

Labor Standards and Worker Organization Strategy*

Prepared for Annette Bernhardt,
Roosevelt Institute, Future of Work Initiative

Michael J. Piore
David W. Skinner Professor of Political Economy, Emeritus
Department of Economics
Massachusetts Institute of Technology

November 21, 2014

This paper explores a new strategy for worker organizations aimed at improving the conditions of their constituencies in the workplace. It would appear particularly attractive to non-union organizations which do not have a collective bargaining relationship, but could be employed by union organizations as well. It is based on the contrast between the way government mandated work standards are conceived and enforced in the United States and an alternative model of government work regulations developed in France and Spain and widely prevalent in Southern Europe, North Africa and Latin America. The latter, Franco-Latin, model has several advantages. We place particular emphasis here on the way in which it promotes a focus on the underlying determinants of working conditions and points to the way in which they are rooted in technological processes and business strategies. The U.S. system, we will argue,

* This paper draws on research conducted in collaboration with Andrew Schrank in preparation for a book on labor inspection, which we are currently writing together. It has benefited from numerous discussions with labor inspectors in various countries in Europe and Latin America who have given generously of their time and from comments of students and colleagues as well as collaborators at the Roosevelt Institute. None of these necessarily share the views expressed in this text, and I, of course, remain solely responsible for errors and omissions.

focuses instead upon particular practices, essentially treating the symptoms rather than the disease. It would be difficult to simply replace the U.S. system with the Franco-Latin alternative. But we will argue that workplace-based organizations can force U.S. agencies to work together in a way which simulates Franco-Latin practice.

In so doing, these organizations can assume an active role in overseeing and potentially even directing managerial practice comparable to the role assumed by works councils in the German industrial relations system. It would involve a role for workers' organizations very different from that which they have become adept at playing in the post-war period, but is potentially more effective in the economic and technological environment which is so different from that in which union organization and collective bargaining emerged in the 1930's and the early postwar decades.

The U.S. vs. the Franco-Latin Models (Two Models of Work Regulation)

The U.S. approach to work regulation is, to borrow the terms used by international agencies to characterize it, *specialized* and *sanctioning*. It is *specialized* in the sense that work regulations are administered by a series of different Federal agencies, each with a particular focus and a relatively narrow jurisdiction: The wages and hours division of the Department of Labor, OSHA, ERISA, the EEOC, the NLRB, the Federal Mediation Service, ICE, the Bureau of Consular Affairs of the Department of State, etc. Many of these agencies have counterparts at the state and/or local level with which they share jurisdiction. Typically, a given enterprise will fall under the jurisdiction of many (indeed most) of these agencies at the same time, but there is little or no communication, let alone deliberate coordination, among them.

The system is *sanctioning* in the sense that violations, once identified, are punished through the imposition of a penalty, typically in the form of a fine, although occasionally by an order for specific performance and in certain extreme cases by incarceration. The penalty generally discharges the obligation of the enterprise under the law. The system tends to be viewed, and is often administered, as creating a series of individual rights. Thus sanctions are often assessed as compensation to particular individuals, and the agency responds to complaints rather than to broader indicators of violations, engaging in regularly scheduled inspections or still less as part of a strategy to upgrade labor conditions in a particular industry or in the economy over time.

The U.S. system lends itself to analysis in terms of the economists' model of rational choice behavior. Employers are assumed to weigh the cost of compliance with the law against the penalties they are likely to incur if in violation. Compliance then comes to depend on the size of the penalties and the chances of getting caught. The latter is in turn a function of the number of inspectors and the effectiveness of the way in which they are deployed. The number of inspectors and the penalties for violations then become the principle policy producing compliance with the law.

