

In this video, we're going to take a look at how the social contract issues have been addressed around the world. It turns out there's quite a bit of experience with this, sometimes with success for a limited period of time and sometimes without as much success. So let's see how other countries address these issues.

Let's start with Australia. Australia has a long history. In the 1980s, a new prime minister came along by the name of Bob Hawke. And he came into office negotiating a new labor agreement called the accord, with the labor movement, where he was saying to labor, if you limit your wage increases to the price increases that are happening in the country, we will then find some offsetting things that we can do in social welfare.

So they negotiated a national health insurance. They negotiated a national pension program. They put in place a variety of other worker adjustment programs. And for business, they allowed over time much more flexibility in promoting collective bargaining at the level of the firm. That worked for quite a while. New prime minister comes in from a different party, says no more of this. And so it hasn't really continued up until today.

But now, in recent years, Australia has taken a more modern approach. It says today's workforce needs flexibility for more parental leave so that women and men can take care of their family and work responsibilities. So in 2011, their first parental leave program was put in place at a national level. Now they're struggling to make that work and to fight those who want to repeal it, but it is continuing to play an important role.

Like Australia, Britain has a long history. In the 1980s and '70s, like Australia they were trying to limit wage increases to deal with inflation. And then in the 1980s, along comes Margaret Thatcher as a new Prime Minister, called the Iron Lady. And she says no more of that. I'm going to take a hard line. She took on the most powerful union in the country, the miners' union in 1984 and 1985. And she basically broke a strike of that union and started to bring down the rate of wage increase and help companies get more flexibility and limited labor's power. That carried forward up until the election of another new Prime Minister, Tony Blair in the 1990s. And Tony Blair basically said, I'm not going to go back to the old labor policies, but I'm also not going to continue the Thatcher approach. We're going to try a third way.

And he looked at the workplace issues that were relevant for his point in time and he said, let's negotiate. Let's put in place a commission, a labor, business, government, academic commission to set up a minimum wage so that we can help those at the bottom of our income distribution. And that's the most successful part of his legacy.

Well, if you really want to look at the longest history of labor management consultation and cooperation, you have to go to continental Europe-- countries like Sweden, Denmark, France, Germany, sometimes Italy and others. In Sweden, for example there's a long history of business, labor, and government negotiating in a cooperative way,

both at the national levels and more recently at the local and regional levels and company levels.

Basically, it's all part of the social democratic values of the Swedish and Nordic societies saying, we need to work together to promote democracy and equity in our economic policies. And so that policy continues today, even in times of difficulty. We'll take another look at another country, Denmark.

Denmark in recent years has recognized the real issue is, how do we adjust from an industrial to a more dynamic, innovation-based economy? That means firms need more flexibility to hire and fire and lay off people as the economy changes. And so Denmark has traded off what they call flexibility for security. That is, firms are more open and free to lay people off.

But there's an active labor market policy that then supports workers as they make the transition to new jobs, with a stronger safety net, with training, and with adjustment and assistance. So that then helps firms to maintain their flexibility and to adapt to changing times. So around the world, we see a variety of different approaches to these issues.

Japan is another country with a long history of labor management consultation. For years, its Ministry of International Trade and Industry worked with business and labor at the national level in lots of consultation to say, here is basically the wage target for increasing wages this year. And then individual companies and enterprise unions would use that target to negotiate their specific conditions.

And that worked quite well for Japan and for business and labor in that country for many years. But then as the economy changed and Japan began to get competition from China and other places, it broke down. And now China is trying to figure out how to get wages moving more aggressively and prices increasing, because it's having trouble adapting to a more dynamic economy.

Another example, a very different example, would be in Korea. Korea has had a very tumultuous labor management history. Up until the mid-1980s, unions were suppressed in Korea. And there were often violent strikes that would come and then get suppressed and the police would come in. And it would all die down for a while and be quiet. But then in 1987, the government began to open up the labor market to stronger worker rights.

And it said, let's try to work together. But that long history of conflict made it very, very difficult for labor and management to work together. And so even today, we now see big protests happening in Korean workplaces as the government tries to get Korean employers to be more flexible. And Korean workers are saying, we are not sharing in all of the prosperity of this country.

Another example would be in China. Perhaps there's no country that more needs a new social contract than China. As we all know, as the Chinese economy began to open up to more private enterprise and foreign

investment, we saw a wave of strikes in China, first at Honda in 2010, a big strike that resulted in a wage increase.

And we've seen that carry over in strikes at one of Apple's big suppliers of parts for computers called Foxconn, where not only workers are striking, but sometimes they commit suicide in protest of the conditions that they face. So China doesn't really have institutions and policies to govern workplace negotiations. It badly needs to find a way to allow workers to express their needs, their interests, their voice at the workplace and at the same time maintain what they call tranquility in their relationships. But it's very difficult.

Today, perhaps too often, we find that not only are these spontaneous worker protests occurring, but they often take the plant manager hostage. So here's a picture of an American who has a plant in China who's actually waving from inside his office to people on the outside, because the workers are saying to him, you're not paying fair wages. We need to negotiate a better arrangement.

So around the world we see these differences. We see in Singapore, for example a much better labor management relationship, because there the government takes a strong hand, controls a lot of economic policy. But it does so with what we would call a high road strategy. It invests in training.

It encourages firms to have good labor management relations. It's controlled the labor movement so that there aren't as many strikes. This is controversial, because it's not quite the democratic society that we would want.

But it's the way in which they do it in Singapore. If we turn to South America, countries have had a more difficult time. There, they've had on and off approaches, again often with dictatorial governments controlling labor and management activities, but now opening up to more democracy but having tremendous problems with price increases and labor protests.

And then finally, I think we can see some countries where organizations act on their own. So in Brazil, for example, some companies are taking their own approach to developing a social contract and not waiting for the government to take action. Well, what lessons can we learn from all of this? I think there are two.

First, it often takes a crisis. A crisis will lead the parties to pull together, whether it's the end of World War II or whether it's a deep financial crisis in Asia or some kind of other natural crisis that might occur, perhaps from climate change or whatever. So crisis often helps parties to set aside their differences. And for a while, they can work together and forge a new set of agreements.

The second thing to remember is that timing is everything, that one has to take advantage of specific events. And when they occur, like a financial crisis, maybe you can renegotiate pensions in an appropriate way, or you can deal with problems of recalcitrant unions or recalcitrant employers and find ways to get them to work together

because there's a specific issue that they both confront. So timing is everything, using crisis as an opportunity for change.

So all around the world, workers, employers, governments, educators need to figure out when it's possible to negotiate a new social contract and what are the issues that are current and relevant to our times. Every country in the world needs to address these issues, because we have serious problems in our workplaces that need to be addressed.

And so we're very interested. What are your thoughts? What's most important in your country? What issues should the parties, with your help, be addressing? We look forward to getting your thoughts on this in our discussions.