

Wayne Horvitz  
Speech

IRRA Luncheon  
Wednesday, October 29, 1997

The received wisdom of our profession, and all others, is "those who can not remember the past are condemned to repeat it" in the words of the philosopher, George Santayana. That great philosopher Mort Sahl used to say, "the future lies ahead." Perhaps it would be wise therefore to first look briefly at the past and see whether or not it is a useful guide to the future.

In my opinion, a review of our labor management history over the last several decades reveals four major threads, and some minor ones, that run through the tapestry of Labor Management Experience and may prove useful.

We are, I assume, looking for guidance about the prospects for constructive change, as we look along with everyone else at the coming millenium. That tapestry includes:

- \* Changes in the labor management relationship, particularly trends toward cooperation and/or collaboration between labor and management.

- \* The role of crisis

- \* The use of incentives-negative and positive

- \* The continuing debate over the role of trade unions in American industrial life.

Given the allotted time today, we can not cover these threads in depth, but I will make a few quick observations and try to give a few examples.

In the case of cooperation and collaborative experiments, there is an ongoing consistent dichotomy between

rhetoric and performance and hence outcomes.

Nowhere in our industrial relations firmament in the last few decades has there been more difference between rhetoric and performance as in this star. Nowhere can the parties more quickly agree on a set of shared objectives that sound like a PR man's dream, and nowhere are the results more uncertain.

At a minimum, it is a constant roller coaster ride to keep the train on track.

But given the historical adversarial and warring nature of the parties' behavior throughout our history up to this very day it is no wonder that the historic formulas for 'getting along' or "reaching agreement" are slow to change. However, the external forces (including the global economy) are moving at a breathtaking pace and are out of control of the parties the way that public relations men view the challenge. The ebb and flow of these events

periodically surfaces the need for employment input, cooperation and collaboration and a new relationship rises to a hot point in the dialogue between the parties. But why?

Principally because we have failed to answer some fundamental questions in the rush to compete, to salvage our position or to improve it against all economic enemies both foreign and domestic. We have certainly not followed George Washington's advice to stay out of foreign entanglements.

Some of these questions remain unanswered and they should be raised before we can really talk about labor management relationships in the context of a transformation of the workplace to steal a phrase from our colleagues at MIT, McKersie and Kochan. Here is a sample.

\*What is management's definition of participation? Of involvement? What is the view of employees organized and unorganized?

Parenthetically, although the percentage of the workforce that is union is declining, the absolute numbers of union members remains fairly steady, I believe.

\*What do words like partnership, cooperation, collaboration and consultation really mean in practice? Do they survive the test of time?

\* What must management bring to the new table?

\* What must Labor bring to the new table?

\* Is it possible to instituionalize these new processes, or are we doomed to be victimized by the "great man (person) theory of history?

\* What can we learn from our industrial relations history that can guide our labor management relations into the millenium and beyond? I absolutely refuse to build a bridge.

In light of these two lists, let's look at an example. Certainly we are all

aware of the role of crisis in recent years as well as in the past. We can easily see how important various economic or legislative events, government actions, - and the courts have been in inspiring problem-solving under collective bargaining.

The recent experience in transportation communication in airlines, railroad, trucking and telephone brought on by technological change, information technology and deregulation of regulated industries. These have been the main culprits along with foreign competition or so they say.

Vast changes -- some global in nature -- have occurred in those industries, in the people who run them, and in employer-employee relationships.

These kind of periodic dislocations always seem to bring employee concerns to the top of the heap. And

in so doing they bring labor management concerns to the forefront. Nothing quite focuses our attention like the threat of bankruptcy, large layoffs, and mega mergers as the old order reorders. We have all been through experiences where thoughtful or desperate employers, with or without unions, have taken a whack at the three Cs: cooperation, collaboration and consultation -- with a heavy dose of participation in employee involvement as part of a new employee relations agenda.

Although many efforts have been made, and some are uniquely successful, some are temporary, to meet these problems through collective bargaining, the same ones tend to be repeatedly reported more than once at seminars. But there are many local efforts at the shop level that are producing some outstanding results.

I think you will find, however, that in the larger framework macro as opposed to micro if you will, the rhetoric is not matched by the results.

And it raises a particular concern. Does management's agenda include a large role for trade unions in the participatory venture.

*CURIOUSLY ENOUGH*  
~~To date~~, if you look at these developments carefully, you will often find -- as in Airlines where change has been dramatic and employees are highly organized -- the adjustment of collective bargaining to those changes has been especially interesting.