The Franco-Latin model is by contrast *general* and *remedial*. The whole of the labor code (including certain provisions of collective bargaining agreements and restrictions on foreign workers) is enforced by a single agency. When the agents of that agency (the work inspectors) enter an enterprise, they can examine any aspect of the work process or, indeed, the way the business is conducted which might have a bearing on working conditions. This approach does not preclude the kind of punishment and deterrence which are the keystones of the U.S. system: Malicious and/or repeated violators are subject to fines or even criminal sanctions. But the enterprise is expected to come into compliance with the law; obligations cannot be discharged through a payment of a penalty. Compliance is, moreover, viewed as a process (rather than simply as a condition), and a part of the inspector's role is to guide and direct that process. The agents are thus expected to identify the underlying causes of the violations and to develop a plan of action which addresses those causes and corrects them, even gradually over time if necessary. The system of work standards is understood as a social institution and violations as a threat to the viability of that institution in a competitive market. Thus the damage caused by any violation goes well beyond the particular individual or individuals directly affected; violations undermine the welfare of all workers in the same market. As a consequence, the system cannot be maintained by addressing particular complaints (at best, complaints serve to provide information about market conditions). To the extent that regulations create individual rights, those rights are pursued through other channels. In France, for example, there are a set of labor courts, analogous to the grievance procedure in U.S. collective bargaining agreements, through which individual remedies can be sought (Von Richthofen, 2002).

The Franco-Latin model would appear to have several advantages over the American approach to work regulation (Schrank and Piore 2007; Piore and Schrank 2006, 2008). First, from the point of view of the enterprises which are subject to regulation and inspection, it

reduces the number of separate agencies with which they have to deal and the number of inspectors visiting their work sites. The last is not insignificant since inspectors typically divert managerial time from other issues even when they do not uncover any violations. They often also call workers off the shop floor and disrupt the production process. Second, from the point of view of government efficiency, the Franco-Latin approach economizes on the number of inspectors required to survey a given number of enterprises and hence directly or indirectly increases the deterrence effect of a given budgetary expenditure. We will discuss the potential advantages to workers and to workers' organizations separately at some length shortly. Lastly, from a social point of view, the advantages are twofold: First, it fosters a more holistic understanding of the determinants of working conditions and of the range of policies which can be brought to bear to correct them. Because the inspectors deal with multiple violations in a single enterprise, they can readily see that work standards come in packages. Moreover, standards are not only related to each other but they are also related to other managerial practices, seemingly distant from the work process, the choice of technology for example or the enterprise's strategy in the product market. As a result the package which needs to be considered when seeking to upgrade working conditions sometimes extends to the whole way in which the enterprise does business (Gill and Meyer, 2008). Infractions cannot be treated as independent, discrete violations of the law. To do so is akin to a doctor treating the symptoms which the patient presents rather than identifying and treating the underlying disease. Thus, for example, Richard Locke traces the failure of the attempt by major retail brands in the United States to control standards in their subcontractors abroad – a failure which ultimately led to the collapse of Bangladesh garment factories and the death over one thousand workers – to an approach to fashion which leads them to delay freezing the design and placing orders until as late as possible and then pressuring the producers to make up for that delay with rapid delivery (Locke, 2013).

The classic case of a constellation of characteristics reflecting a single managerial system but treated under the U.S. system of regulation as a series of separate conditions is the garment industry “sweatshop” (Piore, 1990). The conditions which characterized the sweatshop were low wages, long hours and a series of health and safety hazards including crowded workrooms, blocked fire exits, clogged aisles, excessive temperatures, and the use of child labor. The consequences of these conditions were starkly rendered in the Triangle Shirtwaist Factory fire in

New York City in 1911 that killed 146 workers. But, ultimately, the sweatshop reflected an approach to production in which the only fixed cost was real estate. Wages were paid by the piece; the customer typically supplied the material in the form of cut fabric; the single piece of capital equipment, the sewing machine, could be rented on short notice and for very short periods of time, and the workers were sometimes forced to pay that rent. Since real estate was the major fixed cost, the employer tried to cram as much production into as little space as possible and minimize the cost of heat and ventilation, causing health problems and creating multiple physical hazards. Piecemeal corrections in violations proved transitory; the violations reappeared in the same factories, much as they did one hundred years later in the subcontracts of the major brands that Locke studied.

The cure in the case of the sweatshop was an hourly minimum wage, which suddenly incentivized the boss to organize the shop so as to maximize the hourly production of the workforce. To do so, children and slow workers were excluded and the shop was organized in an orderly fashion with clear, unobstructed aisles and work spaces, to facilitate the flow of work in process. In other industries which lent themselves to long runs of standardized products and capital intensive mechanization with dedicated equipment, the economics of production foreclosed the sweatshop early in the process of industrialization in a way that a series of separate agencies each focused on a different symptom of the process could not.

