

Working Paper

***An Employment Policy Agenda
for Working Families***

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#WPC0003

This working paper is based on two recent research reports: Paul Osterman, Thomas Kochan, Richard Locke, and Michael Piore, *Working in America: A Blueprint for the New Labor Market*, Cambridge: MIT Press, 2001 and Lotte Bailyn, Robert Drago, and Thomas Kochan, *Integrating Work and Family Life: A Holistic Approach*, MIT Sloan School of Management, 2001. The Ford, Rockefeller, and Alfred P. Sloan Foundations provided support for this work. The views expressed are solely those of the author.

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Policies Governing Work and Employment Are Outdated

There is growing recognition that America's policies governing work and employment are outdated. Most of them were designed for the workforce and employment setting in which they were first introduced, namely, the industrial economy of the 1930s. Policies governing unemployment insurance, workers' compensation, wages and hours, and labor relations all assumed that work took place in a large industrial firm competing in domestic markets. Employees were expected to fall into two distinct classes, salaried managers and hourly workers, with different roles, responsibilities, and rights. The typical or ideal worker was viewed as a loyal, long-term employee, a male breadwinner with a wife at home attending to family and community affairs.

These policies and the institutional arrangements and practices that grew up around them worked well for many years because they were well matched to the nature of the economy and the workforce of the time. They helped the country grow out the Great Depression, get through the war, and supported growth in the post-war economy. Within this framework business, labor, and government fashioned a social contract at work in which loyalty and good performance were rewarded with gradually improving incomes, employment security, and family welfare.

The nature of work and the makeup of the workforce have changed dramatically since these policies were put in place.

The reality of work and family life today and the policies, labor market institutions, and organizational practices that govern work are

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mismatched. The old social contract has broken down, but a new one better suited to today's realities has yet to emerge. In part, this is because American politics has been mired in a 25-year impasse over how to update our policies and associated institutions.

Prior efforts to devise a new social contract have failed for a simple reason. The American public has yet to voice concern over these issues. This, however, is changing. Events during 2001-2002 have triggered a new awakening among the American public that things are not right at work. This has been brought home by, among other things, the bursting of the dot.com bubble; the end of the 90s boom economy with little to show for it in real earnings, employment security, or retirement income gains; the shock effects of September 11th on the need for flexibility to meet family and community needs; and the economic devastation and inequities experienced by employees of Enron and other bankrupt companies. American workers and families lack the tools needed to control their destiny and they are looking for new ways to remedy this. Moreover, employees' experiences now tell them that they can no longer entrust their destiny to their employers, to a permanently booming labor market, or to a munificent government.

Consider, for example, the following data:

At the end of 1999, after nearly eight years of a strong economy, Business Week reported:

- 75 percent of Americans believed the benefits of the “new economy” were unevenly distributed.
- 69 percent said business was doing a poor job of raising living standards.
- 61 percent said globalization was good for U.S. companies, consumers, and developing countries. But only 46 percent saw globalization as creating jobs in the U.S.
- Only 34 percent agreed the booming economy was increasing their incomes or enhancing their job security.
- Only half (53 percent) saw the boom as making their lives better and three fourths felt the benefits of the boom were not be shared equitably!

After Enron, another Business Week/Harris Poll reported that 70% of the public believes there are many more companies with practices similar to those that led to the fall of Enron.

In the aftermath of September 11th, a new wave of confidence in and expectations for government has swept the country. A recent poll found more than three fourths of voters want the government to increase minimum wages, provide health insurance for laid off workers, extend unemployment insurance benefits, and increase support for women moving from welfare to work.

These sample numbers and ample other data suggest that the American public is ready and eager for policies that reflect their realities at work and that give them the tools and flexibility to regain control over their jobs, careers, and economic destiny. But, to

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make headway, we need a new approach -- one that brings the voice of the American workforce more directly into the policy making process. Given the nature of today’s workforce, this means shifting from a focus on individual workers to one that addresses the needs of *working families*. Why? The answer is simple. Today more than three fourths of the workforce is drawn from families where either both parents are in the paid labor force or there is only one parent to do the work of earning a living and attending to family and personal responsibilities. More household hours are devoted to paid employment today than any time since our labor and employment laws were enacted.

Decisions about when, where, and how much to work are made as part of these family units and these decisions in turn affect the quality of family and community life, perhaps more today than ever before.

Addressing the Needs of Working Families

How do we do this? The Sloan Work-Family Policy Network released a report that issues a *Call to Action* urging business, labor, family, community, and government leaders to work together to update policies and practices to reflect the modern workforce and economy. The approach is designed to update policies in a way that builds on and complements what the market, leading employers, and leading unions are already doing. Rather than the national government acting as big brother ready to impose a one-size fits all type of regulation, government should be a partner, and a catalyst for change focused on empowering employees and employers on the front lines to solve their problems and fashion flexible, efficient, and equitable policies fitted to their particular circumstances. Just as we have successfully used states as laboratories to test ideas for new social welfare and labor market policies in the past, the report calls for experimentation at local and state levels. It is a policy agenda that speaks to the full labor force—from the lowest paid entry level worker, to professional and managerial employees, and includes those in standard and nonstandard or so called contingent work arrangements.

