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# New Unions For a New Economy

By Stephen A. Herzenberg, John A. Alic, and Howard Wial

To many Americans, the word "union" brings to mind a pot-bellied, cigar-smoking, aging, male labor leader. Intertwined in the public imagination with steel mills and assembly lines, unions are often thought of as anachronisms: They had a role to play in the old economy, but not in the new.

There's more than a grain of truth in the belief that unions are out of step with the times. The most powerful postwar unions were products of the mass production economy. Aided by the Wagner Act of 1935, they blossomed in big factories and big firms. They bargained first with the industry leaders and then spread wage and benefit standards downward through pattern bargaining. By tying wage increases to the national rate of productivity growth, unions helped create the demand that kept America's economic engine running.

In the workplace, unions negotiated work rules linked to the narrow jobs created by scientific management. Managers were responsible for thinking, workers for doing -- a dichotomy that contributed to adversarial labor-management relations.

But over the past two decades, international competition, deregulation, and new technology have undermined the stable oligopolies and regulated monopolies within which unions prospered. The growth of the service sector, in which unions never represented more than a small fraction of workers, hastened their decline. The Bureau of Labor Statistics reports that the share of private sector workers represented by unions dropped from 10.2 percent in 1996 to 9.8 percent in 1997. All of this occurred despite labor's most visible victory in two decades at United Parcel Service and despite AFL-CIO President John Sweeney's aggressive "New Voice" administration.

This isn't the first time that people have predicted the demise of American unionism. In 1928, a U.S. Chamber of Commerce official famously remarked:

American trade unionism is slowly being limited in influence by changes which destroy the basis on which it is created...The changes -- occupational and technological -- which check the advance of trade unionism appear likely to continue in the same direction ...I see no reason to believe that American trade unionism will so revolutionize itself . . . as to become, in the next decade, a more potent social force....

Will similar predictions today turn out to be more accurate? Should we worry about the possibility of life without unions?

### What Makes the New Economy "New"?

To answer those questions, we first need to consider what makes the New Economy "new." One striking fact is that very few jobs today (we estimate 5 percent) are broken down and scripted in classic production-line fashion. Most people now perform tasks that vary unpredictably, because they're working in a hospital or a restaurant or an office.

In the New Economy, productivity gains come, as in the past, from technology. Speech synthesis and voice recognition mean telephone companies need fewer operators; electronic data transfer means organizations need fewer clerks and low-level managers. But productivity improvement today depends more than ever on what we call "economies of depth" -- the ability of employees to solve problems, customize services, and improvise -- and on "economies of coordination" -- the ability to work cooperatively so that the airline flight leaves on time, the conference runs smoothly, the insurance policy gets issued in days instead of weeks.

The good news is that economies of depth and coordination remain largely untapped. If we can learn how to exploit them, we can enjoy a new era of extended prosperity that offers more intrinsically rewarding jobs and a better quality of life.

The bad news is that the New Economy is largely failing to generate the worker skills it needs to function at peak efficiency. A basic reason is that firms no longer expect to employ workers indefinitely (in the extreme, until retirement). This exacerbates an old problem: Firms have no incentive to train workers who may soon be "downsized" or quit.

In theory, workers themselves could pay the bills for acquiring the skills employers desire. But many young and low-wage workers cannot do so. Besides, if they have no assurance of security or a better job when they finish their training, why should they risk a substantial investment?

To be sure, workers and employers do invest tax dollars in postsecondary education and training. But divorced from the workplace, such classroom training rarely transmits the often tacit, context-specific know-how essential to peak performance in customer-contact, human service, information, and technical work.

If unions are able to adapt, they are perfectly situated to help solve the "free rider" problem that makes firms reluctant to invest in training. They can do so by draw- ing on the rich legacy of craft unions. Like the guilds from which unions first arose, craft unions have always defined themselves as defenders of quality. In the construction industry, unions negotiated arrangements under which contractors shared the costs of jointly managed apprenticeships.. These programs integrated classroom training with on-the-job mentoring to consolidate workers' practical knowledge.