The underlying point here is the fact that there are alternative ways to organize production with very different implications for worker welfare. Labor inspectors are in a unique position to identify what these alternatives are. They are in this position because they move back and forth across so many different enterprises in the process of doing their job and are exposed to a much greater variety of practices than virtually any other actor in the economy. In the Franco-Latin system, where they are responsible for the whole of the labor code, they are led to see the underlying relationships governing work arrangements. These relationships are not apparent when looking at one, or even a few, labor standards or work practices in isolation, as the U.S. approach leads inspectors to do. The inspectors in the Franco-Latin system are, in other words, led by the nature of their job to see the forest (as opposed to the trees). In addition, because they are supposed to actually bring the enterprises with which they dealing into compliance, they are in a position to act on this knowledge. The knowledge is however clinical. It does not rest on a systemic scientific base as does, for example, medical practice—a point to which we shall return.

A second advantage of the Franco-Latin model from the broad social perspective is that it fosters flexibility and hence facilitates adjustment to changing economic and social conditions. The flexibility derives from the enormous discretion which it places in the hands of the inspectors. When an inspector visits a shop, he or she cannot possibly review every aspect of the labor code. They are forced to decide which aspects of work to focus on and under what circumstances. Their discretion is further enhanced by their ability to work out a plan which brings the enterprise into compliance gradually over time, and hence not to force immediate adjustment. The flexibility is important because it preserves companies which might not be able to survive if forced into compliance suddenly. But it is also important because the goals of work regulation are complex, not necessarily compatible with each other at any moment of time, and the weights placed upon these different objectives vary with the economic and political climate. In communities with high unemployment or in periods of general economic recession, when jobs are scarce, enforcing rigorous compliance with health and safety standards to the point where the firm is driven out of business will be viewed very differently than when the labor market is tight and alternative employment opportunities are plentiful. Similarly, undocumented immigrant workers will be more welcome when jobs are abundant and labor is scarce than when there is substantial unemployment among native workers.

The Implications for the Two Models for Workplace Regulation More Broadly

It is not altogether clear how or why the distinctively American approach to government work regulation emerged. Early proponents of labor standards favored a general system approach much closer to the Franco-Latin model. But it is important to recognize the parallels between the system of government regulation and the kind of job control unionism which emerged in the U.S. during the Second World War and the immediate postwar period and which continues to provide the basic framework for union-management relations. The parallels imply that a change in the approach of government regulation is likely to challenge the logic of collective bargaining and of union control as well. It would open up new opportunities for work-based organizations more generally, but it also challenges practices with which organized labor has become accustomed to working.

The salient characteristics of the post-war system are threefold. The first is a strict division of labor between labor and management. The second is the way in which the role of

labor has been limited to that of imposing a set of rules or constraints upon managerial behavior and then monitoring compliance with those rules through a legalistic grievance procedure, without entering into the operation of the business. The business strategy and the choice of the production process itself are defined as “management prerogatives” lying outside the domain of worker purview. The union in this way is confined to the essentially passive role suggested by the aphorism: management acts and unions react. Third, the rules are associated with a production system which is thought of as consisting of a series of well defined “tasks”, which are in turn combined into “jobs”; work standards are attached to and defined as part of those jobs. In other words, the union in effect negotiates a set of job definitions and then monitors the production system to ensure that those definitions are respected. This leads in non-government work regulation, as in the administration of government labor standards, to a tendency to see each job and each labor standard in isolation rather than as part of a production system or business strategy.

American unions did not invent this system. Indeed, it actually developed first in the efforts of government regulators to contain the threat which organized labor posed to war production in WWII and was then reinforced and extended by management in the effort to limit and control the role of unions in the workplace in the post-war period. But unions have over time become accustomed to operating within this system and adept at using it to their own advantage and hence are often resistant to the kinds of reforms which another model might imply (Piore, 1983; 1982 a and b).

