

Have the 1980's changed U.S. industrial relations?

*Economic and political policies
and demographic and social trends
affected labor-management practices,
but have caused no fundamental changes*

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Where are American industrial relations headed? Is a major transformation at hand, as some observers have urged?¹ Or is our industrial relations system merely reacting to changes in the environment, some of which are reversible and others that reflect longer term secular change?²

At any one time there is both change in our industrial relations system and stability. Moreover, there are various types of change: short-run and long-run, reversible and irreversible, peripheral and structural, small and large, or pervasive. How do we classify the changes of the past decade?

There is a related problem of perspective or bias derived from the fact that change or new elements are said to be newsworthy by the media or current events school of academics, while the unchanged or stable escape the spotlight. We expect our newspapers to tell what is new each day, not that which is old hat. Carried over to industrial relations, this perspective, combined with ignorance of history, often distorts or fails to put into perspective the reporting, analysis, and prescription of the day.

Transitory changes

Several illustrations will underscore the necessity to be clear about what is new and what is continuing, and to distinguish among types of change.

Two-tier wages. The first half of the 1980's saw an expansion of what we have come to call "two-tier" wage and salary scales that provide lower rates for new hires in the same job classification, compared with incumbents. Although not unknown in earlier years, the growth of two-tier pay in both collectively bargained and nonunion wage settings was one labor market response to severe industry competition, particularly in enterprises with a degree of labor turnover or significant new hires, like food chain stores and airlines. Two-tier compensation systems were established in perhaps 10 percent of collective agreements, on average, over the 1980-85 period.³

There is ready agreement, I believe, that the two-tier wage innovation is a temporary response to economic conditions and is not likely to persist long-term. Lower rates are inherently demoralizing for employees performing the same work, with the same skills. The concern with such adverse consequences led to provisions for the integration or convergence of most two-tier scales in a specified period. It is now clear, moreover, that as economic conditions improve, two-tier systems are being phased out.

Thus, the two-tier wage development is to be characterized as short-run, reversible, and peripheral, rather than fundamental or structural to the industrial relations system. This characterization in no way detracts from its role in some circumstances in having facilitated adjustments and avoided more general wage concessions.

A number of other compensation developments of the first half of the 1980's share, I believe, the same essential characteristics of the two-tier wage systems.

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Lump-sum payments. The lump-sum payment, instead of an increase in the wage or salary rate, has been used widely. The rate increase yields a higher base for the next period, while the lump-sum payment constrains overtime earnings and costs, and similarly affects vacation pay, sick pay, and other fringes. As many as a third of recent-year settlements may include such provisions. Incidentally, such payments distort changes in average hourly earnings or wage rate data as a reliable measure of the rate of increase in wages.

Elimination of COLA'S. The elimination of cost-of-living adjustment (COLA) clauses, or restricting their impact, has also been a development of the era.⁴ But it is well known that, at least since World War I, periods of inflation have seen the introduction and extension of such automatic wage-rate adjustments to rising living costs, while periods of relative stability have seen the elimination or constriction of such escalator provisions.

Concessions. The general concessionary era in collective bargaining of the first half of the 1980's, which is now largely over, is likewise to be interpreted as a response to the intense product market competition of the era derived from enhanced international competition, exchange rate policies, other macroeconomic policies, and deregulation of airlines, trucking, telephones, and the like. It has always been declining product prices, rather than unemployment, that has put effective and severe downward pressure on wages and benefits.⁵

It is understandable that a current generation may not well appreciate the source of these "concessions" and believe that a new and different industrial relations order is at hand. It may be helpful to put recent events in historical perspective and to remember that average hourly earnings (in current dollars) for all manufacturing fell by 22 percent in the 1929 to 1933 period, while they increased by the same amount (22 percent) from 1981 to 1986. The magnitude of wage concessions, on average, in the current period has been minuscule relative to the Great Depression.

Indeed, the unquestioned tendency to describe wage increases in recent years as "moderate" reflects a simple comparison with earlier absolute amounts without reference to their economic context. Compare, for instance, two years—one with a rise in money wages of 8 percent and a cost-of-living increase of 14 percent, as took place in 1979–80, with another year that had a rise in money wages of 2.2 percent and a cost-of-living increase of 1.9 percent, as took place in 1985–86.⁶ In which year was the wage behavior more moderate? In 1979–80, money wages were more "moderate" relative to the rate of increase of living costs, although they rose almost four times the absolute rate of increase of 1985–86. The standard of moderation for money compensation might be the cost-

of-living, productivity, or profitability, yielding different judgments as to moderation.

