

20. Ensuring a Future for the American Labor Movement

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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 union 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 Geoghegan¹

From J.A. Auerbach, ed.
Through a Glass Darkly:
Building the New
Workplace for the
21st Century
NPA, 1998

What has happened to the American labor movement? Is its future as bleak as Geoghegan, a friend of the movement, suggested in 1991? Or is there hope for organized labor on the horizon? The answer depends partly on initial expectations of the parties involved.

Given the bleak situation that prevailed until the early 1990s, there are clearly hopeful signs. The presidential election of 1992 produced a Democratic President and a friendlier National Labor Relations Board (NLRB). Presidential intervention helped settle a high profile labor dispute between American Airlines and its flight attendants that could have resulted in a rout for labor similar to other airline debacles. An NLRB and court ruling in a high profile strike by major league baseball players in 1994-95 produced an outcome favorable to the players. Further, in 1995, for the first time in decades, an open contest for the presidency of the AFL-CIO developed, with both candidates declaring support for increased funding of organizing efforts. The victory of "rebel" candidate John Sweeney led to increased organizing and political action.

Niche strategies tailored to particular industries produced union gains in industries such as agriculture and janitorial services. In the former case, the once down-and-out Farm Workers Union in California began negotiating new contracts. In the latter case, under the heading of "Justice for Janitors," community organizing and other tactics restored unionization to 8,000 (largely Hispanic immigrant) employees in the Los Angeles building service industry.² Finally, three major unions—the United Steelworkers of America (USWA), the International Association of Machinists (IAM), and the United Automobile Workers (UAW)—announced plans for major coordination efforts, suggesting the possibility of greater political clout and cooperation in bargaining.³

However, it is not hard to find bad news for labor. The electoral success of 1992 was followed only two years later by the triumph of Republican conservatives in Congress. The Dunlop Commission, a presidential commission established in 1993 to explore labor law reform, thus produced recommendations for a Congress unlikely to enact legislation favored by unions.⁴ Generally, legislative solutions to labor's problems are not likely to be forthcoming; indeed, organized labor will probably have to fight a

defensive battle to avoid legislation it does not want. President Clinton did not follow labor's recommendations regarding passage of the North American Free Trade Agreement (NAFTA) or other international trade matters. Labor finds itself opposing the President over "fast track" authority to negotiate new trade agreements. Further, as noted above, the decline of unionization as a percentage of the workforce has continued into the 1990s (even if absolute representation is no longer in free fall). Unions have ceased to be perceived as pattern setters for wages and benefits.⁵

CHANGES NEEDED FOR ORGANIZED LABOR IN THREE AREAS

This chapter does not present a political or legislative cure for labor's woes; nor does it suggest wholly new or untried remedies. Instead, it proposes an amalgamation of behavioral and attitudinal changes, largely by organized labor, that can help sustain the role of unions. The changes are in three areas: wage determination, dispute settlement, and reconceptualization of the representation of employee interests. In the first area, a move toward financial participation is recommended rather than the use of traditional wage bargaining; in the second, using arbitration is urged rather than resorting to the threat of strikes; and in the third, a view of worker representation is encouraged that extends beyond labor's role as a collective bargaining agent to enhance the general employee interest in the larger economy.

Financial participation arrangements such as profit sharing have existed for more than a century and the use of arbitration to settle disputes goes back at least to the World War I era. With respect to worker representation, unions developed "associate memberships" for individuals in the 1980s and have long contended that they represent worker interests that extend beyond their actual memberships. However, the suggestions here contain new elements. Financial participation and interest arbitration were used in the past when the parties involved in collective bargaining found the arrangements desirable for their immediate, micro-level needs. The idea that such arrangements could be a goal for the larger labor movement was not considered, despite the traditional union position that "solidarity" was important. What is new

is that individual representation and the defense and promotion of the general worker interest have not been integrated into the traditional collective bargaining role. They have not been seen as part of a complete and consistent package of employee services.

The issue before the American labor movement is not its literal disappearance, but rather its marginalization in private employment. This marginalization cannot be reversed by following the path of least resistance—that is, more organizing for traditional bargaining in the public sector—particularly because government employment is unlikely to be a growth area of the workforce. Further, simply waiting for a political miracle or a social upheaval like the Great Depression is clearly a risky “strategy.”

DIAGNOSING THE PROBLEM

Unionization levels have eroded not only in the United States but outside it as well, which suggests that international shifts in product markets and labor markets have helped create the adverse climate facing organized labor. But blaming deindustrialization for the decline of union membership misses most of the story, certainly in the American case. Management resistance—assisted by changes in the political and legal climates—has played an important role, with market shifts galvanizing this resistance. Management successes have also soured the attitudes of many nonunion workers toward unions.

The market forces pressing on management affect unions in wage bargaining and the associated strike threat. It is in this context that financial participation and alternative dispute resolution can assist in stabilizing traditional collective bargaining. Nonetheless, the same market forces have loosened the employment relationship and created among workers new needs for job mobility. These needs can be filled by the labor movement, although often not through collective representation. Once that point is acknowledged, a broader definition of representation that incorporates the welfare of all workers becomes appropriate. At the same time, there is some evidence (discussed below) that the economic forces undermining bargaining and the traditional employment relationship have at least softened in the 1990s. Thus, organized labor can maintain a base in collective bargaining from which it can expand to other functions and new approaches.

THE DECLINE OF UNIONIZATION

Will the Labor Movement Disappear?

Even given the current trend of declining unionization rates, unions will not totally disappear from the American scene. During the 1980s, the union movement in the United States split into two sectors. Public sector unions roughly held their own, while private sector unions lost employee bargaining representation. Thus, one response to Geoghegan's prediction is that unions will remain in government, a sector in which they represented more than 40 percent of wage and salary earners in 1996.

But a vision of unions only in government does not solve the problem for the labor movement, even though

public sector unions represented 7.8 million government employees in 1996, with 6.9 million actual union members. In absolute terms, American union membership in government alone exceeds total union membership in Canada, in Australia, in Belgium, in Sweden, and in Norway, all countries with much higher unionization rates than the United States.⁶ However, this fact simply reflects a large U.S. population and labor force. Most U.S. wage and salary workers are in the private sector; only about one-sixth were government employees in 1996. In the private sector, unions served as bargaining representatives for just 11 percent of wage earners in 1996.

Moreover, most government union membership is concentrated in a few unions, such as the independent National Education Association and larger AFL-CIO affiliates such as the American Federation of Teachers, the Letter Carriers, the Postal Workers, the Firefighters, and the American Federation of Government Employees. Although other predominantly private unions have some government membership, it is unrealistic to expect that organizations such as the UAW, the USWA, the IAM, or the Carpenters could substantially increase their representation in the public sector. Although traditionally private sector unions are organizing in government, given the already high public sector unionization rate, these unions could end up competing with existing government labor organizations. In addition, if unions were to be perceived mainly as bargaining agents for public sector workers, they would increasingly be characterized politically as special interest groups.

The complete disappearance of unions from private employment is not likely either; indeed, absolute private sector union membership could increase even if the percentage of organized workers continued to decline. But if the current trend continues in relative terms, there will be islands of union members in certain sectors of the private economy, such as railroads and utilities. Such scattered membership would significantly limit union influence, and again the charge of special interest would be levied because of the small proportion of the workforce represented.