The way the role of the unions was defined after World War II – and legally mandated labor standards administered – contrasts sharply with many pre-war labor practices, some of which survived in the shadows of the post-war system. These labor practices more closely resemble the Franco-Latin approach. Three different examples: The closest analogue to the Franco-Latin model is the system of labor relations in commercial construction. There, contracts tend to be composed of a long list of rules reminiscent of those in industrial shops. But the business agent typically negotiates a specific site agreement for large jobs which tailors the work regulations to the peculiarities of the particular project, suspending regulations which are irrelevant to the job and sometimes introducing in return protections which are not in the master agreement. The construction unions also sponsored extensive apprenticeship programs which sustained a labor force of skilled workers required for the approaches to production which were

required to adhere to the standards the union promulgated and a system of hiring halls which ensured that that labor force was effectively deployed (Wikipedia, 2014).

A second exception was the Ladies' Garment Workers. They actually did build their contracts around a very detailed set of rules inspired by Taylorist industrial engineering, but they then maintained a separate industrial engineering department which served as a technical consultant for the firms covered by the collective agreement, sending the unions' own engineers to reorganize the shop so that it would be possible to comply with the rules (Disher, 1947).

A third exception was exemplified by the Teamsters Union which used its pension funds to provide capital to firms which would enable them to upgrade and adjust their business practices to sustain labor standards. That this system of financial support opened the union to charges of corruption and abuse should not distract from the strategic idea of linking work practices to other aspects of the business and encouraging the kinds of adjustments in business strategy and production practices which would support standards (James and James, 1965).

All three of these unions, it should be noted, were involved in the development of industrial policy for their industry in a way that industrial unions, given the role assigned them in the postwar system, were discouraged from doing.

Could the U.S. move at this late date toward the Franco-Latin model? In many ways trends in technology and management seem favorable to a move in this direction. The well-defined division of labor between labor and management in collective bargaining and among jobs in the production process grew out of an approach to industrial engineering developed by Frederick Taylor and was associated with mass production and with the stability of markets and of work assignments which mass production fostered. Production practices in large scale manufacturing industries like automobiles and steel have changed substantially from those prevailing in the early and middle of the 20th century. The new approaches place a premium on "flexibility" and "adaptability". Management now sees the way in which jobs and work rules are defined in traditional union plants as introducing excessive rigidity. Similarly, the service industries which are increasingly salient in the U.S. economy do not lend themselves to the elaborate division of labor which once characterized manufacturing. The attachment of unions to the older system of job control cannot explain management opposition to unions, but it certainly does not help gain union acceptance in the way it might have when strict job definitions were

viewed as “best” engineering and management practice and hence union organization seemed to promote efficiency (Piore and Sabel, 1984).

Moving Toward an Alternative Approach

The question is how, in particular, to build this new approach. It seems unlikely that in the current political environment one could achieve a wholesale reform of the U.S. system of work regulation. Management is much more inclined to make the adjustments which the evolution of production technology and management practice require by eliminating union organization and government regulation altogether. Indeed, the risk is that in the attempt to create an alternative regulatory system, one would end up opening the legislation to amendments which would weaken the protection we already have. But it might be possible to move toward a more general and more remedial system of labor regulation through other strategies. One could envisage at least three approaches.

One approach would be actions on the part of workplace-based organizations. The basic strategy would be to file complaints against the targeted enterprise or enterprises with a variety of different regulatory agencies at once. The actions could be ad hoc and opportunistic, depending upon which workplaces had the organization and leadership required to carry them out. But the approach could also be coordinated by an umbrella organization or alliance of workplaces in the same industry or region. One example of this type of approach in a Dallas immigrant workers center is reported in an article by Jessica Garrick (Garrick, 2014).

The coordinating organization could combine these multiple complaints with other pressures exerted on the targeted enterprises and the government agencies involved. The precise pressures would depend on the nature of the worker organization and the particular vulnerabilities of the enterprises and regulatory agencies. But they could include traditional strikes and boycotts, as well as demonstrations, publicity campaigns exposing working conditions or suspect practices of the regulatory agencies and their agents. One might pressure not only the enterprises themselves but industrial associations with which they are connected, e.g., the Korean grocers association in the New York State campaign against substandard conditions in that industry (Greenhouse, 2002). But the point would be to use the pressure to bring about negotiations leading to an agreement between the enterprises and the regulatory agencies on a plan to upgrade employment practices in the industry. And to try and pull into the

process other agencies and NGO's providing services such as worker training and industrial extension which would facilitate the upgrading process. Such agreements might allow the upgrading to take place in a process spread out over time with an implicit assent on the part of the worker organization and possibly with regulatory agencies as well agreeing to not pressure the enterprise with additional complaints during the period.