Specifically government, business, labor, and community leaders should start by addressing the following high priority concerns:

- **Paid Leave and Family Care**

The Family and Medical Leave Act (FMLA) is the first law to provide job protected leave for family care, but it covers only about 55 percent of today's workforce. And because it is unpaid, it is of little or no value to families in the lower portion of the income distribution. These workers are likely to lack employer provided paid leaves for vacation, sickness, or family emergencies, and are likely to lack the

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flexibility and control over their work schedules to take time off to attend to family responsibilities. American families need access to a universal paid leave policy to meet different needs encountered at different stages in their personal and family life cycles.

In fashioning a new paid leave policy, we need to build on the base of practices already in place in leading companies and collective bargaining agreements. One way to do this would be to establish minimum standards for paid leave while allowing employers and employees considerable flexibility in how to integrate this leave with existing policies and practices. For example, individuals and employers could be encouraged to set up flexible time accounts analogous to 401k plans or individual retirement accounts. These accounts could be (1) flexible, so that they could be used for any family care

needs; (2) accruable to the individual so that unused days saved in one year carry over into the future; (3) portable, so that the dollar equivalents of unused leave move with an employee across job changes, and (4) contributory, so that individuals could choose to allocate some portion of current vacation or sick leave to this purpose in the current period or match employer contributions to their accounts with pre-tax salary deductions. To launch this approach and test different models for implementing these principles, Congress should authorize states to experiment with alternative approaches and financing arrangements for meeting the minimum standards consistent with the criteria outlined above.

- **Reduced Hours and Flexibility**

The historic trend of reducing hours of work in tandem with economic growth has been reversed in recent decades. Americans now work more hours than their counterparts around the world. Many workers, and especially parents, also experience a gap between the hours they prefer to work and their actual hours on the job. Working families and employers need more options for working reduced hours while simultaneously meeting the 24/7 service expectations of their customers.

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Prior efforts to address this issue have bogged down over how to introduce such flexibility. Employers want to encourage more choice over whether to use compensatory time off in lieu of overtime payments. Worker and family representatives fear this will both lead to a step backward by increasing hours beyond the current 40 hour standard and will put control of hours in the hands of employers rather than workers. The obvious solution to this dilemma is to design a policy that ensures employees have an independent and meaningful choice over whether to allow flexibility in scheduling and use of overtime or compensatory time.

- **Worker Voice**

Addressing the issues noted above inevitably leads us directly into the question of how to ensure that all American workers have an independent and meaningful voice and choice over the issues that affect them at work. This can easily be provided for employees who currently have union representation and collective bargaining. In fact, negotiating schedules that fit different employer and employee needs and interests is standard practice in collective bargaining. Whether independent and effective worker voice can be achieved in settings where collective bargaining is not present is a key policy issue. This is a very controversial question, one over which there is neither consensus nor empirical evidence. Yet there is consensus that our labor law does not work. A process of experimentation and learning will be needed to make progress in this area. Congress should establish the minimum standards and principles for

experimentation and encourage states to try different approaches, such as voluntary employee councils, non-exclusive representation, and consultation on these matters.

- **Work Redesign**

The needs of working families and modern employers cannot be met solely through new public policy initiatives. The American genius lies in crafting local solutions to local problems. The key to achieving flexibility at work is to redesign work systems with a dual agenda in mind. Work must be designed to achieve the high quality and productivity performance required in today's marketplace and the flexibility needed to meet employee and family needs and interests. The best way to achieve this is to engage the people doing the work in a collaborative process of work redesign focused on this dual agenda. Managers, employees, and employee representatives need to work together to adapt work systems, processes and schedules to improve both work and organization performance and personal and family life.

- **Community Empowerment**

A new set of institutions is emerging to play an active and constructive role in bridging work and family life in our communities. Educational institutions that provide after-school and/or early child development programs; private and public agencies that deliver critical family and health care services in out-patient and home settings; programs that provide integrated training, job placement, and child care services and supports to mothers moving from welfare to work; religious and community coalitions that support living wage campaigns; business and labor groups that work together to promote economic development; neighborhood groups that work to improve security and safety and revitalization, etc. These are assets that build community and respond to emergencies when required to do so. America, now more than ever, needs to promote these local institutions and community building efforts to support the diverse and evolving work and family arrangements.

- **Work-Family Councils and Summit**

Finally, we need to bring the voices of the groups mentioned above more directly into the development, testing, learning, and diffusion of a new employment policies for working families. To foster and learn from policies and practices of employers and unions, government at all levels, communities and others, and to keep these issues on the national agenda, a set of broad-based state or regional Work-Family Councils. Members should be created that would come together periodically for a national-level Working Families Summit.

Conclusion

What is proposed here is not a comprehensive agenda. Much more will need to be done to build a new social contract suited to today's economy and working families. Instead these are proposed as starting points—ones that address some of the most critical needs, will engage the interest and support of the American public, and provide a way of breaking out of the impasse in policy making that has paralyzed past efforts.

Let's get on with it!

Other Publications from the MIT Workplace Center

Workforce Issues in the Greater Boston Health Care Industry: Implications for Work and Family,
Mona Harrington, Ann Bookman, Lotte Bailyn, and Thomas A. Kochan (#WPC0001)

Enhancing Patient Care Through Enhancing Employee Voice: Reflections on the Scanlon Plan at Boston's Beth Israel Medical Center,
Mitchell T. Rabkin, MD and Laura Avakian (#WPC0002)

Work Redesign: Theory, Practice, and Possibility,
Lotte Bailyn and Joyce K. Fletcher (#WPC#0004)

Keeping Caring Caregivers: Policy and Practice Initiatives in Long Term Care
Susan C. Eaton and Barbara Frank (#WPC0005)