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# THE FUTURE OF THE AMERICAN LABOR MOVEMENT: THREE SUGGESTIONS FOR ENSURING THERE IS ONE

by

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"I still read in the press about 'Labor' and 'Business' on Capitol Hill, fighting over policy, and I think, 'Labor? What are they talking about?' I look at other labor lawyers around town, none of us with much business, all of it shrinking faster and faster. One day I will wake up and the unions will be gone, completely gone, and the other lawyers will be calling on the phone and saying, 'It's over now, really over. I'm going into workmen's comp.'"

Thomas Geoghegan[1]

What happened to the American labor movement? Is its future as bleak as Geoghegan - a friend of the movement - suggests? Or is there a resurgence waiting in the wings? Indeed, the future does look bleak, given continued business as usual and the projection of recent trends. One reaction of those who share this view is to suggest various legislative solutions. And, obviously, there are some legislative arrangements which would ease the current trend or even reverse it. But obtaining new legislation is difficult. Moreover, legislation that would be highly favorable to unions is likely to be politically infeasible. And the effect of legislation that is politically feasible is uncertain.

Thus, in what follows, I suggest some behavioral changes - largely on the part of organized labor - that could help sustain the labor movement. These changes fall into three categories: 1) wage determination, 2) related dispute-settling mechanisms, and 3) a reconceptualizing of what it means to represent employee interests. In the first two categories I suggest financial participation - rather than traditional wage bargaining - and the use of arbitration rather than the strike threat. In the third, I suggest a view of representation that goes beyond acting as a collective bargaining agent.

**I. Disappearance of the Labor Movement?**

It is obvious that even with current trends, unions will not totally disappear from the American scene. The union movement in the U.S. split into two sectors during the 1980s. In the public sector, unions roughly held their own; they did not experience the loss of employee bargaining representation which characterized the private sector. So one response to Geoghegan's quote is that unions will remain in government, a sector in which they currently represent over 40% of wage and salary earners.

But a vision of American unions-only-in-government can hardly offer much solace for the labor movement. True, the representation of 7.8 million government employees in 1991 (of which 6.6 million were actually union members) was nothing to sneer at. In absolute terms, American union membership in government alone exceeded total union membership in Canada, in Australia, in Belgium, in Sweden, or in Norway, all countries with much higher rates of unionization than the U.S.[2] However, this statistical fact simply reflects a large American population and labor force. Most American workers are in the private sector; only about one sixth of all U.S. wage and salary workers were government employees in 1991. And in the private sector, unions represented only 13% of wage earners as bargaining representatives by 1991.

Moreover, much of government union membership is concentrated in a few unions such as the independent National Education Association and in big AFL-CIO affiliates such as the Teachers, AFSCME, the Letter Carriers, the Postal Workers, the Firefighters, and the Government Employees. While other predominantly-private unions have some government membership, it is unrealistic to imagine that organizations such as the Auto Workers, Steelworkers, Machinists, or Carpenters, will be able to find salvation as bargaining representatives in the public sector. Given the already-high unionization rate in government, such unions would end up competing with existing public-sector labor organizations. In addition, the political characterization of unions as a "special interest" group would ring evermore true if unions came to be perceived mainly as bargaining agents for public-sector workers.

Of course, a total disappearance of unions from private employment is not likely, either. But what remains, given current trends, would be islands of union members in certain sectors of the private economy such as railroads, utilities, and scattered other industries. Membership would be sufficiently sparse, however, that union influence would be quite limited and, again, the special interest label would stick because of the small proportion of the workforce represented.

## II. Politics and Grass-Roots Activism as a Solution?

One view of organized labor's misfortune in the U.S. has been to attribute it to political, social, and cultural differences as compared with countries such as Canada.[3] These differences then produce alternative legal structures which make it difficult for unions to retain and add members.[4] In the U.S., such arguments run, management is inherently a stronger influence, or workers are more individualistic and therefore unionization is lower.

These interpretations have valid elements. Certainly, if one were to try and explain differences in unionization <u>within</u> the United States, it would be necessary to point to political and social factors in interpreting relatively high unionization in states such as New York and relatively low unionization rates in the south. But such stories do not have a time dimension. <u>Given</u> the American political and cultural climate, why were unionization rates in the private sector relatively high in the 1950s (above 35% for the private sector) but so low by the 1990s?

Focusing on the political and cultural climate as a source of union decline can lead to a rather passive conclusion, especially if one conceives of unions mainly as traditional collective bargaining agents. Unions must simply await a political upheaval - which may never come, or which may entail unpleasant side consequences. (Does anyone really want another Great Depression?) Alternatively, some may see a need for political activism and radicalism. It is assumed that the political and cultural climate can be manipulated, if only the right kind of worker appeal can be found. Usually, those who draw the latter conclusion find great fault with the existing union leadership for being conservative, risk averse, and out of touch. They tend to appeal for a localized, grass-roots type of unionism combined with political action.

I am not a political scientist. But my instinct tells me that the political climate is not so easily changed. Formation of a third "labor" party - often a favorite goal of those who support the activist approach - has not been a route to political success in the past in the U.S., certainly not on the national scene. Moreover, in the 1980s, some of the more innovative ideas in the American union movement in fact originated at the top.[5]

At the local level, dwindling resources and the pressures of day-to-day contract administration have tended to limit receptivity to new ideas. While one can point to interesting grass-roots innovations,[6] it is also possible to point to locally-originated disasters - such as the dispute between Local P-9 of the Food and Commercial Workers and the Hormel Company in Austin, Minnesota. (See below). There, local union officials defied a more prescient national union leadership and ultimately saw their members replaced and a strike lost.

And on the larger issue, the notion of going it alone on a decentralized, local-union or even shop-floor basis seems a certain formula for defeat. Local unions, let alone shop stewards, cannot have sufficient research staffs to analyze market forces and determine what needs to be done. They can let off emotional pressure but they cannot carry out strategic planning.

In the international setting, countries faced with crises have often formed governments of national unity out of otherwise conflicting political parties to face a common foe (as Britain did during World War II). When survival is at stake, differences can be submerged. Similarly, the old saw about "hanging together or hanging separately" seems especially applicable to the American labor movement of the 1990s.[7] The suggestions I make in what follows would need to be initiated by centralized leadership; they will not just implement themselves from below.

## III. Wage-Setting Processes as a Key Element in the Decline.

Even countries with quite different political and cultural institutions seem to have experienced trends paralleling America's. Declining unionization in the market sector of the economy is not unique to the U.S.; other countries have shown similar tendencies although often starting from higher absolute rates of unionization or showing less dramatic declines.[8] In what follows below, I argue that unionization, the economic climate, and wage determination are bound together. By wage determination, I mean both the magnitude of the union wage and also the form in which it is set. The U.S. was not the only country to experience a wage explosion in the 1970s.[9] Thus, it is not alone in exhibiting an erosion of unionization in the traditional sense of collective bargaining representation.

The interconnection between unionization, wage setting, and the economic climate certainly plays itself out differently under political, legal, and cultural conditions different from the American context. But I suspect that the issue is more one of speed and timing rather than eventual direction. Unions in other countries will eventually face the American labor movement's dilemma, even if they do not perceive the symptoms yet.

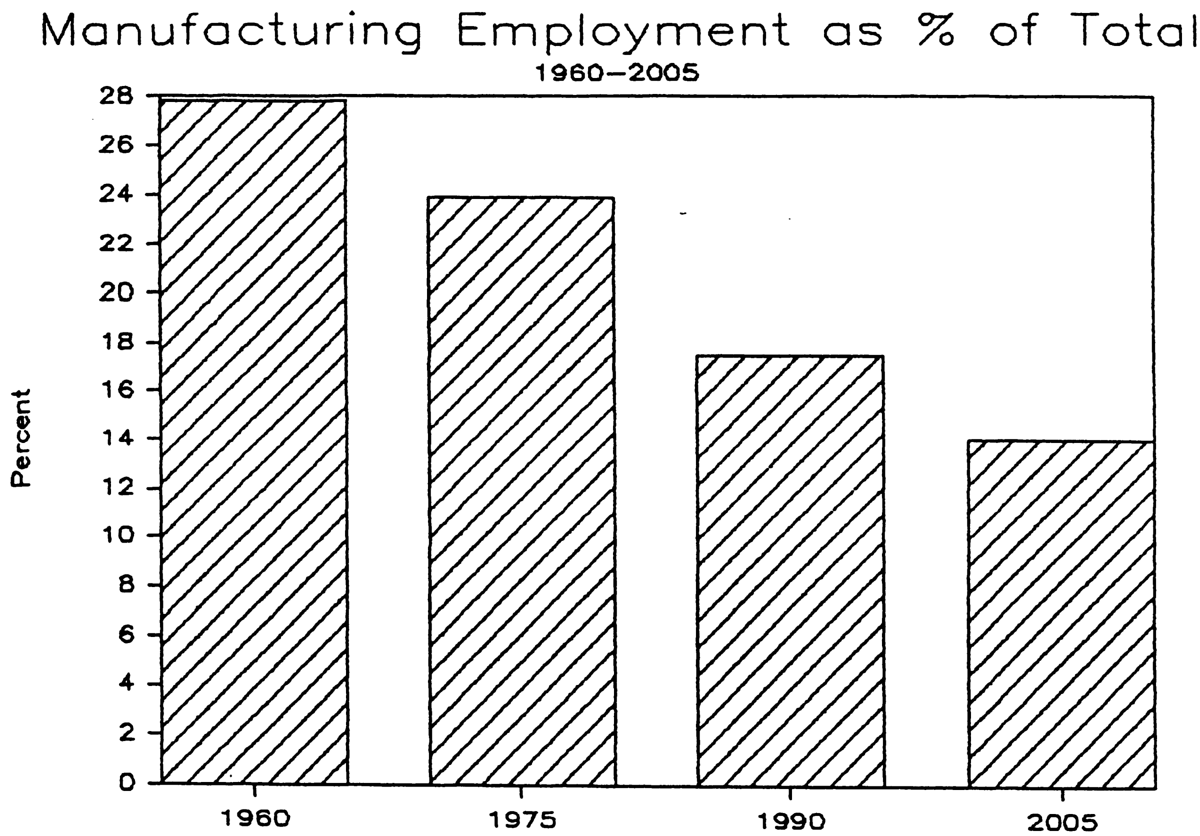
In any case, for American unions - assuming they wish to continue to represent more than a limited sector of the economy - there needs to be a change in the format in which compensation is determined and a move away from traditional short-term wage bargaining as the central concern. A longer-term approach, which will of necessity require a change in dispute-resolution procedures, and more emphasis on employee financial participation systems, are important elements in any future resuscitation of the labor movement. So, too, are alternative concepts of representation, including representation outside of collective bargaining.

## IV. Beyond De-Industrialization.

One interpretation of the decline in unionization in the 1980s is that it was due to a shrinkage in the relative size of manufacturing - so-called deindustrialization. As Figure 1 shows, manufacturing did shrink - and is projected by the U.S. Bureau of Labor Statistics to continue shrinking in the future. So if deindustrialization were "the" cause of union decline, there would be little hope for the labor movement.

