there is a simple and defensible principle to follow: Any incentives, tax credits, or government expenditures for investment in capital equipment, R&D, or public infrastructure should be matched by parallel incentives, credits, and investments in human resources.

**Good Jobs**

Creating and sustaining high quality, knowledge intensive jobs is fast emerging as the number one public concern. If, here, as in sports, the best defense is a good offense, and a good offense requires coordinated efforts from all players, working families need to be the good coach. At the community and state level, the era of state competition for low cost low wage jobs is over — a legacy of a bygone industrial era. No state in America can compete for low wage jobs with China or other low cost countries. Today, states and communities need to emulate the successes of Allentown, Pennsylvania by mobilizing their universities, community colleges, venture capitalists, worker representatives, and civic groups to create the businesses and jobs of the future.

Within individual firms, the great jobs debate comes down to how to ensure that the knowledge and skills an organization needs today and in the future are being developed, used to their fullest advantage, and replenished. This issue cuts across the full labor force and is why all employees need a voice at work today — not just those who our industrial era labor policies deemed eligible for collective bargaining coverage. Trust at work will not be restored until the full workforce has a voice in the decisions that affect their jobs and prospects for the future and they have access to the information they need to decide whether to continue to invest their talents, energies, and futures in their organization.

Making this happen will require a change in labor law and a shift from an ideology that guards management “rights” to decide these matters unilaterally and in secret. That legal doctrine and the managerial ideology that it reflects evolved during the industrial era when the old social contract ruled at work. Neither works for today’s knowledge-based corporations or workforce. But change comes slowly and through struggle. The pace of the transition to a knowledge-based economy that creates the job opportunities the workforce expects and will be prepared to fill will depend on the ability of unions, professional associations, and individual workers to get their voices heard in corporate forums where decisions about
job creation and elimination are made. Unions and professional associations need to hold
employers’ feet to the fire by insisting that layoffs and elimination of jobs once again
become strategies of last resort, not preemptive strikes.

The first Friday of each month, the Bureau of Labor Statistics releases a report on
employment, job growth or decline, and unemployment. Newspapers used to relegate this
report to the back pages of their business page. Not any more! Concern over the slow
growth of jobs in recent years has now put this report on the front page. Working families
need to keep it there. Federal policy makers need to know that that the public will judge the
effectiveness of their macro-economic and human resource investment policies on these key
metrics. At least for one day each month, the media focus will shift from Wall Street’s to
Main Street’s numbers.

A good offense must be matched with a good defense. Neither federal policy makers nor
regulators can control which jobs will stay here and which will migrate overseas. What they
can do and be held accountable for is to put in place a positive adjustment policy that
ensures families that bear the costs of global trade and an open economy are protected and
given the opportunities to share in its benefits. Attending to the health care, retirement secu-
rity, education, and other support mechanisms workers and families need to make the tran-
sition to the jobs of the future are costs of free and fair trade that society needs to bear if it
is to reap its benefits.

Adequate Wages

Working families need to rephrase Ronald Reagan’s famous question of “are you better off
now than you were four years ago” to ask: “are we better off than a generation ago?” Aside
from the wealthiest families in society, the only others able to answer yes to this question are
ones with two parents who are working longer and harder than ever before. The next gener-
ation will expect more from work than work is now returning. We have to find ways to boost
the wages attached to individual jobs, particularly for those jobs in the bottom half of the wage
distribution. If we don’t, watch out. The explosion will come when young families realize how
much ground they have lost compared to the generation that came before them.

At the community and state levels, working families have already supported numerous
campaigns to ensure that jobs paid directly or indirectly with government funds provide a
living wage. Is it too much to expect the same living wage principle to apply to the Wal-
Marts and other would be investors in communities? Or should we continue to lower wage
and benefit expectations and standards as new firms enter communities and industries, and
then force existing firms into battles with current workers to join in the race to the bottom?
This is the story playing out currently and most vividly in the California grocery industry.
As California goes today, so goes the nation tomorrow?

Firms should be held accountable for setting compensation levels for all their employees
that can be defended on Main Street as well as Wall Street. This will require a new trans-
parency in compensation from entry level employees to the CEO. CEOs should not be
embarrassed or forced to resign every time their full pay is made known to employees or the
public, as has been the case at the New York Stock Exchange or several large airlines.
Fairness is indeed in the eye of the beholder. So let’s open everyone’s eyes and see if we can live with the results.

