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Commission on the Future of Worker-Management Relations

APPOINTED BY:
Secretary of Labor Robert B. Reich
Secretary of Commerce Ronald H. Brown

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Bill Usery Associates, Inc.

Paula B. Voos
Professor of Economics and Industrial Relations
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Paul C. Weiler
Henry J. Friendly Professor of Law
Harvard University
(Counsel to the Commission)

June M. Robinson
Designated Federal Official for the Commission
U.S. Department of Labor

*Ceased to be active upon his nomination to be a member and Chairman of the National Labor Relations Board and resigned on March 12, 1993.
**Appointed to the Commission on November 1, 1993.
May 1994

The Honorable Robert B. Reich  
Secretary of Labor  
Washington, D.C.  20210

Dear Secretary Reich:

The Commission on the Future of Worker-Management Relations that you appointed on behalf of the President presents its Fact Finding Report. This report is designed to facilitate the policy discourse to follow and to encourage some degree of consensus on the issues raised by your Mission Statement that defined our task.

Sincerely,

John T. Dunlop, Chair  
Commission on the Future of Worker-Management Relations
May 1994

The Honorable Ronald H. Brown
Secretary of Commerce
Washington, D.C.  20230

Dear Secretary Brown:

The Commission on the Future of Worker-Management Relations that you appointed on behalf of the President presents its Fact Finding Report. This report is designed to facilitate the policy discourse to follow and to encourage some degree of consensus on the issues raised by your Mission Statement that defined our task.

Sincerely,

John T. Dunlop, Chair
Commission on the Future of Worker-Management Relations
The Commission on the Future of Worker-Management Relations was announced by Secretary of Labor Robert B. Reich and Secretary of Commerce Ronald H. Brown on March 24, 1993.

The Mission Statement of the Commission states as follows:

"The future living standards of our nation's people, as well as the competitiveness of the United States, depend largely on the one national resource uniquely rooted within our borders: our people -- their education and skills, and their capabilities to work together productively."

The President's economic plan lays a new foundation for the education and training of the nation's work force. But even a work force that is well prepared for the jobs of the future will fail to adequately improve the nation's productivity and living standards unless workers and managers work together more effectively. Both parties must take on new responsibilities.

To this end, the President has asked the Secretary of Labor and the Secretary of Commerce to form a Commission on the Future of Worker-Management Relations. The Commission will investigate the current state of worker-management relations in the United States and report back to the Secretaries in response to the following questions:

"1. What (if any) new methods or institutions should be encouraged, or required, to enhance work-place productivity through labor-management cooperation and employee participation?

2. What (if any) changes should be made in the present legal framework and practices of collective bargaining to enhance cooperative behavior, improve productivity, and reduce conflict and delay?

3. What (if anything) should be done to increase the extent to which work-place problems are directly resolved by the parties themselves, rather than through recourse to state and federal courts and government regulatory bodies?"

* The Federal Register of May 7, 1993, carried notice of the establishment of the Commission as well as notice of the first meeting on May 24, 1993. The Commission is to serve solely as an advisory body in accordance with the Federal Advisory Committee Act.
This Fact Finding Report is submitted jointly to the Secretaries of Labor and Commerce. After release of this Report, the Commission plans a series of hearings and conferences with representatives of business organizations, labor organizations, other organizations that have presented testimony or statements, and the interested public to receive comments, reactions and suggestions as to the statement of facts and its implications for private and public policies and for the recommendations of the Commission. Within a period of six months of the presentation of this Report, the Commission plans to present a final report with recommendations to the two Secretaries. (Department of Labor Press Release, February 10, 1994).

The Commission has held 11 national hearings in Washington, D.C., and working parties of three to five Commission members have held regional hearings in six communities - Louisville, East Lansing, Boston, Atlanta, San Jose and Houston. (The agenda of each of these sessions is included in Appendix B with the subjects under discussion and the invited participants.)

In each of the regional hearings several hours or more were set aside to hear individuals or representatives of organizations who requested an opportunity to appear and to testify on any subject within the scope of the Commission's Mission Statement. If time was inadequate to hear all who requested to testify, in a few cases, written statements were received and distributed to all Commission members, and these statements are a part of the public record of the Commission. The Commission appreciates the assistance of various organizations that helped to organize and facilitated these regional hearings.

A total of 134 persons testified before the Commission in its 11 hearings in Washington, D.C., and 220 persons testified in the six regional hearings, for a total of 354 witnesses.

The transcripts of the 11 national Commission hearings run to 2,125 pages, and the transcripts of the six regional hearings run to 1,733 pages, for a total of 3,858 pages.

The Commission has also received scores of exhibits, letters, papers, articles and studies that have been made a part of its public record.

The Commission examined a wide variety of quantitative and qualitative evidence, some of which was presented to it in testimony or offered to it by interested parties, and some of which is part of published data and the scholarly literature. In some instances, the evidence is more or less definitive, based upon statistically valid surveys whose results have been replicated in many studies, or administrative records. In other cases, the evidence is weaker, based on short reports by participants relating their own experiences, or on limited surveys that can at best scratch the surface of complex issues. On the general presumption that it is better to have some, occasionally weak, evidence than no evidence, the Commission has sought to make use of all of this information, albeit weighing the different forms of evidence.

The Commission has encouraged four groups of studies by other organizations that constitute new data relevant to one or more of the assignments of its Mission Statement.

(1) The Chairman and Ranking Minority Member of the House Committee on Education and Labor and the Chairman and Ranking Minority Member of the Subcommittee on Labor-Management Relations together on August 4, 1993 requested the Comptroller General of the United States to make a study of the complex web of workplace regulations including those administered by the Labor Department. The study was to seek the variability in definitions in terms common to such regulations and the
perceptions as to these regulations held by employers, and unions in workplaces governed by collective bargaining agreements, in a diverse group of workplaces. The study was also to seek views as to the regulatory and administrative processes respecting these regulations. The Commission had released on July 28, 1993 a listing of the major statutes and regulations affecting the workplace administered by the Labor Department.

(2) A number of employer associations - Aerospace Industries Association, Electronic Industries Association, Labor Policy Association, National Association of Manufacturers, and Organization Resources Counselors - have undertaken a survey among a number of businesses of the extent and characteristics of employee involvement plans.

(3) With the aid of private foundation funding, Professors Richard Freeman and Joel Rogers secured the services of a professional survey firm to do a study of the attitudes of representative workers and supervisors toward worker representation and participation. The study was undertaken by Princeton Survey Research Associates, Princeton, New Jersey.

(4) With the aid of private foundation funding, Professor Ray Marshall organized a conference in Washington, D.C. under the auspices of the Work and Technology Institute on March 14-15, 1994 with labor, management, government and academic experts on labor-management and employment issues from Western European countries, Japan, Canada, and Australia. The Commission hearing on March 16, 1994 included a summary of the conference and heard testimony from a number of the overseas participants. A report of the March 14-15 conference has been prepared for publication.

This Report of the Commission contains no separate chapter on the experience of worker-management relations in other countries. But the separate chapters each incorporate references to this experience, by way of comparisons or contrasts. The use of international comparisons is based on the belief that while it is not possible to import any given practice or institution found in another country to the United States neither is it advisable to ignore practices that work well in other settings. Just as American business has recognized the need to benchmark practices on a global scale, the Commission believes it is both possible and essential to be open to learning from experiences abroad.

The Counsel to the Commission, Professor Paul Weiler, organized three groups - of about eight in each - of lawyers which have met separately on several occasions to discuss issues before the Commission - groups of business lawyers including those within companies and in outside law firms, labor lawyers including those within unions and in outside law firms, and law school professors. Lawyers drawn from each of these groups have testified before the Commission on legal issues affecting the Commission's assignments.

A working party of the Commission has met on several occasions with a designated committee of the Small Business Council of the U.S. Chamber of Commerce to receive views and perspectives. A working party of the Commission heard reports from various local chapters of the Industrial Relations Research Association at its national meeting on January 4, 1994.

The Commission has encouraged a number of studies which are still in process, and when they have been completed they will be made available for comments.

The Commission gratefully acknowledges statistical data and information prepared for its use by the Bureau of Labor Statistics, the Office of the Solicitor, the Women's Bureau, the Department of Com-
merce, the General Counsel of the National Labor Relations Board, the Federal Mediation and Conciliation Service, and the Small Business Administration.