Key Elements in the Decline of Unions

Politics and Grassroots Activism

According to one view, U.S. labor's misfortune is attributable to the U.S. political, social, and cultural climate which has produced legal structures that make it difficult for unions to retain and add members.⁷ Further, this argument runs, management in the United States is inherently a stronger influence and workers are more individualistic than in other countries; therefore, the U.S. unionization rate is lower than that in, for example, Canada.⁸

Focusing on political, social, and cultural reasons as a source of union decline can lead to a passive conclusion, especially if unions are perceived mainly as traditional collective bargaining agents. In this scenario, unions must simply await a political upheaval that may never come, or, if it does, that may bring unpleasant consequences. (Does anyone really want another Great Depression?)

Alternatively, some see the need for political activism and radicalism, assuming that unions can manipulate the political, social, and cultural climate only if they can find the right kind of appeal to workers. These analysts usually find great fault with the existing union leadership for being conservative, averse to risk, and out of touch. They tend to call for a localized, grassroots type of unionism—perhaps along the lines of the Justice for Janitors campaign—combined with political action.

Although community/grassroots activism can be effective in niche situations, the national political climate cannot be so easily changed. Third parties, with “labor” parties often a favorite goal of activists, have not been politically successful in the United States, certainly not nationally. Moreover, some of the most innovative ideas in the American union movement in the 1980s originated at the top.⁹

At the local level, dwindling resources and the pressures of day-to-day contract administration have resulted in limited receptivity to new ideas. Although there have been interesting grassroots innovations, such as corporate campaigns, community organizing, public relations, and in-plant strategies,¹⁰ there have been locally originated disasters, such as the dispute between Local P-9 of the Food and Commercial Workers and the Hormel Company in Austin, Minnesota. In that case, local union officials defied a more prescient national union leadership and ultimately saw their members replaced and the strike lost.

On the larger issue, going it alone on a decentralized, local union, or even shop-floor basis seems a formula for certain defeat as a national strategy for many multilocation companies and industries. Local unions, let alone shop stewards, do not have sufficient research staffs to analyze market forces and determine broad needs, and coordination with unions at far-flung facilities is difficult.

In the international setting, countries facing a common foe have often formed governments of national unity out of otherwise conflicting political parties, as Britain did during World War II. When survival is at stake, differences can be submerged. The maxim “hang together or hang separately” seems especially applicable to the American labor movement of the 1990s.¹¹ The recommendations outlined in this chapter need to be initiated and implemented by centralized union leadership; they will not merely implement themselves from below.

Market Pressures

Declining unionization in the market sector of the economy is not unique to the United States. Other countries, even those with quite different political and cultural institutions, have shown a similar trend, although often starting from higher absolute unionization rates or with less dramatic declines.¹² The discussion that follows argues that unionization, economic climate, and wage determination are bound together. In this context, wage determination includes both the magnitude of the union wage and the form in which it is set. The United States was not the only country to experience a wage explosion in the 1970s¹³ and thus was not alone in seeing an erosion of unionization in the traditional sense of collective bargaining representation in the 1980s.

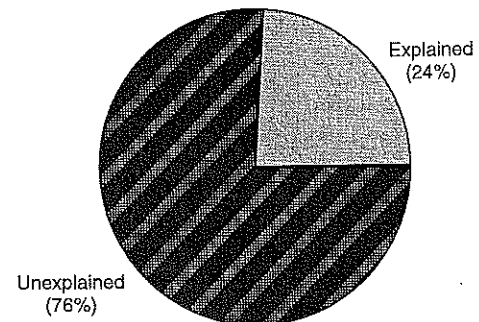
Although the interconnection among unionization, economic climate, and wage setting is clearly played out differently under the political, legal, and cultural conditions of other countries, the issue may be more one of speed and timing than one of eventual outcome. Unions in other countries will eventually face the American labor movement's dilemma, even if they do not yet perceive the symptoms.

In any case, assuming that American unions want to continue to represent diverse sectors of the economy, they must change how they determine compensation, move away from traditional short-term wage bargaining as the central concern, and move toward a longer-term approach. This shift will require a change in dispute resolution procedures and more emphasis on employee financial participation systems, important elements in any future resuscitation of the labor movement. So, too, are alternative concepts of representation, including representation outside collective bargaining.

Beyond Deindustrialization

Another interpretation of the decline in unionization in the 1980s is that it was due to the shrinking relative size of manufacturing, or deindustrialization. The U.S. Bureau of Labor Statistics projects a continued decline in employment in manufacturing.¹⁴ So if deindustrialization were the cause of union decline, there would be little hope for the labor movement. The long-term problem for manufacturing employment is its tendency to exhibit higher productivity growth than other sectors.¹⁵ Because fewer workers are needed over time for a given level of output, employment in manufacturing tends to shrink relative to other sectors. But the changing industrial structure of the U.S. economy did not account for the bulk of the loss in union representation that occurred in the 1980s. If industrial composition were the only factor affecting unionization, private sector union representation would have grown by 2.3 million workers during 1980-95. As Figure 1 shows, less than one-fourth of the drop in the unionization rate over that period can be at-

FIGURE 1
PERCENT OF DECLINE IN PRIVATE
UNIONIZATION EXPLAINED BY INDUSTRY
MIX, 1980-95



Source of underlying data: U.S. Bureau of Labor Statistics (BLS).

tributed to industry mix; the rest is due to declining unionization within the various sectors, including manufacturing.

Management Resistance to Unionization and Union Response

Management resistance to unionization also helps explain the decline in unionization. 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 aggressive management tactics intensified in the 1980s and over their possible effect on union representation elections.¹⁶ But the fact that both the union establishment and union dissidents sought alternatives to traditional organizing through NLRB elections suggests that the legal climate had become more difficult.

At the other end of the spectrum are employers who seek to create a workplace environment appealing enough that workers do not find unionization attractive. This approach is not new; there have long been employers who have created internal human resource practices, such as grievance and arbitration machinery, that have mimicked what unions can provide.¹⁷ In addition, management-initiated participative arrangements, such as quality circles, can substitute for representation by unions.¹⁸ The company unions and employee representation plans that existed before the mid-1930s demonstrate that management creation of such mechanisms is not new. But with the recent decline of unions in the United States have come suggestions that these participative arrangements be mandated, perhaps along the lines of European works councils.¹⁹

Between the hard-line approach of firing unionists and the soft-line approach of creating a more attractive workplace is the intermediate position. Management in unionized firms can simply shrink employment in older, union-represented plants and expand employment in areas where representation is less likely to occur. These strategies have been reported in the academic literature and by the popular press.²⁰ Yet it should be noted that declining unionization has not been more pronounced in states with high unionization rates compared with other states.²¹ Just as in the case of industrial mix, geographic shifts in employment do not offer a complete answer to declining unionization. Indeed, in some cases, ownership changes presaged dramatic shifts in union status regardless of geographic location.

What was the union response to the shifts in management tactics and the legal climate of the 1980s? NLRB data, as represented in Figure 2, suggest that union organizing activity fell substantially during the decade. Although the union "win" rate generally remained in a band centered somewhat below 50 percent (with slight upward trends as the economy recovered and expanded after 1983 and 1991), the number of elections held by 1995 had fallen to less than one-half the 1980 level. Because most representation elections are triggered by union petitions, it must be assumed that fewer petitions were received. In other words, the decline in elections was due to a drop in union organizing.