A great many of the changes in industrial relations in the first half of the 1980's commonly cited are seen to be transitory, short-run and reversible, or simply different relative to the environment. But are there not more fundamental changes?

Changes in the environment

The dynamic interactions among labor, management, and government in the environment of an industrial relations system, in particular the market and budgetary context, the technological settings, and the power context in the larger society, for me provide the tools to understanding what is happening to industrial relations outcomes. Changes in these features of the environment affect the three parties whose interaction, in turn, influences the environment and the outcomes. Like all theory, for me, this is a way of organizing my thinking about industrial relations analysis and forecasting.⁷

The late 1970's and 1980's have seen some significant changes in the environment, particularly in some sectors. We can expect still further changes, although some of them are reversible. The major changes may be briefly identified as follows:

Macroeconomic policies cut taxes, expanded defense expenditures, and built unprecedented budget deficits. Tight monetary policy and high interest rates brought down inflation, produced a severe recession and an overvalued dollar and unprecedented trade deficits. The United States became the largest debtor nation instead of the largest creditor country in a few short years. No industrial relations system can be expected to adapt in the short term to such wrenching and traumatic experience.

In this macroeconomic setting, the industrial relations parties are more subject than ever before to international product-market competition, and an environment of slow economic growth creates added difficulties for all parties. Only when exchange rates have settled down will we be able to appraise the full consequences of this competition. The period accelerated a development of greater international dependence that was already under way.

Deregulation. The precipitate deregulation, both of entry and rates charged, in airlines and master-freight trucking had significant impact on industrial relations in those sectors. Similar, though lesser, consequences have arisen in railroads and telephones, underlining interdependencies of product and labor markets that the sponsors of deregulation did not anticipate.⁸

Technology. In some sectors, new technology has helped to create new work environments that have come to prominence in the past decade. "Patterns of relations in new high technology firms differ considerably from those

of traditional heavy industries. The differences are consequences of different labor markets, skill levels, and workforce expectations, as well as resulting from management ideology or reactions to the disfunctions of union-management relations."⁹

Demography. There are significant changes in the demography of the work force that are affecting various aspects of industrial relations: the rapid expansion in the proportion of women in the work force, the growth of the Hispanic labor force, the decline in the rate of growth of the work force, the aging of the population, the shift of population to the South and West, and greater formal educational levels.

(An industrial relations system is likely to be able to adapt more readily to such longer term secular changes than to absorb the consequences of rapid and extreme shifts in macroeconomic policies.)

Political climate. Finally, the political climate of the past 7 years has affected industrial relations. The hostility between an Administration and the labor movement has been unmatched in this century. The labor relations agencies have produced reverses in policy and uncertainties that have not encouraged cooperative problem-solving or consultation.¹⁰

All in all, some of the environment of the 1980's will continue, some is likely to be reversed, and some will leave a continuing difficult legacy.

Fundamental features in the U.S. system

To appraise the extent and the depth of changes in the past decade in the industrial relations system of the United States, we must state briefly the major fundamental features of that system as it has evolved over the past. The most distinctive features, compared to the system of other countries, include the following:

Exclusive representation—one union and only one union in a given job territory selected by majority vote. In contrast to continental Europe, with affiliations in the same job territory by religious and ideological attachment, we developed the attribute of exclusive jurisdiction within the American Federation of Labor over 100 years ago and implanted the idea in law with the Railway Labor Act (1926) and the National Labor Relations Act (1935).

Collective agreements that embody a sharp distinction between *interpretation of the agreement and negotiating a new agreement*. The no-strike and no-lockout provision during the term of the agreement, the interpretation of the agreement by private arbitrators or umpire, and legitimate overt conflict confined to a negotiations period all derive from this fundamental distinction alien to the British system (from which we borrowed much histori-

cally) with its open-ended and nonenforceable agreements.¹¹ The fixed duration—often 2 or 3 years—favors stability and concentration on mutual administration, but this feature may inhibit steady attention to structural changes that cannot wait several years.

The decentralized character of collective bargaining, compared to that of most other Western countries. This feature derives in part from the size of the country, the diversity of its economic activity and the historic role of product markets in shaping the contours of collective bargaining. Recent events and the absence of tight labor markets have tended to create even more fractionated bargaining in some sectors, breaking up the basic steel negotiations and creating separate bargaining in the telephone industry, previously a single Bell system negotiations.

Union organizations in the U.S. system are characterized by *relatively high dues and large staffs* necessary (in the absence of significant substantive intervention by government) to negotiate and administer private decentralized agreements, including grievance arbitration, and to organize against massive employer opposition. Lobbying before legislative and administrative tribunals adds to these requirements.