Here is where unions can play their unique role of serving as a countervailing force. Rather than bargaining behind closed doors (or as in the past in smoke filled rooms) to try to take wages out of competition, the internet and other tools of modern communication can be used to let people know how their salaries and benefits stack up against others in their occupation, industry, and area. Battles over wage standards have to be won in the public arena. As the California grocery workers learned, they can no longer be won solely by the economic costs a strike imposes on a targeted set of firms. Mobilizing public support by broadly disseminating what people are paid and the conditions under which they work will be a critical source of power to use in negotiations and in the court of public opinion. These data are also useful to individuals as they judge whether they are being compensated fairly or where they might look for a better paying job and employer.

Federal policy makers have a special responsibility to make sure that the term “working poor” becomes an oxymoron. The twin tools of minimum wages and earned income tax credits are available to do the job. Working families should insist policy makers put these tools to work!

Secure and Portable Benefits

Like race car drivers before the start of a race, politicians are revving up and showing off their health care proposals in anticipation that the race to address this issue is once again about to start. Working families should do more than cheer the politicians on; they need to join this race, along with the ones to come on social security, pension reforms, and all other benefits. Their rallying cry should be to move away from reliance on individual employers for these benefits. Let these races begin! In the meantime, professional associations and unions need to explore ways to take up where individual firms leave off in providing portable benefits and services to employees and families over the full course of their working lives and retirement years.

Voice

Just as we teach our children to stand up and speak out for what is right, so too should working families proudly and clearly stand up and speak out at work, in their communities, at the ballot box, and in the corridors of Congress and federal agencies for what is right and fair. The silence from American working families is deafening. But if history is any guide, this will not last much longer. The risk is that we wait until the pressures now building under the surface explode at work and in society in ways reminiscent of the urban riots of the 1960s or the labor wars of the 1930s. To relieve these pressures in a constructive fashion before they blow requires firms to accept employee voice as a legitimate and valued input at the workplace and in corporate decision-making and for federal policy makers to take up the task of reforming and updating our nation’s labor laws. To do any less is to deny the lessons of history and then pay the price when the day of reckoning comes.

The labor law reforms most frequently proposed by the labor movement and its allies are

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Make sure that the term “working poor” becomes an oxymoron.
only the starting point for providing all employees — from the front lines to the professional and managerial ranks — the voice at work that they both want and need. Today’s white collar and blue collar workers want a direct voice in how to structure their work to meet their dual work and family responsibilities and they need access to the information on the full range of organizational policies that affect their human capital investments. Employees should have the right to elect representatives to ensure they have a voice in these decisions and access to the information needed to hold top executives accountable to addressing the needs of their shareholders, employees, customers, and communities.

**Values and Relationships**

Individuals and the growing array of groups and organizations that want to speak for and represent working families have to be more than just an angry voice. Just as employers need to overcome their arrogant view that they have a divine right to make all the key decisions at work and hold employees and any group that might try to speak for employees at bay, workers and their representatives need to develop and pursue negotiations and partnership skills to add value in interactions with business and government decision-makers. Time is too scarce and expensive to waste on stonewalling, adversarial posturing, or endless debate. Groups and organizations that seek to be the voice of working families will need to be well informed, skilled in leading change, and willing to work in coalitions, networks, and partnerships to achieve tangible results in communities, at work, and in state and national level policy forums.

This last issue is perhaps the most subtle, but strikes deepest into the heart of our values. Americans have demonstrated over the course of our history our unique ability to work together as a diverse nation of immigrants, races, cultures, and religions. The image that goes with the word community is one of local people coming together to work for the common good. This image has to be front and center in the effort of working families as they act to put the tools outlined here to work.

**The Good News: America’s Innovative Character is at Work**

Will America wait until these pressures burst before being forced to change the course of this country? Maybe. Or maybe we are beginning to recognize that something needs to be done to relieve the pressures now.