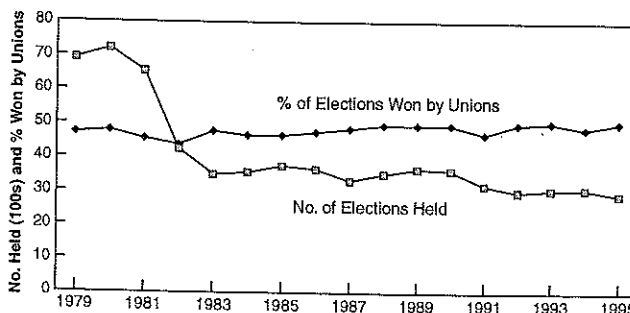
In some cases, the decrease in the number of elections in the 1980s may have reflected union tactics aimed at bypassing the NLRB and its procedures because unions believed that the conservative board was stacked against them. Yet the use of alternatives to traditional, NLRB-linked organizing clearly did not stem the erosion of membership. In other cases, the decline in elections may have reflected reduced union resources available for organizing campaigns because of losses in membership and dues. Thus, the reduction in NLRB elections probably reflected a sense by union organizers that the outcomes of campaigns were becoming less favorable to the union side; that is, the seeming stability of the union win rate in Figure 2 may be an illusion created by sample bias. Union organizers may have sensed that workers were becoming less likely to vote union and therefore filed fewer petitions with the NLRB. They may have filed only when worker attitudes appeared to make the outcome close to an even bet, a condition unions perceived as less likely in the 1980s than before. Of course, this explanation does not suggest why worker attitudes may have shifted.

"Great Disputes" and Worker Attitudes

What could have caused employees to believe that the prospective gains from unionization were diminishing in the 1980s? In addition to the drop in the unionization rate, adverse developments in the union sector during that decade may have made nonunion workers skeptical about the advantages of union membership. A number of "great disputes" occurred between labor and management that were of sufficient intensity and human interest—although not necessarily of such economic importance that they notably affected national output—to receive significant media attention. The key point is that most of these disputes did not turn out well for the union side, or they were depicted that way in the media.

Probably the most widely discussed dispute of the 1980s was the 1981 strike by federal air traffic controllers, in which a presidential directive quickly replaced the strikers and permanently barred them from future employment as controllers. If, as some observers suggested,

FIGURE 2
NLRB REPRESENTATION ELECTIONS AND UNION WIN RATE, FISCAL YEARS 1979-95



Source: National Labor Relations Board (NLRB).

this was a signal to employers that unions were vulnerable and that federal policy had shifted against them, the primary impact would have been on unionization in the government, precisely the sector where unions did best in the 1980s. In isolation, the controllers' strike would have had little effect on union developments elsewhere. But this dispute was only one of a number that occurred, mainly in the private sector, that produced adverse results for unions. It was in the private sector that unionization rates declined in the 1980s and that concession bargaining became particularly pronounced. The following list highlights several of the other great disputes of the period that were negative for unions:

- Adolph Coors Co. vs. the Teamsters and Brewery Workers (brewing);
- Brown & Sharpe vs. the Machinists (machine tools);
- Phelps-Dodge vs. the Steelworkers and other unions (copper mining);
- Continental Airlines vs. the Air Line Pilots Association and other unions (airlines);
- Hormel Co. vs. the Food and Commercial Workers (meatpacking);
- Nordstrom vs. the Food and Commercial Workers (department stores); and
- Greyhound vs. the Transit Union (intercity bus lines).

However, this list omits some notable union victories:

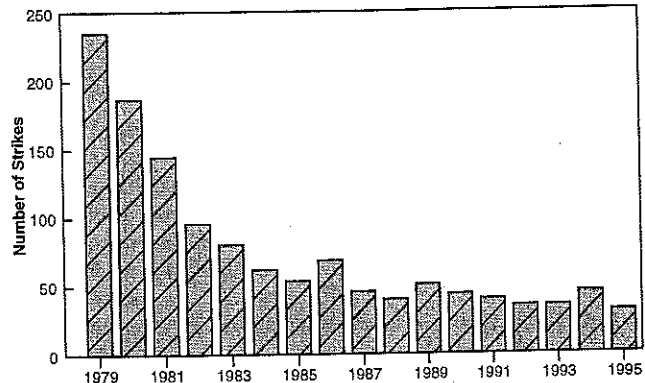
- Pittston Coal and the Mine Workers;
- the Paperworks and the Firemen and Oilers against International Paper Co. in Jay, Maine, and other locations; and
- *The New York Daily News* and its various unions in 1990.

Even this brief outline of major bargaining developments demonstrates the potential impact on worker attitudes that such disputes can cause. Nonunion employees needed only to watch television or read the newspapers to find stories of labor disputes that had turned out badly for unions. Such news articles surely affected the attitudes of nonunion employees about what unions could do for them at their own workplaces.

Wage Concessions and Worker Attitudes

Although strikes brought public attention to the great disputes, bargaining settlements reached without strikes were also often dramatic enough to attract substantial media coverage. As Figure 3 shows, the 1980s was generally a time of reduced strike activity. But reduced frequency did not mean that the bargaining outcomes were

FIGURE 3
NUMBER OF MAJOR STRIKES INVOLVING 1,000 OR MORE WORKERS, 1979-95

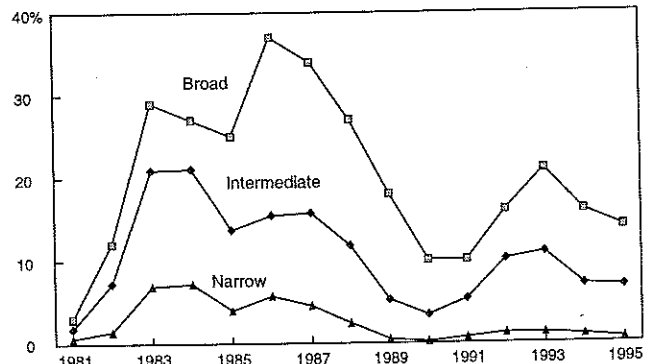


Source: BLS.

favorable from the union perspective. Rather, as discussed above, the lower propensity to strike may have reflected unions' assessment that strike outcomes might make the situation worse for employees than if they had accepted concessions peacefully.

There are conceptual problems in defining union wage concessions. Figure 4 is based on 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 those contracts with active cost-of-living adjustment (COLA, or escalator) clauses and those containing lump-sum bonuses. These exclusions are made

FIGURE 4
SETTLEMENTS WITH WAGE CONCESSIONS AS PERCENT OF ALL SETTLEMENTS, 1981-95



Note: See text for definitions of broad, intermediate, and narrow concessions.

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

on the ground that many such contracts provided some type of wage gain in the first year. Finally, the narrow definition includes only first-year wage cuts as concessions.

Although outright nominal wage cuts were comparatively rare even in the 1980s, the less severe forms of concessions became relatively commonplace in the early and middle years of that decade. The reversal of the long-established idea of a basic wage increase and 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 sectors, were in this category.

