

## **The role of labor and management under the change in the labor market and employment in the United States**

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### **The recent change in the labor market or employment structure of the United States and its special features.**

Changes in the U.S. labor market and employment system that have accompanied the U.S. economic expansion during 1990s. During this time, economic productivity had increased, the stock market had climbed, and unemployment rate had been all-time low. According to Kalleberg (2001), these changes appeared during the postwar period which is characterized by;

“regular full-time jobs and open-ended, long-term employment relations often structured within firm internal labor markets. Workers typically spent their careers with a single employer, ...and who set wages guided by administrative rules based on internal norms of equity (p.9).”

During 1990s, restructuring of the labor market and employment was caused by reemergence of price competition fueled by global competition, technological break-through in communication, change in technology and organizational design which influenced “the reshaping of organizational norms regarding the nature of the employment relationship (Harrell-Cook, 2000, p.674).” Under the new labor market, employment is shifted from stability to flexibility. According to Wins-Tuers and Hill (2002), flexibility was achieved through the increased use of nonstandard employment arrangement. Bureau of Labor Statistics (BLS) defines nonstandard workers as independent contractors, those who work for temporary agencies, contract workers, and on-call workers (BLS 99-362).

Cappelli (1999) also examines the change and argues that external forces and new management practices influenced the labor market and employment relations. This market mediated employment system is described by Cappelli as the “new deal” between employers and employees, and by Osterman (1999) as the “new labor market.” Cappelli discusses the “new deal” where market forces are substituted for internal (administrative) rules. According to Kalleberg, these new institutional structures are;

“illustrated by the decline of firm internal labor markets and greater inter-firm mobility; disappearance of the corporation conceived as a family; layoffs of employees even during good economic times; and management practices that reengineered the corporation by downsizing, outsourcing, subcontracting, using temporal workers, and tying wages to performance (Kalleberg, 2001; p.10).”

Spherion (2003,) studied on workforce summarized in The 2003 Emerging Workforce Study. Statistical data in this study was commissioned by Spherion (consulting firm) and Harris Interactive (polling and consulting firm). It contrasts Traditional workers with Emergent Workers as follows:

<b>Values</b>	<b>Traditional Worker</b>	<b>Emergent Worker</b>
Loyalty	Defined as tenure	Defined as contribution
Job Change	Viewed as damaging to one's career	Viewed as a vehicle for growth
Career Path	Considered company's responsibility to provide	Considered employee's responsibility to pursue
Advancement	Based on length of service	Based on performance
Job Security	Required as a driver of commitment	Rejected as a driver of commitment

The 2003 Emerging Workforce Study study indicates that more U.S. workers shift to an emergent worker mindset, and the traditional worker mindset would rapidly become extinct, and they predict that Emergent Workers will become the new majority by 2007.

According to Osterman (1999), restructuring of the labor market is neither politically nor socially acceptable, but through policy and institutional change which aim of improving efficiency, equity, opportunity, and security. Osterman's (1999) book, *Securing Prosperity: The American labor Market: How It Has Changed and What to Do About It*, discusses the transformation in the labor market and the world of work. He also discusses the consequence of the new labor market. Approximately 20 percent of the workforce has considerable wage gains. This group is composed of individuals with highly demanded skills, and who enjoy higher wages. Also, this group of individuals show a mobility to move

freely throughout the labor market and manage their careers. Thus new work practices have been introduced, and jobs that become more interesting and satisfying to many workers. Many other workers face low wages, layoffs, inadequate health insurance and pensions, and job security was decreased. Thus, the gap between these two groups appeared widened.

Osterman (2000) mentioned that High Performance Work Organizations (HPWOs) diffused at a rapid rate between the 1992 and 1997. In many HPWOs, Osterman discusses that a team based work system was found.

The National Survey of Establishments found that “40.5% of establishments had self-managed teams, 24.5% had adopted TQM, 27.4% had adopted Quality Circles, and 26.6% had adopted Job Rotation (Osterman, 2000; p.181).”

Gittleman, Horrigan, and Joyce's (1988) survey found, among establishments of fifty or more employees, 32% introduced a team system, 46% had TQM, 15.8 had Quality Circles, and 24.8 had Job Rotation.