Mr. Roland Droitsch, Office of the Assistant Secretary for Policy, coordinated this work in the Department of Labor and Mr. Everett Ehrlich, Office of the Secretary, provided assistance in the Department of Commerce. Staff of the Department of Labor's Office of Small Business and Minority Affairs greatly assisted the Commission in its hearings and related activities. The work of Ms. Artrella Mack and Ms. Betty Cooper were invaluable in the technical preparation of this Report. Ms. Joy Reynolds, Office of the American Workplace, prepared summary of minutes for the Department. Secretaries to members of the Commission, beyond their regular duties, greatly facilitated the work of the Commission. The Commission is most grateful.

The Commission has received some testimony, and many letters regarding specific regulations, interpretations, rulings and decisions issued under employment statutes and labor-management relations laws. These cases have been helpful in understanding wider issues and regulatory processes, and this Report does mention some of these questions in the course of the discussion. But the Commission was not designed to respond to or to resolve such specific cases.

This Report raises a number of questions at various points in the discussion for the purpose of eliciting more data and information and more reflection on difficult issues. It should not be inferred, however, that the Commission intends to provide responses to all these questions in a final report.

A Historical Perspective on the work of the Commission is provided in Appendix A.

Chapter I

The Changing Environment for Worker-Management Relations

1. Introduction

The American economy, the work force and jobs, the technology at workplaces, the competitive context of enterprises, and the regulations of employment have changed greatly in recent decades. The environment for firms and workers differs markedly from what it was when the basic structure of legislation governing labor-management relations in the United States was established.¹ The changing economic and social environment poses challenges to some aspects of established worker-management relations and has created problems in employment, earnings, and other job market outcomes for many Americans. This chapter identifies those facts about the changing economic and social environment that bear directly on the Mission Statement of the Commission and highlight the challenges these facts pose for existing workplace practices, worker-management relations, and labor regulations.

¹ The principal laws governing workplace organization are the Railway Labor Act (1926), the Wagner Act (1935) and the Taft-Hartley Act (1947), and their subsequent amendments. Other key laws dating from this period include the Social Security Act (1935) and the federal-state system of unemployment insurance, and the Fair Labor Standards Act (1938). The wartime labor relations policies of World War II and the Korean War left their imprint for many years.
2. The Changing Economy

Among the myriad of economic developments that have affected the United States in the past several decades, the following have been significant for many American workers and enterprises:

1. A long-term decline in the rate of growth of productivity, measured in Gross Domestic Product (GDP) per employee or per employee-hour.

   • From 1950 to 1973 GDP per employee in the U.S. grew by 2.6 percent per year. From 1973 (roughly following the first oil shock) to 1992 GDP per employee grew by 0.5 percent per year. Non-farm business output per hour increased at the annual rate of 2.5 percent per year in the period 1948 to 1973, but only at the rate of 0.6 percent per year from 1973 to 1979 and at the rate of 1.0 percent per year in the years 1979 to 1992.

   • Manufacturing has had a different productivity experience. The rate of growth of productivity fell in the 1970s but recovered in the late 1980s and 1990s to its historic level of approximately 2.5 percent per year. While there are problems in measuring productivity in the service sector, which raise some doubts about the magnitude of the economy-wide productivity slowdown, no analyst has seriously questioned that GDP per employee is growing at a pace below its historic rate.

   • Productivity growth in most other advanced economies and in several developing countries exceeded that in the U.S. in the last several decades. All advanced countries experienced a reduction in the rate of productivity growth starting with the first oil shock of 1973. Although the decline in the rate of productivity growth was greater in many countries than in the U.S., these countries still enjoyed higher productivity growth than the U.S.

   • Low productivity growth does not, however, mean low productivity. The U.S. has on average the highest productivity per worker and per hour among major economies, although Western Europe and Japan are not far behind. In some sectors, their productivity exceeds ours.

   • The slowdown in productivity growth occurred despite sizeable American research and development expenditures. Total R&D in the U.S. exceeds those of our four closest industrial competitors - Japan, West Germany, the United Kingdom and France. But Japan and Germany outpace the U.S. in R&D as a percentage of gross national product; this is especially the case for non-defense research and development. In 1990 the U.S. spent 1.9 percent of GDP on non-defense R&D compared to 3.0 percent in Japan and 2.7 percent in West Germany.

Slow productivity growth makes it difficult for Americans to enjoy rising standards of living and bounds the feasible increases in wages and benefits that firms can pay and their international competitiveness at any given exchange rate of the dollar.

2. An increased globalization of economic life, reflected in trade and capital flows, and immigration.

   • In 1960 the most commonly used measure of the magnitude of trade on the economy, the ratio of exports and imports to GDP, was 0.094. In 1991, it was over twice as large, 0.214. The
ratio of exports and imports to GDP in other countries also rose over this period, as world trade expanded greatly.

- A growing proportion of manufacturing imports comes from relatively low wage developing countries, such as China. Reductions in trade barriers, the success of export-oriented developing countries on world markets, the huge trade surpluses run by Japan, and reduction in America's productivity edge over Europe create a more competitive market for American firms subject to international competition.

- Throughout the 1980s and into the early 1990s, the U.S. ran a substantial trade deficit in its national accounts. This deficit was financed by foreign purchases of U.S. financial assets, such as bonds and stocks, of real assets, such as property and businesses, and by direct foreign investments in the U.S. The U.S. moved during the 1980s from being the world's greatest creditor nation to the world's greatest debtor nation.

- Trade balances in high technology goods between 1980 and 1988 showed that the Japanese tripled their trade surplus, while the U.S. and the major European countries reduced their positive balances. At the same time, the proportion of patents issued by the U.S. Patent and Trademark Office of foreign origin have increased over the past decade or so. In 1978 out of 66,097 patents, 24,847 or 37.6 percent, were of foreign origin. In 1991 out of 96,047 patents, 45,152 or 47.0 percent, were of foreign origin.

- As a result of the flow of capital to the U.S., an increasing proportion of Americans have been employed by foreign-owned firms. In 1989 4.4 million Americans worked for U.S. affiliates of foreign companies -- 3.8 percent of all workers compared to 1.2 percent of all workers in 1974. At the same time, U.S. owned companies employ many foreigners in their overseas operations. Major multinational companies, regardless of national origin, consider locating facilities throughout the world.

In a global economy, firms face competitors whose workforces receive different levels of pay and work under different rules than those in the U.S., requiring the nation to consider its labor relations from a broader perspective than in a closed economy.

3. The declining value of the dollar and greater reductions in unit labor costs in the U.S. than overseas increased the competitiveness of U.S. firms in the international marketplace in the late 1980s, in contrast to the difficulties created by the high value of the dollar in the earlier part of the decade.

- Global integration has heightened interest in the ability of U.S. firms to compete with foreign firms. One determinant of competitiveness is the exchange rate of the dollar. Using

---

3 In 1992 mainland China was the fifth largest importer to the U.S. (Japan, Canada, Mexico, and Germany were the top four). China and Taiwan together are the third largest importer. The U.S. trade deficit with China is second to that with Japan.
4 The U.S. Patent Office determines the nationality of a patent on the basis of the residency of the applicant. Patents given to subsidiaries of American firms overseas for inventions there are counted as foreign patents, while patent given to U.S.-based subsidiaries of foreign firms are counted as U.S. patents.
1979 as an index of 100, the real (inflation adjusted) value of the dollar compared to foreign currency of our trading partners rose to 159 in 1985, then fell back to 100 in 1992. The result was that U.S. firms faced a major cost disadvantage in the mid-1980s, but have recovered since. Our share of world manufacturing exports dropped in the mid-1980s, but has returned to its earlier level.\(^5\)

- The decline in the exchange rate of the dollar and slow growth of wages in the U.S. made the country a lower-wage competitor relative to several other advanced countries, as the tabulation of hourly compensation in dollars in manufacturing in Exhibit I-1 shows.

- The growth of productivity relative to the growth of wages determines unit labor costs, which also greatly affects competitiveness. In the U.S. output per hour increased 2.4 percent a year in manufacturing from 1979 to 1992, while nominal wages increased modestly more rapidly. In most of our trading partners, nominal wages increased considerably more rapidly than productivity. The result was a reduction in the relative unit labor cost of U.S. products compared to products in other countries.