Concession bargaining was not limited to the 1980s. The recession of 1990 and the subsequent sluggish economy produced new concessions in a broad range of industries. Well-publicized symptoms of union weakness again made headlines, most notably in a dispute with Caterpillar during which a strike was first called off when the company threatened to use replacement workers and later resumed with the company continuing to operate.

Other Contractual Developments

Employers pushed for reduced COLA protections in union contracts in the 1980s. At first this pressure served 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 5 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 was eroded.

At the initiative of management, some contracts began to include two-tier wage plans and lump-sum bonuses.

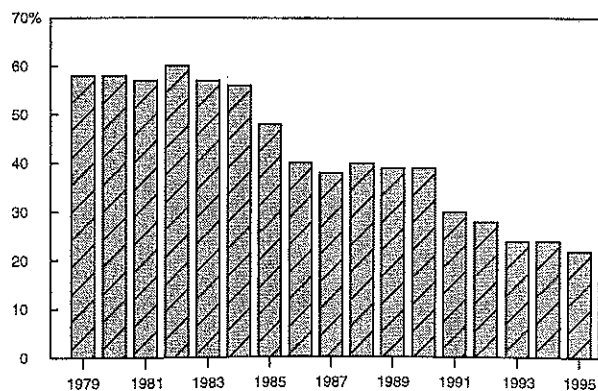
Two-tier plans essentially preserve wage levels of incumbent workers but cut pay of new hires. This type of plan was especially common in the supermarket industry with its relatively high rate of employee turnover and in the airline industry as carriers expanded hiring under deregulation. Many versions of the two-tier idea were developed; sometimes there were more than two tiers, and sometimes the tiering was disguised by creation of new entry-level job titles.²⁴ Reliable data are limited, but one survey found that 29 percent of contracts had two-tier wage features by 1995, up from 17 percent in 1986.²⁵ Although some two-tier arrangements have been eliminated in the 1990s, as of the mid-1990s, there was no overall downward trend in two-tier plan coverage.

The internal union politics of these arrangements were complex because workers in the lower tier eventually grew as a proportion of the union's constituency. It was sometimes argued that lower tier workers were "content with their lot" or even that they would rather have a lower tier job than no job. The media accounts were generally negative; two tiers meant protection of insiders' interests rather than outsiders' interests—in other words, new hires.²⁶ Regardless of how workers in the lower tier jobs may have felt, this image of unions was not appealing to the majority of nonunion workers who were not personally involved in two-tier plans.

In contrast, lump-sum payments could have been depicted positively by unions. These payments are, after all, bonuses, which traditionally has meant receiving something extra. But unions viewed lump sums as substitutes for wage increases. If a three-year contract featured an annual 3 percent wage increase, at its termination the base wage would be 9 percent higher. If the contract featured an annual 3 percent lump-sum bonus, at the end of the contract the base wage would be unchanged. Associated benefits such as pensions would also be frozen. Despite these seeming drawbacks, lump sums have a positive aspect—namely, they allow more flexibility in wage settlements, a fact that unions have not appreciated (to be discussed later). Because unions viewed the bonuses negatively, they sometimes conducted "dump the lump" campaigns. Failures in pushing lump sums out of contracts, even when the resulting compromise lump sum was quite large, as at Boeing in 1989, continued the image of union weakness.²⁷

FIGURE 5

PERCENT OF MAJOR UNION WORKERS COVERED BY COLA CLAUSES, 1979-95

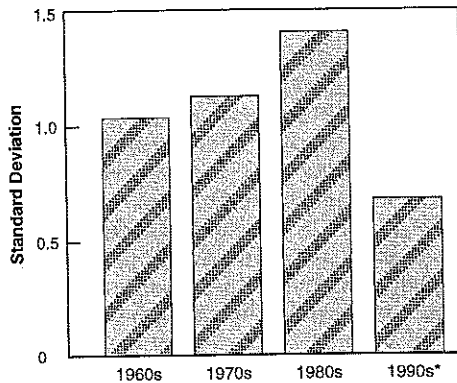


Source: Edward Wasilewski, "Bargaining Outlook for 1996," *Monthly Labor Review*, Vol. 119 (January/February 1996), p. 17.

The Shift in Management Strategy

As discussed above, the shift in management's approach to a more aggressive strategy regarding union organizing, bargaining representation, and existing contract negotiation intensified in the 1980s. One interpretation is that public opinion and politics had changed, with support for unions seeming to be eroding by the early 1980s, thereby creating opportunities for more aggressive management tactics. But there was more behind this change. As perceived by management, the cost of union labor had been rising prior to the concession era of the 1980s. Aside from the cost of labor at any particular time, there was mounting external pressure for cost flexibility that did not exist when the contemporary collective bargaining system matured in the 1950s.

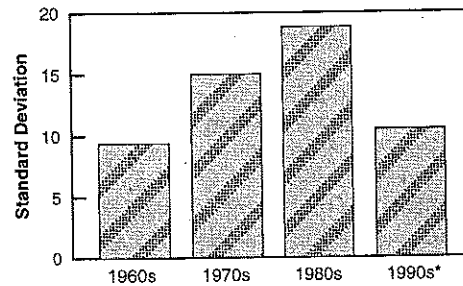
FIGURE 6
ANNUAL STANDARD DEVIATION OF THE
CIVILIAN UNEMPLOYMENT RATE



*1990-95.

Source of underlying data: BLS.

FIGURE 8
ANNUAL STANDARD DEVIATION OF DEFLATED
NONFINANCIAL CORPORATE PROFITS



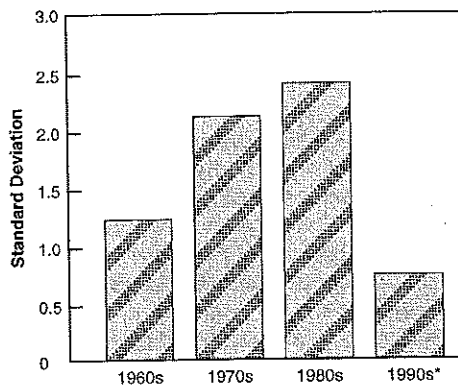
*1990-95.

Source of underlying data: BLS.

Pressures for Flexibility

By many measures, the U.S. economy had become less secure and less stable in the 1970s and 1980s, which affected wages. The two widely watched macro measures, inflation and unemployment, tell the story. Figures 6 and 7 show that the annual standard deviation of the unemployment rate and the inflation rate rose each decade from the 1960s through the 1980s. With the less stable macro environment came a less stable environment for real (inflation-adjusted) annual changes in real corporate profits (see Figure 8). Ability to pay became more variable and more uncertain. But standard wage-setting procedures had no easy way of accommodating these changes.

FIGURE 7
ANNUAL STANDARD DEVIATION OF
BUSINESS DEFLATOR INFLATION RATE



*1990-95.

Source of underlying data: BLS.

Micro-level changes began to affect the collective bargaining environment in the late 1970s and 1980s. Deregulation in transportation and communications added new elements of competition to those sectors. The international arena had become 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 would change the competitive position of export-oriented and import-competing firms, completely apart from the quality of management in such firms. 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 beginning in the 1980s. The traditional employment relationship, as well as the union bargaining relationship with management, is founded on the premise of managerial stability and consistency. But growth in corporate debt loads in the 1980s required faster and less consistent management responses to adverse economic developments. In addition to debt, other financial trends changed the stability of management.

