

JUMP-STARTING A NEW DEBATE:

How to Update Employment & Labor Policies for the 21st Century Workforce and Economy

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“We currently suffer from a serious mismatch between who works, how they do it, and how work fits into a global economy and with other key institutions in society.”

The title of this article captures the reason we organized the IRRA's first National Policy Forum.¹ We set out to begin, or “jump-start,” a dialogue over how to best update our employment and labor policies, and the labor market institutions that complement them, to serve the needs of the workforce and economy of the 21st century. This is a time in which the silence on labor and employment policy issues is deafening. The sad reality is that there is no serious discussion of the current state or future directions for labor and employment policies.

Why is this so? One reason may be that the success of the macro economy has lulled policy makers into a belief that all is well in the micro world of work, employment relations, and labor markets. Indeed, we should celebrate and be thankful for the fruits of the strong economy. But there is a deep problem here. The basic reason why labor and employment issues are not getting raised in national policy debates is that we continue to suffer from a twenty-year political impasse over the appropriate direction of policy in this domain. Both labor and business have been able to block each other's initiatives but neither has been able to move forward its own agenda. In response, government leaders have cho-

sen to avoid these issues rather than exert leadership in the face of certain opposition from either of these two constituencies.

The consequence of this on-going political gridlock is that a deep set of structural issues challenging the policies and institutions governing labor markets and employment relationships continue to be ignored. Put in its simplest terms: *The workforce and nature of work have changed dramatically in recent decades while the policies and institutions governing them remain embedded in doctrines and models suited to the economy and workforce of the 1930s. Thus, we currently suffer from a serious mismatch between who works, how they do it, and how work fits into a global economy and with other key institutions in society (such as the family, education, and the social welfare system).*

As a result the gap grows between the winners and losers in our labor markets. We are also failing to realize the full potential of the technological and organizational innovations underway in some of our leading firms and employment relationships. Nor are we utilizing our human capital—the knowledge, skills, and motivation of our workforce—to its fullest advantage. The task before us is to raise these issues, identify

the problems associated with the mismatch, and begin a dialogue on how to update our policies and institutions to fit the needs and support the innovative potential of the economy and workforce of the 21st century.

Where do we begin?

- First, we need a clear articulation of the substantive challenges and opportunities facing employment and labor policies.
- Second, we need to reframe the debates over these policies in ways that have a chance of breaking out of the gridlock. New ideas are needed.
- Third, we need to bring new voices into the process—voices that reflect the workforce as we find it today.
- And, finally, we need to build policies from the grass roots up, starting with engaging the American public and professionals on the front lines of practice in this discussion.

No other professional group is better equipped to provide this type of grounding and broad dialogue than the IRRA.

My goal is to simply charge us to get on with this task. It would be premature to lay out a detailed blueprint for a new set of policies and institutions suited to today's world of work. But I do want to offer a new perspective on work and employment today and some broad principles for recasting our debates and jump-starting a new dialogue.

Recasting our Perspectives of Work and Employment

Consider the following general caricature of the workforce and employment relationships that governed the assumptions of those designing the New Deal labor and employment policies and institutions: *The dominant image of work and employment was one of a long-term relationship between a large firm competing mostly in an expanding domestic market involving one of two types of employees, hourly wage workers or salaried man-*

agers with a spouse at home attending to family and personal matters.

Today's labor force and employment relationships vary considerably from this picture. Increased participation of women has not only changed the demographic make-up of the paid labor force but also increased the number of household hours devoted to paid work. This in turn increases the interdependence of family and work activities and challenges engrained assumptions about the separation of work and family life and responsibilities. *The implication: We need to take this increased interdependence into account and create a "Family Centered Labor Market Policy."* The first step in this direction was the passage of the Family and Medical Leave Act and leading employers have implemented a wide variety of "family friendly" benefits for managers and professional employees. But, all is not well in this domain, as the panel devoted to this topic at the National Policy Forum pointed out. Employers are frustrated with what they see as the rigidities of the law and family advocates argue the scope is too narrow. It is clear that these issues will be front and center in both family and labor market policy discussions in the future.