It can be argued that American manufacturing was especially hurt in the 1980s by the sharp rise in the value of the U.S. dollar during the first half of the decade. There have also been arguments that the damage done was partly

Figure 1




Source: Max L. Carey and James C. Franklin, "Industry Output and Job Growth Continues Slow Into Next Next Century," Monthly Labor Review, vol. 114 (November 1991), p. 46. Figure for 1960 is based on national income account data for persons engaged in production spliced to 1975 level.

irreversible; even the decline in the exchange rate during the remainder of the decade could not undo the harm.[10] However, the long-term "problem" for manufacturing employment has been that it exhibits higher productivity growth than other sectors.[11] Since, over time, fewer workers are needed for a given output level, employment in manufacturing tends to shrink relative to other sectors. It is that trend, rather than exchange-rate gyrations, that accounts for the future projection on Figure 1 of shrinking relative employment in manufacturing. That is, no assumption of a repeat of a 1980s-style appreciation of the U.S. dollar is built into the forecast; the shrinkage will continue even without such a development.

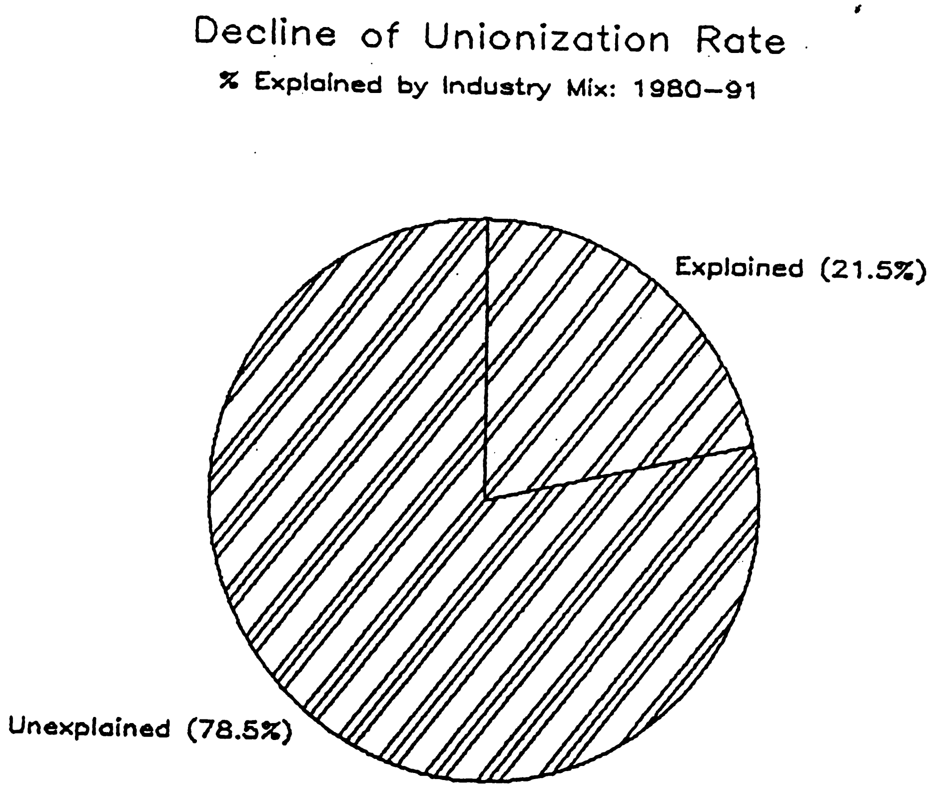
More importantly, the changing industrial structure of the U.S. economy did not account for the bulk of union representation loss that occurred in the 1980s. If industrial composition were the only factor affecting unionization, private-sector union representation would have grown by 1.3 million workers during 1980-91. As Figure 2 shows, only a little more than a fifth of the drop in the unionization rate over that period could be attributed to industrial mix; the rest was due to declining unionization within the various sectors, including manufacturing.[12]

### V. Management Resistance and Union Response.

Various forms of management resistance to unionization are possible. At one extreme, management can fire union activists and threaten others with job loss. Such tactics are illegal but the penalties are delayed and, in most cases, involve only reinstatement with back pay. There has been debate over the degree to which these tactics intensified in the 1980s and the effect this may have had on union representation elections.[13] But the fact that both the union establishment and union dissidents found themselves seeking alternatives to traditional organizing through National Labor Relations Board (NLRB) elections suggests that the legal climate did become more difficult.

At the other end of the spectrum of management tactics, employers can seek to create a workplace environment sufficiently appealing to workers so that they see no attractiveness in unionization. This approach is not new;

Figure 2




Note: Data refer to private wage and salary employment.
See text for method of calculation.

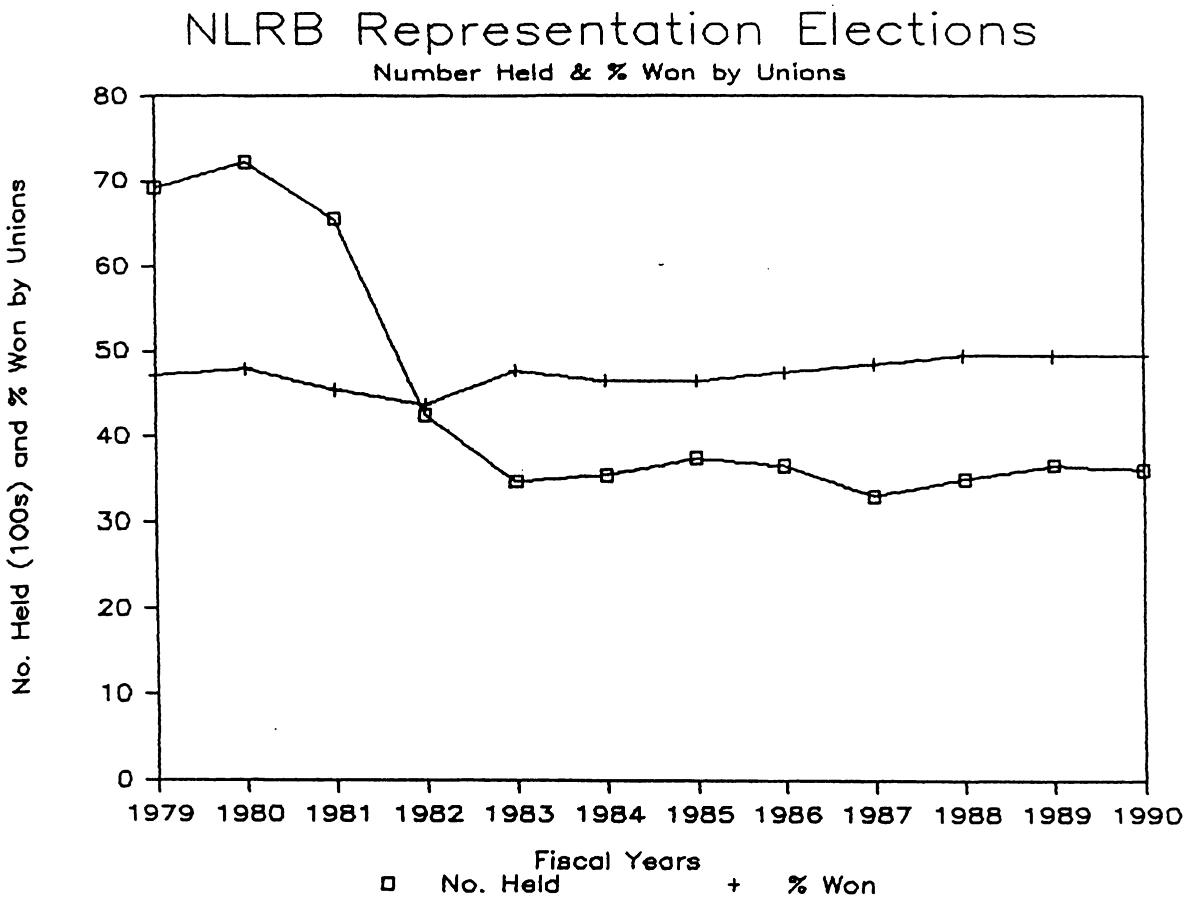
Source of underlying data: U.S. Bureau of Labor Statistics.

there have long been employers which have created internal human resource practices - such as grievance-and-arbitration machinery - which mimicked what unions can provide.[14] In addition, management-initiated participative arrangements, such as quality circles, can provide substitutes for representation by unions.[15] The old company unions and employee representation plans which existed before the mid 1930s demonstrate that management creation of such mechanisms is also not a new idea. But with the decline of unions in the U.S. have come suggestions that such participative elements should be mandated, somewhat along the lines of European works councils.[16]

Between the hard-line approach of firing unionists and the soft-line approach of creating a more attractive workplace comes the intermediate position. Previously-unionized firms can simply shrink their employment in older, union-represented plants and expand in areas where union representation is less likely to occur. Such strategies have been reported both in the academic literature and in the popular press.[17] Yet it should be noted that declining unionization was not especially pronounced in states with high unionization rates as compared with other states.[18] So just as in the case of industrial mix, geographic shifts in employment are not the whole story. Indeed, in some cases, ownership changes presaged dramatic shifts in union status regardless of geographic location. As will be discussed below, the takeovers of Continental Airlines and Eastern Airlines by Texas Air effectively converted them to nonunion status after a labor dispute was triggered.

What was the union response to the shifts in management aggressiveness and the legal climate in the 1980s? NLRB data, as represented on Figure 3, suggest that union organizing activity fell off substantially during the decade. Although the union "win" rate remained in a band between 43% and 50% (with some upward trend as the economy recovered and expanded after 1983), the number of elections held fell to roughly half its pre-1980s level. Since most representation elections are triggered by union petitions, it must be assumed

Figure 3




Source: National Labor Relations Board.

that fewer such petitions were received.