In the financial view, firms are less organizations than collections of assets: They can be bought, sold, taken over, disassembled, or spun off in the same way a portfolio can be rearranged. The financial view, which came into ascendance in the 1980s, is in sharp contrast to the older organizational view that emphasizes the quality of ongoing relationships. Financial fluidity was difficult for unions to accommodate because their bargaining approaches since the 1950s had been premised on the stability of corporate structures, stable relationships with management, and well-recognized sectoral wage patterns.

Other disturbers of order and stability—changes in technology and markets—must also be noted. Production processes and corporate marketing strategies have

moved toward "flexible specialization,"²⁸ which emphasizes customized production and niche markets rather than mass market, mass output approaches. The 1980s were generally a period in which employment decreased in older, larger firms as employment advanced in the rest of the economy. The need developed for smaller, more flexible production units. That and the changing industrial composition of the workforce combined to reduce the size of business establishments. Jobs at the *Fortune* 500 firms declined by 3.8 million from 1979 to 1990 (business cycle peak to business cycle peak). But non-farm private employment at other firms rose in that same period by 21.6 million.

The 1950s' bargaining model, based on a large, stable enterprise in a secure macro and micro system, is not well suited to uncertainty and volatility. If providing security and stability to workers and unions is viewed as a financial "option" supplied by management, financial theory suggests that greater uncertainty will increase the cost of that option. On the other hand, risk sharing is seen as valuable because it gives firms some economic insulation. A fixed wage system, with cost adjustments possible only through layoffs, does not address economic changes that may occur in this environment.

A strike threat every three years, when it is impossible to know what the economic environment will be like at negotiating time, also is not well adapted to uncertainty. To survive on a significant scale in the private sector, unions must move away from the fixed wage/fixed strike system toward a role as true defenders of the employee interest.

ADAPTING UNIONS AND BARGAINING IN THE 1990s AND BEYOND

If unions are to remain a significant force, what changes are needed in wage determination, the dispute settlement process, and traditional union representation for bargaining purposes? This chapter suggests a change in the way wages should be bargained for 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 indicated for both wage bargaining and dispute settlement. It is also urged here that a broader view of representation be taken than simply majority status to conduct collective bargaining.

A Proper Concept of Wage Bargaining

There is a long-standing view that the role of unions is to balance supply and demand by raising worker incomes sufficiently that employees can consume the goods they produce.²⁹ Unfortunately, this perception of unions' macroeconomic role, which has its origins in the 1920s and 1930s and is enshrined in the preamble to the 1935 Wagner Act, is vastly inflated.³⁰ Most economists would find that the assumption that unions could raise the real wages of 20 percent of the workforce by 25 percent without any adverse effect on the real wages of the other 80 percent at the outer edge of any reasonable estimate. But even granting this assumption, unions would increase the

share of income going to workers by only 5 percent ($.20 \times .25 = .05$). Because this estimate is upwardly biased, the overall income redistribution and consumption effect would be even smaller.³¹

In short, it is unrealistic—and unfair—to expect unions to fix the macroeconomy by redistributing income and regulating consumption on a massive scale. Maintaining aggregate demand must be the responsibility of fiscal and monetary authorities. Unions should not expect themselves to be substitutes for the Federal Reserve Board, nor should that expectation be held by others. Collective bargaining, even though it may have some macroeconomic effects, should be understood by the bargaining parties as a micro-level endeavor.

Unions also cannot be expected to remedy adverse long-term trends in average (union plus nonunion) real wages. As Americans are realizing, there is no economic precept that says that real wages must rise significantly year after year. Changes in technology, changes in workforce quality, and pressures of international competition can combine to cause real wages to stagnate or even decline. Unions cannot simply bargain away such fundamental trends, especially when labor represents a fraction of the workforce.

The focus of bargaining must be at the microeconomic level. Unions cannot remedy America's long-term macroeconomic ills through traditional wage bargaining. Attempts to do so, such as the efforts to keep real wages rising in the 1970s in the face of adverse market pressures, produced the overshooting/undershooting wage cycle that ultimately harmed the labor movement in the 1980s and could do so again in this decade and beyond.

Financial Participation

Micro-level bargaining means tailoring wages to employers' economic conditions, which may change quickly. But long-term contracts with fixed wage increases, formulas linking additional wage adjustments to the Consumer Price Index, patterns that tie wages across firms tightly together, and similar staples of 1950s-style bargaining do not adapt well to micro-level bargaining and unstable markets. Flexible pay options such as profit sharing and gain sharing are better financial participation arrangements, and these made some headway in the union sector in the 1980s. They should be expanded in the 1990s³² and in fact need to be substituted for traditional fixed wage bargaining.

Although flexible pay arrangements historically have been associated with the nonunion sector, paradoxically they may be better suited to union employment. Unions can monitor and audit concepts such as profits and revenues to ensure that profit-sharing or gain-sharing plans are operated honestly. Nonunion employees have no one to monitor and audit for them and are, by definition, not organized to obtain those services. Unions can also explicitly trade more job security and stability for less fixity of pay, which nonunion employees cannot do.³³ In other words, unions can negotiate these results.

Lump-sum payments, so often rejected by union officials, could be part of this move toward financial participation. In Japan, such payments often function as a de facto profit sharing plan.³⁴ A parallel development could

be envisioned in the United States. The simple idea that, other factors being equal, it is better to have a 3 percent wage increase than a 3 percent bonus is in reality no argument at all. By the same reasoning, a 3 percent wage increase should never be accepted because, other factors being equal, a 6 percent wage increase is better. The point is that other factors are not equal, and the bonus could be used to inject needed flexibility into the wage package in exchange for more job security.

Long-term contracts might continue to be negotiated with a specified minimum base wage. However, there might be annual negotiations for lump-sum payments that would reflect the employer's ability to pay at the time. It is important to note that the long-term wage trend (pay and bonuses) under a profit-sharing or wage-plus-bonus system need be no different than the wage trend under a conventional wage bargaining system. But the kind of undershooting/overshooting cycle that has occurred previously could be avoided. Settlements should reflect firm-level economic conditions. Unions should push for financial participation options, either formal plans such as profit sharing or informal plans such as lump sums linked to employers' ability to pay. However, in the 1990s, some settlements, such as the 1992 AT&T and Weyerhaeuser contracts, have moved away from profit sharing.

In a world of stability, it is easy for firms to take on large, fixed debt obligations. But with markets becoming less stable and more risky, guarantees and fixed commitments are becoming more costly, as companies that assumed such obligations in the 1980s have discovered. If risk is not shared through pay, it will be shared through job insecurity and job reductions. If unions want to influence the direction of the boat, they must learn to paddle with the current. The currents in this case are the uncertainties of the market.

Alternative Dispute Resolution Approaches

Even under a financial participation system, the amount of the share demanded can affect the enterprise's long-term health and likely management response. Thus, the need to focus on long-term outcomes remains. Lack of a long-term focus in the 1950s-style bargaining stemmed from the importance of the strike weapon. Although it is often stressed that most negotiations do not end in strikes, a significant proportion of major contract expirations resulted in strikes in the 1970s (as Figure 3, page 124, demonstrated).

