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EPI'S AGENDA FOR SHARED PROSPERITY RECOMMENDS NEW POLICY DIRECTIONS FOR "WORK THAT WORKS"

Three new policy papers explore and offer solutions to working Americans' diminished prospects

Throughout most of the nation's history, workers have counted on the promise that work is the key that unlocks the American Dream of achieving economic security for their families and advancing from one generation to the next. For more and more working Americans today, however, that promise is going largely unfulfilled.

People are working harder and longer, with both fathers and mothers working to secure their families' living standards and future; yet more of the benefits of their productivity are flowing to the richest 10% of families, part of a rising tide of inequality that threatens the foundations of a system built on fundamental fairness. Millions of families cannot, despite all their work, attain the necessary means for basic self-sufficiency. Meanwhile, prospects for the next generation are dimming: In 2000 the average young, high school educated worker started out earning \$5,000 *less* (inflation-adjusted) than those who entered the labor force 30 years earlier.

In an Economic Policy Institute policy forum today, keynoted by *New York Times* columnist and Princeton economist **Paul Krugman**, leading experts tackle the causes and economic effects of these developments and propose solutions for turning the tide of these bitter trends. They find that much of what is fueling this growing gap between work and its reward is traceable not to inevitable economic forces, but to policies and laws that have rewarded these trends and worsened their perverse effects.

In "[A New Social Contract: Restoring Dignity and Balance to the Economy](#)," **Thomas Kochan** and **Beth Shulman** analyze the shift in values which has subordinated the interests and security of workers to stock prices and short-term gains which benefit the fortunate few. They argue that a new social contract must be forged, one that builds a strong, durable economy and strong, durable families.

Kochan and Shulman articulate a vision that both restores our nation's historic commitment to rewarding work fairly and is achievable. They propose a policy mix that combines a commitment to full employment, a progressive response to globalization that does not condemn workers to a continuing lose-lose race to the bottom, and a restoration of workers' rights to be heard in the workplace. Forging this new social contract necessarily involves a re-examination of the roles of the three major institutions that define the nature of working and the workplace: government, corporations, and unions.

Among the reforms they recommend are:

- **Government** policies should reward firms that play fair with their workers, respect their rights, and treat them as partners in tackling their shared competitive challenges; at the same time, government should avoid rewarding firms that take the low-road approach by depressing wages and suppressing workplace rights and participation.
- **Corporations** should seek to build strong, productive partnerships with workers and their unions and communities through high-road policies that offer workers decent wages, basic health and retirement security, and that affords dignity to their work and supports them in their efforts to meet the needs of their families.

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- **Labor unions** have vital roles to play both in major reform and rebuilding of workplace rights and in engaging with employers to build a positive and cooperative workplace environment in which workers can fully use and develop their skills and engage with each other and their supervisors to improve services, productivity, and innovation. The models for such partnerships can be found abroad and at home, at companies that have exchanged the old adversarial model of labor-management relations for a new model based on cooperation and mutual respect. In addition, unions should pursue a new kind of relationship with members that reflects today's mobile workforce, one that seeks to serve members not just for the life of an individual job, but for their entire working lives.
- **All of these institutions** should work toward new solutions for health care and pension benefits to replace the failed laissez-faire benefits model that has shifted the costs of these essential benefits onto the shoulders of individuals who cannot afford them.

Kochan and Shulman also explore the evolving shape of today's work environment, where working parents too often find themselves caught in a conflict between being productive workers and meeting their family's needs. They argue that work itself needs to be updated and modernized, with greater flexibility and resources directed to supporting the needs of working families for paid sick leave and family medical leave, high quality pre-kindergarten and after-school programs.

Two other papers presented at the forum explore in greater depth the role and potential of unions in addressing the root causes of what **Harley Shaiken**, who presented "[Unions, the Economy, and Employee Free Choice](#)," calls the "Great Disconnect" between work and its rewards.

Shaiken reviews the erosion of workers' access to union representation, showing how the rights of workers to claim their fair share of the fruits of their work have shrunk to such a degree that, in the words of Alan Greenspan (whom Shaiken quotes): "For those who don't remember the 1920s, we are bringing back that decade's income distribution."