A survey of the work practices of U.S.-based Japanese transplant by Jenkins & Florida (1999) found 77.5% had quality circles, 43.7 had self-directed team, 63.1% had Job Rotation, and 62.1% had TQM.

Using several data sources, Osterman (2000) found that “adoption of HPWO practices in 1992 was associated with increased layoff rates in subsequent years and no compensation gains (p.179).” He also found that HPWO practices are “linked to employment reorganization, such as reductions in contingent and managerial employment (p.197).” As a result, there are wage inequality between winners and losers in the labor market. According to Osterman, these consequences of the new labor market are related to the collapse of postwar labor market rules and norms, and the inability of the institutions that created during the period to handle the reality of the new labor market that includes issues of mobility and the shift in the balance of power in the employment relationship.

### **The issues which labor and management are challenging respectively**

The 2003 Emerging Workforce Study by Spherion and Harris Interactive shows some challenging data;

- Nearly seven out of ten U.S. workers say job change will be at their own initiative.
- Workers report growing confidence in their ability to earn a stable income within a corporate structure (84%).
- Workers today are less likely to believe that changing jobs every few years is damaging to their careers (47% in 2003 vs. 62% in 1999)
- They are also less likely to see longevity with an employer as key to advancement (44% in 2003 vs. 56% in 1999)
- Even with the same employer, 45% of workers want to change jobs at least every three to five years, up from 26% in 1999
- 86% of workers cite work fulfillment and balance as top career priorities
- In contrast, only 35% of workers said being successful at work and moving up the ladder were their top priorities
- 96% of workers agree that an employer is more attractive when it helps them meet family obligations through options like flex-time, job sharing or telecommuting.

Cappellio (1999) discusses the challenges of recruiting, retaining, and motivating these workers. He suggests “managers could create explicit contracts that increase the cost of poaching and empower workers to make decision, thus encouraging them to be more committed to the firm (Kalleberg, 2001: p.11).” The strategies Jamrog (2002) suggests to recruit, retain, and motivate young people is rely less on the traditional pay system and more on “creating work environment that allows people to grow and develop (p.5).” His strategies include 1) increase their marketable skills, 2) provide work, 3) provide task variety, 4) create teams carefully, 5) make their experience transferable, and 6) pay attention to work/life (p.5).

The other issues which labor and management are challenged include wage inequality, low individual mobility in wage distribution, decrease job security, involuntary contingent work, and the rates and risks of worker dislocation (Osterman, 1999). For these problems, Osterman recommend two improvements; 1) developing and instituting policies for a mobile work forces and 2) redressing the balance of power. Policies for a mobile workforce includes providing protection for job loss and building institutions for facilitating employee mobility. Also, he encourages local and state level experimentation with labor market support programs, such as job training (Osterman, Kochan, Locke, Piore,

2001). The redressing the balance of power involves “altering the behavior of the firm at the top level” and “influencing the objectives of the corporation in a ways that rebound to the benefit of employees” (p.146).

Kalleberg (2001) lists challenges in employment relations which include a decline of jobs, the end of firm-based careers, and the rise of self-employment. He also suggests a new policy to support labor market mobility. He sees that the today's public labor market institutions dose not match the new reality of the labor market. Furthermore, He recommend portable benefits for network building, training and job matching.

Jamrog (2002) states that young people become more aware of ethnic and global diversity issues, and discusses the challenge from diversity and cultural awareness. He predicts that diversity will present challenges for many employees and indicates “the vast majority of young college graduate will be looking for companies that have made progress in advancing women and minorities (p.6).”

### **The efforts made against these issues by labor and management respectively**

It can be foreseen that the challenges of recruiting, retaining, and motivating workers will be reversed by corporate downsizing and restructuring in which the purpose was to become more efficient. Jamrog (2002) mentioned that despite the economic slowdown and large layoffs, it is still difficult to attract and retain key talent.