A second approach—essentially an extension of the first—would be to develop a coordinating and upgrading mechanism out of the various local campaigns to raise the minimum wage. In other words, one would take one (or a couple) of the most progressive cities which have raised the local minimum wage and combine them with a campaign on working conditions more broadly, bringing to bear all of the various local, state and federal agencies along with civil society actors, the unions, the churches, hopefully local employers and/or employer associations and emphasize the adjustments within the firms which are required to remain efficient and competitive at the higher minimum wage. One would hope to generate a model which could then be extended to other cities.

The third approach toward transforming the U.S. regulatory system could be modeled on the financial services regulations, such as the Dodd-Frank legislation, that came out of the reaction to the 2008 crisis. Financial services regulation has many of the problems of labor standards regulation, a lot of different agencies each with a piece of the elephant and little coordination or communication among them. The crisis itself was generated by the interaction of different markets controlled by these independent agencies, but there was no one place in the system with the responsibility to think about the interrelationships among the various markets and the power to regulate and control the interactions among them. This handicapped the attempt to contain the financial crisis, leaving no individual with the power or the responsibility to mount a coordinated response. Ultimately the Chairman of the Federal Reserve Board and the Secretary of the Treasury assumed this coordinating role, operating outside their formal legal authority, and exerting extraordinary pressure on the other regulatory agencies and the financial enterprises over which they had authority (Geithner, 2014).

One model for coordinating labor regulation would be for the Secretary of Labor to assume a role comparable to that of the Secretary of the Treasury and take a much more aggressive stance on coordinating different agencies even outside of the Department of Labor's direct jurisdiction. One could claim that the increasingly wide disparities in the distribution of

income is a systemic crisis comparable to the financial crisis. One could even claim – with some reason – that the income disparities are responsible for the crisis. As a larger and larger proportion of income goes to the very top, inordinate savings accumulate which then feed bubbles like the high tech boom which burst in the crisis of 2001 and the housing bubble which burst in 2008. The parallels between the labor market and the finance market are thus surprisingly rich. But the strategy depends on having an aggressive Secretary of Labor who is willing to articulate the need for a new labor policy and then move to implement it using existing statutory power but stretching it across jurisdictions, much as the NY Fed and the FRB in Washington DC did in 2008-10. The Dodd-Frank legislation which was the response to the crisis created a Board composed of the heads of the different financial regulatory agencies led by Fed chairman to do what the Fed did unilaterally in the crisis.

Ultimately, of course, the three strategies just outlined are not independent. The coordinated action in particular cities built around the minimum wage campaigns probably requires some pioneering work by strong enterprise-focused worker organizations to demonstrate the potential of the strategy and create a model of how it might work. Local campaigns in different industries and different parts of the country are probably necessary to catalyze the Secretary of Labor and press what has become a very secondary part of the executive branch to assume a prominent leadership role in the formulation of social and economic policy.

Diagnosis and Cure

An organizational strategy which uses the threat of multiple complaints to leverage worker power need not necessarily be combined with a remedial approach to labor standards violations. But the real contribution of the approach to worker welfare (as opposed to bargaining power) has to come by combining coordination with remediation. And this leads to the question of how to think systematically about the relationship of standards to broader practices. That question is very broad and to do justice to it would require a separate paper. But several general comments are in order:

1. The issue here is that of what is the relationship among different work practices and between work organization and other business practices. As suggested earlier, we know that these are interrelated; they come in bundles and are not easy to separate (indeed, to change at all) in isolation. That, as noted, is part of the underlying reason why general

systems of enforcement are preferable to specialized systems. But what we actually know about those relationships is limited and the knowledge which we have developed is fragmentary and disparate (see for example, Gill and Meyers, 2008; MacDuffie, 1995; Combs et al, 2006).