The good news is that true to our traditions, as these pressures were building, new creative ideas for how to address them have begun to emerge. Some are coming from the workers and families themselves, especially from young women and men. Some can be seen in the efforts of leading companies, unions, community groups, state governments, and even some academics. To highlight just a few of the innovative responses noted in prior chapters:

- Young professionals are increasingly asking about how work and family are viewed in the industries and firms they are about to enter. Remember Mike Amati’s questions.
- The Women’s Bar Association of Massachusetts took the lead in documenting the costs of long work hours and its impacts on women in the profession. The persistence of their leaders got the attention of senior partners in the big law firms in the state. They continue to hold the senior partners feet to the fire, even in a slack labor market.
- Sullivan, Weinstein & McQuay figured out how to design a successful law firm that takes
advantage of the growing pool of lawyers who want to balance work and family life, each in their own way, according their varied life stages.
• Leading companies are putting in place more and more “family friendly” policies and in some cases, like Deloitte Touche, taking steps to retain women who take extended leaves for child bearing and care. These examples suggest companies might just be beginning break out of the “ideal worker” legacy of the industrial era.
• Companies such as Southwest Airlines are demonstrating how it is possible to be successful in a highly turbulent industry by valuing people and their families, making the company a fun place to work, and being very focused on organizing work and labor-management relations to ensure their human and social capital contribute to the firm’s strategy.
• New theories of the firm, such as the one developed by Margaret Blair and Lynn Stout, are gaining momentum. These models see human capital, i.e., the knowledge and skills of the workforce, as the critical strategic resource and asset today and thereby challenge the privileged role financial capital played in management and corporate governance during the industrial era.
• Kaiser Permanente and its coalition of unions are demonstrating how a labor management partnership can add value and protect employee interests by expanding the range of options considered when a crisis arises.
• The Harvard Union of Clerical and Technical Workers may be showing us a picture of the “next generation union” by using a positive message (“You don’t have to be anti-Harvard to be pro-union”) to organize and has gone on to be a leading example of how to address work and family as core issues in bargaining and in day to day problem solving.
• The UAW and the major auto companies and Local 1199 of the Service Employees and the New York Hospital Association are working together delivering a host of family, child development, and education and training services. These joint efforts demonstrate the power of seeing family members as a key part of the constituency of the union and the responsibility of the employers.
• New organizations like Working Today are emerging to provide health care, networking on job opportunities, and other labor market services to meet the needs of mobile professionals in the contract workforce.
• The tale of two cities, Allentown and Youngstown, shows that diverse community networks, not just the same old crowd dominated by the business elite, are able to confront economic or other crises when they occur and help make the transition from industrial to knowledge-based economy.
• California has enacted the first paid family leave program. Perhaps this is a positive example of “as California goes today, the rest of the country goes tomorrow.”
• The Sloan Foundation has built successful industry specific networks involving academic researchers, companies, and unions that support the mutual, evidence based learning needed to spread knowledge-based principles across American industry.
• A number of academics and other writers are exposing the difficult lives of America’s working poor and raising the consciousness of those who benefit from their services.
• A groundswell of concern is arising from middle class Americans over the off-shoring of knowledge-based jobs that make them worry: “Is my job next?” Politicians are noticing
and once again putting jobs and work on the national agenda.

America’s pragmatic innovative character is at work again. Piecemeal examples like these give us confidence that we can bring about real change. What remains to be done is to put the pieces together to create a picture that is so clear and compelling that it mobilizes the American public and its leaders to action.

We must rethink traditional top down approaches and do everything necessary to give working families the tools they need to regain control of their destiny. If we do so, America will realize the potential of the knowledge economy and its benefits will be more equitably shared.

**Back to Basics: Work and Family Values**

The new activism on the part of working families called for here will only be as strong and as inspiring as the moral foundation on which it rests. That is why the bottom line of Figure 9-1 calls for all of us to work together to restore trust and confidence in the American dream. The core values that built this country and that those of us in the baby boom generation inherited from our parents celebrated hard work and strong families, and taught us the values of cooperation, community responsibility, and solidarity. These are just as relevant today as in the past.

The agenda laid out here rests on the belief that America is ready to return and recommit to these values. If we do so, our families now and their next generation will be the beneficiaries. If we don’t, future historians will indeed look back and chastise us for standing idly by during some of the darkest days in American history.
END NOTES


4. See, for example, “Is Your Job Next?”, Business Week, February 3, 2003, pp. 50-60.


14. Ibid.


30. [http://cworkingfamilies.org](http://cworkingfamilies.org)


40. See, for example the data in Figure 7-1.


67. The studies cited in the footnote above summarize the evidence from studies carried out in these different industries.


81. See Freeman and Rogers, *What Do Workers Want?*


88. Maureen Scully and Amy Segal, “Passion with an Umbrella,” in *Research on Organizational Sociology*