The Human Resources Institute surveys (2001) shows the difficulty of attracting key talent and indicate experienced professionals are in short supply. This survey predicts that entry-level professionals and that experienced professionals will be in short supply in 2006. From this prediction, Jamrog concludes that employeres will no longer have the advantage in the labor market, and predicts that;

A fundamental shift will occur in which employees will realize that their time, attention, knowledge, passion, energy, and social networks are real currency, and they will want a better return on these assets. (Jamrog, 2002: p.5)

In regards to Osterman's policy and institutional development arguments, Mitchell (2001) highlights a difficulty in achieving goals. She writes "Clinton's 1993-1994 effort to reform health insurance, essentially a redesign of a job-based institution, ended in political fiasco (p.382)," and she predicts that the macroeconomic environment, such as deregulation and exchange rate, will be against the new development.

### **The evaluation of the increase in part-time, temporary or dispatched workers in the context of changes in the labor market.**

Kalleberg's (1995) comments on part-time employment are persuasive;

The most common form of contingent work in the United States, comprising more than half of the contingent work force. According to the BLS, 19.6 million workers worked fewer than 35 hours in 1990, representing 18% of the total U.S. civilian work force of 108.7 million. In 1991, two out of every three U.S. work organizations employed part-time workers. ...most of the growth of part-time employment during the past two decades has occurred among the "involuntary" part-time workers. In 1990, 4.5% of all workers were involuntary part-timers, compared to the 13.6% of all workers who voluntarily worked part time.

There is growing concern about the increase of contingent employment. Cohany (1998) mentioned the BLS divides alternative employment arrangement into independent contractors, on-call workers, temporary help agency workers, and workers provided by contract firm. BLS defines contingent employment as all work that does not involve explicit or implicit contracts for long-term employment.

During 1992 to 1996, in American work places, about 5 million jobs were lost due to cost-cutting or downsizing (Arenofsky, 1996). Arenofsky outlines basic trends in the work and report that jobs require a knowledge of computers and the World Wide Web (www). He reports;

Some of Eli Lilly's employees may cybersurf right in their own home. About 8 million Americans telecommute, and that number is growing 20 percent each year, ... Currently, 3,000 federal employee telecommute, and the government's goal is to have 60,000

telecommuters by 1998.

In 2001, 19.8 million people did some work at home as part of their primary job. These workers accounted for 15 percent of total employment (BSL 2001). According to HR Focus, “most who work at home regularly do so without a formal arrangement to be paid for the work.” In 2001, “the number of employees who telework rose to 28.8 million, an increase of almost 17% in a year” (HR Focus, p.8). The temporary workers, Arenofsky reports that “the number of temporary and part time workers has nearly doubled to more than 2 million, at least 20 percent of these jobs are in professional and technical fields,” and indicates that “to consider taking a temp job as a way of getting your ‘full-time foot’ (p.7).” Ko (2003) discusses that the contingent workers are used as either to replace the internal employment system. His study argues that the “institutional employment structure cannot be overlooked when studying temporary employees (p.473).”

### **Have the unions succeeded in organizing part-time, temporary or dispatched workers?**

Marklein (2001) reports a union-organizing campaign among several universities’ part-time faculty. In order to keep down the cost, more than 10 years ago, colleges and universities began hiring part-time faculties, and Marklein wrote, “campuses have created ‘intellectual sweatshops’ in their treatment of part-time faculty.” Chen (2001) reports union-organizing for janitorial industry. The SEIU organizing campaign reflects the janitorial reality: “a work force increasingly composed of immigrants toiling for huge contractors that clean buildings owned or managed by multinational corporations (Chen, p.A.2).” Under these new reality, “companies tend to outsource janitorial service instead of maintaining their own cleaning staffs, weakening links between janitors and their employers” and “cleaning-contract price wars have led contractors to hire part-time workers for low wages and no benefits” (Chen, p.A.2). In order to organize these part-time, the SEIU pressured contractor-employers and building managers to improve salaries and benefits.