2. The popular discourse, at least on the left, has adopted the distinction between the “high road” and the “low road” to market adjustment and work organization (for example, Appelbaum and Batt, 1994). This is a useful heuristic in the broader political debate and it predisposes people to think in terms of systems. It also provides a framework for thinking about upgrading. It is particularly good in making the point that there is more than one way of organizing the production process, that some ways of doing so are more conducive to worker welfare than others, or that management does not automatically pick the best way, either from the point of view of worker welfare or from business efficiency. Several groups and organizations have developed templates for the high road in particular industries. These include the Restaurant Opportunities Center in New York City (Restaurant Opportunities Center and Batt, 2012), the Keystone Institute in Pennsylvania working in the child (day care) industry, and the SEIU in nursing homes (Eaton, 1997).

But however effective forensically, the high road/low road leaves open a number of questions that are not addressed in the scholarly literature either (Cappelli and Neumark, 1999). Are there actually two ways or multiple ways of organizing work effectively and efficiently? Is, as the proponents often suggest, the most effective organization from the point of view of worker welfare also the most effective for the business? Are the organizational forms that are conducive to conformity with some labor standards actually conducive to all labor standards? Is there in fact only a high road and a low road as opposed to many roads? All of this is open to debate.

3. The literature of which I am aware does not effectively distinguish between the transition costs of moving from one system of human resource management to another and what might be called the operating costs of different systems once they are in place and being administered effectively. A much earlier literature on different kinds of pay systems makes clear that this distinction is critical in the sense that managers and workers who are accustomed to operating under a piece-rate system cannot operate effectively under

hourly pay systems and vice versa.

But even when the transition is possible (and the studies about hourly versus incentive pay actually show only that it is difficult and costly, not that it is impossible), it requires training and education. A number of government programs—particularly, as mentioned earlier, employment and training programs and industrial extension programs—could be brought to bear as part of an employment-based strategy to finance the transitional costs. But we need to separate those costs out, at least conceptually, in order to pursue this strategy effectively.

4. While the scholarly literature has focused, at least theoretically, upon the notion of systems (as opposed to separate practices) and there are several elegant models of how a system might affect cost (e.g., Milgrom and Roberts, 1994), relatively little attention has been paid to the way in which the impact of particular practices is affected by the way they fit into and are interpreted in the context of a particular strategy. For example, a key element of the Japanese lean production system is just in time delivery. But in the U.S. automobile industry there are two interpretations of this reform. One is to eliminate the in-process inventories which isolates different operations from each other and thereby force suppliers of parts to assume more authority to solve problems cooperatively with each other rather than wait for hierarchical direction from above. The other is to shift the inventory costs to the suppliers. One can see which interpretation prevails in any particular plant by looking for the supplier trucks parked at the edges of the plant parking lot holding the parts on the supplier's account while they are waiting to be called into production by the managers who use the reform simply to shift inventory costs. Similarly, for cooperative relations with unions—another element of the lean production formula—some managers interpret the reform in terms of genuine cooperative problem-solving; others simply as an instrument in the contest for worker loyalty.

The potentially relevant scholarly literature is extensive. As suggested earlier, it stretches back into the early 20th century and includes engineering studies of incentive pay, the famous Hawthorne experiments, the Tavistock Institute studies, Douglas McGregor's theory X and theory Y, as well as the more recent literature inspired by the Japanese lean production models,

and of course the high road and low road literature (Gillespie, 1991; McGregor, 1960; MacDuffie, 1995). The Hitachi Foundation has been sponsoring a competition on alternative human resource practices, and there is a literature inspired by Catholic business entrepreneurs that is a kind of rightwing version of the high road/low road distinction. My impression is that very little of this literature speaks directly to the questions outlined above, and it is unclear whether it could be reorganized to do so. However, the fact that such a literature exists suggests that if there were a constituency for studies which attempted to answer questions of this kind, the academic community would be responsive to their needs.