Employer opposition to union organization historically has been intense, compared to other countries and has been only slightly modified in its forms by 50 years of legislation.¹² The opposition among smaller employers to labor organizations and to more social legislation can only be described as particularly intense.

The role of government in our industrial relations system over the years has been relatively passive in dispute resolution, although that varies with administrations, and highly legalistic in both administrative procedures and in the courts treating the most detailed matters and requiring enormous lengths of time. As regulation has expanded over health and safety, pension benefits, and equal employment opportunity, the litigious quality of relations has grown in many relationships.

It is difficult to conclude that the events of the late 1970's or 1980's have altered in any fundamental way these features of the industrial relations arrangements of the United States. I have noted in passing some of the reinforcements, such as more decentralization that might be reversed to some degree with sustained high employment in a sector. But nothing of a systemic breaking or creating new features seems to me to have occurred.

I am, of course, aware of the decline in the private sector labor movement with the growth of public sector labor organizations. But the economic and political environment has been most hostile. Sectors of union strength have declined and sectors devoid of unions have

rapidly expanded. We have had even more severe periods in the past, as in the 1920's. I am aware that workplaces under collective bargaining constitute a minority of all workplaces. But it is well said that "collective bargaining provides leadership to a much larger group in the labor force . . . Unionism still casts a long shadow over the non-union majority."¹³ But attention to the fundamentals of the U.S. industrial relations system does not suggest to me any basic or profound transformation of these fundamental features.

Labor-management cooperation

The recent period has produced a number of widely publicized new instances of labor-management cooperation that have led some commentators to express the view that our industrial relations system is becoming significantly less adversarial and much more cooperative. The percentage of estimated working time lost in large strikes (involving 1,000 workers or more) is at a low level. The exceptional agreements between the United Auto Workers (UAW) and Saturn (General Motors) and the UAW and the joint venture between Toyota and New United Motor Manufacturing, Inc. (General Motors), the worker participation programs at Ford Motor Co., AT&T, Xerox, and a number of major private companies, largely excluding the public sector, have received widespread attention.¹⁴ The expansion of worker participation in stock ownership, the tradeoff of wage and fringe concessions for a share of ownership in some companies in financial difficulty and the election of labor organization candidates to a few board of directors are seen as symbolic of the new era of cooperation.

But cases of labor-management cooperation have a long history in the United States, and in England they have been known under the term "joint consultation." The distinction between collective bargaining and labor-management cooperation, or joint consultation, can be simply stated. Under collective bargaining, there may be arbitration or resort to strike or lockout if there is not agreement, while under joint consultation or cooperation neither is appropriate if there is a failure to agree. Enforced consultation, save as the pressure of events or the environment, is a contradiction in terms. In the United States, the obligation to bargain in good faith under the National Labor Relations Act does not require programs of labor-management cooperation.

There is a long experience with labor-management committees in the United States. The 1920's and 1930's produced such committees on the Baltimore and Ohio and the Canadian National railroads, in the Cleveland women's garment industry, at the Naumkeag Steam Cotton Co., the Amalgamated Clothing Workers and the men's clothing industry, and the Rocky Mountain Fuel Co. There were thousands of production committees

established in World War II. The National Planning Association case studies on the "Causes of Industrial Peace" belong to the late 1940's and early 1950's. Scanlon Plan companies are well known. I served as a member of the Kaiser Steel-Steelworkers Long Range Committee in the 1960's.

Is a new wave of labor-management cooperation changing U.S. industrial relations? My reading of history suggests not.

Labor-management committees have functioned in only a relatively few collective bargaining relationships. As Sumner H. Slichter concluded more than 40 years ago: "In industry as a whole, the number of unions pursuing the policy of systematic cooperation is small . . . The traditional view of unions is that getting out production and keeping down costs is the employer's responsibility . . . Unions had been bitterly opposed by most employers and have had to fight for the right to exist . . . Employers have not desired their help."¹⁵

In general, such labor-management committees appear to arise in response to threats to economic viability and job opportunities provided by the enterprise, locality, or sector, or under circumstances of special challenges and with the leadership of dedicated personalities who have the capacity to command unusual support in their respective organizations. Dramatic technological and market changes, a long work stoppage, the growth of competitive imports, or other threats also have led to joint committees. ". . . The times when labor and management have cooperated over the years have been times when economic difficulties threatened the viability of both parties, as when international tensions necessitated cooperation in the interest of national security. In these periods of crisis, collective bargaining alone had proved to be an inadequate forum for addressing each and every pressing issue."¹⁶ Slichter saw the main field of committees to be "in the high-cost establishments when equipment is semi-obsolete or the management is poor and where the union needs to do something to help its members hold their jobs."¹⁷

Historically, labor-management committees have had limited life spans, much shorter than collective bargaining relationships. The central problem the committee was designed to consider may be resolved or pass; the special leadership may leave; the circumstances may change and a new set of urgent issues emerge; the vital neutral or the government official may disappear; or the willingness of both parties to cooperate may be undermined by internal considerations. The committee may vanish to be reincarnated with new leadership concerned with new problems.