- Exhibit I-2 shows movements in three measures of international competitiveness. The real effective exchange rate; relative unit labor costs; and the relative unit value or price of manufactured exports. All three show the same trend, but the greatest increase in competitiveness is in unit labor costs.

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**EXHIBIT I-1**

**Hourly Compensation Costs in Some Major Trading Partners Relative to the United States: 1975 and 1992 (U.S. labor costs are scaled at 100)**

<table>
<thead>
<tr>
<th>Country</th>
<th>1975</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Belgium</td>
<td>101</td>
<td>136</td>
</tr>
<tr>
<td>Denmark</td>
<td>99</td>
<td>124</td>
</tr>
<tr>
<td>France</td>
<td>71</td>
<td>104</td>
</tr>
<tr>
<td>Germany</td>
<td>100</td>
<td>160</td>
</tr>
<tr>
<td>Italy</td>
<td>73</td>
<td>120</td>
</tr>
<tr>
<td>Sweden</td>
<td>113</td>
<td>150</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>53</td>
<td>91</td>
</tr>
<tr>
<td>Canada</td>
<td>94</td>
<td>106</td>
</tr>
<tr>
<td>Japan</td>
<td>47</td>
<td>100</td>
</tr>
<tr>
<td>Korea</td>
<td>5</td>
<td>81</td>
</tr>
<tr>
<td>Taiwan</td>
<td>6</td>
<td>32</td>
</tr>
</tbody>
</table>

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\(^5\) In 1991 the U.S. share of world exports of manufactures was 17.2 percent, which exceeded the level of 16.8 percent in 1980. U.S. Bureau of Census, *Statistical Abstract*, 1993, Table 1264.
EXHIBIT 1-2
Measures of U.S. Competitiveness

Index, 1985 = 100

Declining relative costs and increasing competitiveness.


Real Effective Exchange Rate
Relative Unit Labor Costs in Manufacturing
Relative Unit Value of Manufactured Exports

Source: International Monetary Fund.
4. Technology has changed the work performed at many workplaces and will continue to do so into the future.

- The most visible symbol of the new world of work is the computer, which is virtually ubiquitous in offices, factories, and stores. In 1989 38 percent of workers used a computer on the job. Sixty percent of college graduates used a computer compared to just over eight percent of persons who were not high school graduates.6

- Some technological changes require more skilled workers. Others down-grade existing skills. The current consensus is that the former predominates, so that technology has raised the demand for skills, responsibility, and knowledge. In manufacturing there has been a marked increase in the proportion of employees in more skilled white collar jobs. Between 1978 and 1993, for instance, the number of professionals and managers in durable manufacturing increased by 9.6 percent while the number of production workers fell by 33 percent.

- Some technological changes have blurred the line between employees and supervisors and in the arrangement of work responsibilities. The new information technology has made time-based competition a new mode of business and in some cases flattened management pyramids.

In an economic world where knowledge is critical, firms that effectively develop and use the brainpower of employees have an advantage over competitors; workers who lack the requisite skills and knowledge are disadvantaged in the job market.

5. The structure of employment by industry has shifted to service-producing sectors from goods-producing sectors, such as from manufacturing and agriculture.

- In 1990 77 percent of non-agricultural employees worked in service producing activities. This compares to 59 percent in 1950.7 Indicative of the change in structure, the number of Americans working for colleges and universities in 1993 was virtually the same as the number working in the motor vehicle and equipment, blast furnace, and basic steel product industries combined.

- Manufacturing constituted 17 percent of all non-agricultural employment in 1993 compared to 34 percent in 1950. Durable goods manufacturing employment has grown relative to non-durable goods manufacturing employment.

- In agriculture, employment declined from 7.2 million in 1960 to 3.2 million in 1990, due in large part to a fall in self-employed workers and unpaid family workers.

- The government share of non-agricultural employment has risen modestly since 1960. In 1960 15.4 percent of employees on non-agricultural payrolls were employed by state, local, and the federal governments. In 1993 17.1 percent of employees on non-agricultural payrolls were government employees.8 The federal share of em-

---

7 These are from the household data reported in Employment and Earnings, January 1994, Tables 23 and 24, and include self-employed unpaid family workers. Establishment data that are limited to wage and salary workers give slightly different figures.
Employment has fallen while the state and local government share of employment has risen.

The new industrial composition of employment demands workers with different skills and with different responsibilities at the job than in the past and has contributed to the relative decline in the number of high paying jobs for manual workers.

6. The occupational structure of the workplace has shifted toward white collar jobs that require considerable education.

- The tabulation in Exhibit I-3 shows the percentage change in employment by occupation in the period 1979 to 1992 and that projected by the BLS.

EXHIBIT I-3
Percent Change in Employment, Level of Employment and Projected Change in Employment, by Occupation
1979 to 2005

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All Occupations</td>
<td>19.0</td>
<td>121.1</td>
</tr>
<tr>
<td>Executive, Administrative &amp; Managerial</td>
<td>50.4</td>
<td>12.1</td>
</tr>
<tr>
<td>Professional Specialty</td>
<td>43.0</td>
<td>16.6</td>
</tr>
<tr>
<td>Technicians and Related Support</td>
<td>57.6</td>
<td>4.3</td>
</tr>
<tr>
<td>Marketing and Sales</td>
<td>30.7</td>
<td>13.0</td>
</tr>
<tr>
<td>Service Occupations</td>
<td>24.6</td>
<td>19.4</td>
</tr>
<tr>
<td>Administrative Support, Clerical</td>
<td>15.0</td>
<td>22.3</td>
</tr>
<tr>
<td>Precision Production, Craft, Repair</td>
<td>4.3</td>
<td>13.6</td>
</tr>
<tr>
<td>Operators, Fabricators, Laborers</td>
<td>10.3</td>
<td>16.3</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing</td>
<td>-5.2</td>
<td>3.5</td>
</tr>
</tbody>
</table>

- Non-agricultural employment grew especially rapidly in industries with low productivity growth and in those with low wages. The big gainers in employment were wholesale trade; retail trade; finance, insurance and real estate; and service industries, including health care. Industries with rapid growth of labor productivity experienced falls in relative employment in the economy as a whole and within manufacturing. Still, there are exceptions to this pattern: employment in some industries with high pay, such

8 These figures are from establishment data which provide a longer and arguably more accurate measure of government employment than household survey data.

9 The U.S. government changed its occupational classification in 1983 so that the figures are not strictly comparable for the period 1979-92.
for the period 1992 to 2005. The rapidly growing managerial and administrative, professional, technician and related service jobs are largely exempt positions under the wage and hour law and most are outside the definition of

as operators and laborers increased in the past 13 years less rapidly than the average of all employment, and is projected to increase less rapidly than the average in the period 1992 to 2005. Americans with high school degrees or

<table>
<thead>
<tr>
<th>Size Class</th>
<th>Establishments (in 000s)</th>
<th>Employees</th>
<th>Firms (in 000s)</th>
<th>Employees</th>
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<tr>
<td>0 to 4</td>
<td>3,245</td>
<td>5,675</td>
<td>2,764</td>
<td>4,859</td>
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<tr>
<td>5 to 9</td>
<td>1,164</td>
<td>7,682</td>
<td>924</td>
<td>6,071</td>
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<td>10 to 19</td>
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<td>9,786</td>
<td>550</td>
<td>7,387</td>
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<td>20 to 49</td>
<td>486</td>
<td>14,722</td>
<td>345</td>
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<td>50 to 99</td>
<td>167</td>
<td>11,477</td>
<td>113</td>
<td>7,749</td>
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<td>100 to 249</td>
<td>95</td>
<td>14,182</td>
<td>63</td>
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<td>250 to 499</td>
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<td>18</td>
<td>6,259</td>
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<td>500 to 999</td>
<td>9</td>
<td>6,260</td>
<td>8</td>
<td>5,656</td>
</tr>
<tr>
<td>1,000+</td>
<td>5</td>
<td>11,363</td>
<td>8</td>
<td>31,465</td>
</tr>
</tbody>
</table>

TOTAL 5,923 89,269 4,794 89,269

employees under the National Labor Relations Act. Compensation for these employees is relatively high and increased over the past 10 to 15 years more rapidly than for other employees. These occupations also typically require higher education.

