Can Labor Come Back?

A Survey of Recent Articles

It has been a long time since people spoke of "big labor" and "big business" in the same breath. But with the recent retirement of the American Federation of Labor-Congress of Industrial Organizations' (AFL-CIO) long-time president, Lane Kirkland, the labor movement's prospects are being reappraised. Both candidates to succeed Kirkland are pledging to shift resources into organizing campaigns. After decades of decline, could recovery be in the cards?

Robert Kuttner, coeditor of the *American Prospect*, is moderately hopeful. "Even if fresh organizing results in few initial victories," he says in the *Washington Post* (Aug. 11, 1995), "it will at least restore some of the charisma of the labor movement." Leo Troy, an economist at Rutgers University, is skeptical. "Private-sector unionism . . . cannot survive the new age of increased worldwide competition," he declares in *Society* (Mar.–Apr. 1995).

The statistics certainly seem grim. Today, only 11 percent of private-sector (nonfarm) employees are unionized—a far cry from the high of 36 percent in 1953, and even slightly less than the pre–New Deal proportion of 12 percent in 1929. Membership in private-employee unions has shrunk in absolute terms by more than seven million from its record high of 17 million in 1970. Public-employee union membership, meanwhile, which reached more than seven million in 1993, continues to grow—but not enough to offset the decline in the private sector.

"Despite their dwindling membership," journalist Sean Reilly writes in the *Washington Monthly* (July–Aug. 1995), "unions still help millions of working people secure decent wages and benefits. At Harvard University, for example, the Harvard Union of Clerical & Technical Employees, which spent 15 years fighting to organize, has . . . seen its members' average salary grow by $7,000 in the last six years. Minimum employee pensions have been doubled, employees' share of health insurance premiums has been halved, and the university now puts up money for education and child care."

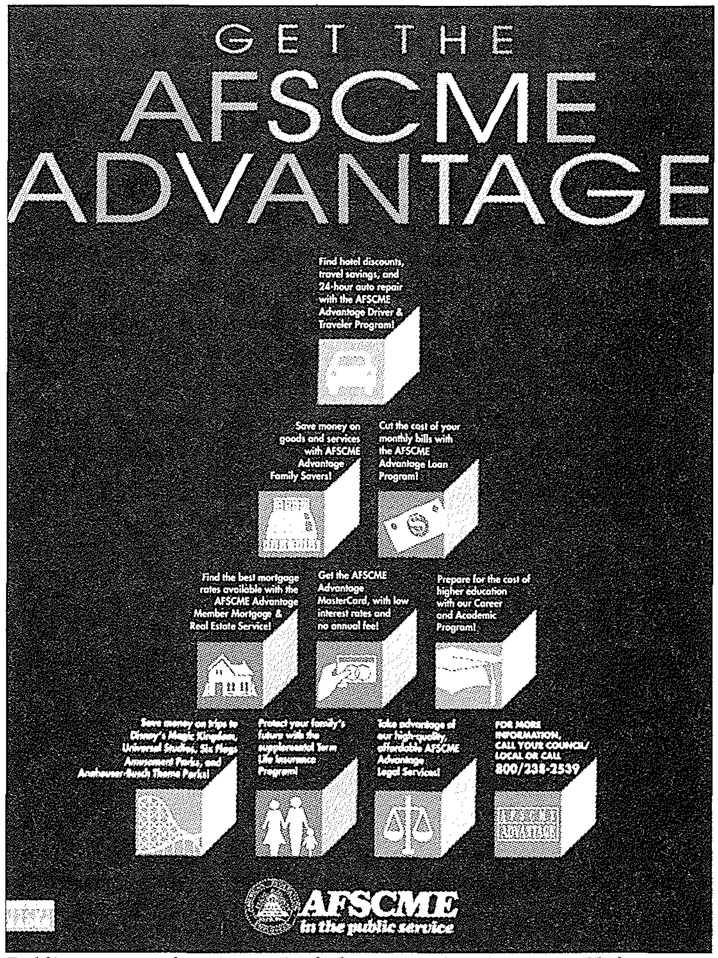
For workers as a whole, average wages, adjusted for inflation, have been declining in recent years, while labor productivity (output per worker) has been rising. "Even conservative economists," Reilly says, "concede that shrinking unionization has contributed to the inequity between worker output and wages, the growing gap between white- and blue-collar wages, and the decline in benefits. Unions, then, would seem the obvious solution to workers' woes. But many workers don't see it that way." Although most working Americans want organized representation in the workplace, according to a study done for the Clinton administration's Commission on the Future of Worker-Management Relations, only about one-third of nonunion workers want to join a union. For that, Reilly and others say, union leaders deserve much of the blame.

Lane Kirkland, who served as AFL-CIO president from 1979 until last summer, "rejected pleas for the federation to take a more active role in organizing workers," writes John B. Judis, a senior editor of the *New Republic* (Aug. 21 & 28, 1995). Kirkland argued "that the AFL-CIO should leave the job of creating and defending unions to its affiliates" and concentrate instead on national politics. "Kirkland believed that labor was declining mainly because employers were able to take advantage of both loopholes in the labor law and a Republican-appointed National Labor Relations Board to discourage unionization and break strikes. Only a pro-labor Democratic president could change the law and the composition of the board." The flaw in Kirkland's strategy, Judis argues, was that to strengthen the labor laws, the labor move-

ment had to become stronger—and instead it was getting weaker.