Unions on the whole have faced up to ~~those~~ <sup>THE</sup> changes. Surprisingly, the organized sector of the industry stood up well competitively to the invasion of the non-union no work rules, lower pay flexibility attacks of the Peoples Expresses. They have adjusted to the pressures of the majors and even the most successful low-cost carrier,

Southwest, is organized in whole or in part.

But even with one so -called employee-owned airline and much public posturing about the team, we have yet to see fundamental changes in relationships. Collective bargaining for new Agreements or in crises of various kinds has essentially remained familiar throughout the trauma of recent years' relations in transportation and communication.

The form of the bargaining and the use of power as leverage etc. have been traditional, the subject matter and the solutions may differ from the past.

Yes communication has improved in many of these industries which is a plus, but basically there are imaginative new tools on the scene (ESOPS, ESOTS, and other financial instruments) some new methods of

conflict resolution that have been adapted to the new environment.

The terms of trade are different but trade it is and anyone who doesn't believe that should sit in negotiations as I have in various roles in airlines, railroad, trucking and deregulated utilities anticipating if not immediately facing deregulation. As that famous or infamous curmudgeon of General Electric, Lemuel Boulware once said -- it is eastern bazaar bargaining. And it is. That doesn't make it bad -- it makes it traditional in our historic labor management culture.

Concession bargaining and productivity bargaining may be relatively new, but on the whole the fundamentals of the relationship remain the same. Unless the parties can change them. The typical labor management relationship is still adversarial with moments of shared common interest as the firm or the

nation face unforeseen changes. When the next crisis appears on the horizon, the parties take a peak at their relationship and make whatever adjustment seems practical at the time and then go about their business.

Management prefers, if possible, to have a union-free environment, and more and more small and medium-sized businesses do.

Unions resist change or trade concessions for investment of various kinds in response to management's reorganization and cost-cutting efforts to remain competitive at home and abroad. It sometimes seems that they are overwhelmed by the forces that are clearly beyond their control.

Their decision making must be responsive to global economic threats, and bad legislative choices and is political as well as economic.

The old appeals to the unorganized on economic and social grounds spark

occasional responses that is positive for the unions, but such events as the recent Teamsters-United Parcel strike, hailed as the beginning of a labor renaissance, is grossly exaggerated in my view. A serious management miscalculation was a big part of the mix and recent difficulties within the union will not be cause for great celebration. Those who argue that legislators, management rights groups, journalists and many other managements report these matters with glee if not always accurately I fear only makes the point.

The past outstanding successes of the labor movement have helped to create the middle class for which we are rightly famous and proud in this country. The American dream has been realized by millions beyond their wildest dreams. But in the course of the journey the children and grandchildren have detoured to the

Harvard Business School and Wall St. Not the detour we might have had in mind.

I may sound a bit harsh and even a bit about the past but that is not the way I feel. In the final analysis I believe that the labor management history of the last 50 years, in peace and in war, is a testament to the institutions that a free society can create in order to resolve conflicting claims within that society. The record is filled with startling examples of innovation and wisdom and yes, stupidity, on the part of the courts, legislative bodies, mediators and arbitrators and, most of all, by the parties themselves. Voluntarism, collective bargaining, mediation and arbitration are rich words in the culture that has special meaning for labor management practitioners, academics and for all who, like those in this room, have contributed so much to that record.

But those conclusions about the past are largely not acknowledged or accepted today. At best, the conclusion is that the mechanisms we have created belong to the past and we cannot use even the fundamental structure to manage today's host of new and broader competitive economic problems. The demands are too harsh. The window of opportunity too small. Employees can be a part of the decision-making process of the enterprise at the shop level, even beyond, but unions put us behind the power curve, keeping labor costs high and institutionally resisting change. Trade union leaders bring too much political baggage to economic facts. And the conventional wisdom is that the labor half of the boat is sinking in any case; more so since the recent election. These last two paragraphs were written in 1984, on the occasion of\_\_\_\_\_.

At the risk of disappointing those looking for Armageddon at the turn of the century, or a new golden age of labor management relations, I am quite prepared to disappoint you both.

It is fair to say at the outset that in the absence of a calamitous event, not now on the horizon, something as large and shocking as the great depression or World War II. not much will distinguish the future from the past.