Although there has been some success organizing part-time and temporary workers, other workers will face difficulty because of the nature of the employees. Baird (2001) identifies as one difficulty the fact that workers have “no specific skill or trait in common.” According to Baird, one of the strategy for employer to adapt efficiently to the technological and market change is to “contract with other

firms to provide temporary employees to fill various jobs (p.63).” In this situation, two institutions are involved: supplier firms (who recruit and train workers) and user firms (contract with supplier firms for the employees). Baird finds that the unions have difficulties organizing the employees of supplier firms, because “there are no well-defined community of interest among such workers,” and it is difficult to negotiate a uniform collective-bargaining agreement, and also, it is more difficult for supplier firm to agree to a “one-size-fits-all compensation scheme for its diverse employees (p.63).” In the case where temporary workers in user firms work together with permanent workers doing the same work, unions have difficulty to organize them as employees of user firm. In the case of a union-free user firm, Baird said “a union could try to organize the permanent workers, but the temporally workers could not legally be included in the same bargaining unit. The same is true in the case of an already-organized user firm (p.64).”

According to the Baird, this rule changes.

The majority decisions of the Board (NLRB) changed the rules by an interpretive sleight of hand: since temporary and permanent employees of the user firm have “a common” employer, that is equivalent to having “the same” employer. Therefore they can be in the same bargaining unit and the union can bargain for them.

Thus temporary workers, even against their will, may be automatically included in existing bargaining units at already-unionized user firms. (Baired, 2001: p.64)

Baired highlights this rule change because the temporary employment has grown. This rules change that temp workers can join unions will facilitate union organizing among 5.4 million (BLS, 2001) the temporary workers.

**To what extent, has regulatory reform been promoted in the field of labor market policy? Is there any impact of market-oriented, efficiency-centered theory on such policy or discussion, and how do you assess it?**

The official regulatory reform or anything related to it in the field of labor market policy included Clinton’s 1993-1994 effort to reform health insurance, essentially a redesign of a job-base institution. However, as Michell (2001) indicated in ended in political fiasco (p.382). There are some intentions for labor market policies reforms Kelleberg (1995) said worker motivation between part-time and



full-time workers is similar. The main difference between them is in the reward and benefits. The inequalities between part-time and full-time illustrates the need for regulatory reform and other policies to narrow the gap between them. He also said treating part-time workers more equitably, discourages “tendencies toward greater polarization and the further development of a 2-tier labor market (p.771). In order to provide job and training for dislocated workers, Evelyn (2003) repost the reauthorization of the \$2.5 billion Workforce Investment Act. This Act’s emphasis on training or gain the skills needed to enter the workforce for job seekers, instead of finding a job for them. This training program intends to prepare a highly skilled workforce.

Tool (2001) proposes that “instrumental efficiency is achieved by policies and practices that provide for the continuity of human life and the noninvidious re-creation of community through the instrumental use of knowledge” (in Figart, 2003: p. 315). Figart (2003) also quotes Gimble, who argues the labor market in which “work fosters individual creativity, self-motivation, human development, human dignity, self-fulfillment, noninvidiousness, and nonalienation in the work process (p.315).” She indicates that a number of policies focus on instrumental efficiency and “foster the elimination of invidious distinctions between workers based on position and status,” and discusses “social and institutional contexts of the contemporary labor market that perpetuate invidious distinctions by class, gender, and race-ethnicity (p.315).” Figart’s top ten list of labor market policies are,

- 1) Create good jobs for part-time, contingent, and temporary workers.
- 2) Extend overtime penalties to uncovered workers.
- 3) Raise the federal minimum wages.
- 4) Decouple health insurance form employment.
- 5) Adopt living wage ordinances.
- 6) Count and value unpaid labor.
- 7) Legislate real welfare reform
- 8) Mandate paid family and medical leave.
- 9) Strengthen affirmative action.
- 10) Remove loopholes from the Equal Pay Act.

(Figart, 2003, p. 316).

In the debate between market-oriented and efficiency-centered labor market, Cappelli (1999) argues that “new deal” between employers and employees focuses on the market-oriented, and it’s dependence on the supply and demand condition

in the labor market. On the other hand, Osterman (1999) focuses more on fundamental changes in the labor market, and suggests restructuring the labor market through policy and institutional change which aims at improving efficiency.

Each discussion will carry more weight in individual organizations. Some companies are more dependent on part-time and temporary workers, and some are even outsourcing operations to overseas such as India. On the other hand, the discussions about knowledge work and learning organizations focus more on advantages of internalized, long-term, and highly committed employment systems.

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