The significance of strikes is so frequently understated that it is worth further examination. In 1979, according to official statistics, only 0.15 percent of work time was lost to disputes, a seemingly negligible amount. Of course, most work time in the United States was in non-union establishments in which strikes were not really an option. But even taking into account that source of understatement, the figure would still be less than 1 percent.

Consider the following question: If you were a worker under a major private contract (covering 1,000 or more workers) and that contract expired in 1979, what would have been the probability that you would have been on strike? The answer is not 0.15 percent or 1 percent, but

17-20 percent.³⁵ The possibility of a strike, with the potential loss of profit for management and decreased wages for employees, had to weigh heavily on both sides. Behavior in the large contract sector, where key settlements were often negotiated, was quite different from that in the small contract sector. For example, 1979 was the first time in many contract rounds in which auto contract renegotiations did not result in a strike. In the major contract sector during the 1960s and 1970s, strikes were not the rare exception that the often cited work-time statistic suggests.

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

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

It is important to recognize that the arbitration process is not set in concrete. If the parties want explicit consideration given to short-term ability to pay and long-term economic effects, they can build that approach into the arbitration system. Arbitrators can be given resources to obtain expert advice from outside consultants before rendering decisions, or they can be given guidelines for judging alternative settlement proposals. Long before contracts expire, unions can suggest dispute settling options to management. Last-minute interventions are not suited to careful deliberations.

For unions, using arbitration means forgoing use of the strike, even when a strike might achieve a better settlement than the expected outcome of arbitration. But unless such forbearance is guaranteed and union leaders can cool shortsighted militants, management will have little reason to accept arbitration on an ongoing basis. Clearly, it is not advantageous to management to adopt a dispute settlement format under which the arbitration decision stands unless the union can get a better deal by striking or threatening a strike.

This issue again is the short term versus the long term. Both sides might benefit in the long term from strike elimination, but if each acts in its own short-term interest at each negotiation, arbitration will not be adopted. It is then in management's best interest to practice union avoidance and elimination, thereby repeating the consequences of the 1980s.

Representing the Employee Interest

As is increasingly recognized, the traditional employment relationship is complex, involving many implicit understandings about standards of performance, con-

duct, discipline, and reward. Because these are difficult to define, misunderstandings and conflict sometimes arise. In addition, understandings are sometimes deliberately violated. The widespread liquidation of pension plans with "excess" assets in the 1980s was one of the more egregious (albeit legal) examples of such violations.

Who will represent the employee interest within the traditional employment relationship? In the United States in the 1980s, with unionization declining, the answer increasingly was lawyers. Lawyers filed wrongful discharge suits or used existing tribunals for equal employment opportunity or workers compensation programs as de facto grievance mechanisms. The Dunlop Commission emphasized the increasing volume of employment litigation in its findings. But could there have been a better way of handling these complaints through unions, even when the union was not a designated bargaining agent?

There were many signs in the 1980s that the employment relationship was loosening, even among professionals and managers. These occupations accounted for only 13 percent of workers displaced during the recession of the early 1980s, but for 24 percent in the early 1990s.³⁶ The more uncertain economic climate led to more worker mobility, voluntary and involuntary, and increased reliance on contingent employment.³⁷ Who will serve the needs of employees who change jobs frequently? How will their benefits, such as pensions and health insurance, be provided? Roughly 5 percent of the workforce considers itself formally in contingent employment.³⁸ A still more important group consists of individuals who are unsure whether their employers will shield them from the ups and downs of the marketplace and from corporate restructurings. They have the same concerns as contingent workers.

There is a long-standing craft union model for workers who remain within well-defined labor markets, such as the local construction industry or the entertainment industry. These craft unions have provided benefit plans, referral services, and training, and they have even administered complex compensation arrangements.³⁹ But as yet there is no counterpart for workers who change jobs across defined industry boundaries.

In the mid-1980s, the AFL-CIO developed the concept of associate memberships for constituent unions to offer to individuals 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 to local or regional AFL-CIO bodies.⁴⁰ When there is no collective bargaining relationship, the traditional union demarcations may make no sense for associate members. These demarcations are reasonable only if associate membership is seen solely as a step toward collective bargaining representation. However, many nonunion workers will never be involved in collective bargaining. It may be that the AFL-CIO is politically unable to entertain this type of direct membership concept. But if it cannot, it may someday find itself in competition with a rival "National Association of Working Americans."⁴¹

What services might be provided by such an organization? There might be some traditional lobbying for em-

ployment-linked programs such as Social Security or for laws requiring pension portability. Further, there might be some provision of insurance not provided by employers (of the type now linked to associate membership). But there also might be use of legal mechanisms to enforce job-related rights; that is, the employee voice mechanism that individual attorneys now provide, sometimes at considerable cost, could be part of the service "package." Indeed, there might be lobbying for specific statutory mechanisms, like those the state of Montana recently enacted, to handle employee complaints.

In general, whether at the central AFL-CIO level or at the level of constituent unions, there could be a recasting of roles and goals for the labor movement. If the goal is to enhance employee interest, then every representation election need not be viewed as a 100 percent success or a 100 percent failure depending on the majority outcome. It is only the assumption that collective bargaining is the goal that produces the all-or-nothing interpretation.

Perhaps the goal can be, or is being, achieved through other means, such as voluntary maintenance of certain conditions by management. Under this approach, minority locals could be as important as majority representation locals. With this attitude, a union might conduct campaigns at firms where winning a union representation election was known in advance to be unlikely. Such an approach might spotlight particular anomalies and inequities in pay, benefits, or working conditions and might use public relations techniques, legal machinery, or other devices to address employment concerns. There are precedents for such approaches, e.g., the raising of health and safety issues in food-related industries such as supermarkets and meatpacking. 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.

EVALUATING THE PROPOSALS

Two kinds of objections might be raised to the proposals suggested here: One, that they are not radical enough, but are instead minimalist reforms based on existing elements; the other, that they are impractical and cannot be implemented.

Those who take the radical position might believe that unions should advocate a wholesale rewriting of American labor law to make the climate more favorable to unions. They might also suggest importing foreign labor laws, such as mandated works councils with elected union representatives. Or they might move away from collective approaches and suggest detailed charters of rights for individual employees.⁴² However, these types of major changes in the legal system are unlikely anytime soon.

For organized labor, the absence of a legal quick fix means that remedies must be pursued internally, such as financial participation for employees, alternatives to the strike, and recasting the notion of employee representation. But here, too, there will be strong objections that the proposals are not as minimalist as they might seem. The objections might be that workers would not accept the kind of financial share bargaining suggested

because they are too used to the "security" of long-term contracts with fixed wages. Interest arbitration would not be feasible because arbitrators are not trained to understand the parties' needs. If unions did propose changing the pay system or using alternative dispute resolution means, would management accept those ideas? Making worker welfare the goal, rather than collective bargaining, invites free riders. Non-dues payers would benefit from the resources of those who supported the unions. Further, even if the suggestions were good, incumbent union officials are too interested in traditional approaches to make changes.

Before the 1980s, those objections would have carried the day. But in the 1990s, it should be clear that the existing approach is not practical. Projections now suggest that the consequence of following current practices will be a roughly 10 percent U.S. unionization rate in the private sector by the end of the decade.⁴³ Therefore, the new approaches must be considered.

