

No More Empty Rhetoric: Use Labor Day to Insist on a New Deal for Workers

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More than ever, this Labor Day we will hear candidates for President and Congress try to convince workers that they will take steps to reduce income inequality and end long term wage stagnation by supporting unions and collective bargaining.

They do so for good reason. Not only have American workers made it clear they are fed up with being left behind as the economy prospers, there is a growing body of evidence that union decline is one of the key causes of wage stagnation and income inequality. The evidence trail is long and bolstered by recent research. As far back as the mid-1980s our research at MIT showed that collective bargaining was no longer capable of using the threat of strikes or the spread of wages via what we called pattern bargaining across union and nonunionized companies to drive up wages.

<https://books.google.com/books?id=SK5opOtSfpMC>

Prior to 1980s strike threats and the fear of getting organized led companies to match wages negotiated in key bargains. In the late 1940s General Motors the United Auto Workers negotiate a wage formula linking wage increases to increases in productivity and the cost of living. Others unionized firms had to follow suit or risk experiencing a strike or risk getting unionized if they were a nonunion company.

Recent research shows that the decline in union bargaining power observed in the 1980s has persisted and now taken a big toll on union and non-union workers alike. A report out this week, for example, estimates that the decline in unions from 23 percent 1979 to 11 percent in 2013

<http://www.bls.gov/news.release/union2.nr0.htm> accounts for annual loss of \$109 Billion for private sector men and \$24 Billion for private sector women. <http://www.epi.org/publication/union-decline-lowers-wages-of-nonunion-workers-the-overlooked-reason-why-wages-are-stuck-and-inequality-is-growing/>

Another study documents the decline in wages has now spread to the public sector. Teachers have been especially hard hit. In 1979 teachers earned just 2% less than comparable college graduates; in 2015 the gap has widened to 17%. <http://www.epi.org/publication/the-teacher-pay-gap-is-wider-than-ever-teachers-pay-continues-to-fall-further-behind-pay-of-comparable-workers/>

So more and more candidates are calling for rebuilding unions. But will this work or is it just empty rhetoric? I've argued before that it is empty rhetoric for two reasons. First, since 1978 three major efforts to pass labor law reform <http://www.epi.org/publication/the-teacher-pay-gap-is-wider-than-ever-teachers-pay-continues-to-fall-further-behind-pay-of-comparable-workers/> or to make it easier to form a union have been blocked in Congress and there is no reason to believe this will change with the next Congress if the same reforms are proposed. Second, even if unions started growing again, they would not be able to rely on their past sources of power to drive up wages. There is just too much domestic and international competition and it is too easy to move capital and jobs to lower wage countries to "take wages out of competition" by threatening to strike or using the threat of organizing to get nonunion firms to match negotiated wage increases.

So what else can be done? In previous columns I've made the case for a new labor policy that includes but doesn't stop with fixing labor law to restore workers' ability to form a union but goes on to endorse and promote the types of labor management partnerships that have demonstrated their value in achieving the high levels of productivity that can support good wages. I've also suggested extending protection against retaliation for workers inventing new approaches to exercising their voice at work through the fight for \$15 minimum wage and by using social media to expose bad employers and point workers toward employers that pay good wages and benefits. <http://theconversation.com/how-to-transform-workers-campaign-into-better-jobs-and-wages-56790> Taking this approach would reframe labor policy to fit with the way the economy works today and is a starting point for responding to workers frustrations.

But labor policy can no longer stand alone. Today I want to lay out a more complete strategy that integrates these features of labor policy with what is sometimes called a "high road" economic strategy. <http://www.cows.org/building-the-high-road>

At MIT we teach our students and future business executives that they have a choice—they can compete by minimizing labor costs and fighting to keep unions out of their organizations or they can compete by investing their workers, drawing on their knowledge, skills, and motivation to achieve high levels of productivity and customer service, and then reward their workers with their fair share of the profits they help produce. Over the past two decades researchers have documented the power of this high road approach to compete with and sometimes do better than low-road firms. But the challenge lies in getting more companies to move in this direction and herein lies the rub. There is no single path for doing so.

So as educators we need and will do our part but our efforts have to be matched by a well-coordinated effort that cuts across all departments in the federal government to realize the benefits of a high road policy.

The place to start is where there is broad consensus macro-economic policy needs to go: to invest in a long term campaign to repair America's decaying infrastructure. These investments should only be made if business and labor agree to both commit their own capital to these efforts and to work together in applying high road strategies to bring these project home safely, on time, and on budget. A number of labor and business leaders have committed to working together in this way.

<http://thehill.com/blogs/congress-blog/290262-rebuilding-americas-water-infrastructure-with-public-private-partnerships> The President and Congress should take them up on their promises to do so.

The same deal needs to be struck in implementing a new manufacturing policy. We are not likely to bring back a lot of jobs lost to China and other lower wage countries or those replaced by changing technologies. The best way for government to help rebuild our manufacturing base is to support investments in next generation technologies and industries. This has started with government support for advanced manufacturing of industries such as light metals, photonics, robotics, and wearable fibers that will generate energy and cool our bodies. <https://www.manufacturing.gov/> But the agencies overseeing these efforts need to take the next step and insist that firms getting this research and development funding also make their new products here and make the investments in training and apprenticeships needed to ensure they support high productivity-high wage jobs.

This same approach can be extended to government contracting and purchasing of good across all departments. Approximately 28 million or one in five private sector workers are employed in firms that sell their goods or services to the federal government. <https://www.whitehouse.gov/the-press-office/2014/07/31/fact-sheet-fair-pay-and-safe-workplaces-executive-order> The President could make it clear to purchasing agents across the federal bureaucracy that to justify the government's business preference will be given to bidders that demonstrate they have the high productivity-high wage practices in place.

So this Labor Day candidates need to go beyond the empty rhetoric of the past and commit to doing the hard work of recasting labor policy in ways it might be possible to enact and then to follow up with the comprehensive and disciplined administrative actions needed to realize a high road strategy that puts the economy on a course that will truly work for all.