As in construction, unions rooted in New Economy occupations and industries, rather than in individual firms, could promote training and peer learning. They could make broadly defined occupations the new locus of job security. Unions that cut across employers could help provide portable pensions and health care. Relieved of individual (though not collective) responsibility for employment and economic security, companies would have the flexibility they need to adjust their work forces to meet demand. With less to fear from downsizing, and with less inequality within and across employers to feed resentment, workers would be more willing to cooperate to improve performance.

America, of course, will never become a nation composed only of New Economy "symbolic analysts" and software engineers -- or even better-paid and better-trained construction workers. There will always be demand for what are now low-paying, labor-intensive services: in supermarkets and nursing homes, hotels and trucking lines, theme parks and child care centers. There is no escaping it: Policies that raise the quality and status of what are now low-paying service jobs must be a central part of any strategy for expanding the middle class (just as industrial unions lifted auto workers into the middle class). We cannot create enough good jobs without more collective bargaining at the bottom of the labor market and without a major increase in the minimum wage (even if coupled with a greater earned income tax credit).

### Is Labor Up To the Challenge?

Several years ago, management guru Tom Peters described an exciting new era of "liberation management" that promised an end to autocratic, hierarchical traditions. Given the heightened importance of knowledge in today's volatile economy, it's clear we cannot achieve the gains Peters heralded without creating "liberation unions."

The labor movement, however, has been slow to adapt to the challenges of the New Economy. Sweeney's New Voice administration is filled with innovative tacticians who are more energetic and committed than their predecessors. But many remain firm adherents of organizing workers "against the boss" as opposed to organizing around a shared commitment to quality, productivity, and craft.

Shortly after Sweeney moved into his new office in the AFL-CIO's headquarters just north of the White House, the federation's Human Resources Development Institute -- a logical place to focus on labor's role in the New Economy -- was sent into exile a few blocks away. Its offices were given over to the militant, formerly independent Organizing Institute, now the AFL-CIO's Organizing Department. Of course, counterposing militancy and knowledge-enhancement as alternatives is a false dichotomy. But a strengthened commitment to organizing must go hand in hand with strengthening and leveraging labor's potential contributions to the New Economy.

There are other examples of the New Voice administration's narrow focus. Its Education Department's new "Common-Sense Economics" training materials contain a powerful critique of the rise of inequality and greed in America. But they are weak on what might reverse these trends. If labor is to empower workers and recapture the public's imagination, it must articulate a practical, attainable vision of a future that works for all Americans -- one that explains why, in the New Economy as in the old, a strong labor movement serves the country as a whole.

Then again, who can blame labor leaders for concluding that it's time to block bridges rather than build them? After decades of steady wage growth, workers in the bottom half of the wage distribution make about 75 cents less per hour than in 1979. Employer and congressional opposition to labor is stronger and more sophisticated now than at any time since the New Deal. The one attempt to foster a "grand bargain" over labor law reform -- the Dunlop Commission -- failed. Employers weren't in a mood to bargain. Why should they if they can have it all their own way? And no political leader -- in Congress, the Cabinet, or the White House -- has demonstrated the combination of understanding, will, and power necessary to foster a meaningful debate about the importance of labor to national well-being.

### Signs of Change

Still, despite public gestures and habits that point to the past, the House of Labor is beginning to innovate. Across the country, state and local federations and individual unions are laying the foundation for a labor movement that meshes with the New Economy:

- As Erik Gunn describes in an accompanying article, the Wisconsin Regional Training Partnership is demonstrating that manufacturing unions can play a lead role in fostering the economies of depth and coordination upon which America's economic well-being depends.
- Fifteen years ago, the Laborers International Union of North America (LIUNA) did very little training. But fearful that automation would eliminate members' "hod carrying" jobs, LIUNA seized an opportunity in regulations that required certification of workers who removed asbestos and

lead from buildings and otherwise handled hazardous wastes. First, it established joint training and certification programs with contractor associations for the hazardous-materials jobs. It then expanded its offerings to include certification in mason tending, line and grade work, operating fork lifts and earth-moving machinery, even supervisory skills. It now sends workers from around the country to three cutting-edge centers that deliver training on underground drilling, tunnelling, and the use of remote cameras to find weaknesses in pipelines. The first Laborers apprenticeship programs began in the early 1990s. Today, the union trains more than 50,000 workers per year, almost twice as many as in 1988.