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, to say that workers will not accept share bargaining and agree only to fixed wage systems is merely an assertion. Norms of acceptable practices are not constant. In any case, with unionization headed toward 10 percent, few workers will be 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 position. 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 was in the package. But flexible pay systems came into vogue in management circles in the 1980s. Indeed, in the auto industry, when profit sharing was introduced in the concession bargaining round of 1982, management was eager to adopt—and extend—the concept. Interest arbitration has been rare in private employment, but it was used as a backup to bargaining in the basic steel industry in the 1970s. Even though arbitration was abandoned when the multicompany basic steel agreement crumbled in the 1980s, this experience demonstrates that management is not inherently opposed to interest arbitration. Indeed, some steel companies have revived it. In the public sector, notably in the U.S. Postal Service, the use of interest arbitration seems to be accepted by both sides, even if grudgingly.

Are union leaders really too stodgy to consider alternatives? As noted, it was the top leadership of the AFL-CIO that pushed the innovative idea of associate memberships in the mid-1980s. There have also been some breakthroughs, although not nearly enough, in profit sharing arrangements. Departures from highly structured long-term contracts with fixed expiration dates are begin-

ning to be negotiated.⁴⁴ 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 allow. But if the needed changes are to occur, leadership must come from the top.

Free riders, a reason for objection to the alternative view of worker representation, exist in many arenas. The American Cancer Society says that it wants to cure cancer in every person, not just in its contributors. Public radio and television stations know that they do not receive contributions from everyone in their audiences, but they continue to broadcast. The issue is not whether these free riders are a problem, but whether the problem is manageable. 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. There would be more revenue, not less, if the wider concept of worker welfare as the goal was adopted.

More important, the labor movement has always said that it represents the interests of all workers, not just its members. 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.

NOTES

1. Thomas Geoghegan, *Which Side Are You On? Trying to Be for Labor When It's Flat on Its Back* (New York, NY: Farrar, Straus, and Giroux, 1991), p. 3. Geoghegan was by no means alone in his pessimistic view at the end of the 1980s. A 1990 poll of union officials revealed similar pessimism. See Michael H. LeRoy, "State of the Unions: Assessment by Elite American Labor Leaders," *Journal of Labor Research*, Vol. 13 (Fall 1992), pp. 371-379.

2. Using data from the Current Population Survey (CPS), some have argued that recent immigrants are not more difficult to unionize than other recent entrants to the workforce. However, many of the Los Angeles janitors may be illegal immigrants and thus less likely to be represented in the CPS. See Edward Funkhouser, "Do Immigrants Have Lower Unionization Propensities Than Natives?" *Industrial Relations*, Vol. 32 (Spring 1993), pp. 248-261.

3. For example, the International Association of Machinists (IAM) and the United Auto Workers (UAW) both represent large numbers of workers in the aerospace industry, but they have not closely coordinated their bargaining in the past. It should be noted that the Steelworkers and the Rubber Workers merged in 1995 and that the Woodworkers and the Machinists merged in 1994.

4. See U.S. Commission on the Future of Worker-Management Relations (the Dunlop Commission), *Fact Finding Report* (Washington, DC: U.S. Department of Labor [DOL], 1994); U.S. Commission on the Future of Worker-Management Relations, *Report and Recommendations* (Washington, DC: DOL, 1994). A summary of the recommendations can be found in Thomas A. Kochan, "Using the Dunlop Report to Achieve Mutual Gains," *Industrial Relations*, Vol. 34 (July 1995), pp. 350-366.

5. Christopher L. Erickson and Daniel J.B. Mitchell, "Pattern Indifference: The Response of Pay Setters to the 1993 GM-UAW Settlement," *Journal of Labor Research*, Vol. 16 (Spring 1995), pp. 230-234.
6. Organization for Economic Cooperation and Development (OECD), *OECD Employment Outlook: July 1991* (Paris: OECD, 1991), Chapter 4. Some countries practice "extension" of collective bargaining contracts to employees who are not covered. Thus, union representation figures may be substantially above union membership. See OECD, *OECD Employment Outlook: July 1995* (Paris: OECD, 1991), p. 173.
7. 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.
8. Seymour Martin Lipset, "North American Labor Movements: A Comparative Perspective," in *Unions in Transition: Entering the Second Century*, ed. Seymour Martin Lipset (San Francisco, CA: Institute for Contemporary Studies, 1986), pp. 421-452; Christopher Huxley, David Kettler, and James Stuthers, "Is Canada's Experience 'Especially Instructive'?" and Noah M. Meltz, "Labor Movements in Canada and the United States," in *Challenges and Choices Facing American Labor*, ed. Thomas A. Kochan (Cambridge, MA: MIT Press, 1985), pp. 315-334; and David Card and Richard B. Freeman, "Small Differences That Matter: Canada vs. the United States," in *Working Under Different Rules*, ed. Richard B. Freeman (New York, NY: Russell Sage, 1994), pp. 199-200, 208-211.
9. AFL-CIO Committee on the Evolution of Work, *The Changing Situation of Workers and Their Unions* (Washington, DC: AFL-CIO, 1985).
10. Arthur B. Shostak, *Robust Unionism: Innovations in the Labor Movement* (Ithaca, NY: ILR Press, 1991); and Paul Johnston, *Success While Others Fail: Social Movement Unionism and the Public Workplace* (Ithaca, NY: ILR Press, 1994).
11. For more on the need for a change in union structure, see Jack Fiorito, Cynthia I. Gramm, and Wallace F. Hendricks, "Union Structural Choices," in *The State of the Unions*, ed. George Strauss, Daniel G. Gallagher, and Jack Fiorito (Madison, WI: Industrial Relations Research Association, 1991), pp. 103-137.
12. 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; and Leo Troy, "Convergence in International Unionism, etc.: The Case of Canada and the USA," *British Journal of Industrial Relations*, Vol. 30 (March 1992), pp. 1-43.
13. William D. Nordhaus, "The Worldwide Wage Explosion," *Brookings Papers on Economic Activity*, Vol. 2 (1972), pp. 431-464.
14. James C. Franklin, "Industry Output and Employment Projections to 2005," *Monthly Labor Review*, Vol. 118 (November 1995), p. 47.
15. For example, official measures indicate that from 1979 to 1995 output per hour in manufacturing rose at an annual rate of 2.8 percent, compared with 1.2 percent in the overall private business sector.
16. Weiler, "Promises to Keep"; and Robert J. Lalonde and Bernard D. Meltzer, "Hard Times for Unions: Another Look at the Significance of Employer Illegality," *University of Chicago Law Review*, Vol. 58 (1991), pp. 953-1014.
17. Fred Foulkes, *Personnel Policies in Large, Nonunion Companies* (Englewood Cliffs, NJ: Prentice-Hall, 1980).
18. Some observers argue 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, "Union and Contemporary Innovations in Work Organization, Compensation, and Employee Participation," in *Unions and Economic Competitiveness*, ed. Lawrence Mishel and Paula B. Voos (Washington, DC: Economic Policy Institute, 1992), pp. 173-215. But the issue is participation as a substitute for unionization, not as a productivity stimulus.
19. Paul C. Weiler, *Governing the Workplace: The Future of Labor and Employment Law* (Cambridge, MA: Harvard University Press, 1990).
20. For example, the internal rate of unionization at General Electric was reported to have dropped from 50 percent to 35 percent from 1981 to 1988. See Harry Bernstein, "2 Faces of GE's 'Welchism': One Dr. Jekyll, One Mr. Hyde," *The 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.
21. Data for private unionization rates by state over the period 1985-95 show a 33 percent drop in the rates for the lowest third tier of states (ranked by 1985 unionization rate), 32 percent for the middle tier, and 26 percent for the top tier. See Barry T. Hirsch and David A. Macpherson, *Union Membership and Earnings Data Book: Compilations from the Current Population Survey (1996 Edition)* (Washington, DC: Bureau of National Affairs, Inc., 1996), Tables 9a and 9c.
22. Caps are absolute ceilings on the amount the COLA clause will pay, even if inflation dictates 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 5, it should be stressed, presents data only on the major private sector union agreements involving 1,000 or more workers. COLA clauses are less common in smaller agreements. However, available evidence suggests that the decline shown in 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, MI: Upjohn Institute, 1990).
25. BNA, *Basic Patterns in Union Contracts*, 14th ed. (Washington, DC: BNA, 1995), p. 121; and BNA, *Basic Patterns in Union Contracts*, 11th ed. (Washington, DC: BNA, 1986), p. 125.
26. See, for example, Beth Brophy, "Two-Tier Pay Plans Stir Debate," *USA Today*, June 12, 1985, pp. 1B-2B; Jane Seaberry, "Two-Tier Wages: More Jobs vs. More Worker Alienation," *The Washington Post*, April 7, 1985, pp. G1, G3; Roy J. Harris, Jr., "More Concerns Set Two-Tier Pacts with Unions, Penalizing New Hires," *The Wall Street Journal*, December 15, 1983, p. 33; Steven Flax, "Pay Cuts Before the Job Even Starts," *Fortune* (January 9, 1984), pp. 75-77; and Irwin Ross, "Employers Win Big in the Move to Two-Tier Contracts," *Fortune* (April 29, 1985), pp. 82, 84, 88.
27. Twenty-two percent of union contracts had lump-sum provisions in 1995. (BNA, *Basic Patterns in Union Contracts*, 14th ed., p. 121). In aerospace, the United Auto Workers—one of the two major labor organizations in the industry—has argued that profit sharing would be better than lump sums, although it has not implemented such arrangements in that sector. See Christo-