Contrary to much recent writing, labor-management committees are not a recent development. They go back to the early days of collective bargaining in this country and in England. The interstate joint conference in bituminous coal mining,¹⁸ the conciliation arrangements

between the Bricklayers and the Mason Contractors in New York, Chicago, and Boston;¹⁹ and the impartial umpire institution in the clothing industries, going back as far as 70 or a 100 years, resemble joint committees in their attention to the basic problems of a sector and their discussions of cooperative means of meeting these issues, in addition to the function of negotiating collective agreements.

Labor-management committees and their leadership on both sides are often plagued by internal tension in their choice between cooperation and conflict. Labor leaders can readily be undermined in their unions by policies, statements, and appearances that convey that they are too collaborative or too responsive to management; they have sold out to management. Management members of joint committees likewise have inhibitions derived from long-held principles and attitudes relating to sharing confidential data and compromising management prerogatives. The moderation or abandonment of traditional attitudes and procedures may prove to be adverse to the status of leaders of both sides. This problem is most sensitive and delicate.

It may be well also to remember that there are approximately 60,000 enterprises in the United States, excluding those in agriculture, private households, the self-employed and the public sector. About 30 percent of these enterprises have fewer than 25 employees and only 42 percent have more than 500 employees. Stated in terms of employees, 21 percent of employees are in workplaces with less than 20 employees, 20 percent with 20-99 employees, 12 percent with 100-499 employees, and 47 percent in enterprises with more than 500 employees. These numbers indicate how decentralized and diffused are U.S. workplaces, and how unlikely it is for "a new industrial relations system" quietly and without notice to take shape in the country. Moreover, small enterprises are likely to be particularly resistant to participatory management.

What does all of this say about the present state of industrial relations and about the future? I offer these conclusions.

Perspective on the future

There are significant new elements in the economic environment. A period of a bizarre macroeconomic setting is likely to yield to a more settled environment that is much more vulnerable to international pressures. Longer term, new elements in the demography exert influence: aging, women, Hispanics, educational levels, and geographical shifts, with new workplaces and industries. Technology changes skills and stability of employment. Deregulation has afflicted a few sectors. The political climate is not likely to remain in the mold of the first half of the 1980's.

A number of developments of the early 1980's are reversible and are passing, such as two-tier wage and salary schedules, lump-sum payments, and escalator clauses.

The era has seen labor directors in a few enterprises, but this tendency is not likely to expand. There have been new centers of concern such as health care costs, health for retirees, occupational health and safety, quality of output, drug and alcohol abuse, family issues such as day care, and skill training, particularly in large enterprises requiring substantial out-placement of employees. These latter interests are likely to persist.

There has been no massive shift in the methods of management, no wide adoption of worker participation in management nor diminution of management hostility to labor organizations. Instances of labor-management cooperation or joint consultation are significant, but they are relatively rare as they have been historically. The concern over sharing information and the difficulties of participatory management are overcome in circumstances that threaten survival. Union leaders are concerned about being too collaborative as seen by constituents who elect them.

The basic features of U.S. industrial relations arrangements have not been altered, although the output of the system may be expected to change in the new environment.

The labor movement in the United States is here to stay. It is adapting its methods to the new environment; already we have seen the reversal of a number of prominent losses and the penetration of some new fields. □

FOOTNOTES

¹According to the "New Industrial Relations," *Business Week*, May 11, 1981, p. 85: "Quietly, almost without notice, a new industrial relations system with a fundamentally different way of managing people is taking shape in the U.S. Its goal is to end the adversarial relationship that has grown between management and labor and that now threatens the competitiveness of many industries." An academic formulation that in important respects mirrors the same perspective is Thomas A. Kochan, Harry C. Katz, and Robert B. McKersie, *The Transformation of American Industrial Relations* (New York, Basic Books, Inc., Publishers, 1986), p. 227: "We see the current moment as one of those historic periods of transformation in which existing institutional structures have been challenged and opened up to experimentation in ways that allow considerable choice in how to reconstruct and modify

them to best serve the interests of workers, employers, and society in general."