- In Bergen County, N.J., a nonprofit spinoff of the local AFL-CIO labor council has written a code of con- duct for temporary employment agencies and has publicly recognized a dozen that abide by it as exemplars of "best practice." It also has written a code of ethics for temporary workers, acknowledging that reorienting the industry towards higher skills and higher wages is a two-way street. The ethics code states, for example, that temporary workers should strive to upgrade their skills. It also states that it is unethical for a temporary worker to leave in the middle of an assignment for one that pays more. The non-profit Bergen County agency is now launching an entry-level temporary agency that will offer health care benefits. It also plans to open a community- based center for office workers that will provide skills assessment, career counseling, and job-matching services.
- For more than a decade, Childspace, a worker-owned child care cooperative in Philadelphia, has been providing families with high-quality care and workers with high-quality jobs. A former Childspace administrator is now working with the National Union of Hospital and Healthcare Employees to launch an organizing effort aimed at creating a metropolitan-wide occupational association for child care workers. The goal is to raise wages and benefits, promote the training and certification of workers, and spread the Childspace philosophy area-wide.

Sweeney's administration is supporting local innovation, even if not as volubly and aggressively as New Democrats might prefer. For example, "Union Cities," a nationwide strategic planning exercise for local AFL-CIO councils, is prompting groups of unionists to grapple with the question of how their regional economies are changing and how they can respond. And a forthcoming internal AFL-CIO report is expected to recommend bringing the Human Resources Development Institute back from its exile (organizationally, if not physically), explicitly recognizing the importance of skill formation to labor's future.

## Broadening the Effort

How can we help unions adapt to the New Economy? Giving union innovators more visibility would be a start. This would send a strong message to the labor movement that it could broaden its public support by engaging with the New Economy rather than condemning it.

For example, the U.S. Commerce Department's coveted Malcolm Baldrige awards currently go only to individual firms on the old economy presumption that they bear most of the responsibility for productivity improvement. Why not create a new category of Baldrige awards to encourage occupational and professional associations, multi-employer organizations, and industry associations and partnerships? Wouldn't it be salutary to recognize teachers unions such as those in Cincinnati and Toledo, Ohio, for embracing peer review and peer-mentoring programs that measurably improve teaching?

Another way to engage unions more deeply with the New Economy would be to encourage their efforts to fill critical worker shortages in technical occupations. The most pressing need today is for information workers -- computer programmers and systems support personnel. New unions that represent information workers across industries could create mentoring and apprenticeship programs, which would do more to end shortages than trying to increase the supply of college graduates with degrees in computing. These new unions also could disseminate productivity-enhancing improvements and best practices. Government could encourage employer associations (such as the Information Technology Association of America, which has been instrumental in publicizing the shortage) to bargain with new occupational unions over investments in training and portable benefits programs.

We also should view the child care industry as a target of opportunity. As it stands, every day we entrust our children to a poorly compensated work force with incredibly high turnover. Occupational associations of child care workers could press for better wages and benefits so that committed workers need not leave a vocation they love. As the number of experienced workers increased, these associations could assume more responsibility for improving practice and mentoring new recruits.

In the long run, it will take a New Economy version of the Wagner Act to generalize the shift from old to new unionism. The promotion of worker voice and bargaining at the multi-firm and occupational level will be central to such a transition. The essence of the new social contract -- the New Deal for the New Economy -- must be: Workers and unions will deliver responsible, high-quality service; in exchange, society will support a union's right to exist and all workers' right to economic security.

To those who find our proposals unpalatable, we offer a simple challenge: Tell us a convincing story of how America will restore widely shared prosperity without a revival of the labor movement. We can't think of such a story, and we've been pondering this question -- as opposed to willfully ducking it -- for years.

*Stephen A. Herzenberg, John A. Alic, and Howard Wial are affiliated with the Keystone Research Center, a Pennsylvania think tank.*