- pher L. Erickson, "Collective Bargaining in the Aerospace Industry in the 1980s," in *Contemporary Collective Bargaining in the Private Sector*, ed. Paula B. Voos (Madison, WI: Industrial Relations Research Association, 1994), pp. 119, 131.
28. Michael J. Piore and Charles F. Sable, *The Second Industrial Divide: Possibilities for Prosperity* (New York, NY: Basic Books, 1984).
29. Thomas Geoghegan, "Labor's Choice: Helmut Kohl for President," *The New York Times*, March 18, 1992, p. A21.
30. Daniel J.B. Mitchell, "Inflation, Unemployment, and the Wagner Act: A Critical Reappraisal," *Stanford Law Review*, Vol. 3 (April 1986), pp. 1065-1095.
31. 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 because of the wage premiums, there will be more competition for jobs in the non-union 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 the boost in labor income produced on consumption.
32. Employee stock ownership plans (ESOPs) are often lumped with profit sharing as a form of financial participation. In general, however, handing out stock to employees does not provide the same 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. This author prefers 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, NY: Harper Business, 1991); and Daniel J.B. Mitchell, "Profit Sharing and Employee Ownership—Policy Implications," *Contemporary Economic Policy*, Vol. 13 (April 1995), pp. 16-25.
33. Daniel J.B. Mitchell, "The Share Economy and Industrial Relations: Overview of the Weitzman Proposal," *Industrial Relations*, Vol. 26 (Winter 1987), pp. 1-17.
34. 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.
35. This estimate was reached by comparing the number of workers reported to be involved in major private contract expirations in 1979 (about 3.9 million) with the number of workers involved in major private strikes involving renegotiation of contracts (between 660,000 and 800,000, depending on assumptions made to exclude government strikes). The two data series are not completely comparable. However, the estimate in the text is reasonable. The lower limit of 17 percent excludes all major government strikes, including those that may not have involved contract renegotiations, and therefore should not be subtracted. The upper limit estimate subtracts only the one government renegotiation strike reported in the official listing of strikes involving 1,000 or more workers. BLS, *Analysis of Work Stoppages, 1979*, Bulletin 2092 (Washington, DC: U.S. Government Printing Office, 1981), pp. 11, 13; and Lena W. Bolton, "Heavy Bargaining in 1979," *Monthly Labor Review*, Vol. 101 (December 1978), p. 17.
36. BLS, "Displacement Spreads to Higher Paid Managers and Professionals," *Issues in Labor Statistics*, Summary 95-10 (August 1995).
37. Richard S. Belous, *The Contingent Economy: The Growth of the Temporary, Part-Time and Subcontracted Workforce* (Washington, DC: National Planning Association [now National Policy Association], 1989).
38. "Contingent Workers: Up to 4.9 Percent of Workforce in Contingent Positions, BLS Finds," *Daily Labor Report*, August 21, 1995, pp. D1-D10.
39. Alan Paul and Archie Kleingartner, "Flexible Production and the Transformation of Industrial Relations in the Motion Picture and Television Industry," *Industrial and Labor Relations Review*, Vol. 47 (July 1994), pp. 663-678; and Dorothy Sue Cobble, *Dishing It Out: Waitresses and Their Unions in the Twentieth Century* (Urbana, IL: University of Illinois Press, 1991).
40. There is a limited history of local unions affiliated directly with the AFL-CIO, but not of direct membership of individuals.
41. The organization Nine-to-Five, which was absorbed by the Service Employees International Union, could be a prototype for such an entity.
42. Some relevant examples of these approaches can be found in Richard Edwards, *Rights and Work: Employment Relations in the Postunion Era* (Washington, DC: Brookings Institution, 1993); Matthew W. Finkin, ed., *The Legal Future of Employee Representation* (Ithaca, NY: ILR Press, 1994); and William B. Gould IV, *Agenda for Reform: The Future of Employment Relations and the Law* (Cambridge, MA: MIT Press, 1993).
43. Richard B. Freeman estimated that there is a 3 percent attrition rate in the unionization rate if no new workers are added through NLRB elections. Thus, if no workers are added through elections, the 12 percent rate of union representation in the private sector in 1994 will fall to about 10 percent by the end of the decade. Because some workers will be added, however, the end-of-decade rate would be higher, given Freeman's estimate. 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?" *Challenges and Choices Facing American Labor*, pp. 45-64. Much depends on the attrition rate of union employment. Stephen G. Bronars and Donald R. Deere, in "Union Organizing Activity and Union Coverage: 1973-1988 (Unpublished working paper, Department of Economics, University of California, Santa Barbara, November 1989), noted that the accelerated depletion of union employment in the 1980s, if continued, could bring the rate down to 5 percent by the end of the 1990s. This estimate is too low, given the 11 percent union representation figure in 1996. But current rates of unionization erosion would produce a roughly 10 percent figure by 2000.
44. The labor agreement at Harvard, developed after a high profile union campaign for recognition, falls in this category.

Through a Glass Darkly: Building the New Workplace for the 21st Century

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Editor

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