Cataclysmic events are hard to predict, Nostradamus notwithstanding, and they do not include global competition, deregulation or the roiling of the Asian financial markets. After all, the German miracle has passed, the Japanese miracle has passed, the failure of the U.S. to measure up to the world seems to be going our way -- not anyone else's. And the present financial crisis in Asia, although it is hurting many markets, is not being managed or

manipulated by George Soros from his Fifth Avenue apartment and will in time be remarketed not without some hurt as we go by.

What's been happening is quite different and cannot really hold a candle to the impact of the great depression. That terrible event altered the role of the Federal government in relation to business and in labor management relations forever.

WWII altered our approach to government intervention, intervention on the wage and price front, the beginning of our policies to bring women and minorities into the workplace, and altered the basic structure of labor management relations in this country particularly the widespread use of mediation and arbitration as a permanent fixture on the labor management scene.

From my vantage point in the aging catbird seat I can't offer much hope

for the cataclysm that will fundamentally alter the way we now approach labor-management problems in a democratic society. Nor do I want it.

But I will venture to suggest some elements that have to be present if real change is going to occur -- a change where performance matches rhetoric in the future.

### Some Suggestions for the Future

Inevitably, we return to some of the questions asked at the beginning of this discussion: What must management bring to the new table? What must Labor bring? A few suggestions are in order.

Management must accept the existence of the union not only as an organization authorized to bargain for some or all employees, but as a consultative partner as well as an occasional adversary. This involves

the recognition that the firms, as well as the employee's best interest are served by rendering to the adversarial procedure those matters that suit it best while, at the same time, developing a more humane, cooperative approach to the demands of the workplace at all levels.

Improving productivity qualitatively and quantitatively results from a new industrial combination, perhaps uniquely American. Workers receive respect through participation and protection through bargaining. Management gets results.

Management must recognize that very few matters will remain its sole prerogative once the union and its members are urged to share the burdens of success and failure. The span of control is widened and diversified. Traditional management structures disappear. This is the advice that appears in all versions of

Total Quality Control, Network Management, etc. It is seldom expressed in the context of collective bargaining.

Union leadership must bring its own willingness to run the gamut of political risk in joining the decision-making process. The alternatives of layoff, unemployment, loss of job security, etc. are worse than taking the risk. It is understandable that elected union officials have more difficulty than management over fraternizing with the traditional enemy. But elected union leaders, if they are really going to lead, must be concerned about the long-term interests of their constituents.

And both Labor and management must work together to involve government in the solution to problems they along cannot solve. This goes to the heart of the matter of insuring management flexibility with

maximum job security. The safety net alone is not a satisfactory answer.

I think that many of us who worked on the frontiers of labor-management cooperation were convinced that the future demands of automation, new technology, and increased competitiveness could not be met without the support of the three-legged stool of labor, management and government.

We believed in the rhetoric of that earlier time -- that productivity bargaining would be an increasingly important ingredient to throw into the competitive stew. Revolutionary developments in communication would be at the forefront, affecting the way jobs would be structured and organizations shaped. Bargaining, therefore, would center on issues of job security, worker input into job design, and organization structure. Complicated economic, financial and

marketing issues would be equally important as time went on. All of these issues would be "on the table". The collective bargaining agreement would be the underpinning.

More and more, labor and management would come to recognize that better employee performance and better product quality are tied to a human work environment. Problem solving would become the modus operandi of the interaction between all members of the workforce. In organized plants, the collective bargaining table would be a major forum for managing all or part of this process.

An important part of this earlier prediction was that a younger, more highly educated workforce would demand a new work environment and, in turn, would provide an enormous resource for improving performance and product quality. Managers of the

future would not be able to treat the introduction of equipment and process technology as separate from the developing of a quality environment if they wished to be competitive. Collective bargaining, with good leadership on both sides, could provide a unique arena for addressing technological and human need in concert.

Finally, I think many of us believed, and some still believe, that the inevitability of the competitive crisis in world markets would drive us there sooner rather than later. Hindsight might make us appear Pollyannish, Yet much of what we predicted has come true. But it has not take the shape we had hoped and predicted. The early models did not survive the test of time. The later models of the 70s and 80s have, in many instances, been examples of problem solving under collective bargaining within the

structures of classic contracts and present labor laws. I have tried to explain some of the realities of that experience, and why we must be cautious in the future. The penalty for misreading that history is rapid retrogression.

But don't despair. There will be plenty of work for arbitrators mediators and facilitators and even for the parties in order to make the system responsive to whatever lies ahead.