- The science and engineering workforce in private industry continued a long growth trend at an annual rate of almost four percent. The proportion of science and engineering jobs in manufacturing increased from 5.0 percent in 1983 to 5.5 percent in 1989.

- Employment of administrative support and clerical positions, precision production and craft employees as well

The growing high skill work force has workplace needs that arguably differ in some important ways from those of the workers who were envisaged in traditional labor laws.

7. The American workplace includes millions of establishments and firms of different sizes, whose workplace practices and outcomes differ depending in part on the number of employees.

- Exhibit I-4 shows the number of establishments and employees in thousands by the size class of the establishment.
At the extremes, 5.7 million workers are employed in establishments with fewer than five employees and 13.4 million in establishments with less than ten employees; whereas over 11.3 million are employed in establishments with over 1,000 employees. Thus 15 percent of American workers are in quite small establishments (less than ten employees) and nearly 13 percent in the largest establishments.

Since large firms often have many establishments, the distribution by firm size shows a greater concentration among firms with over 1,000 employees than among establishments in that size class. Firms with more than 1,000 employees employ 35.2 percent of the work force whereas firms with less than ten employees employ 12.2 percent of the work force.

In manufacturing, there is little support for the claim that most employment growth is generated by small firms. While small plants and firms do account for most newly-created jobs, they also contribute disproportionately to the number of jobs that disappear. Survival rates for new and existing manufacturing jobs increase sharply with employer size. Smaller manufacturing firms and plants exhibit sharply higher gross rates of job creation but not higher net rates because of their higher gross job destruction rates.11

Smaller enterprises pay lower wages than larger enterprises in the same industry, and are less likely to offer health and retirement benefits. Spending on insurance and retirement benefits per worker increases with the size of enterprise. In the size categories 1-99, 100-499 and 500 or more, health insurance and pensions costs per hour in March 1993 were respectively $1.09, $1.31 and $2.32.12 Most firms in the 1-24 size category do not provide such benefits.

While smaller firms and establishments do not offer the same wages and benefits as larger firms, many workers have traditionally used them as first jobs that lead to better employment outcomes. The lack of formal structure also makes many small workplaces attractive to employees.

Health benefits for retirees, financed in part by former employers apart from Medicare were provided in 1990 by 15 percent of establishments with fewer than 100 workers and by 45 percent of establishments with 100 or more workers.13

Most enterprises in the United States determine compensation and working conditions on their own, without the coordination of employer associations. This contrasts with the situation in Western Europe or Japan, where employer associations are a decisive factor in determining wages and hours. In Europe agreements between asso-

10 These data are for workplaces covered by state unemployment insurance laws and thus exclude some firms, self-employed workers, railroad employees, agricultural workers, and some others.
12 (USDL: 93-220)
ciations and unions usually extend to establishments of all sizes.

The disparity between smaller and larger firms creates different environments for worker-management relations in the United States, with firms and workers having different options and needs depending on firm size.

8. During the past 10 to 20 years many product and financial markets in the U.S. have faced turbulent conditions through deregulation of rates and prices and the removal of barriers of entry; or through government cutbacks in defense or other programs.

- The product markets for railroads, airlines, trucking, natural gas, telephone and cable television are the major fields of de-regulation, although some public services have also been privatized. De-regulation has affected employment and wages and labor-management relations in these sectors.

- Changes in financial markets have led to considerable mergers and restructuring of firms and battles for control of corporations that can affect the employment and well-being of employees. In some cases employees benefit in the long run from changes in ownership, as new managers lead the firm in more productive directions. In other cases, the consequences are adverse for employees, with new owners downsizing the firm and demanding wage and benefit concessions from workers.

- Defense-industry cutbacks have created major economic problems for many enterprises, communities and for selected occupations. Occupations with a significant reliance on military programs include engineers, particularly aeronautical and astronautical engineers, and aircraft assemblers, and numerical tool controllers.

Turbulence in product and financial markets tends to create insecurity at workplaces and can upset labor-management relations in ways that raise the costs of structural change.

3. The Changing Workforce

The number of workers, the demographic and ethnic composition of the American workforce and their educational levels have changed over the past several decades. In 1950 firms hired workers from a civilian labor force of 62.2 million persons. In 1993 the American workforce of 129.5 million persons was more diverse and better educated.

9. A higher proportion of Americans work or seek work than ever before, due in large part to the movement of women into the workforce.

- In 1950 59.2 percent of the population was in the civilian labor force; in 1993 the percentage had risen to 66.2. The principal reason is the movement of women into the workforce. In 1950 33.9 percent of females of working age were in the labor force; in 1993, 57.9 percent were in the labor force. The percentage is projected to increase further to 63.0 percent in 2005. In 1993 58 percent of married women with children under six years of age worked.

- By contrast, in the same period the proportion of males in the civilian work force dropped from 86.4 percent to 75.4 percent, due in large part to declines in the age of retirement. The labor participation rate for men is projected to continue to decline.

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The Increasing Responsibility of Women Workers for Family Financial Needs

Percent of All Families with Children in Each Family Type

- Exhibit I-5 shows that the composition of families by earnings has been greatly altered. Many more families have two earners than in the past. Many more families have single female earners than in the past. The proportion of families fitting the traditional "Ozzie and Harriet" pattern of the male working in the labor market and the female working exclusively in household activities fell from a majority to a minority of families.

- The Bureau of Labor Statistics projects, in its moderate scenario, a lower rate of growth in the civilian workforce in the period 1992 to 2005 compared to 1979 to 1992. Annual growth rates are projected to be 1.3 percent a year for the period 1992 to 2005 instead of 1.5 percent a year in the years 1979 to 1992, or a net increase in the civilian labor force of 23.5 million in the 1992 to 2005 period compared to 22.0 million in the 1979 to 1992 period.

  The increased role of women as both breadwinners and homemakers challenges traditional work arrangements and raises demands for flexible working hours, job-sharing arrangements, child care benefits, and parental leave.

10. The ethnic composition of the workforce has changed.

- In 1954 approximately 10 percent of the workforce was non-White; in early 1994, 15.2 percent of the workforce was non-White. The Hispanic share of the workforce reached 9.0 percent in early 1994, in part because of sizeable immigration from Mexico and Latin America. The proportion of the population who were Asian or Pacific Islanders nearly doubled from 1980 to 1994, though from a small base.14

- In the 1992 to 2005 period the racial composition of the labor force is expected to continue to change, as the following annual growth rates for the labor force show:

<table>
<thead>
<tr>
<th></th>
<th>1979-199215</th>
<th>1992-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>1.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Black</td>
<td>2.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Asian</td>
<td>5.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Hispanic</td>
<td>4.3</td>
<td>3.9</td>
</tr>
</tbody>
</table>

- Almost two-thirds of entrants to the civilian labor force in 1992 to 2005 are projected to be women and racial minorities and only one-third are projected to be White males.

  The changing composition of the workforce challenges employers and labor organizations to develop training and employment practices that take account of the diverse backgrounds of employees and that guarantee equal employment opportunity for all.

11. The years of schooling attained by the workforce have increased greatly.

- In 1970 25.9 percent of the labor force aged 25-64 years had more than 12 years of schooling; 38 percent had a high school degree; and 36 percent had less than high school education. In 1992 52 percent of those aged 25-64 had more than 12 years of schooling: 25.7 percent had some college work; 26.7 percent were college graduates.

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15 The figures for Hispanics are from 1980 to 1992. They are for any race.
• Despite the huge increase in educational attainment more than 20 percent of students drop out of high school--50 percent in many inner city schools. In October 1991 in the age group 16-24, only 64.3 percent of men with less than a high school diploma were employed compared to 80.7 percent of men who had completed high school.

• Many high school dropouts go on to get a general education development certificate (GED), but GEDs are an imperfect substitute for a high school diploma in the job market. In addition, much training in workplaces goes to white collar and more educated workers, so that the less educated do not easily make up for their skill deficiencies through employer-based training, although some employers have exemplary programs.

• The military has historically trained many male high school graduates and until recently, many high school drop-out men as well. The decline in the size of the military has made this form of education and route into the job market less common among the young.