One union that has been growing stronger, however, is the Service Employees International Union (SEIU). Since 1980, when John Sweeney took charge, SEIU's membership has almost doubled, to 1.1 million. Mergers have provided some of the boost, but organizing has been important. Sweeney, now a candidate to succeed Kirkland, wants to devote 30 percent of the federation's budget to organizing, about six times the current proportion. His rival, Acting President Thomas R. Donahue, who was secretary-treasurer under Kirkland, also considers organizing a top priority.

What stands in the way of organizing successes? "Historically," Leo Troy writes, "white-collar employees, women, and people from the South have been difficult to organize in the private economy." He doesn't expect that to change.



Public-sector workers increasingly have seen the advantage of belonging to the American Federation of State, County and Municipal Employees. From 889,000 in 1979, membership grew to more than 1.1 million in 1993.

Steve Early and Larry Cohen, both of the Communications Workers of America, writing in *Social Policy* (Winter 1994), take a different view: "The biggest obstacle to organizing is repression of union organizing by employers and the fear it engenders. In America today, even the most benevolent firm, with the most elaborate mechanisms for 'employee involvement,' does not want to deal with a bona fide labor organization."

But employers have always resisted unions, Troy points out, never more than in labor's heyday. The real problem is that union strength is concentrated in industries that have downsized, such as steel and autos.

Market forces also have "virtually 'repealed'" the National Labor Relations Act (NLRA) of 1935, Troy notes, which was intended to protect employees seeking collective bargaining. Exempt from the law are the growing numbers of employees with certain "managerial" or "supervisory" responsibilities, as well as many part-time or temporary workers. "Our current labor relations system must be reconceived in light of the realities of the new service work force," Dorothy Sue Cobble, who teaches labor studies, history, and women's studies at Rutgers, writes in *Dissent* (Fall 1994). Workers should be able to exercise certain managerial prerogatives, for example, without forfeiting their protection under the NLRA. But unions also need to

change, she argues. While the adversarial elements of labor-management relations need to be acknowledged, "unhealthy and unnecessary adversarialism" should be minimized. "Unions must be encouraged to accept more responsibility for the health of the enterprises with which they are linked, whether schools, hospitals, or auto factories."

Cobble's Rutgers colleague, Charles Heckscher, author of *The New Unionism* (1988), agrees. The labor movement, he writes in *Social Policy* (Winter 1994), needs to learn better how "to use tactics of *influence*—persuasion, flexibility, trustworthiness, responsible contribution to the success of employers—in strategic coordination with tactics of confrontation."

Persuasion is essential to the labor movement's recovery, Heckscher maintains. Part of the reason for labor's weakness today, he argues, is that it has lost much of its ability to persuade people that unionization is a good thing—to persuade workers that it is a cause worth sacrificing for, to persuade the larger society that it promotes the general welfare. Labor made those cases successfully in the past. If it can adapt to today's changed environment, he says, it may be able to make them successfully again.

How Japan Escaped The Great Depression

"The Great Depression Reconsidered: Implications for Today" by William McDonald Wallace, in *Contemporary Economic Policy* (Apr. 1995), Western Economic Assn. International, 7400 Center Ave., Ste. 109, Huntington Beach, Calif. 92647–3039.

Most mainstream economists believe that the Great Depression of the 1930s decisively refuted Say's Law of Markets. That theretofore sacrosanct edict—promulgated by French economist Jean-Baptiste Say (1767–1832)—holds that supply creates its own demand. A depression, in this theory, is merely the result of temporary overproduction for some markets and underproduction for others, an imbalance that will soon be automatically righted. In the United States, however, gross national product tumbled by almost half in four long years after 1929, while unemployment grew to 25 percent. Nevertheless, Say's Law was confirmed, insists Wallace, who teaches economics and business at St. Martin's College in Lacey, Washington.

The proof, he contends, is provided by Japan, which largely escaped the Great Depression (and whose experience is usually ignored by most analysts of the depression). Say's Law assumes that labor costs are flexible. In Japanese industry they were, because much of the compensation that employees received consisted of bonuses tied to corporate performance. Consequently, when a sharp recession hit in 1930, the four firms that dominated Japan's industrial economy "were free to cut prices sharply and did so in order to maintain output and employment." By 1933, Japan's economy had bounced back and gained six percent in real terms over its 1929 level.

In agriculture, Wallace argues, Say's Law "worked as advertised" throughout the world. "Earnings were variable, prices fell sharply, and as Say's Law predicts, employment and output remained stable, even in the United States, despite a 55 percent collapse in income." The reason that the depression was so hard on American farmers, he observes, is that the prices of the industrial products they needed "fell very little" compared with the prices of farm products.

Say's Law was suspended in U.S. industry, Wallace explains, because corporations "employed workers as hirelings, not partners. Rarely paid bonuses, workers did not participate in upside gains." Naturally, they resisted wage cuts. "Rigid pay inhibited timely price cuts in response to softer demand. Most firms were forced to hold prices up and lay off labor instead." The result: mass unemployment. U.S. firms today, he suggests, should take a leaf from Japan's book (and the family farm's), dealing workers in for a share of the profits and losses of business.