In some cases, the decline in the number of elections held may have reflected union tactics aimed at bypassing the NLRB and its procedures. In others, it may have reflected reduced union resources available for organizing campaigns (reflecting membership and dues losses). But the impact of the membership decline on financial assets was at least partially offset with dues increases.[19]

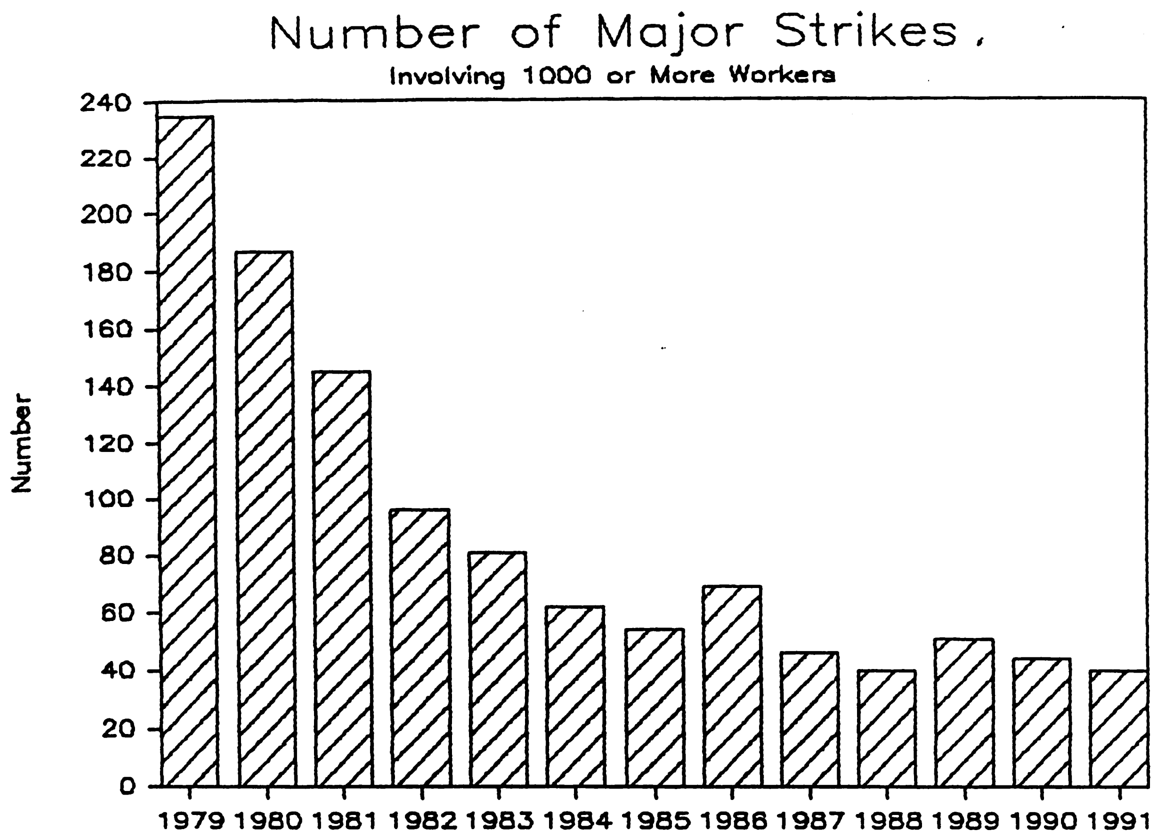
Thus, apart from other explanations, the reduction in NLRB elections probably reflected a sense by union organizers that the likely outcome of campaigns was becoming less favorable to the union side. That is, the seeming stability of the union win rate on Figure 3 may be an illusion created by sample bias. Union organizers may have sensed that workers were becoming less likely to vote union, and hence filed fewer petitions. They may have filed only when worker attitudes made the outcome seem close to an even bet, a condition that was perceived by unions to be less likely to exist in the 1980s than before. Of course, this explanation does not by itself suggest <u>why</u> worker attitudes may have shifted.

## VI. Great Disputes and Worker Attitudes.

For worker attitudes to shift, there must have been a sense by employees that the prospective gains from unionization diminished in the 1980s. What could have caused such a shift? There were certainly adverse developments in the union sector (apart from the drop in the unionization rate itself) which could have made nonunion workers skeptical about what a union could do for them.[20] During the 1980s, a number of labor-management disputes of sufficient intensity and human interest to receive significant media attention occurred. These disputes need not have been economically important (in the sense of notably affecting national output) to have attracted attention. It is the media coverage itself that mattered. The key point is that most such "great disputes" turned out poorly for the union side.

Probably the most widely-mentioned dispute of the 1980s was the strike of federal air traffic controllers in 1981. In that dispute, the strikers

Figure 4




Source: U.S. Bureau of Labor Statistics

were quickly replaced by presidential directive and were permanently barred from future employment as controllers. Some observers have seen this strike tactic as a "signal" from the federal government to employers that unions were vulnerable and that federal policy had shifted against them. By itself, however, the controllers' dispute was unique in that it involved violation of a strike ban by government employees. In isolation, the controllers' strike might have had little effect on union developments elsewhere. However, the controllers' dispute was one of several - most of which occurred in the private sector - which produced adverse results for unions. And it was in the private sector that unionization rates declined in the 1980s and that concession bargaining became particularly pronounced.

Consider the following other Great Disputes:

*Adolph Coors Co. vs. the Teamsters and Brewery Workers. (Brewing) A contract impasse in 1977 led to a strike and a boycott of Coors beer. Meanwhile, the company operated on a nonunion basis. Under boycott pressure, the company eventually agreed to a representation election in 1988. But the Teamsters lost the election and Coors remains nonunion.

*Brown & Sharpe vs. the Machinists. (Machine tools) A strike over a company proposal to change seniority rules in 1981 led to a prolonged strike during which the company continued to operate. In 1985, the union officially ended the strike and said it would pursue legal options. Effectively, the strike was lost.

*Louisiana-Pacific vs. the Woodworkers and Carpenters. (Lumber) A strike ensued over company demands for concessions and deviations from industry patterns in 1983. Despite a boycott, the company operated with replacements and the unions were decertified in 1985.

*Phelps-Dodge vs. the Steelworkers and other unions. (Copper mining) A bitter strike in 1983 followed company demands for pay concessions. Strikers were replaced and the strike was ended by decertification elections.

*Continental Airlines vs. the Pilots and other unions. (Airlines) After a takeover of Continental by Texas Air, the airline demanded wage concessions. In 1983, the airline declared bankruptcy to void existing union contracts. During the resulting strike, strikers were replaced and the airline continued to operate on a de facto nonunion basis despite a second bankruptcy filing in 1990.

*Hormel Co. vs. Food and Commercial Workers. (Meatpacking) Cuts in wages throughout the industry occurred in the early 1980s. Local P-9 of the union in Austin, Minnesota regarded the national union's strategy for re-establishing an industry wage pattern in 1985 as too concessionary. A strike ensued and despite a "corporate campaign," the strike was lost. The local was put in trusteeship by the national and an agreement was eventually reached with management. Attempts by P-9 officials to achieve recognition as an independent union failed.

*Eastern Air Lines vs. Machinists and other unions. (Airlines) After a takeover by Texas Air in 1986, labor-management friction - which had existed before the takeover - intensified. A strike was called in 1989 by the Machinists which other unions honored. However, the carrier succeeded for a time in operating with reduced schedules and replacements. It filed for bankruptcy but continued flying until early 1991 when it went out of business.

*Nordstrom vs. Food and Commercial Workers. (Department stores) In the Seattle area in 1989, a management demand to remove the union security clause led to an impasse. Rather than strike, the union used alternative tactics, notably filing complaints for overtime pay with a state agency. Although the company had to pay back wages and fines, the union lost a decertification election in 1991.

*Greyhound vs. Transit Union. (Intercity bus lines) Following a change in ownership and deregulation, a period of wage concessions and threatened replacements occurred beginning in 1983. During a strike begun in 1990, the company operated on a reduced schedule with replacement workers and eventually went into bankruptcy. Although the union won some legal points, the company continued to operate under bankruptcy court jurisdiction as of early 1992. And strikers were told by the union that they could return to work on management's terms.

Of course, it might be objected that the above listing is biased and that it omits disputes that went well for unions. And, indeed, there were some notable union victories. One might cite, for example, a 1989 dispute between Pittston Coal and the Mine Workers. In that dispute, the company had withdrawn from an industry bargaining association and sought a separate deal. It also created a nonunion subsidiary. A strike in 1989 led to violence, occupation of company property, and eventual intervention by the Secretary of Labor. The union won a number of key points in the resulting settlement. But the outcome, especially as depicted in the media, reinforced the sense that with unions comes "trouble." Even if Pittston were viewed as a clear-cut union victory by knowledgeable industrial relations experts - and it is not clear that such observers would so characterize the outcome - the perception of nonunion workers may well have been different.

Or one could cite the prolonged strike by the Paperworkers and the Firemen and Oilers against International Paper Co. in Jay, Maine and other locations. That dispute, which began in 1987, led to operation with replacement workers. Ultimately, the unions were successful in obtaining an

NLRB decision in 1991 awarding back pay to strikers. But as in the Pittston case, the media coverage of this extended dispute suggested that unions bring trouble and job loss.

Finally, there was the closely-watched dispute between the New York Daily News and its various unions in 1990. In that dispute, coordinated union tactics did foil a company plan to operate with replacements. In early 1991, British publisher Robert Maxwell seemed to come to the rescue by buying the paper and reaching a concessionary pact with its unions. But Maxwell's mysterious death subsequently, and the collapse of his financial empire, left the future of the newspaper in doubt as of early 1992.

This brief recitation of major bargaining developments in the 1980s should be sufficient to demonstrate the potential impact on worker attitudes such disputes can cause. Nonunion employees had only to watch television or read the newspapers to find tales of labor disputes that had gone badly for unions. Surely, such stories would be likely to color attitudes about what unions could do for them at their own workplaces.

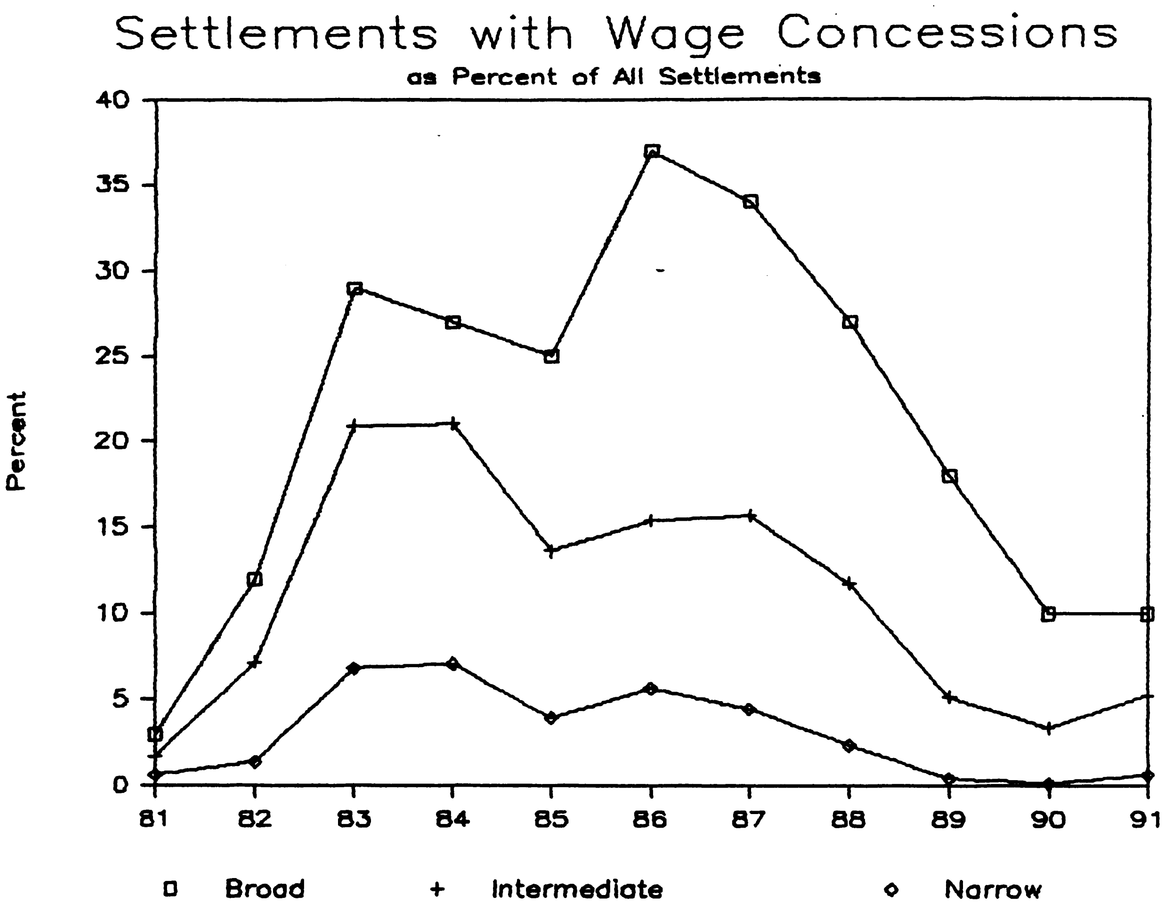
## VII. Wage Concessions and Worker Attitudes.