²H.D. Woods and Sylvia Ostry, *Labour Policy and Labour Economics in Canada* (Toronto, Macmillan Company of Canada, Ltd., 1962), p. 497: "In every epoch of history, men are convinced that theirs is an age not merely of transition but of profound transformation."

³Bureau of National Affairs, *Daily Labor Report*, No. 196, Oct. 13, 1987, pp. B1-B2. Also, see "National Mediation Board Report on Two-Tier Wages in Airlines," Bureau of National Affairs, *Daily Labor Report*, No. 116, June 17, 1985, pp. D1-D4; and Sanford M. Jacoby and Daniel J.B. Mitchell, *Management Attitudes Toward Two-Tier Pay Plans: An Analysis*, 1985.

⁴Stuart E. Weiner, "Union Cola's on the Decline," Bureau of National Affairs, *Daily Labor Report*, No. 154, Aug. 11, 1986, pp. E1-E12.

⁵John T. Dunlop, *Wage Determination Under Trade Unions* (New York, Macmillan and Co., 1944), pp. 144-48; John Dunlop, Clark Kerr, Richard Lester, and Lloyd Reynolds, in Bruce E. Kaufman ed., *How Labor Markets Work, Reflections on Theory and Practice*. (Lexington, D.C. Heath and Co., 1988), pp. 69-72.

⁶Wages are gross average hourly earnings in the total private nonagricultural economy. The cost-of-living index used is that for all urban consumers.

⁷John T. Dunlop, *Industrial Relations Systems* (New York, Henry Holt and Co., 1958).

⁸For a discussion of deregulation in trucking, see, D. Daryl Wyckoff, *Truck Drivers in America* (Lexington, Lexington Books, 1979). Safety, hours, wages, use of drugs and alcohol, and so forth, are related to the degree of product market regulation. John T. Dunlop, "Trends and Issues in Labor Relations in the Transportation Sector," *TR News*, May-June 1985 (Washington, Transportation Research Board), pp. 1-8.

⁹Janice McCormick and D. Quinn Mills, "Discussion, Industrial Relations System in Transition," Industrial Relations Research Association, *Proceedings of the Thirty-Seventh Annual Meetings*, December 28-30, 1984, p. 286. Also, see D. Quinn Mills, *Not Like Our Parents: A New Look at How the Baby Boom Generation is Changing America* (New York, William Morrow and Co., Inc., 1987).

¹⁰See John T. Dunlop, "The Legal Framework of Industrial Relations and the Economic Future of the United States," in Charles J. Morris, ed., *American Labor Policy, A Critical Appraisal of the National Labor*

Relations Act (Washington, Bureau of National Affairs, Inc., 1987), pp. 1-15.

¹¹Benjamin Aaron, "No Labour Courts, Little Arbitration; What's Wrong with That?" *Comparative Industrial Relations, A Trans-Atlantic Dialogue* (Washington, Bureau of National Affairs, 1984), pp. 56-70.

¹²Paul Weiler, "Promises to Keep: Securing Workers' Right to Self-Organization Under the NLRA," *Harvard Law Review*, 96:1769, 1983.

¹³Janice McCormick and D. Quinn Mills, "Discussion, Industrial Relations System in Transition," p. 289.

¹⁴See, for instance, *Labor-Management Cooperation*, Nos. 1-10 (July 1984-March 1987, U.S. Department of Labor, Bureau of Labor-Management Relations and Cooperative Programs); Jerome M. Rosow, ed., *Teamwork, Joint Labor-Management Programs in America* (New York, Pergamon Press, 1986); John T. Dunlop, *Dispute Resolution, Negotiation and Consensus Building* (Dover, Auburn House Publishing Co., 1984), pp. 225-78.

¹⁵Sumner H. Slichter, *Union Policies and Industrial Management* (Washington, The Brookings Institution, 1941), pp. 561-62.

¹⁶U.S. Department of Labor, Labor Management Services Administration, *The Operation of Area Labor-Management Committees* (Washington, U.S. Government Printing Office, 1981), p. 25.

¹⁷Slichter, *Union Policies*, p. 567.

¹⁸Arthur E. Sufferin, *Conciliation and Arbitration in the Coal Industry of America* (Boston, Houghton Mifflin Co., 1915).

¹⁹Josephine Shaw Lowell, *Industrial Arbitration and Conciliation* (New York, G.P. Putnam's Sons, 1893).