• In 1989 about one-quarter of all students enrolled in U.S. graduate science and engineering departments were non-U.S. citizens. In engineering, mathematics and the computer sciences, the majority of Ph.D. recipients (over 55 percent) were non-United States citizens.

Traditional employee-management relations and regulations may not fit well the new highly educated workforce. The current training system does not meet the needs of less educated workers.

12. The age structure of the workforce has changed and will change greatly in the next decade as the "baby boom" generation ages.

• The median age of the labor force was 40.5 in 1962. With the post-World War II baby boom, the median age declined to 34.6 in 1980. It increased to 36.6 in 1990 and is projected to rise to 40.5 in 2005.

• The annual actual and projected growth rates for 16-24, 25-54, and 55 and over persons in the labor force from 1979 to 1992 and from 1992 to 2005 are shown below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>16-24</td>
<td>-1.7</td>
<td>1.3</td>
</tr>
<tr>
<td>25-54</td>
<td>2.7</td>
<td>1.1</td>
</tr>
<tr>
<td>55 and over</td>
<td>0.2</td>
<td>2.5</td>
</tr>
</tbody>
</table>

• The most striking change is the acceleration in the growth rate of older workers compared to the deceleration in the growth of "prime age" workers.

• In the period 1992 to 2005 the Bureau of Labor Statistics projects that 51.2 million persons will enter the civilian labor force and 27.7 million persons will leave due to retirements, deaths and withdrawals. Almost twice as many people will enter the labor force as leave in this period for a net growth of 23.5 million.

The increase in the workforce aged 55 and older (combined with enhanced longevity) raises questions about the adequacy of pensions and health benefits, particularly in small enterprises, and the feasibility of financing the trend toward early retirement.

13. There has been an increased flow of immigrants, many from developing countries, into the United States.

• Large numbers have come legally, but many also have come illegally. As a result, the proportion of the population
who are foreign born has risen from 4.7 percent in 1960 to 8.4 percent in 1990 according to Census of Population data. Since the Census fails to count perhaps a third of illegal immigrants, and since immigrants have higher labor participation rates than the native-born, the actual proportion of workers who are foreign born may be as high as nine percent.

• Following the Immigration Act of 1964, immigrants from developing countries have made up the bulk of American immigrants. In the 1950s, only a third of immigrants came from developing countries; the largest countries for legal immigration were Germany, Canada, Mexico, the United Kingdom and Italy. In the 1980s, 84 percent of immigrants were from developing countries; the largest source countries were Mexico, the Philippines, China, Korea, and Vietnam. The increased proportion of immigrants from poorer countries has reduced the education and skill distribution of immigrants compared to native-born Americans. Many immigrants come with advanced training and degrees (such as Indian doctors, Filipino nurses et al) but many come with little schooling, largely from Mexico and other Latin American and Caribbean countries.

• The influx of less skilled immigrants was such that about one in five American workers with less than high school education were foreign born in the 1980s. The geographic concentration of immigrants in gateway cities and states places substantial burdens on those areas in providing social services to a growing low-income population.

• Immigrants are disproportionately employed in low wage import-competing industries. Illegal immigrants make up a significant share of employment in several sectors: apparel manufacturing; leather and footwear; private household jobs. In addition, many immigrants, particularly those who enter the country illegally, work in poor conditions outside the normal rules of the labor market.

Immigration links American wages and working conditions to those in source countries. Immigrants often take difficult and low-paying jobs, which increases the output of the country. But by competing with less skilled native-born Americans, they also contribute to the falling real earnings and weak job opportunities for some native-born workers.

4. Changing Labor Market Outcomes

The changes in the economy, technology, workforce, and competitive conditions summarized above have interacted within the U.S. labor relations system to produce employment and wage outcomes that differ greatly from those in the past and fall short of meeting the needs of many Americans.

14. The United States has been more successful in creating jobs for those who seek work than most other developed countries, but unemployment remains high for

16 While our statistical data undercount "undocumented aliens", both the Census of Population and Current Population Survey find sizeable numbers. The current Immigration and Naturalization Service estimate is that in 1992 there were 3.2 million undocumented workers.
the less skilled; many American workers are insecure about their jobs.

- The unemployment rate of the civilian labor force was 5.3 percent in 1950 and 5.5 percent in 1990. The figure for 1993 was 6.7 percent of the entire labor force (6.8 percent of the civilian labor force). The averages of unemployment rates for the decades are as follows: 1950s - 4.5; 1960s - 4.8; 1970s - 6.2; 1980s - 7.3. By contrast, average unemployment in Western Europe in the 1980s was 9.1 percent.

- Unemployment in the U.S. affects many workers. In 1990, 14.7 percent of the workforce experienced some joblessness. Spells of unemployment were shorter than in other advanced countries -- American workers unemployed in 1990 had a median spell of 12.0 weeks. But since statistics on length of unemployment relate solely to those currently unemployed, by the time these workers find a job, they will have been jobless longer than 12 weeks. The amount of time they are likely to be jobless when they conclude their spell of unemployment will be roughly double the reported 12 weeks -- or nearly half a year.

- A 1991 Family and Workplace Institute survey found that 42 percent of workers reported that during the past year their places of employment experienced downsizing or permanent cutbacks of the workforce; 28 percent reported cutbacks in the number of managers. Many workers feared for their job security; 18 percent felt it very likely or likely they would be laid off temporarily next year and 17 percent reported that likely or very likely they would lose their job permanently.17

- Unemployment rates vary inversely with years of schooling. In 1992, the unemployment rate for those with less than a high school education was 11.4 percent; for those with only a high school education, 6.8 percent; for those with a bachelor degree, 3.5 percent; while for those with a professional degree, 1.4 percent. Unemployment rates have also been lower for white collar workers than for blue collar workers, but in recent years the gap in rates between these two groups has diminished.

- Unemployment rates for minorities are considerably higher than for Whites.18 In 1993 12.9 percent of Blacks were unemployed compared to 6.0 percent of Whites. For young Blacks, rates of unemployment are high, and many do not participate in the workforce at all. In 1993 just 50.8 percent of 16-24 year old Blacks not enrolled in school were employed compared to 72.8 percent of 16-24 year old Whites not enrolled in school. For those in the labor force, the rate of unemployment was 26.8 percent for 16-24 year old not enrolled Blacks compared to 11.0 percent for similarly aged not enrolled Whites, and 15.9 percent for Hispanics aged 16-24 not enrolled in school.

- In the four previous recessions prior to 1990 44 percent of the increase in job losses were on temporary layoff -- expecting recall to their previous employer. The remaining 56 percent of additional recession-induced job losers

17 Family and Workplace Institute, The Changing Workforce, Highlights of a National Study, 1993, Table 3.
18 The data for unemployment in this section comes largely from Employment and Earnings, January 1994, household data annual averages, Tables 3 and 6.
were permanent job losers, persons who did not expect recall. But from July 1990 to June 1992, when unemployment peaked, only 14 percent of the increase in job losers expected to be recalled, whereas 86 percent were permanent job losers.

EXHIBIT I-6
The Stagnation of Real Earnings Growth in Establishment and Household Surveys 1973-1993

<table>
<thead>
<tr>
<th>Compound Growth Rate Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment Survey Data</td>
</tr>
<tr>
<td>Average hourly earnings, private nonagriculture, Production and Nonsupervisory Workers, 1973-1993</td>
</tr>
<tr>
<td>Hourly Compensation, Business Section, 1973-1992</td>
</tr>
<tr>
<td>Total Compensation, Employment Cost Index, 1979-1993</td>
</tr>
<tr>
<td>Compensation of Full-time Equivalent Workers, 1975-1991</td>
</tr>
<tr>
<td>Household Survey Data</td>
</tr>
<tr>
<td>Median Weekly Earnings of Full-time Workers, 1979-1993</td>
</tr>
<tr>
<td>All</td>
</tr>
<tr>
<td>Male, 25 and over</td>
</tr>
<tr>
<td>Female, 25 and over</td>
</tr>
<tr>
<td>Median Annual Income, Full-time Workers, 1973-1992</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
</tbody>
</table>

The unemployment insurance system, which was intended for workers temporarily laid off, is not well-suited to help those suffering from structural unemployment problems due to permanent job loss or educational deficiencies.

15. The real hourly compensation of American workers stagnated in the past two decades and actually fell for male workers -- developments unprecedented in the past 75 years in this country.