Although strikes brought public attention to the Great Disputes listed earlier, bargaining settlements reached without strikes were often also dramatic enough to attract substantial media coverage. As Figure 4 shows, the 1980s was generally a time of reduced strike activity. But reduced strike frequency did not mean that bargaining outcomes were pleasing from the union perspective. Rather the lower propensity to strike reflected an assessment by unions that strike outcomes might put employees in a worse situation as compared with accepting concessions peacefully.

### i. Basic Wage Concessions.

There are conceptual problems in defining union wage concessions. Figure 5 provides three plausible definitions. The broad definition defines any settlement involving a first-year basic wage cut or freeze as a concession. The intermediate definition subtracts from the broad definition

Figure 5




Note: See text for alternative definitions of concessions.

Source: Estimates are drawn from biweekly survey of settlements appearing in the Daily Labor Report, a publication of the Bureau of National Affairs, Inc.

those contracts with active cost-of-living adjustment clauses (COLAs or escalators) and those containing lump-sum bonuses. These exclusions are made on the grounds that many such contracts provided some type of wage gain in the first year. Finally, a narrow definition includes only first-year wage cuts as concessions.

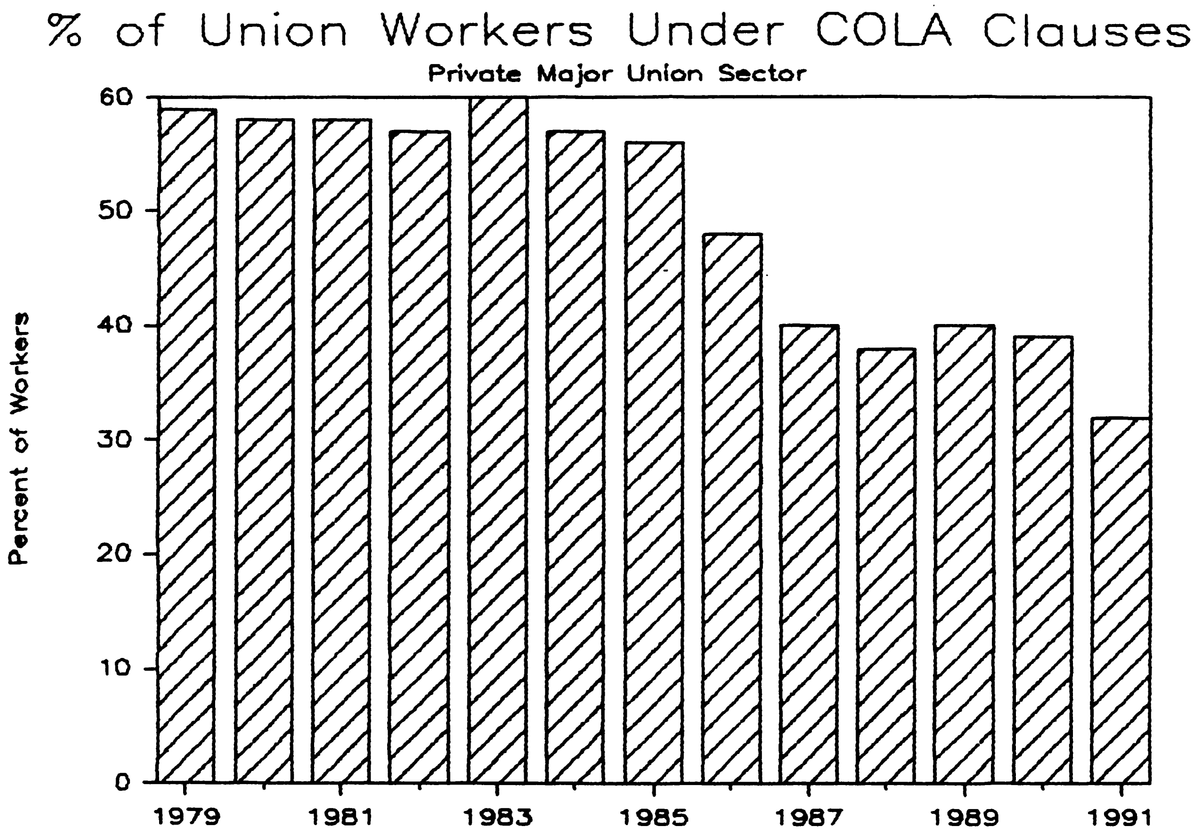
While outright nominal wage cuts were comparatively rare, even in the 1980s, the less severe forms of concessions became relatively commonplace in the early and mid years of that decade. The reversal of the long-established idea of a basic wage increase - an annual improvement factor - in a union contract attracted substantial media attention. Moreover, in some cases, unions agreed to early contract renegotiations in concession situations. That is, they agreed to scrap existing contracts before the official expiration date and to accept less favorable terms. Contract negotiations in 1982 in autos and trucking - traditionally high-visibility situations - fell into this category.[21]

**ii. Other Contractual Developments.**

Employers pushed for reduced use of COLA protection in union contracts in the 1980s. At first, the impact of this pressure was mainly to constrain the formulas used in COLA clauses. It became common practice to place caps, corridors, or other restrictions on the formulas.[22] Later, as Figure 6 shows, the proportion of union workers covered by COLA clauses began to fall.[23] So even if nominal wages were not cut, the principle of real wage protection eroded.

Some contracts, at the initiative of management, began to include two-tier wage plans and lump-sum bonuses. Two-tier plans essentially preserve wage levels of incumbent workers but cut pay of new hires. They were especially common in the supermarket industry (with its relatively high rate of employee turnover) and in the airline industry (as carriers expanded hiring under deregulation). Many versions of the two-tier idea were developed.[24] Sometimes there were more than two tiers; sometimes the tiering was disguised by creation of new entry level job titles. Although good data are limited,

Figure 6




Note: Major union agreements involve 1,000 or more workers.

Source: Edward J. Wasilewski, Jr., "Collective Bargaining in 1992," Monthly Labor Review, vol. 115 (January 1992), p. 19.

one study found 28% of contracts had two-tier wage features by 1989.[25]

The internal union politics of such arrangements were complex since those in the lower tier eventually grew as a proportion of the union's constituency. It was sometimes argued in the academic literature that lower-tier workers were content with their lot - or even that they appreciated having job opportunities at the lower tier (as opposed to no job at all). But the media accounts were generally negative. Two tier meant protection of insider interests against outsiders (new hires).[26] Regardless of how the relatively few workers in lower-tier situations may have felt, such an image of unions was not appealing to the vast majority of nonunion workers who were themselves not involved with two-tier plans.

Lump-sum payments, in contrast, might have been depicted positively by unions. The payments were - after all - bonuses, a word which traditionally means receiving something extra. But unions saw lump sums as substitutes for wage increases. If a three-year contract featured an annual 3% wage increase, at its termination the base wage would be 9% higher. If it featured annual 3% lump-sum bonuses, at the end of the contract the base wage would be unchanged. We will return later to the potential positive side of lump sums. But since unions saw the bonuses as negatives, they would sometimes conduct "dump the lump" campaigns to try and push them out of contracts. Failures in this regard, even when the resulting compromise lump sum was quite large (as at Boeing in 1989), continued the image of union weakness.

**IX. The Shift in Management Strategy.**

It is evident that a shift in management strategy has developed with regard to union organizing and bargaining representation, and with regard to existing contract negotiations. Dating the start of the shift would be difficult. Some see it as having roots in the 1960s and 1970s.[27] Others would point to still earlier roots.[28] It appears, however, that whatever the initial date, the 1980s saw an intensity of the swing in management strategy.

One interpretation of this swing is simply that the external climate changed and created an opportunity for a shift to a more aggressive management strategy. It appeared that public support for unions had eroded by the early 1980s. For example, public opinion polls indicated considerable support for the President in firing the striking air traffic controllers in 1981.[29] It may not have been particularly noteworthy that business travelers would cross picket lines during strikes at airlines such as Continental. But the degree to which Greyhound could retain its clientele of (often blue-collar) bus passengers during labor disputes was surprising - undoubtedly a piece of significant information for the management side in many other industries.