Shaiken traces the history of workers' rights (and employers' obligation to respect those rights) from the Wagner Act through Taft-Hartley to the present day, noting that the unraveling of the employers' duty to bargain a contract with workers who voted for union representation leads directly to the modern anti-union campaign, with its use of employer tactics of delay, interrogations, captive audience meetings, limited union access, and coercive speech.

"With these rules," Shaiken writes, "the playing field is not simply tilted against unions, they are barred from the stadium."

He refutes the claim that companies cannot afford the higher wages that unions bargain for by noting that the real determinant of a company's competitive position is not the hourly wages it pays but the unit costs of producing its goods or services. Because unionized companies benefit from lower turnover and higher productivity, their unit costs keep them competitive with firms that pay lower wages. He buttresses his point with real-world examples such as Costco vs. Sam's Club, Cingular, and the unionized auto plants.

Shaiken similarly debunks the claim that employers' insistence on representation elections, rather than honoring a majority of workers' cards asking for a union to represent them, is simply an effort to uphold democratic principles. "Americans rightly hold secret-ballot elections sacred but elections are only as democratic as the context in which they take place," he writes. "These NLRB-supervised elections are often so unfair they approximate plebiscites in a dictatorship rather than a functioning democracy. The votes may be counted honestly but the outcome ratifies the coercive atmosphere in which the vote occurs."

The coerciveness of this atmosphere is reflected in the tactics utilized by the employer – the firing of union activists, for example – which typically, and predictably, erode workers' support for a union. This view is supported by a Human Rights Watch report cited by Shaiken, which says: "Underlying all this employer opposition to workers' organizing is the raw power of the employment relationship – the power to assign work, to pay a wage, to impose discipline, and ultimately to dismiss the worker. Workers hear employers' views with this power in mind."

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Yet, despite this enormous power and employers' wielding of it to, in effect, veto employees' vote to unionize, employees' desire to have an advocate for them in the workplace has been on the rise. **Richard Freeman** charts this trend in his paper, "[Do Workers Still Want Unions? More Than Ever.](#)"

Freeman's analysis updates findings from the mid-1990s, when the Worker Representation and Participation Survey (WRPS) of U.S. private sector workers documented a large gap between the kind and extent of representation workers had and what they desired. He finds that gap has grown even larger today. For instance, the proportion of workers who want unions has risen substantially over the last 10 years, and a majority of nonunion workers (53%) in 2005 would vote for union representation if they could. This is up from the 32% to 39% in the mid-1990s who would vote for representation, depending on the survey. If workers were provided the union representation they desired in 2005, then the overall unionization rate would have been about 58%.

Freeman lists five key findings:

- Workers continue to want a much greater say at the workplace than the U.S. labor relations system gives them.
- The proportion of nonunion workers who want unions now exceeds half and has risen substantially in the last decade.
- Most workers would prefer some form of independently elected worker committee that meets and discusses issues with management.
- Workers see management opposition as a major reason for their inability to obtain the workplace representation and participation they seek.
- The gap between what workers want and obtain in representation is far greater in the United States than in any other advanced English-speaking country.

Freeman offers insight on what's motivating workers' views, by analyzing polling that asked workers to rate employers' performance as "doing well" or "falling short" on key issues, comparing results from 1999 and 2005 opinion surveys. These results generally show that employee rankings have grown significantly more negative on bread-and-butter issues such as cost-of-living raises, adequate and secure retirement benefits, permanent jobs with good benefits and job security, and paying a fair share of health care costs.

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Thomas Kochan is the George M. Bunker Professor of Management at the MIT Sloan School of Management and co-director of the MIT Workplace Center. Kochan is the nation's leading industrial relations scholar. His most recent book is *Restoring the American Dream: A Working Families' Agenda for America* (MIT Press 2005).

Beth Shulman is a consultant and the author of *The Betrayal of Work: How Low-Wage Jobs Fail 30 Million Americans* (The New Press 2003).

Harley Shaiken is Class of 1930 Professor, Graduate School of Education and Department of Geography at the University of California, Berkeley.

Richard Freeman is Herbert S. Ascherman Professor of Economics at Harvard University. Freeman is the nation's leading labor market economist.

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