

The 1980s turned out to be a pivotal decade in the history of work. So let's take a look at what happened during that decade and why we should care about these developments because it will affect the future of work going forward. The 1970s are going to go down in history as a decade of status quo. The pressures were building, but managers and workers and unions and the government behaved as if the 1960s and 1950s were still in vogue.

Unions were declining. New industries were coming along with new ways of introducing flexible job designs. The economy was experiencing this high rate of inflation with no growth in wages.

Labor law was getting outdated. But Congress couldn't do anything about it. So the pressures were building like this proverbial frog that was in warm water, stayed in the water too long until it started to boil. Never jumped out because the challenges were only being felt incrementally until it was too late.

So what happened in the 1980s? The President of the United States.

Well, Ronald Reagan got elected president, a change from a Democrat to a conservative Republican with very strong ideas about how to run the economy. The second thing that happened is it coincided with the great recession of 1981 to 1983, where the effort was to try to break the back of inflation by the Federal Reserve Board. The third thing that came along in coincidence with these pressures was the growth of Japanese and other global competition. Now companies in Japan could build autos and other products as productively at lower cost as the United States and build them in high qualities so that they were strong competitors to this country.

So what did we see happen? Well, somewhere in this time period, that great social contract from the 1940s through the 1960s broke down. This nice coincidence of wages and productivity moving together during this time period, you can see it began to fray in the 70s. And then after 1980, they depart, never to return again.

So how did this happen? Well, again, it starts with Ronald Reagan. In the August of 1981, the air traffic controllers went on strike illegally.

And Ronald Reagan said this is an illegal strike. I'm going to take decisive action. I'm going to fire them if they don't come back to work. He did so. He broke that strike and it fundamentally changed the tenor of labor relations.

Companies in the private sector became much more aggressive, building on the model of what Reagan did. They demanded wage concessions to try to become more competitive. They put in what were called two-tier contracts. So new workers were starting that work at a lower wage rate than more senior workers.

That, in fact, continues today in many cases. Auto workers would understand this because new hires come in about 30% less than workers who are doing the same work alongside of them. And so this persisted.

Basically, what happened is pattern bargaining, that engine that helped to spread wage increases across the economy, broke down. The bargaining power that workers got from strikes was no longer there. Strikes became defensive weapons. And companies like Greyhound Bus Lines or Eastern Airlines where strikes occurred, the companies either won the strike or in Eastern's case, the company went out of business. And all the jobs were lost.

And so this has continued. Workers lost their source of power. They don't have a new source of bargaining power in place yet. And so this social contract continues to be broken.

The challenge that we face today, the challenge as next generation workers you face, is to figure out what is a social contract that might work in the modern economy for you as a modern workforce and for society? We have not figured that out yet. That's going to be your challenge.