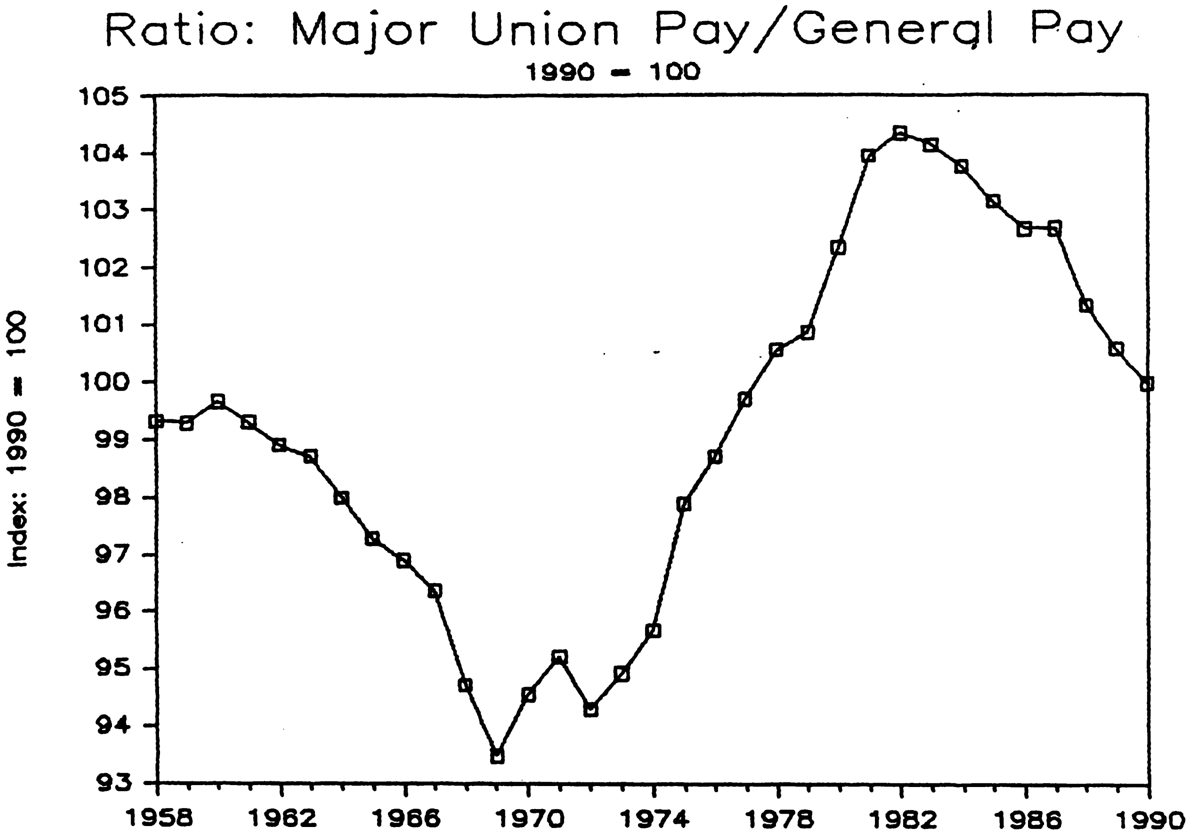
However, there was more to the change in management's approach than just a shift in the climate of public opinion and politics. Readily-available data suggest that the cost of union labor as perceived by management was rising prior to the concession era of the 1980s. And apart from the cost of labor at any particular moment in time, there was mounting external pressure for cost <u>flexibility</u> that did not exist at the time the contemporary collective bargaining system "matured" in the 1950s.

**i. Cycles in Labor Costs.**

Figure 7 provides an estimate of the ratio of major union pay to average pay in the general economy from the late 1950s until 1990.[30] It appears that during the early 1960s, union wages failed to keep pace with general pay after a previous advance.[31] Following a prolonged steel strike in 1959, contract settlements often took on concessionary elements such as wage freezes in exchange for job security. This tendency was reinforced by the Kennedy administration's anti-inflation wage guidepost program.[32]

By the mid 1960s, demand pressures associated with the Vietnam war and expanding social programs pushed labor markets into generalized shortage situations.[33] Nonunion wages reacted more quickly than union, further eroding the union wage differential. As inflation picked up, strikes erupted over the issue of COLA protection and general wage increases. In addition, the general social rebellion among young people on college campuses and in black ghettos had a counterpart at the workplace in the form of rising militancy and contract settlement rejections.

Figure 7




Note: See text for method of calculation.

Source of data: U.S. Bureau of Labor Statistics.

The 1970s saw a catch-up and an overtaking of the earlier union wage differential of the late 1950s. As the union wage advantage (from the worker perspective) continued to widen, the incentive for employers to avoid unionization where possible increased. The erosion of the unionization rate, which became quite apparent by the 1970s, can be viewed as a reaction by employers (nonunion and union) to rising union wage costs. In addition, pressure built among already-unionized employers to undo the rising union wage differential. Thus, the wage concession movement of the 1980s can be viewed as an unraveling of previous union wage gains.

From a longer-term perspective, this interpretation suggests that the kind of undershooting/overshooting cycle depicted on Figure 7 was not advantageous to organized labor. A more stable differential, one without the wide swings shown, might have averted management moves to avoid unionization and the painful undoing of the union differential embodied in the concession movement. Some observers have suggested that what happened in the 1970s can be seen as a deliberate "end game" strategy by unions which consciously put short-term gains over long-term consequences.[34] I do not accept that interpretation. The problem was that the kind of collective bargaining process which had developed by the 1950s was not especially good at focusing attention on the long term.

In short, the outcome of concessions and declining unionization was not deliberate. But it was inevitable. To avoid a repetition - and unions cannot afford another decade of misfortune - will require a change in the bargaining process itself and a de-emphasis on that process as the raison d'être of unions.

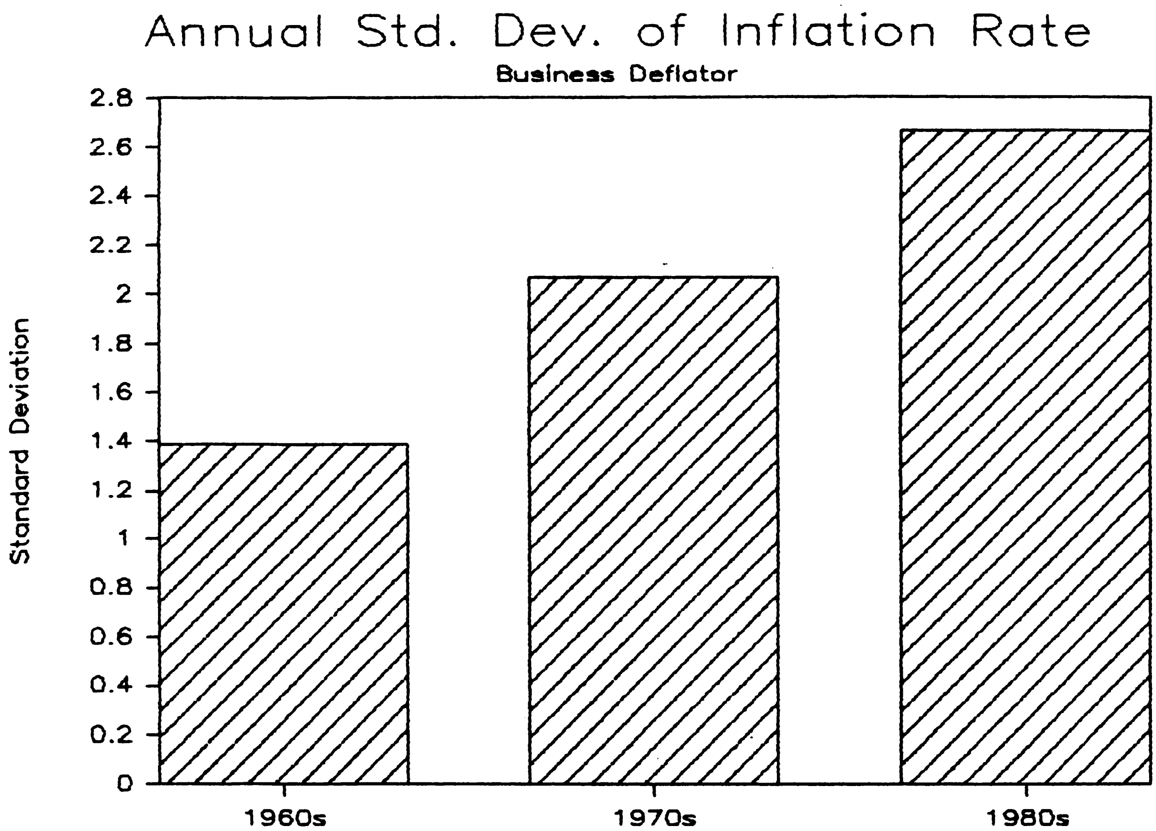
**ii. Pressures for Flexibility.**

By many measures, the U.S. economy became less secure and less stable in the 1970s and 1980s. The two widely-watched macro measures - inflation and unemployment - tell the story. Figures 8 and 9 show that the annual standard deviation of the unemployment rate and the inflation rate rose decade by decade from the 1960s through the 1980s. With a less stable macro environment

Figure 8


Source of underlying data: U.S. Bureau of Labor Statistics.

Figure 9




Source of underlying data: U.S. Bureau of Labor Statistics.

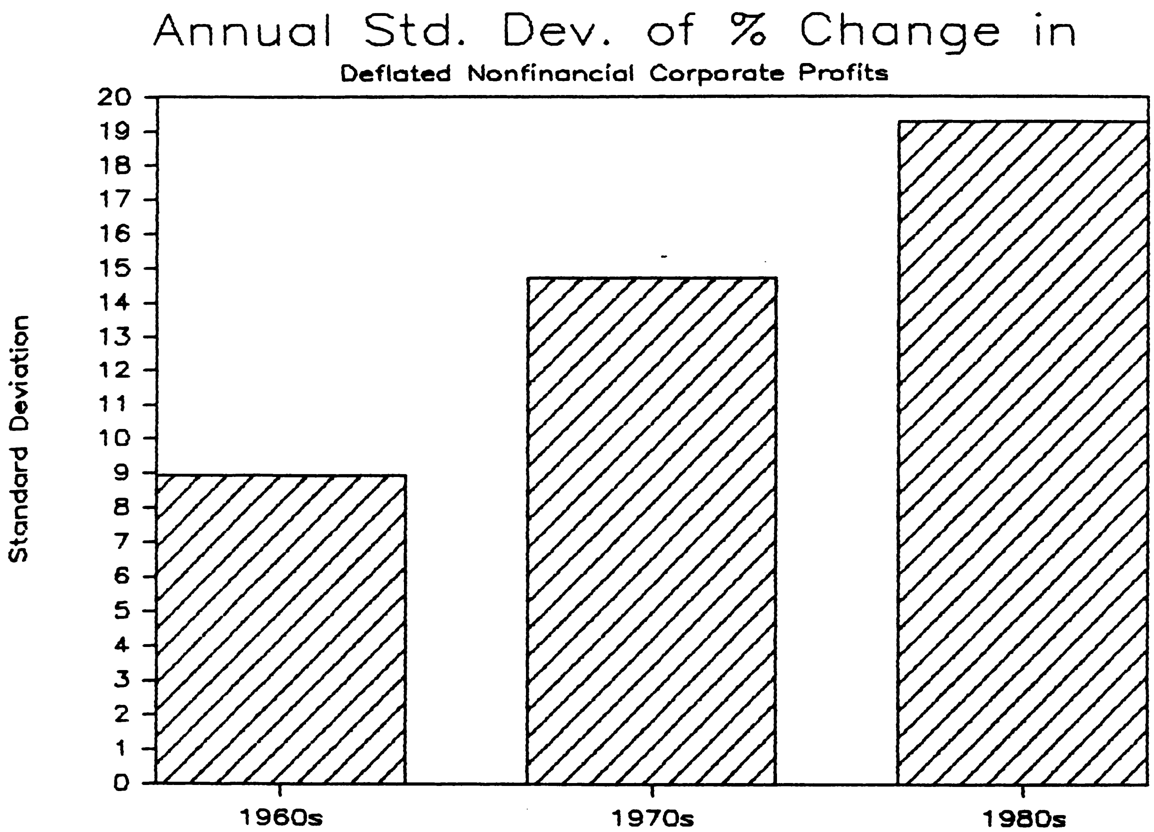
came a less stable environment for real (inflation-adjusted) profits. As Figure 10 shows, the standard deviation of annual changes in real corporate profits reflected the general climate of macroeconomic instability. Ability to pay became more variable and more uncertain. But standard wage setting procedures had no easy way of accommodating this change.