The prevalence of part-time work and the growth of temporary, contract, and self-employed workers, along with the increased risk of permanent job loss, adds variation in the nature and uncertainty to the duration of employment relationships. *The implication: We need to build employment policies and regulations that recognize and work with variations and uncertainty in employment relationships.*

The distinctions between management and labor or exempt and non-exempt employees are increasingly blurred by the movement to decentralize decision-making to lower organizational levels and the growth in technical, middle and lower level managerial, and pro-

fessional occupations. Workers (and their representatives) are increasingly likely to carry out responsibilities heretofore reserved for managers and salaried employees. *The implication: Regulations that rely on outmoded concepts of exempt and non-exempt and supervisory and non-supervisory workers need to be replaced by policies that encourage organizational changes that delegate responsibilities to front-line workers. See the Summary Report (page 4) for comments by NLRB members on this topic.*

The New Deal employment policies were enacted with a focus on the domestic economy. The underlying objective of these policies has been to standardize conditions at the high levels Americans expect and thereby "take wages and terms of employment out of competition." However, globalization of product markets, along with increased product market competition and ease of entry into highly differentiated domestic markets, render efforts at standardization difficult if not impossible. In the absence of a policy that promotes improvements in labor force quality, availability, and utilization, this inability to standardize wages leads to both "a race to the bottom," i.e., a decline in wages of those lacking the skills needed to provide firms with a competitive advantage on the basis of product quality, technological innovation and customer service, and to an increase in the premiums offered to those who have the skills and abilities needed by firms seeking to compete on these other grounds. *The implication: Employment policies and institutions must support education, training, and life-long learning needed to compete on the basis of high skills and innovation and then encourage American firms to compete on this basis rather than get mired in a fruitless "race to the bottom."*

But the New Deal labor policies were based on one fundamental premise that continues to be valid and useful in an

economy with highly varied employment relationships. A key principle underlying support for collective bargaining was that the parties closest to the problems of their workplace are best positioned to shape the terms and conditions of employment that suit their needs and circumstances. As coverage of collective bargaining declined in recent decades, policy makers moved away from this principle in favor of enacting more direct regulations of workplace practices and outcomes. *The implication: We need to return to this principle and give workers and employers the tools needed to structure work to fit their circumstances and regain control over their work lives, careers, and long-term economic security.*

Linking Market, Government, and Institutional Strategies

Translating this updated caricature into new policies and institutions will require both a change in perspective on the role of government and market forces and a rebuilding of strong workplace institutions capable of taking on greater responsibilities for achieving what workers, employers, and the broader society expect and need from work today. In the past, market forces, government, and private institutions tended to be viewed as alternatives for addressing work and employment issues. I believe we need to conceive of these as *complementary instruments* that work in tandem to achieve objectives we have for work and employment.

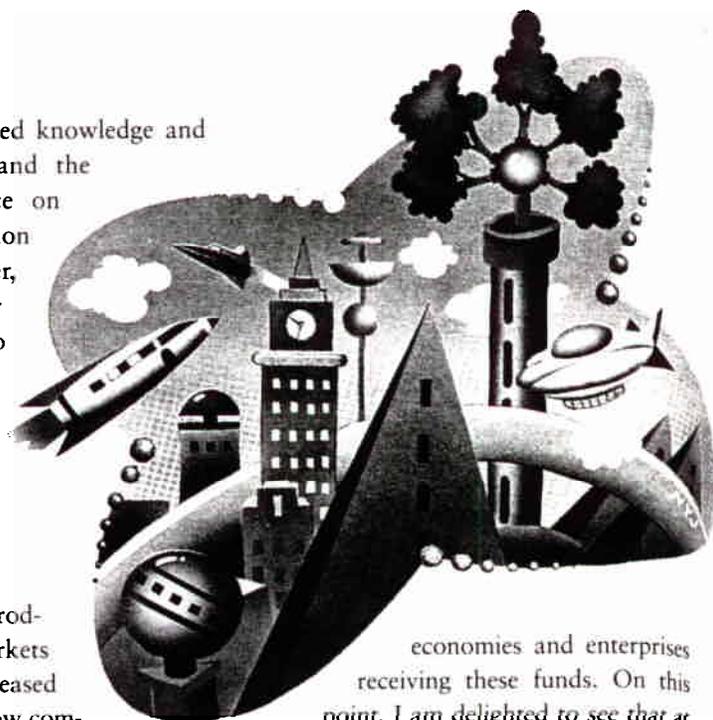
Let me outline briefly some of the new possibilities opened up by thinking about markets, government, and institutions in this complementary way.