Conclusions

This paper has sought to outline a new strategy for workplace based organizations, one which draws upon the existing framework of labor market regulation, the legacy of the 1930s and 1940s, but seeks to reposition and redirect the components of that framework in the light of an alternative, Franco-Latin approach. The strategy could be pursued by work-based organizations acting on their own in an ad hoc manner independently of each other, or in a coordinated fashion directed by a local, or even national, alliance of such organizations under the leadership of a voluntary association or government officials (e.g., mayors, governors, the Secretary of Labor). The strategy is not a panacea for the problems of the American worker. Nor is it necessarily a substitute for other approaches to improving worker welfare or even for improving labor standards narrowly conceived. It would not prevent enforcement agencies from leveling penalties against employers who are maliciously and repeatedly violating labor standards. And it is certainly no substitute for union organization nor for political strategies which change the law to facilitate organization. But it will increase the effectiveness of existing budgetary resources both by limiting redundant inspections and by bringing into play remedial programs such as worker training and industrial extension services to reduce the cost of compliance and help enterprises transition to more labor friendly management styles. Ultimately, if supported by a new base of academic knowledge, it could transform the way in which work is understood and organized.

On one level, this strategy can be thought of as a way of re-equilibrating the balance of power between labor and management which has been progressively undermined in the last thirty years by the decline of trade union membership and the withdrawal of government from

active management of economic activity, particularly in the workplace. But at another level, it could be thought of as a part of the ongoing attempt to create and maintain a system of economic coordination which combines economic prosperity and technological dynamism with social equity and worker and environmental protection.

The United States has a reputation as a “liberal market” economy. We tend to understand ourselves these days in those terms and this is certainly the way in which our society is understood abroad. The economy in this view is organized and directed by the prices generated through transactions in a competitive market among business firms, among workers, and between workers and their employers. Governmental rules and regulations are minimal, as is direct cooperation among businesses and between labor and management. These relationships are thought to distort market signals. In this, the U.S. approach contrasts sharply with that of other countries: Germany, for example, with a tradition of worker participation in business decisions or France in which business operates under continual government surveillance.

But the U.S. economy has not always been a liberal market economy in this sense. In the period stretching from the 1930s through the 1970s, economic interactions were organized by larger corporations with strong internal administrative systems for labor allocation, insulated from market forces, government regulation and guidance was extensive, and trade unions played a prominent role in limiting the excesses of business management and of the competitive market. The current administration of labor standards is a legacy of this period. And the liberal market philosophy which has guided policy in the last thirty years was conceived in no small measure in reaction to this approach. Both political debate and academic discourse have come to equate government regulation and worker organization with the institutions of this earlier period.

But in fact the role of government in the European countries to which we (and they) tend to contrast the U.S. is actually very different from the role in the U.S. system of the initial postwar decades. (Indeed, there is not “one” European system, and the initial postwar system differs in turn from the patterns of government and union regulation in the workplace in the pre-war period in the United States.) The attraction of the liberal market economy in the United States is running thin. It has not produced either the economic stability or the rising incomes that characterized the U.S. economy in the immediate postwar decades. And its price in terms of decreased social mobility, increasing inequality in income, degradation of health and safety in the workplace, and the exploitation of a growing population of undocumented immigrants with

uncertain legal status and ambiguous social protection is becoming increasingly apparent. It seems unlikely that we can return to the regime of the earlier postwar period. New technologies have combined with globalization to make markets too unstable and unpredictable for the rigid rules and regulations which constrained business behavior in that earlier regime. It seems still less likely that we could simply borrow the model of some other country whose culture and history are so different from our own. But the variety evident in our own history, and in the experience of other countries, does suggest that there are many alternative ways of organizing and managing the pursuit of material wellbeing on a national scale.

These alternatives were not created by design. Rather they seem to emerge out of the pragmatic responses of actors on the ground to the pressures of day-to-day existence, drawing upon the inherited institutions but repositioning those institutions in different ways—informed perhaps by their own history and that of other countries—and gradually coalescing into what amounts to a new economic regime. The broader promise of the strategy outlined here is that it will catalyze a process of this kind.