There were also micro level changes affecting the collective bargaining environment. Deregulation in transportation and communications added new elements of competition to those sectors. The international arena became less stable after the post-World War II system of fixed exchange rates fell apart in the early 1970s. Thereafter, large swings in the value of the U.S. dollar could change the competitive position of export-oriented and import-competing firms, completely apart from the quality of management they exercised. The spread of technology and investment to other countries - including the rapidly-industrializing nations in Asia - added to competition within the domestic marketplace.

Changes also occurred in the very concept of corporate structure and control, especially in the 1980s. The traditional employment relationship is built on the notion of a worker link to an ongoing employer. Union bargaining relationships with management are also founded on the premise of managerial stability and consistency. But growth in corporate debt loads in the 1980s required faster (and less consistent) response from management to adverse economic developments. And apart from debt, other financial trends changed the stability of the management side.

In the financial view, firms are less organizations than they are collections of assets. As such, they can be bought, sold, taken over, disassembled, or spun off, in just the same way as a portfolio can be rearranged. The financial view, which was in the ascendancy in the 1980s, stands in sharp contrast to the older organizational view which emphasized the quality of ongoing relationships. Financial fluidity is difficult to accommodate for unions which, by the 1950s, had developed bargaining approaches premised on stability of corporate structure, of stable

Figure 10




Note: Data include inventory valuation adjustment and adjustment for capital consumption allowances. Deflator used is for the nonfarm business sector.

Source: U.S. President, Economic Report of the President 1992 (Washington: GPO, 1992), pp. 310, 348.

relationships with management, and of well-recognized sectoral wage patterns.

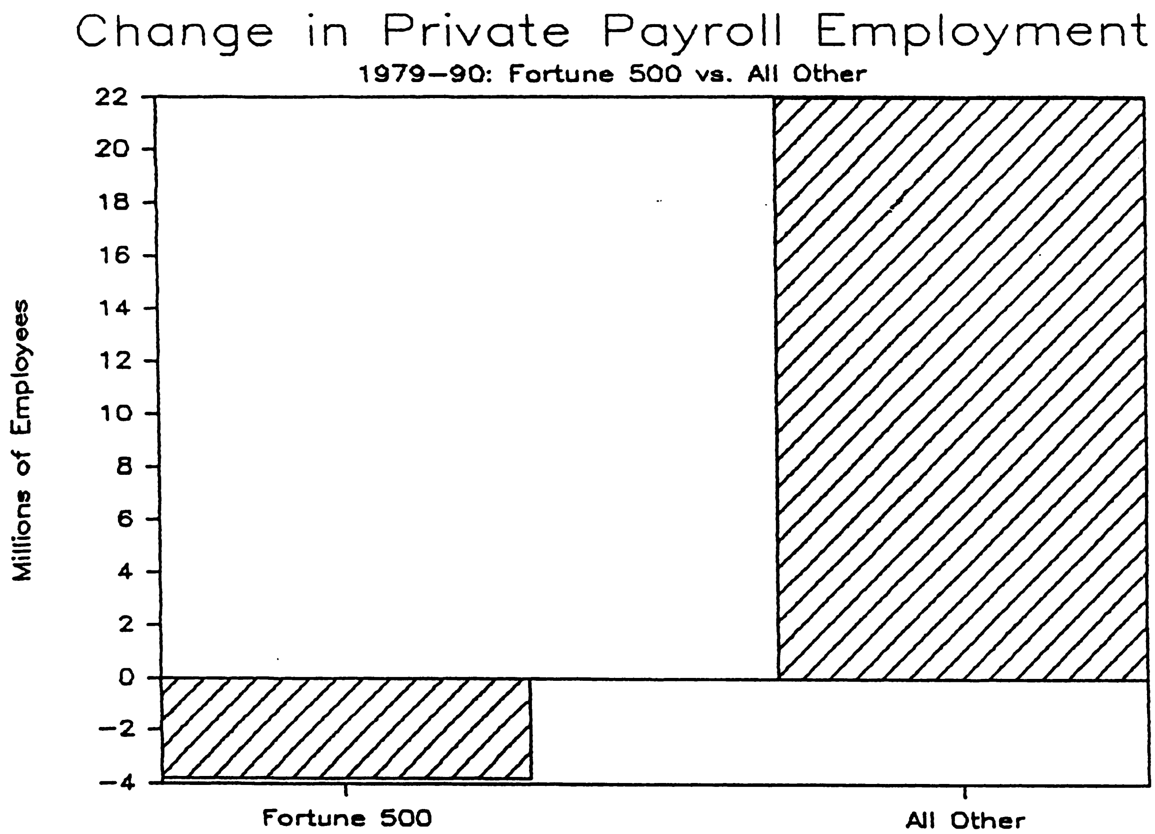
Still another disturber of order and stability - changes in technology and markets - must be noted. Production processes and corporate marketing strategy have moved toward "flexible specialization.[35] Flexible specialization emphasizes customized production and niche markets rather than mass-market, mass-output approaches. The 1980s was generally a period in which older, larger firms saw their employment shrink even as employment in the rest of the economy advanced. As Figure 11 shows, the jobs at the Fortune 500 firms declined by 3.8 million from 1979 to 1990 (business cycle peak to business cycle peak. But nonfarm private employment at <u>other</u> firms rose in that same period by 21.6 million.[36] The need developed for smaller, more flexible production units.

A bargaining model based on a large, stable enterprise in a secure macroeconomic system is not well suited for the new environment. In a more uncertain world, constraints on management are perceived by employers as costly. On the other hand, risk sharing is valuable, since it gives the firm some economic insulation. A fixed wage system - with cost adjustments possible only through layoffs - does not address the changes in the economic climate which have occurred. To survive on a significant scale in the private sector, unions must move away from that system and toward a different role as defender of the employee interest.

**X. Adapting Unions and Collective Bargaining in the 1990s.**

I have focused attention on three interrelated issues: wage determination, the bargaining process, and traditional union representation for bargaining purposes. What changes need to be made in these areas if unions are to remain a significant force? Below I suggest a change in the way wages should be bargained in the future for those workers who continue to have collective bargaining. Part of the bargaining problem has been that unions have been expected to perform economic functions beyond their scope. A more realistic, micro-level approach is therefore indicated for both wage bargaining and dispute settlement. I also urge that a broader view of

Figure 11




Source: Fortune; U.S. Bureau of Labor Statistics.

representation be taken than simply majority status to conduct collective bargaining.

**i. A Proper Conception of Wage Bargaining.**

There is a longstanding view that the role of unions is to balance supply and demand by raising worker incomes sufficiently so that employees can consume the goods they produce.[37] Unfortunately, this perception of unions' macroeconomic role - which has origins in the 1920s and 1930s - is vastly inflated.[38] Suppose we assume that unions could raise the real wages of 20% of the workforce by 25% <u>without any adverse effect on the real wages of the other 80%</u>. Most economists would find this assumption at the outer edge of any reasonable estimate. But even granting it, the share of income going to labor would be increased by unions by only 5% (.20 x .25 = .05). And since this estimate is surely upward biased, the overall income-redistribution and consumption effect must be even smaller.[39]

In short, it is unrealistic - and indeed unfair - to expect unions to fix the macroeconomy by redistributing income on a massive scale. Maintaining aggregate demand must be the responsibility of fiscal and monetary authorities. Unions cannot substitute for the Federal Reserve Board. Collective bargaining, even though it may have some macroeconomic effects, should be understood by the bargaining parties as a micro-level endeavor.

Apart from income distribution issues, unions also cannot be expected to remedy long-term trends in average (union plus nonunion) real wages when these become adverse. As Americans are coming to realize, there is no economic law that says that real wages must rise significantly year after year. In some periods they do; in others they do not. Indeed, contrary to widely-held belief, there is no law that says that real wages must rise as fast as productivity. Changes in technology, changes in workforce quality, and pressures of international competition can conspire to cause real wages to stagnate or even decline.

Unions cannot simply bargain away such macro trends, especially when they represent a small fraction of the workforce. Again, the focus of bargaining must be at the micro level. Unions cannot remedy America's long-term macroeconomic ills through traditional wage bargaining. Attempts to do so produce the already-discussed overshooting/undershooting wage cycle which harms the labor movement.

**ii. Financial Participation.**

What does micro-level bargaining entail? It means tailoring wages to the economic conditions of employers, which may change quickly. But long-term contracts with fixed wage increases, formulas linking additional wage adjustments to the Consumer Price Index, patterns which tie wages across firms tightly together, and similar staples of 1950s-style bargaining, are not well adapted to such micro-level bargaining and unstable markets. Profit sharing and gain sharing are better instruments. Such financial participation arrangements did make some headway in the union sector in the 1980s. They need to be further expanded in the 1990s.[40] In fact, they need to be substituted for traditional fixed-wage bargaining.

Paradoxically, although flexible pay arrangements historically were associated with the nonunion sector, they may be better suited to union employment. Unions can monitor and audit such concepts as profits and revenues. Nonunion employees have no monitors available. Unions can also explicitly trade more job security and stability for less fixity of pay, something that nonunion employees cannot do.[41] There were arguments in the 1980s that profit sharing and similar plans would automatically induce more job stability and other desirable macroeconomic effects.[42] Such arguments depend on various assumptions about wage setting, however, which remain controversial.[43] But with unions doing the bargaining, there is no need to rely on automatic results; the results can be negotiated.

Lump-sum payments - so often detested by union officials - could be part of this move toward financial participation. It has been argued that such payments in Japan function as a <u>de facto</u> profit-sharing plan.[44] One can envision a parallel development in the U.S.

Long-term contracts might continue to be negotiated with a minimum base wage specified. However, there might be annual negotiations about lump-sum payments which would reflect employer ability to pay at the time. It is important to stress that there is no reason why the long-term wage trend (pay and bonuses) under a profit sharing or wage-plus-bonus system need be different from what it might be under a conventional wage bargaining system. But the kind of undershooting/overshooting cycle discussed earlier could be avoided. Settlements should reflect firm-level economic conditions. Unions should be pushing for financial participation options, either formal plans (such as profit sharing) or informal plans (such as lump sums linked to ability to pay).

**iii. Alternative Dispute Resolution Approaches.**

Even under a financial sharing system, the amount of the share demanded can affect the long-term health - and the likely management response - of the enterprise. Thus, the need to focus on long-term outcomes remains. Lack of a long-term focus in 1950s-style bargaining stemmed from the importance of the strike weapon. Although it is often stressed that most negotiations do not result in strikes, a significant proportion of major contract expirations resulted in strikes in the 1970s. The possibility of a strike - with its potential resulting loss of profits for management and wage income for employees - had to weigh heavily on both sides.

Short-term strategic considerations, rather than long-term economic consequences, were the natural centerpiece of negotiations. When a strike is a strong possibility, negotiating positions take on symbolic importance which transcends their actual connection to worker or company welfare. Backing off a strongly-held position in today's negotiation could signal weakness to the other side next time. Long-term consequences of bargaining outcomes are obscured by the bargaining process.