Working with Changing Markets and Technologies

To build institutions and policies that work in a positive fashion with the dynamics of today's markets and technological developments requires that we recognize the global scope of markets, the uncertainty and rapid change in tech-

nologies and associated knowledge and skill requirements, and the premiums they place on high levels of education and skills. Moreover, the costs of mobility must be reduced to take advantage of new job opportunities when they become available or when existing jobs end.

Globalization of product and capital markets implies that an increased number of workers now compete in labor markets that know no national boundaries. Trade, investment, and international labor policies therefore become inevitably more interdependent than in the past. Here too we have to reframe the well-worn debates over support for or opposition to expanding international trade since the pull and potential mutual gains for the world economy from expanding trade are too great to avoid. But a policy aimed at promoting more open trade across national boundaries must be linked to and supported by one that respects and effectively monitors and enforces basic human rights and core labor standards in our trading partners and at home. The International Labor Organization has articulated a statement on these standards that has gained widespread support from other international bodies.² However, we have only begun to examine how these can be achieved and monitored in different environments. Building international institutions to do so will be a major challenge in the future, and must be a part of our employment and labor policy-making agenda. To do so will require engaging the key international financial institutions such as the International Monetary Fund, the World Bank, and private sources of capital in a dialogue over how to incorporate worker interests as key stakeholders in the



economies and enterprises receiving these funds. On this point, I am delighted to see that at least one key actor in this arena, the chief economist of the World Bank, is beginning to ask this key question.¹ These issues were raised in the sessions devoted to globalization and trade at the Policy Forum as well. My hope is that these discussions provide a starting point for a comprehensive response to global markets.

A second dimension of the trade-employment policy nexus requires policies that both assist those who lose their jobs as trade patterns shift and provide affected workers with the tools and opportunities to find jobs of equivalent or better quality. Policies to do so typically have focused on providing monetary compensation and training opportunities for workers displaced due to international trade. While this is necessary, it only addresses the incumbent workers affected directly by increased trade. A sustained open trading policy requires that we have an equally active, sustained policy aimed at improving the quality of the jobs available to workers in the domestic economy. Historically, unions have provided the steady pressure to upgrade the quality and compensation associated with jobs in the lower part of the occupational distribution. Will they be able to perform this historic function in the future?

Globalization and changing technologies reflect the demand side of current market realities. On the supply side of the market, we need policies that both create the human capital and ones that ensure it is fully utilized. Building a strong human capital base obviously requires continued efforts to invest in early childhood development, education, and life-long learning, issues on the front of everyone's agenda today. But to fully utilize the human capital that we create requires that we recognize the interdependence of family and work responsibilities and how these change over the course of people's family life cycles and careers. This interdependence requires policies and practices that support part-time work, non-linear careers, flexible hours and schedules to attend to family needs, and adequate resources for everyone in the labor force to take advantage of this flexibility and the benefits of leave policies. Given the interdependence of family and work policies, we need to link policies in these two areas to allow workers and households to achieve the appropriate balance suited to their varied needs and preferences. This issue falls into the Family and Medical Leave Act discussion, but also belongs very much in the discussions of market forces, policies, institutions, and innovations in workforce practices.

The nation's private and public social insurance arrangements—health insurance, private pensions, and social security—also need to be adapted to fit today's labor force and patterns of labor market experiences. Benefits need to move with workers if the costs of mobility are to be lowered and more workers with short-term attachments to jobs are to be covered by these benefits. Debates over the role of pensions and social security get at the heart of how much risk individuals, employers, and government should each bear in the new economy. What are the long-term effects of the shifts from defined benefit to various types of defined contribution, cash balance, and

defined contribution plans on the level of retirement incomes workers can expect? Will the shift in risk from employers to workers result in significantly increased variations in retirement income? The debate over the future of Social Security will undoubtedly have to address these issues as well. The panels devoted to private and public pensions and social insurance provided an opportunity to delve into these issues.

Complementary Policies and Regulations

How might we envision a policy and regulatory strategy that complements and works with changing markets and technologies? A starting point is to replace the implicit model of the standard employment relationship in the minds of policy makers with a more accurate view of the range of employment settings observed in today's economy. Then the task becomes one of taking advantage of and building on these variations by encouraging and supporting continuous upgrading and improvement in employment practices and standards while allowing greater flexibility in how policy objectives are achieved. At our Forum, each panel devoted to specific regulations was asked how to deal with the variations in practices encountered in its particular policy domain.