References

- Appelbaum, Eileen and Rosemary Batt. The New American Workplace: Transforming Work Systems in the United States. Ithaca, NY: ILR Press, 1994.
- Cappelli, Peter and David Neumark (1999) “Do ‘High Performance’ Work Practices Improve Establishment-Level Outcomes?” NBER Working Paper No. 7374.
- Combs, James, Yongmei Liu, Angela Hall, and David Ketchen (2006) “How Much Do High-Performance Work Practices Matter? A Meta-Analysis of Their Effects on Organizational Performance,” *Personnel Psychology*, 59 (3): 501-528.
- Disher, Margaret L. American Factory Production of Women’s Clothing. London: Devereaux Publications, 1947.
- Eaton, Susan (1997) “Pennsylvania’s Nursing Homes: Promoting Quality Care and Quality Jobs,” Keystone Research Center High Road Industry Series, #1 April.
- Garrick, Jessica (2014) “Repurposing American Labor Law: Immigrant Workers, Worker Centers, and the National Labor Relations Act,” *Politics & Society*, 42 (4): 489-512.
- Geithner, Timothy F. Stress Test: Reflections on Financial Crises. New York: Crown Publishing Group, 2014.

- Gill, Carol and Denny Meyer (2008) “High and Low Road Approaches to the Management of Human Resources: An Examination of the Relationship between Business Strategy, Human Resource Management and High Performance Work Practices,” *International Journal of Employment Studies*, 16 (2): 67-112.
- Gillespie, Richard. Manufacturing Knowledge: A History of the Hawthorne Experiments. Cambridge: Cambridge University Press, 1991.
- Greenhouse, Steven (2002) “Korean Grocers Agree to Double Pay and Improve Workplace Conditions”, *New York Times*, September 18, 2002.
- James, Ralph C., and Estelle James. Hoffa and the Teamsters: A Study of Union Power. Princeton, N.J.: Van Nostrand, 1965.
- Locke, Richard. The Promise and the Limits of Private Power: Promoting Labor Standards in a Global Economy. Cambridge: Cambridge University Press, 2013.
- MacDuffie, John-Paul (1995) “Human Resource Bundles and Manufacturing Performance: Organizational Logic and Flexible Production Systems in the World Automobile Industry,” *Industrial and Labor Relations Review*, 48(2): 197-221.
- McGregor, Douglas. The Human Side of Enterprise. New York: McGraw-Hill, 1960.
- Milgrom, Paul and John Roberts (1994) “Complementarities and Fit: Strategy, Structure and Organizational Change in Manufacturing,” *Journal of Accounting and Economics*, 19 (2-3): 179–208.
- Piore, Michael J. (1982a) “American Labor and the Industrial Crisis. *Challenge*, 25 (1): 5-11.
- Piore, Michael J. (1982b) “Why Unions Don't Work Anymore”, *Inc.*, March 1982.
- Piore, Michael J. (1983) “Can the American Labor Movement Survive Re-Gomperization?” *Proceedings of the Thirty-Fifth Annual Meeting of the Industrial Relations Research Association*, pp. 30-39.
- Piore, Michael J. (1990) “Labor Standards and Business Strategies” in Stephen Herzenberg and Jorge Perez Lopez (Eds.) Labor Standards and Development in the Global Economy, U.S. Department of Labor, Bureau of International Labor Affairs, Washington, D.C., pp. 35–49.
- Piore, Michael and Charles Sabel. The Second Industrial Divide: Possibilities for Prosperity. New York: Basic Books, 1984.
- Piore, Michael and Andrew Schrank (2006), “Trading Up: An embryonic model for easing the human costs of free markets,” *Boston Review*, 31 (5): 11-14.

Piore, Michael and Andrew Schrank (2008), "Toward Managed Flexibility: The Revival of Labor Inspection in the Latin World," *International Labour Review*, 147 (1): 1-23.

Restaurant Opportunities Center and Rosemary Batt (2012) "Taking the High Road: A How to Guide for Successful Restaurant Employers," Restaurant Opportunities Center Research Report, January.

Schrank, Andrew and Michael Piore (2007), "Norms, regulations, and labor standards in Central America," *CEPAL - Serie Estudios y Perspectivas*, No. 77, February.

Von Richthofen, Wolfgang. Labour Inspection: A Guide to the Profession. Geneva: International Labour Office, 2002.

Wikipedia, s.v. "Project Labor Agreement," last modified September 26, 2014, http://en.wikipedia.org/wiki/Project_Labor_Agreement.