Arbitration of interest disputes has long been available to negotiating parties as a dispute-settling alternative to strikes. But in the private sector, this alternative has not been widely used. Various fears of the use of arbitration have been articulated. There have been fears that arbitrators would simply "split the difference" between the sides and not exercise independent judgment. And there have been fears that arbitrators would use their own judgment but that they would be insufficiently expert in doing so.

It is important to recognized that the arbitration process is not fixed in concrete. If the parties want to have explicit consideration given to short-term ability to pay and long-term economic effects, they can build such approaches into the arbitration system. Arbitrators could be provided with resources to obtain expert advice from outside consultants, for example, before rendering decisions. Arbitrators could be given guidelines for judging alternative settlement proposals. Unions ought to be suggesting such dispute-settling options to management well before contracts expire. Last-minute interventions are not well suited for careful deliberations.

**iv. Representing the Employee Interest.**

As is increasingly recognized, the traditional employment relationship is complex. There are many implicit understandings involved - about standards of performance, conduct, discipline, reward, and the like. Because these are difficult to define, there are sometimes misunderstandings and conflict. In addition, there are cases when understandings are deliberately violated. The widespread liquidation of pension plans with "excess" assets in the 1980s was one of the more egregious examples of such a violation (albeit legal).

Who will represent the employee interest within the traditional employment relationship? In the 1980s, with unionization declining, the answer in the U.S. was increasingly "lawyers." Lawyers filed wrongful discharge suits or used existing tribunals for equal employment opportunity or workers' compensation programs as de facto grievance mechanisms. Could there be a better way of handling these complaints through unions, even when the union is not a designated bargaining agent?

There were many signs in the 1980s that the employment relationship was loosening. The more uncertain economic climate has led to more worker mobility (voluntary and involuntary) and increased reliance on "contingent" employment.[45] Who will service the needs of employees who change jobs frequently? How will their benefits such as pensions and health insurance be provided? There is a longstanding craft union model for people who stay in well-defined labor-markets - such as local construction or the Hollywood entertainment industry. Craft unions in such cases have provided benefit plans, referral services, training, and even administered complex compensation arrangements.[46] But as yet there is no counterpart for people whose job changes cross defined industry boundaries.

In the mid 1980s, the AFL-CIO developed the concept of associate memberships for constituent unions to offer to individuals who were not represented in formal collective bargaining settings. But where employees do not naturally fall into a particular industrial sector, to what union should they belong? There is an obvious answer: they could belong to the AFL-CIO directly or - perhaps - to local and regional AFL-CIO bodies.[47] That is, where there is no collective bargaining relationship, the traditional union demarcations may make no special sense for associate members. It may be that the AFL-CIO is politically unable to entertain such a direct-membership concept. If it cannot, it may someday find itself in competition with a "National Association of Working Americans."

What services might be provided by such an organization, whether AFL-CIO or otherwise? There might be some traditional lobbying regarding such employment-linked programs as Social Security. And there might be some provision of insurance not provided by employers. But there also might be use of legal mechanisms to enforce job-related rights. That is, the employee voice mechanism now being provided - sometimes at considerable cost - by individual attorneys could be part of the service "package." Indeed, there might be lobbying for specific statutory mechanisms - such as the State of Montana recently enacted - to handle employee complaints.

Generally, whether at the central AFL-CIO level, or the level of constituent unions, there could a recasting of roles and goals for the labor movement. If the goal is to enhance employee interests, then every representation election need not be viewed as a 100% success or a 100% failure depending on the majority outcome. It is only the assumption that collective bargaining is _the_ goal that produces the all-or-nothing interpretation. Consider, for example, the Auto Workers 1989 campaign to represent Nissan workers at the transplant facility in Smyrna, Tennessee. The union regarded the outcome as a failure, because only 30% of the workers voted in favor of union representation.

But suppose the union's stance had been that union wants to maintain a satisfactory work environment for Nissan workers. Collective bargaining is but one means of achieving that end. If the goal can be (or is being) achieved through other means - such as voluntary maintenance of certain conditions by management - all well and good. After the Nissan election the union could simply have said that it was pleased that 70% of the workers felt such conditions were being maintained. The union would remain available for those employees (the 30%) with work-related problems and would continue to provide monitoring and counseling in case the situation for Nissan employees deteriorated in the future.

With such an attitude, a union might conduct "campaigns" at firms where winning a union representation election was known in advance to be unlikely. It might spotlight particular anomalies and inequities in pay, benefits, or working conditions and use public relations techniques, legal machinery (say, OSHA inspections), or other devices to address employment concerns. There are precedents for such approaches. But in the past, the goal of these approaches has almost always been the _instrument_ of collective bargaining rather than the _outcome_ of improved worker welfare. The latter must become the explicit and _de facto_ goal.

## XI. Is it Practical?

The objections to the proposals made above are obvious. Workers will not accept the kind of financial share bargaining suggested. They are too used to the "security" of long-term contracts with fixed wages. Interest arbitration is not feasible since arbitrators are not trained to understand the parties' needs. And if unions did propose changing the pay system or using alternative dispute-resolution, who is to say that management would accept these ideas? Making worker welfare the goal, rather than collective bargaining, invites free riders. Non-dues payers will benefit from the resources of those who support unions. And anyway, even if these suggestions were good ideas, the incumbent union officialdom is too stodgy to make changes.

Before the 1980s, such objections would carry the day. But in the 1990s it should be clear that it is the existing approach that is not practical. Projections now suggest a U.S. unionization rate in the private sector in the 5-10% range by the end of the decade.[48] That is the consequence of following current practices. Therefore, new approaches must be considered. And incremental adjustments to the model of the 1950s will not be sufficient to preserve a significant private-sector labor movement.

Academic research in industrial relations has long included international comparative research and historical investigations. The lesson from those studies is that there is amazing diversity in outcomes of collective bargaining and union representation both over time and across countries. Thus, an assertion that workers will not accept share bargaining and will only agree to fixed-wage systems is no more than that - an assertion. Norms of what is acceptable are not constant. And, in any case, with unionization headed toward 5-10%, there will be precious few workers left to accept or not accept a particular model, unless new steps are taken soon.

Those who view interest arbitration as infeasible for contract disputes need to rethink their positions. Rights arbitration (for settling grievances) is virtually a universal practice in union contracts. Why should the same arbitrators who are competent to decide grievances be considered untrustworthy when contract disputes are at issue? Why does their expertise in settling rights disputes have no counterpart in interest disputes?

Would management accept proposals for changes in the pay system or dispute settlement through arbitration? Obviously, like any other demands, the answer depends partly on what else is in the package. But flexible pay systems became in vogue in management circles in the 1980s. Indeed, in the auto industry, where profit sharing was introduced in the concession bargaining round of 1982, management was eager to adopt - and extend - the concept. Although interest arbitration is rare in private employment, it was used as a back-up to bargaining in the basic steel industry in the 1970s. Arbitration was abandoned there when the multi-company basic steel agreement crumbled in the 1980s. But the steel experience demonstrates that management is not inherently opposed to interest arbitration.

Are union leaders really too stodgy to consider dramatic alternatives? As already noted, it was the top leadership of the AFL-CIO which pushed such innovative ideas as associate memberships in the mid 1980s. There was also some breakthrough, although not nearly enough, for profit sharing. Departures from highly-structured, long-term contracts with fixed expiration dates are beginning to be negotiated.[49] A search for alternatives to the strike is apparent from the labor-dispute data. In short, the elements of needed change in the bargaining process already exist. Perhaps there is more capacity for change than cynics would allow. But if the needed changes are to occur, top leadership will have to lead.

Free riders, an objection to the alternative view of worker representation, exist in many arenas, not just labor relations. The American Cancer Society takes the position that it wishes to cure cancer, not just the cancers of its contributors. Public radio and television stations know that they do not receive contributions from everyone in their audiences. But they continue to broadcast. Free riders, in short, are often a "problem." But the issue is whether they are a manageable problem. In the union case, there would still be the core of traditionally-represented dues payers, to which others would be added in an extension of the associate membership concept. Net, there would be more revenue - not less - if the wider concept of worker welfare as the goal were adopted.

More importantly, the labor movement in the U.S. has always <u>said</u> it represents the interest of all workers, not just members. What is at issue, therefore, is a more tangible implementation of that position. Once it is clear that worker welfare is the goal - rather than the percent of employees under formal collective bargaining contracts - that single percentage will cease to be considered the sole indicator of union success.

## Footnotes

1. Thomas Geoghegan, Which Side Are You On?: Trying to Be for Labor When It's Flat on Its Back (New York: Farrar, Straus, and Giroux, 1991), p. 3.

2. Source of country data: Organisation for Economic Cooperation and Development, OECD Employment Outlook, July 1991 (Paris: OECD, 1991), chapter 4.

3. Seymour Martin Lipset, "North American Labor Movements: A Comparative Perspective" and Christopher Huxley, David Kettler, and James Stuthers, "Is Canada's Experience 'Especially Instructive'?" in Seymour Martin Lipset, ed., Unions in Transition: Entering the Second Century (San Francisco: Institute for Contemporary Studies, 1986), pp. 421-452 and pp. 113-132, respectively; Noah M. Meltz, "Labor Movements in Canada and the United States" in Thomas A. Kochan, ed., Challenges and Choices Facing American Labor (Cambridge, Mass.: MIT Press, 1985), pp. 315-334.

4. Paul C. Weiler, "Promises to Keep: Securing Workers' Rights to Self-Organization Under the NLRA," Harvard Law Review, vol. 96 (June 1983), pp. 1769-1827.

5. AFL-CIO Committee on the Evolution of Work, The Changing Situation of Workers and Their Unions (Washington: AFL-CIO, 1985).

6. Arthur B. Shostak, Robust Unionism: Innovations in the Labor Movement (Ithaca, N.Y.: ILR Press, 1991).

7. For more on the question of the need for a change in union structure, see Jack Fiorito, Cynthia L. Gramm, and Wallace E. Hendricks, "Union Structural Choices" in George Strauss, Daniel G. Gallagher, and Jack Fiorito, eds., The State of the Unions (Madison, Wisc.: Industrial Relations Research Association, 1991), pp. 103-137.

8. Leo Troy, "Is the U.S. Unique in the Decline of Private Sector Unionism?," Journal of Labor Research, vol. 11 (Spring 1990), pp. 111-143.

9. William D. Nordhaus, "The Worldwide Wage Explosion," Brookings Papers on Economic Activity (2:1972), pp. 431-464.

10. Jeff Faux, "Getting Rid of the Trade Deficit: A Cheaper Dollar is Not Enough," briefing paper, Economic Policy Institute, 1988.

11. Output per hour in manufacturing rose at a 2.8% annual rate compared with 1.8% in the overall private nonfarm business sector during 1948-90. Output in the two sectors grew at annual rates of 3.2% and 3.3%, respectively. Source: U.S. Bureau of Labor Statistics press release USDL: 91-412, August 29, 1991.