- From 1929 to 1973 earnings of American workers increased in real terms by some two percent per year. For the period 1973 to 1992, estimates of compensation per year from establishment and household surveys deflated by the CPI show a very different pattern -- stagnation or decline in real earnings. The compound annual average changes in earnings from the different series are given in Exhibit I-6.

- Compensation series differ in various ways -- the sample covered; whether or not they include employee benefits or social insurance; time coverage (for some of the series we report figures going back to 1973, others begin in later years, in others we report figures from 1979) -- but they tell the same story: that real hourly pay did not increase in the 1980s to early 1990s at anything like the historic pattern of two percent a year. The figures that relate to wages and salaries show
smaller growth of real pay than those that include benefits; those for production workers and those for male workers show the biggest drops.

- The slow growth of U.S. wages has reduced the gap between the real pay of American workers and workers in other advanced countries. Deflating wages by OECD purchasing power parity price indices (which measure how much different currencies buy in the consumer market) shows that workers in several European countries such as Germany, Belgium and Norway have attained roughly comparable price index than in the deflator for output. This implies an increased gap between the cost of labor relative to the producer prices (which affects employment decisions by firms) and the purchasing power of wages relative to the consumer prices (which affects living standards).

16. The gap in earnings between higher paid and more educated or skilled workers and lower paid and less educated workers has increased greatly in the U.S.

- The median annual income, in 1991 dollars, of men and women according

<table>
<thead>
<tr>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>1990</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Less than High School</td>
<td>26,462</td>
</tr>
<tr>
<td>4 Years High School</td>
<td>33,961</td>
</tr>
<tr>
<td>1-3 Years of College</td>
<td>38,117</td>
</tr>
<tr>
<td>4 or More Years College</td>
<td>48,299</td>
</tr>
</tbody>
</table>

| Ratio 4 or more College to 4 years of High School | 1.42 | 1.53 | 1.60 | 1.66 |

hourly real earnings to American workers. 20

- For the non-farm business sector as a whole, output per hour increased a total of 13.8 percent from 1979 to 1992 while hourly compensation deflated by the consumer price index increased by just 3.6 percent. One reason for this is the greater increase in the consumer to educational attainment in 1972 and 1990 are reported in tabular form: 21.

These data show that real earnings fell more for male workers with less than 4 or more years of college than for college graduates and have fallen for women with less than high school education.

19 We have used the CPI deflator in these calculations. Similar results are obtained if we use the consumption deflator from the national income accounts, or variant CPI series.

20 Measured by exchange rates, workers in these countries are higher paid than Americans, but the exchange rates do not reflect the higher cost of living in other countries. All purchasing power parity measures show that prices in most other OECD countries are higher than in the U.S. at 1993 exchange rates.

21 These data were presented to the Commission by the Bureau of Labor Statistics on May 24, 1993 as part of the BLS' presentation of facts.
• A group that has fared particularly poorly in terms of earnings growth has been younger men, particularly those with less than college education. In addition to facing falling real earnings, these men are less likely to have pensions than similarly aged men years ago. They have noted that the growth of the college workforce decelerated during the 1980s. In addition to these factors, the decline of unions, who historically reduce earnings differentials within establishments and bring the earnings of production workers closer to that of supervisory workers, has contributed to the rise in inequality. For workers with very low earnings, the fall in the value of the minimum wage relative to the price level has also played a role. Even after the 1990 and 1991 increases in the

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial and</td>
<td>706</td>
<td>753</td>
<td>489</td>
<td>527</td>
</tr>
<tr>
<td>Professional</td>
<td>349</td>
<td>330</td>
<td>237</td>
<td>244</td>
</tr>
<tr>
<td>Service</td>
<td>2.02</td>
<td>2.28</td>
<td>2.06</td>
<td>2.16</td>
</tr>
</tbody>
</table>

professional occupations and in service occupations in 1983 and 1991 are reported above:

These data show a pattern much like that in education: falling real earnings for men, particularly those with low wages, and a rising ratio of earnings for the high paid relative to the low paid.

• Several factors have been proposed as contributing to the widening earnings inequality. Some analysts stress the importance of trade, particularly with less developed countries; others stress technological developments; others point out that the influx of less skilled immigrants added to the supply of less skilled workers in the job market; minimum, it was at an historically low level relative to average earnings.

17. The number of low wage fully employed workers in the U.S. has grown greatly, with the result that a sizeable proportion of U.S. workers are paid markedly less than comparable workers in other advanced countries; by contrast, high paid U.S. workers earn more than high paid workers in other advanced countries.

- About 18 percent of the nation's year-round full-time workers earned less than $13,091 in 1992 -- a 50 percent increase over the 12 percent who had low earnings in 1979. These workers consist disproportionately of women,

22 Coverage of full-time male employees in pension plans decreased from 54 percent in 1972 to 51 percent in 1988. Because many plans often require workers to make voluntary contributions, low wage younger workers have a lower tendency to join such plans when they are available, than other workers.
young workers, Blacks, Hispanics, and the less educated.

- Measures of the gap between the earnings of workers in the highest decile of earnings and those in the lowest decile show that the U.S. earnings distribution among workers has widened greatly and is the most unequal among developed countries. OECD data shows that male workers in the bottom decile earn 38 percent of median earnings in the United States whereas the bottom decile of workers earn 68 percent of the median earnings in Western Europe. In the upper rungs of the earnings distribution, male workers in the top decile in the U.S. earn 2.14 times median earnings whereas male workers in the top decile in most European countries earn 1.4 to 1.7 times the median. The ratio of earnings in the top decile to the lowest decile in the U.S. is 5.63 -- by far the widest among OECD countries.

- As a result of stagnant or declining real earnings in the U.S. and a wide and increasingly unequal earnings distribution, lower paid workers in the U.S. earn markedly less than comparable workers in Western Europe. The bottom third of American workers earn less in terms of the purchasing power of their pay than the bottom third of workers in such European countries as Germany, France, Belgium. Tenth decile male workers in the U.S. are paid barely half what tenth decile male workers make in Europe. In addition, many low-paid U.S. workers lack health insurance and other fringe benefits that are provided for all workers in other countries.

The stagnation of real earnings and increased inequality of earnings is bifurcating the U.S. labor market, with an upper tier of high wage skilled workers and an increasing "underclass" of low paid labor.

18. Americans put in more hours of work than workers in other advanced countries except for Japan.

- After having led the world in reducing hours worked, U.S. workers work about 200 hours more during a year than workers in Europe. For instance, in 1991 the OECD reports that Americans worked 1,737 hours over the year compared to 1,557 hours for Germans, 1,540 hours for the French, and 1,423 hours by the Dutch.

- A major reason for the difference in working time is the greater length of vacations in Europe. Americans with sufficient seniority typically get two weeks of vacation, though some get more and others less. By contrast, Europeans typically obtain 4-5 week vacations, often legally mandated, from the first year hired.

- The greater work time of Americans is a relatively new phenomenon. The length of vacation and holiday time in the U.S. for fully employed workers declined modestly in the past 20 years. Vacation and holiday time has increased in such European countries as Germany.

---

23 The United Kingdom and France are exceptions to the OECD pattern, with high decile earners earning about twice what median earners make.

24 OECD Employment Outlook July 1993, Table B. Our figures are for dependent employment. The data shows that the Spanish work more hours than Americans, but Spain is a much lower income society.
- Many American workers work non-normal hours in different locations. In 1991 6.2 percent of workers were multiple job-holders, reporting more than one job; 15.5 percent were on flexible schedules, compared to 12.3 percent in 1986; and 17.8 percent reported that they were on shift schedules. In addition, 18.3 percent of workers reported that they did job-related work at home. While many of these were self-employed, 15 million wage and salary workers also reported working at home.

- With a higher fraction of the working age population employed and those working averaging more hours than workers in Europe, Americans spend more time at work than people in other advanced countries. Surveys of preferences for work show that Americans also want to work more hours and report working harder than European workers.

The fact that Americans work so many hours makes conditions at work a major factor in the economic well-being of citizens.

19. The gap in earnings between men and women has declined in recent years, though women continue to earn less. The gap in earnings by race has fallen among women, but the earnings of black men were

The following tabulations give median weekly earnings by race and gender for full time wage and salary workers (in 1993 dollars).