One way to improve employment practices is to support the development and maintenance of democratic self-governance processes among the parties to employment relationships that are capable of meeting the goals or outcomes of these regulations through whatever processes and practices are best tailored to fit their workplaces. The parties closest to the workplace know the most about how to achieve policy objectives in ways that fit their particular circum-

stances. They should be given the opportunity to implement these objectives. By doing so we can achieve the goals of our national policies both more efficiently and effectively and encourage practices and innovations that move us above the minimum standards required by law.

Self-governance mechanisms need to be supported by equivalently flexible but effective enforcement tools. It is clear that the economy is too big and staff budgets too small to ever make the traditional inspection and agency appeal-investigation-litigation model work for the full economy and workforce. Our field pioneered the development of private dispute resolution processes such as mediation and arbitration and now members of our profession are again at the forefront of debates over whether alternative dispute resolution systems (ADR) with high due process standards can play a complementary role to traditional enforcement strategies of government agencies and the courts.⁴ Let's ask whether there is a useful role for high quality ADR processes in each of the regulatory areas we discuss here, and if so, how can we accelerate the experimentation needed to learn how to do it right.

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Complementary Institutions

Unions. We need to have an equally clear picture in mind for the future role of unions and other labor market institutions that fit into and complement these changing markets and regulatory strategies. The IRRA has long stood for the value of free, independent, and strong trade unions as key institutions in a democratic society. I believe our members share the view recently stated by the Collective Bargaining Forum: Unions are critical to the future of our economy and society.⁵

But like the Forum members, many of us believe the role of unions must change and expand to meet the needs of a chang-

ing workforce and economy. The Forum envisioned unions taking on a variety of traditional and new functions, ranging from collective bargaining, supporting direct worker participation on issues affecting their jobs, promoting and adding value to labor-management partnerships that deal with long-run strategic issues, and providing the services needed to support life-long learning and mobility for employees to move with changing market opportunities and technologies. A number of national labor leaders outlined their vision for the labor unions and movement of the 21st century and these are highlighted in the articles that follow.

The Forum also recognized, and for the first time in recent history, its labor and management leaders stated unequivocally, that achieving this vision requires addressing the well-documented problems in our basic labor relations law that inhibit workers from organizing and limit the spread of newer forms of employee participation and representation.⁶ The time is long overdue for us to act on this statement by discussing, not whether or not changes in labor policy are needed, but what specific changes are best suited to supporting and achieving this vision for the future of unions and labor-management relations.

It is critical, however, not to view or treat these labor relations policy issues in isolation, but as part of the broader agenda outlined here. Labor relations and collective bargaining are now embedded in a much broader array of regulations and human resource practices than in the past. Working with this reality is essential if we are to recast the debate in ways that have a real chance of breaking the gridlock in this arena.

Corporations. The public corporation must also be seen as a labor market insti-

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choice over where to locate work, the key decisions affecting both shareholder and employee interests are made at the highest levels of decision-making within the firm. Yet our policies and institutions do not envision or support ways to engage employee and shareholder interests at this level or early in these decision processes when options for alternatives are most open. Instead, by separating strategic decisions from their “impacts” on employment conditions, we relegate discussion of the human resource and employment impacts to a phase in the decision process when most options are already closed off. How to better join shareholder and employee stakeholder interests when they can find their most creative solutions is a critical question for future debate and experimentation.

Community Groups and Labor Market Intermediaries. But we should not limit our vision of the labor market institutions to these two key actors. A variety of community groups and what have been termed new “labor market intermediaries” (temporary help firms, education and training programs, informal and formal networks of professionals and/or ethnic groups that share labor market infor-

tion. Just as we ask how the role of unions must change along with the labor force and economy, so too must fundamental questions regarding the role of the corporation be included in our discussions. Does the shareholder maximizing principle still deserve its premier position in corporate law or do we need to consider how other stakeholders’ interests in general and employees in particular might be better joined in corporate decision-making and governance processes? In a world of mobile capital and greater

mation and job contacts, etc.) need to be incorporated into our thinking and strategies for the future. In a world where labor market mobility is of growing importance, alliances among community, labor, and business groups, and more focused intermediaries that provide specific upgrading and/or mobility services will become increasingly valuable and important. There is considerable local-level growth in these different types of intermediaries. We need to learn more about what functions they are serving and how they do it, and how to replicate their accomplishments in different locations.