12. In order to calculate the explained and unexplained portions of the change in unionization representation underlying Figure 2, 1980 representation rates were applied to employment totals for 1991 by industrial sector. The sectors used were agriculture, mining, construction, durables, nondurables, transportation, communications and public utilities, wholesale trade, retail trade, finance-insurance-real estate, and services.

13. Weiler, "Promises to Keep," op. cit.; Robert J. Lalonde and Bernard D. Meltzer, "Hard Times for Unions: Another Look at the Significance of Employer Illegalities," University of Chicago Law Review, vol. 58 (1991), pp. 953-1014.

14. Fred Foulkes, Personnel Policies in Large, Nonunion Companies (Englewood Cliffs, N.J.: Prentice-Hall, 1980).

15. Some observers have argued that participation is more effective as a productivity tool in the presence of the union. See, for example, Adrienne E. Eaton and Paula B. Voos, "Unions and Contemporary Innovations in Work Organization, Compensation, and Employee Participation" in Lawrence Mishel and Paula B. Voos, eds., Unions and Economic Competitiveness (Washington: Economic Policy Institute, 1992), pp. 173-215. But the issue here is participation as a substitute for unionization, not as a productivity stimulus.

16. Paul C. Weiler, Governing the Workplace: The Future of Labor and Employment Law (Cambridge, Mass.: Harvard University Press, 1990).

17. For example, the internal rate of unionization at General Electric was reported to have dropped from 50% to 35% from 1981 to 1988. See Harry Bernstein, "2 Faces of GE's 'Welchism': One Dr. Jekyll, One Mr. Hyde," Los Angeles Times, January 12, 1988, Part 4, pp. 1, 22; and "For the Record," January 19, 1988, Part 4, p. 2. See also Anil Verma, "Relative Flow of Capital to Union and Nonunion Plants Within a Firm," Industrial Relations, vol. 24 (Fall 1985), pp. 395-405.

18. Data are available for manufacturing unionization by state for the period 1984-1988. Over that period, the 17 states with the highest unionization rates (the top third) saw a mean drop in their rates of 13%. The middle 16 states saw a mean drop of 11%. And the bottom 17 saw a drop of 15%. These rates are quite uniform; the all-state average is 13% Source: U.S. Bureau of the Census, Statistical Abstract of the United States, 1991 (Washington: GPO, 1991), p. 424.

19. There are some ambiguities concerning available resources of unions. The number of employees who worked for labor organizations reportedly rose during the 1980s (even during 1979-82), according to the Bureau of the Census' County Business Patterns survey. The survey reported 175,000 employee in 1979 and 179,000 in 1988. In contrast, the Bureau of Labor Statistics' establishment survey reported a drop in employment by unions from 144,100 in 1982 (the first year data are available) to 131,800 in 1987, and then a gradual rise to 135,000 in 1990. See also James T. Bennett, "Private Sector Unions: The Myth of Decline," Journal of Labor Research, vol. 12 (Winter 1991), pp. 1-12.

20. Henry S. Farber, "The Decline of Unionization in the United States: What Can Be Learned from Recent Experience?," Journal of Labor Economics, vol. 8 (January 1990), Part 2, pp. S75-S105.

21. Daniel J.B. Mitchell, "Recent Union Contract Concessions," Brookings Papers on Economic Activity (1:1982), pp. 165-201.

22. Caps are absolute ceilings on the amount the COLA clause will pay, even if inflation would otherwise dictate a higher amount. Corridors effectively "ignore" a specified minimum level of inflation before the formula begins to pay off. Still another common COLA restriction was to divert COLA monies to the payment of benefits such as health insurance.

23. Figure 6, it should be stressed, presents data only on the major private union sector (agreements involving 1,000 or more workers). COLA clauses are less common in smaller agreements. However, available evidence suggests the decline shown on the figure involved contracts of all sizes.

24. James E. Martin (with Thomas D. Heetderks), Two-Tier Compensation Structures: Their Impact on Unions, Employers, and Employees (Kalamazoo, Mich.: Upjohn Institute, 1990).

25. Bureau of National Affairs, Inc., Basic Patterns in Union Contracts, 12th edition (Washington: BNA, 1989), p. 117.

26. Journalistic accounts can be found in Beth Brophy, "Two-Tier Pay Plans Stir Debate," USA Today, June 12, 1985, pp. 1B-2B; Jane Seaberry, "Two-Tiered Wages: More Jobs vs. More Worker Alienation," Washington Post, April 7, 1985, pp. G1, G3; Roy J. Harris, Jr., "More Concerns Set Two-Tier Pacts with Unions, Penalizing New Hires," Wall Street Journal, December 15, 1983, p. 33; Steven Flax, "Pay Cuts Before the Job Even Starts," Fortune, January 9, 1984, pp. 75-77; Irwin Ross, "Employers Win Big in the Move to Two-Tier Contracts," Fortune, April 29, 1985, pp. 82, 84, 88.

27. Thomas A. Kochan, Harry C. Katz, and Robert B. McKersie, The Great Transformation of American Industrial Relations (New York: Basic Books, 1986).

28. Sanford M. Jacoby, "Norms and Cycles: The Dynamics of Nonunion Industrial Relations in the United States, 1897-1987" in Katharine Abraham and Robert McKersie, eds., New Developments in the Labor Market: Toward a New Institutional Paradigm (Cambridge, Mass.: MIT Press, 1990), pp. 19-57.

29. "Harris Poll Finds Most Oppose the Air Strike," New York Times (August 21, 1981), p. A18; "Most in Poll Oppose Public Worker Strikes," New York Times (August 16, 1981), p. 39.

30. Unfortunately, the Employment Cost Index - the current most reliable source on union vs. nonunion wage trends - is not available before 1975. To create a more extended series, I have taken the ratio of major union pay to all pay. Major union pay is converted into an absolute index using annual median wage adjustments for private contracts involving 1,000 or more workers. All pay is based on the Employment Cost Index (wages only) for December back to 1975. Prior to 1975, the index is splices on to average hourly earnings for December. Before December 1964, December hourly earnings are not available. Therefore, the two years adjacent to earlier Decembers are averaged to approximate the December figure. Note that in the earlier years, union pay accounted for a larger share of total wages (union and nonunion) than later. Hence, the arithmetic scope for the index on the figure to vary was more limited in the earlier years than in the later ones. No adjustment has been made on the figure to correct for this effect.

31. Daniel J.B. Mitchell, Unions, Wages, and Inflation (Washington: Brookings Institution, 1980), pp. 39-53.

32. John Sheahan, The Wage-Price Guideposts (Washington: Brookings Institution, 1967).

33. Daniel J.B. Mitchell, "Wage Pressures and Labor Shortages: The 1960s and 1980s," Brookings Papers on Economic Activity (2:1989), pp. 191-231.

34. Colin Lawrence and Robert Z. Lawrence, "Manufacturing Wage Dispersion: An End Game Interpretation," Brookings Papers on Economic Activity (1:1985), pp. 47-106.

35. Michael J. Piore and Charles F. Sabel, The Second Industrial Divide: Possibilities for Prosperity (New York: Basic Books, 1984).

36. Similar trends are seen using employment by establishment size. Large establishments show declining employment during the 1980s; smaller ones show employment growth. Source: U.S. Bureau of the Census, Statistical Abstract of the United States 1991 (Washington: GPO, 1991), p. 532.

37. Thomas Geoghegan, "Labor's Choice: Helmut Kohl for President," New York Times (March 18, 1992), p. A21.

38. Daniel J.B. Mitchell, "Inflation, Unemployment, and the Wagner Act: A Critical Reappraisal," Stanford Law Review, vol. 38 (April 1986), pp. 1065-1095.

39. Union wage premiums may be reflected in prices (in the private sector) or taxes (in the public sector), thus lowering real incomes of nonunion employees. In addition, if employment levels are reduced in the union sector due to the wage premiums, there will be more competition for jobs in the nonunion sector (the displacement effect). Such competition would be likely to have a wage-reducing effect. Finally, a rise in labor income could squeeze spending (for consumption and investment) out of nonlabor income, thus partly offsetting whatever impact on consumption the boost in labor income produced.

40. Employment stock ownership plans (ESOPs) are often lumped together with profit sharing as a form of financial participation. In general, however, handing out stock to employees does not provide the same kind of flexibility of pay and risk sharing that profit sharing does. The problem is that the allocation of stock is a one-time distribution. Thereafter, the composition of stock owners is different but little else has changed. Some observers have argued that stock ownership through ESOPs or other means will become a form of representation, as employees demand their rights. Personally, I prefer profit sharing to ESOPs in terms of the likely economic effect. See Joseph Raphael Blasi and Douglas Lynn Kruse, The New Owners: The Mass Emergence of Employee Ownership in Public Companies and What It Means to American Business (New York: HarperBusiness, 1991).

41. Daniel J.B. Mitchell, "The Share Economy and Industrial Relations: Overview of the Weitzman Proposal," Industrial Relations, vol. 26 (Winter 1987), pp. 1-17.

42. Martin L. Weitzman, The Share Economy: Conquering Stagflation (Cambridge, Mass.: Harvard University Press, 1984).

43. David Levine, "Efficiency Wages in Weitzman's Share Economy," Industrial Relations, vol. 28 (Fall 1989), pp. 321-334.

44. Richard B. Freeman and Martin L. Weitzman, "Bonuses and Employment in Japan," Journal of the Japanese and International Economies, vol. 1 (1987), pp. 168-194.

45. Richard S. Belous, The Contingent Economy: The Growth of the Temporary, Part-Time and Subcontracted Workforce (Washington: National Planning Association, 1989).

46. Archie Kleingartner and Alan Paul, "Labor Relations and Residual Compensation in the Movie and Television Industry," unpublished working paper, UCLA Anderson Graduate School of Management, 1992; Dorothy Sue Cobble, Dishing It Out: Waitresses and Their Unions in the Twentieth Century (Urbana, Ill.: University of Illinois Press, 1991).

47. There is a limited history of local unions affiliated directly with the AFL-CIO but not of direct membership of individuals.

48. Freeman estimated that there is a 3% attrition rate to the unionization rate if no new workers are added through NLRB elections. Thus, if no workers were added at all via elections, the 1991 13% rate of union representation in the private sector would fall to about 10% by the end of the decade. Since some workers will be added, however, the end-of-decade rate would be higher. But the number won in union elections is currently so small that the impact of these victories has little effect on the calculation. See Richard B. Freeman, "Why Are Unions Faring Poorly in NLRB Representation Elections?" in Kochan, ed., Challenges and Choices Facing American Labor, op. cit., pp. 45-64. Much

depends on the attrition rate of union employment. Stephen G. Bronars and Donald R. Deere, "Union Organizing Activity and Union Coverage: 1973-1988," unpublished working paper, Department of Economics, University of California, Santa Barbara, November 1989, note that accelerated depletion of union employment in the 1980s - if continued - could bring the rate down to 5% by the end of the decade.

49. The labor agreement at Harvard University, developed after a high-profile union campaign for recognition, falls into this category.