- The earnings of women, which have historically been lower paid than men, rose relative to those for men in the 1980s, but were still just 81 percent of male earnings for Whites in 1993. Some of the difference in pay by gender is attributable to differences in work experience or to differences in industry or occupation, but there still remains an unexplained residual gap in any given labor market category.

- The gap between the earnings of Black women and those of White women was relatively narrow. In 1970 Black women earned 85 percent of White women. In 1993 they earned 87 percent as much as White women. Within educational groups Black women earned approximately as much as White women, so that the remaining difference is attributable to differences in educational attainment.

- The earnings of Black men, which had risen rapidly relative to those of White men in the late 1960s to early 1970s following passage of the Civil Rights Act of 1964, stagnated relative to those of White men since 1970. In 1970

<table>
<thead>
<tr>
<th>Year</th>
<th>White Men</th>
<th>White Women</th>
<th>Black Men</th>
<th>Black Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970*</td>
<td>554</td>
<td>353</td>
<td>417</td>
<td>302</td>
</tr>
<tr>
<td>1980</td>
<td>563</td>
<td>356</td>
<td>431</td>
<td>323</td>
</tr>
<tr>
<td>1993</td>
<td>531</td>
<td>403</td>
<td>392</td>
<td>349</td>
</tr>
</tbody>
</table>

*The 1970 Figures for Blacks refer to "Blacks and others."

no better relative to that of Whites in 1993 than they were in 1970. Black men earned 71 percent of what white men earned; in 1980 they earned 77 percent; in 1993, they earned 72 percent.
While the U.S. reduced earnings differentials based on gender and race, considerable differences remain.

20. The economy, the labor market and the legal system produce many jobs that diverge from full-time continuing positions with a single employer.

- There is no standard definition or data to encompass worker-management relations commonly grouped under the label "contingent workers." This term covers part-time workers, some of whom are voluntarily part-time, some of whom are multiple job holders. It also includes employees of temporary help agencies (who may be full-time workers), and some of the self-employed, including "owner-operators" or independent contractors with only a single contract or employer. Rather than grouping these disparate groups under one rubric, we consider each separately.

- Part-time workers have been a relatively constant share of the American workforce at about 18 percent of the workforce in the 1980s to early 1990s. Many part-time workers choose part-time work voluntarily, but the proportion who would prefer full-time work has trended upward. In 1992 6.5 million workers were categorized as involuntary part-timers out of a total of 20.6 million part timers.

- Whether voluntary or involuntary, part-time workers are lower paid per hour than full-time workers; have higher turnover rates; are disproportionately young and female; and are more likely to work for employers who do not offer pensions or health insurance. Perhaps seven million part-timers work fewer than 1000 hours per year and are exempt from Employee Retirement Income Security Act and Family and Medical Leave Act (FMLA) benefits. Unemployment Insurance (UI) state earnings and requirements to be available for full-time work exclude most part-timers from UI benefits.

- The Department of Labor estimates that in 1992 there were 2.5 million temporary employees, approximately half hired through temporary agencies and half hired directly by employers. The number of workers in the temporary help services or help supply services industries more than tripled from 1979 to 1992. These workers are disproportionately young, female, and Black and tend to be in relatively low wage occupations.

- Self-employed workers differ greatly from part-time and temporary workers and include some of the nation's most highly educated and high paid workers. Independent contractors are included in the self-employed; some of them work for a single employer, possibly as a means for avoiding virtually all of the nation's labor laws.

- European countries and Japan draw somewhat different lines between contingent and other workers. European countries distinguish between workers with permanent contracts, who are difficult to dismiss or lay off, and those with temporary employment contracts. The proportion of workers on temporary contracts ranges widely, from 5.8 percent in the United Kingdom to 32.2 percent in Spain. The proportion of the labor force that is involuntary part-time is higher in the

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25 The data in this paragraph are largely from OECD Employment Outlook, July 1993.
United States than in other countries, but the proportion who are part-time is higher in many European countries than in the U.S., in part because of work-sharing or child-care arrangements.

- The increase in "contingent work" in the U.S. is largely the result of the way in which employers offer jobs to increase flexibility with uncertain product demand and to reduce labor costs by retaining a smaller core of year-round full-time workers who receive full benefits which are not given to contingent workers; and of legal and tax arrangements that facilitate the formation of "owner-operator" arrangements rather than employer-employee arrangements.

The growing number of "contingent" and other non-standard workers poses the problem of how to balance employers' needs for flexibility with workers' needs for adequate income protections, job security and the application of public laws that these arrangements often preclude, including labor protection and labor-relations statutes.

21. A rising number of America's working-age population is involved in illegal activity, for which they have come under supervision of the criminal justice system, which has greatly expanded its employment.

- In 1991 789 thousand persons were federal and state prisoners and 426 thousand were in jails, for a total of over 1.2 million. Relative to the population the number of prisoners has more than tripled since 1970.

- Nearly 95 percent of state prisoners are men of working age and 91 percent of jail inmates are men. These figures imply that approximately 1.7 percent of the potential male work force in 1991 was incarcerated. Rates of recidivism are high, so that relatively few of these men are likely to be rehabilitated into productive members of the workforce. In 1990, an additional 3.2 million persons were on probation or paroled. The total number under supervision of the criminal justice system is thus equivalent to 6.4 percent of the 1991 male civilian workforce of 68.4 million persons.

- Of those in state prisons, in 1991 41.2 percent had less than 12 years of schooling, 26 47.3 percent were Black; and 31 percent were not employed prior to their arrest. The rates of incarceration for young less educated men, particularly Blacks, are extraordinarily high. Many inner city youths report that they can earn more from crime than from legitimate employment and report substantial opportunities for illegal earnings.

- In 1990 1.7 million workers were employed in the criminal justice system providing police protection, legal services, correctional work, and the like. In the private sector guards and watchmen are one of the fastest growing occupations.

The large number of young American men involved in crime is a major drag on the economy, costing the U.S. considerable human and other resources far beyond those of any other advanced country.

22. The measured incidence rates of occupational injury and illness per full-time worker shows little improvement over the
past decade. Fatal accidents declined but the number of workdays lost per full-time employee due to occupational injury and illness has risen; and workers' compensation costs have risen sharply.

- Occupational injury rates per 100 full-time workers were unchanged in the range of 7.6 to 8.7 in the 1980s.\textsuperscript{27} Lost workday cases per 100 full-time workers were in the 3.4 to 4.0 range. But the number of lost workdays per 100 full-time workers rose from around 55 days in the 1970s to over 80 days in the early 1990s, implying that those who are sick or injured are out longer than in the past.

- Fatal accidents fell. Among the highest fatal accident workplaces are those in transportation, construction, services, agriculture and manufacturing in that order. About one-third of the 6,083 fatalities due to work injuries in 1992 resulted from highway accidents or homicides, each of which accounted for 1,000 deaths apiece.

- The number of workers covered by workers' compensation insurance grew from 36.9 million in 1950 to 95.1 million in 1990. Workers' compensation costs rose from 1.11 percent of payrolls in 1970 to 2.27 percent of payrolls in 1989. Medical and hospitalization benefits reached $16.8 billion in 1990. The rise in medical and hospitalization costs has been particularly sharp in the past decade.

- In the first half of 1993 17 state legislatures introduced initiatives to change workers' compensation. Ten states, by 1993, mandated joint labor-management health and safety com-

mittees in enterprises of a specified size (often 11 or more employees) or with above average health and safety problems as reflected in workers' compensation records.

- While comparisons of the level of U.S. and Canadian rates of workplace injury and sickness are subject to many problems, the trend rate in Canada is strikingly different from that in the U.S. Work-related accident rates declined in Canada from the early 1970's through 1992 and fell most rapidly in Ontario, which made a major effort to reduce accidents through joint health and safety committees and government-sponsored health and safety education.

America's occupational health and safety record has not improved to the extent that seems possible, with the result that work injuries are producing rising costs for firms, workers, and the economy.

5. Labor Relations Outcomes

Collective bargaining governs a declining fraction of workplaces and the workforce. Government regulations govern many more subjects and have become more pervasive, with increased reliance on administrative and court procedures to resolve issues of disagreement between employees and firms in the new economic environment.