State and Local Initiatives. This last point suggests a caveat in our quest for updating “national” policies. We need to give greater attention to the role of local and state-level initiatives in both setting standards and delivering or enforcing national policies. Clearly welfare to work policies, employment and training policies, and minimum and living wage laws and ordinances are examples where state and local levels are becoming increasingly important parts of the policy domain affecting work and employment relations. Indeed, in the area of public sector labor relations, state-level policies and practices stand in stark contrast to the political and ideological impasse at the national level over private sector policies.

State-level experimentation has played a key role in earlier historical periods in developing and testing ideas that eventually became part of national policy—workers compensation, child labor regulations, unemployment insurance, safety and health regulations, and others all were implemented at state levels prior to becoming part of the New Deal or post New Deal employment policies. Thus, we need to consider again how these different levels of the economy and society can work together to develop, experiment with, and administer policies and institutional innovations governing work and employment relations.

Recasting the Policy Development and Institution Building Processes

These ideas are not presented here as final solutions, but only as some possible starting points for how we might recast the substantive debate over how to update labor and employment policies. These and more ideas came up in the discussions during the Policy Forum. As we raise these issues, we also need to recast our thinking about how to best engage in a fruitful discussion of policy and institutional innovation. So my final charge to the conference and to the readers of this magazine is to help us discover ways to:

1. Bring the full range of voices—workers, community groups who speak for particular ethnic or gender groups, labor, and business groups, religious leaders, and others—into the discussion. We failed to break the impasse between labor and management when these issues were taken up in the past in part because we left the debate to just these two groups. New voices are needed.
2. Make sure that our ideas are grounded in the real world experience of front line workers, labor representatives, managers, and third party professionals. Again this is the historic strength of the IRRA and we should build on it.
3. Bring the public into the debate by speaking to the key issues of concern to workers and their families. Work is critical to family welfare. And healthy families are critical to productive work and a healthy society. If we engage workers and their families in the issues of critical concern to them, we will get a receptive audience from policy makers. If we don't, we won't.
4. Don't shy away from raising controversial ideas that reflect "out of the box thinking," i.e., ideas that existing interest groups may not view as acceptable at the moment. If these new ideas are grounded in sound ana-

lytical thinking and empirical realities, they will gain a skeptical but thoughtful audience. To fail to do so would be inconsistent with the legacy of our profession. After all, the New Deal labor and employment policies largely evolved out of the ideas and empirical observations of academics who toiled in the years prior to the 1930s. Our task is no less critical now.

Finally, equally visionary and strong leadership from our top elected officials and those who lead our key labor and employment agencies must complement our voices. If we do our part, we can then legitimately challenge these national leaders to join, and lead this effort, and in doing so, help to end the deafening silence on these issues.

So, let the dialogue begin.

NOTES

1. Prepared for presentation at the Industrial Relations Research Association's National Policy Forum on National Strategies for Employment Policy: Responding to the Challenges of the 21st Century, Washington, D.C., June 17, 1999. Support for this paper was provided by the Edna McConnell Clark, Ford, and Rockefeller Foundations and by the U.S. Department of Labor. The views expressed here are solely those of the author and should not be attributed to the funding sources or the IRRA.
2. See, Roy Adams and Sheldon Friedman, "The Emerging International Consensus on Human Rights in Employment" *Perspectives on Work*, Vol. 2, No. 2, December 1998, pp. 24-27 and Anthony G. Freeman, "ILO Labor Standards and U.S. Compliance" *Perspectives on Work*, Vol. 3, No. 1, June 1999, pp. 28-31.
3. Joseph E. Stiglitz, "Wither Reform? Ten Years of the Transition." Paper prepared for the Annual Bank Conference on Development Economics, Washington, D.C., April 28-30, 1999.
4. See Arnold M. Zack, "Bringing Fairness and Due Process to Employment Arbitration," *Negotiation Journal*, April 1996. For a broader discussion of the potential for expanding use of mediation, arbitration, and other dispute res-

olution tools appropriately, see John T. Dunlop and Arnold M. Zack, "The New Frontier of Employment Dispute Resolution," *Perspectives on Work*, Vol. 1, No. 1, April 1997, pp. 56-60.

5. See the latest statement of the Collective Bargaining Forum, "Principles for New Employment Relationships," *Perspectives on Work*, Vol. 3, No. 1, June 1999, pp. 32-39.
6. Ibid.
7. See "The Architecture of Next-Generation Intermediaries," *Blueprint*, MIT Task Force on Reconstructing America's Labor Market Institutions, Vol. 1, No. 2, November 1998.



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