23. The prevalence of collective bargaining has declined, as collective bargain-

\textsuperscript{27} Some of the lack of improvement in occupational health and safety injury rates may be due to changes in reporting, as the nation recognizes new forms of occupation-related health and safety problems.
ing agreements have not been negotiated for many new worksites and sectors.

- In 1993 the proportion of private sector nonagricultural workers who were union members was 11.2 percent, which is less than one-third the 35 percent or so covered in the 1960s. By contrast, over a third of public sector workers were union members in 1993, compared with 10 to 11 percent in the 1950s.

24. Overt conflict in the form of strikes or lockouts declined appreciably in the 1980s over levels of the earlier post-World War II years.

- The number of work stoppages involving 1,000 or more workers and the number of workers involved in these disputes per year has dropped sharply in the past two decades, as the following tabulation shows:

<table>
<thead>
<tr>
<th>Stoppages</th>
<th>Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950s</td>
<td>352</td>
</tr>
<tr>
<td></td>
<td>1,588,000</td>
</tr>
<tr>
<td>1960s</td>
<td>283</td>
</tr>
<tr>
<td></td>
<td>1,234,000</td>
</tr>
<tr>
<td>1970s</td>
<td>289</td>
</tr>
<tr>
<td></td>
<td>1,488,000</td>
</tr>
<tr>
<td>1980s</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>507,000</td>
</tr>
</tbody>
</table>

In 1950 0.26 percent of working time was lost due to strikes. In 1990 the days idle constituted 0.02 percent of estimated working time.

- In 1990 to 1992 the number of stoppages involving 1,000 workers or more and the number of workers involved in these stoppages continued to decline. In 1992 there were 35 such stoppages involving 182 thousand workers.

The decline in collective bargaining in the private sector has created an arena for employee-management relations in which most employees have no independent organization to discuss issues with management.

25. Government regulations of the workplace have increased greatly.

- The number of statutes affecting the workplace, and the related regulations, have increased significantly over the past 25 years under the administrations of both political parties (see Chapter IV of this report). The enactment of ERISA, OSHA, the Immigration Reform and Control Act, Family and Medical Leave, and Americans with Disabilities Acts are illustrative of major regulatory developments.

- At the same time the appropriations for organization and staff to secure enforcement have not kept pace with the enlarged responsibilities of federal agencies. A significant development has been the enactment of the Administrative Procedures Act of 1990 which authorizes negotiated rule-making. But these procedures have been used infrequently.

- The administration of regulations has seldom resorted to alternative dispute resolution methods. An important development has been the experience in the Philadelphia area. 28

- In contrast to the relatively centralized U.S. regulatory system, most European countries rely on elected groups of employees in "works councils" to meet with managers to determine workplace conditions and monitor com-

pliance with national labor regulations.

The growth of federal regulations of the workplace leaves less room for local parties to determine the workplace rules that best meet the needs of their situations.

6. Summary

The Commission's findings with respect to the economy and labor market for American workers are set forth at the end of this Section. There is, of course, nothing sacrosanct about the 25 points around which we have organized our discussion. Some readers may prefer a more concise or a more elaborate listing of facts. Some may prefer greater emphasis on some facts rather than others. This said, the overall picture of the changing environment for worker-management relations given here is an arresting one.

The evidence shows that the economy and workforce have changed greatly in recent years. This is not the first period of massive change in the labor market: the movement of labor from agriculture to industry in the early part of the century, the growth of the mass production industries, the Great Depression, the boom of World War II. Whether the current restructuring is greater or smaller than earlier transformations need not be decided. In terms of the Commission's charge, the key finding is that the changes affect the working lives of nearly all Americans and firms, and pose a major challenge to worker-management relations.

As noted, some of the changes described in this chapter pose major long term problems for our society. The low rate of growth of productivity makes it difficult for firms and workers to produce the continually rising living standards that have marked the economic history of our nation. The globalization of economic activity places firms and workers in greater competition with advanced countries that have evolved different rules of work and with less developed countries where pay is much lower than in the U.S. It makes competitiveness depend on fluctuations in exchange rates, almost regardless of what employers and workers do.

The increased demand for educated workers due to changes in the mix of industries and occupations and to technological changes and the growth of the educated workforce makes it critical that Americans obtain adequate schooling and job training. They also pose a problem for the country in finding ways to employ less educated workers at wages that enable them to support families at reasonable living standards.

The changing composition of the workforce -- more educated; more female, often part of a two-earner family; more likely to be members of a minority group; and getting older as the baby boomers age -- poses challenges to traditional modes of compensation and organization of work schedules and makes the provision of equal opportunity for all increasingly critical to our economic success.

The growth of contingent work and other forms of employment that break the mold of more permanent employment with a single employer raise questions about the

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29 The 1994 Economic Report of the President noted that changes in the structure of industry, measured by one-l the sum of the absolute value of shifts in the proportion of the work force in different industries, shows no trend since 1949. See Chart III-15.
ability of our traditional labor relations system to provide employee benefits, legal protection, and representation for those who want it.

While our labor market and employee-management system has done well in adjusting to these changes in some areas, notably job growth, it has done sufficiently poorly in others to raise serious concern about whether extant institutions and employee-management relations and regulations fit with the rapidly changing economic and social environment.

Among the signs of a failure to adjust to the changing environment in ways consistent with our past economic history of progress for virtually all our citizens are: falling real earnings for less educated and less skilled workers; stagnant growth of earnings for others; continued high levels of occupational injuries; lack of health insurance and other fringe benefits for many workers; an increased proportion of our young male workers incarcerated; high rates of joblessness for the less skilled. Our unemployment insurance system, which was intended for workers temporarily laid off, is not well-suited to help those suffering from structural unemployment problems due to permanent job loss or educational deficiencies.

A healthy society cannot long continue along the path the U.S. is moving, with rising bifurcation of the labor market.

The decline of collective bargaining in the private sector and increased reliance on governmental regulations and court suits to protect workers gives most employees no independent mechanism for dealing with their management as a group and moves employee-management policies from the local parties. The disparity between smaller and larger firms creates different environments for worker-management relations in the United States, with firms and workers having different options and needs depending on firm size. Diversity in size and in characteristics of workers argues for more, not for less, determination of working conditions and rules at worksites.

These are just some of the areas, to which others will be added in later chapters of this report, in which our factual review suggests that American labor and firms need a better future.

**Twenty-Five Critical Factors in the American Labor Market**

1. A long-term decline in the rate of growth of productivity.

2. An increased globalization of economic life, reflected in trade and capital flows, and immigration.

3. Increased competitiveness of U.S. firms in the international marketplace in the late 1980s and early 1990s, due to changes in unit labor costs and exchange rates.

4. Changes in the work performed due to changing technology.

5. A shift in employment to service-producing sectors from goods-producing sectors.

6. A shift in the occupational structure of the workplace toward white collar jobs that require considerable education.

7. Millions of establishments and firms of different sizes, whose workplace practices and outcomes differ depending in part on the number of employees.

8. Turbulence in many product and financial markets due to deregulation and
changes in government cutbacks in defense or other programs.

9. A higher proportion of Americans working than ever before, due in large part to the movement of women into the workforce.

10. An increased minority share of the workforce.

11. Increased years of schooling by the workforce.

12. A changed aged structure of the work force as the "baby boom" generation ages.

13. An increased flow of immigrants from developing countries into the United States.

14. Substantial creation of jobs but high unemployment for the less skilled and considerable insecurity about jobs.

15. Stagnant real hourly compensation, with falling real compensation for male workers.

16. A rising gap in earnings between higher paid and more educated or skilled workers and lower paid and less educated workers.

17. A growing number of low wage fully employed workers whose living standards fall below those of low wage workers in other advanced countries.

18. Annual hours of work that exceed those in other advanced countries except for Japan.

19. A declining gap in the earnings of men and women, but stagnation in the gap between non-White and White workers.

20. A growing number of jobs that diverge from full-time continuing positions with a single employer.

21. A large growing population for whom illegal activity is more attractive than legitimate work.

22. Stagnant rates of occupational injury and illness and increased workdays lost per full-time worker, with increased workers' compensation costs.

23. A decline in the prevalence of collective bargaining.

24. Fewer strikes or lockouts.

25. Increased government regulations of the workplace.