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Evolution of the Workplace: Where Do We Go From Here?

Patricia L. Brockmeyer

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Patricia L. Brockmeyer, B.S., Management

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of Lindenwood College in Partial Fulfillment of the
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ABSTRACT

This paper will take the reader on a fascinating journey through the workplace from colonial times to the decade of 2000+. It will be a tumultuous roller coaster ride with victories and sacrifices for both employees and employers. It will begin with the birth of our country when labor was largely concentrated either in agriculture, or people were self employed in retail, or skilled trades. It will identify the somewhat nefarious methods for obtaining servants, from Europe and Africa when indentured servants and slaves provided cheap labor.

Soon the industrial revolution invaded the shores of the new nation and workers moved from the farm to the factory. New skills and trades were developing, and along with it worker discontent with conditions in factories. Labor unions began to form to address the unacceptable conditions and wages. Violence seems to have been present from the beginning of union activity. Strikes were soon found to be an effective tool to force negotiation.

Women began to make their mark in the workplace. Initially, they were not allowed in the skilled trades union, so they formed their own unions with their own agenda. They also fought for individual liberties and succeeded in getting the right to vote.

Significant world events affected the workplace also. Depressions seemed to occur every twenty to thirty years; wars--civil and world--affected products and manpower; government regulations and laws radically changed not only the workplace but worker rights, protection, and expectations.

Technology has impacted the workplace more than anything. The world of automation has changed the required skill level of workers, and the amount of workers required to produce products. The workplace of today is global. Communication occurs in a heartbeat. What happens in Japan today, or any other country, affects the rest of the world tomorrow.

Where are we going from here? No one really knows. Some prognosticators are guessing at what will be the management styles for the "new workers"; what will the workplace look like; how will we communicate. We can try to look into the future, but with the speed at which changes are occurring, it is anyone's guess.

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<u>**COMMITTEE IN CHARGE OF CANDIDACY:**</u>

Assistant Professor Dr. Betty LeMasters, Chairperson and Advisor

Adjunct Professor James Lister

Adjunct Professor Joseph Lonigro

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Chapter 1

HISTORY

1619 - 1776

During the colonial period and for some time afterward, 90 percent of the people lived in the countryside and the majority of free people were self-employed, either as independent farmers, artisans, or in urban retail trades and professions. To meet the rising demand for labor, potential employers used mostly indentured servants and African slaves. Free workers included carpenters and masons; shipwrights and sailmakers; tanners, weavers, shoemakers, tailors, smiths, coopers (barrel makers), glaziers (glass makers), and printers. Most skilled craftsmen worked independently; but as the population grew, they set up small retail shops and employed journeymen and apprentices who worked for wages. By the close of the 18th century, these journeymen were beginning to form local trade societies which would become the organized labor movement (Groner 13).

Indentured servants were men, women, and children whose articles of indenture were signed before leaving the Old World; redemptioners who agreed to reimburse their passage money by selling their labor after landing in the colonies; and convicts sentenced to transportation to America. They all worked without wages and were totally under their master's control for a set term of years. Thousands of people were "spirited" out of England, many times with the encouragement of local authorities. The common belief that England was overpopulated led to approval of the overseas transportation of paupers and vagabonds who were felt to be a burden on the community. It was also found to be an easy way to take care of orphans and other minors who had no means of support (Groner 13).

Free labor in the colonies was made up of immigrant artisans and mechanics who had been able to pay their own passage money and of recruits from the ranks of bound servants who had served out their terms of indenture (Groner).

In 1630, the General Court in Massachusetts enforced a wage ceiling of two shillings a day for artisans and 18 pence for all day laborers. In 1670, another law reaffirmed these general wage rates stating more specifically that the working day should be 10 hours a day (Groner 15).

1830

Industrialization developed slowly in the United States; it remained predominately a farming nation. In 1820, just under 72 percent of all workers worked in agriculture; by 1840, almost 69 percent of the work force worked on farms. Manufacturing and construction workers numbered at 790,000 (Groner 93).

During the 1830s, the American factory system was developing, and the struggle between employer and employee intensified. Factories substituted mechanical power and machinery for muscle power and skills. Industrialization necessitated large capital outlays and a concentration of labor. Mass production for national and international markets began to develop. By the Civil War the textile, boot and shoe, and iron industries were in the final phases of developing modern, mechanized operations (Groner 97).

1843 - The American Railway Union was established by Eugene V. Debs. His new kind of industrial union placed all workers into one organization, instead of dividing them into craft unions. He said, "The strike is the weapon of the oppressed, of men capable of appreciating justice and having the courage to resist wrong and contend for principle" (Dulles 165).

In England, Charles Dickens' story, A Christmas Carol, showed the plight of the worker in 1843 working for a merchant.

> The door of Scrooge's counting-house was open that he might keep his eye upon his clerk, who in a dismal little cell beyond, a sort of tank, was copying letters. Scrooge had a very small fire, but the clerk's fire was so very much smaller that it looked like one coal. But he couldn't replenish it, for Scrooge kept the coal-box in his own room; and so surely as the clerk came in with the shovel, the master predicted that it would be necessary for them to part. Wherefore the clerk put on his white comforter, and tried to warm himself at the candle; in which effort, not being a man of a strong imagination, he failed.
>
> At length the hour of shutting up the counting-house arrived. With an ill-will Scrooge dismounted from his stool, and tacitly admitted the fact to the expectant clerk in the Tank, who instantly snuffed his candle out, and put on his hat. "You'll want all day tomorrow, I suppose?" said Scrooge. "If quite convenient, sir," "It's not convenient," said Scrooge, "and it's not fair. If I was to stop half-a-crown for it, you'd think yourself ill-used, I'll be bound?" "And yet," said Scrooge, "you don't think me ill-used, when I pay a day's wages for no work." The clerk observed that it was only once a year. "A poor excuse for picking a man's pocket

> every twenty-fifth of December!" said Scrooge, buttoning his great-coat to the chin. "But I suppose you must have the whole day. Be here all the earlier next morning (Dickens 11).

Bob Crachit's working conditions were indicative not only of England in 1843, but also of America in that same year.

1848 - Women's Rights Convention at Seneca Falls, N.Y. Under the leadership of Elizabeth Cady Stanton, the first definitive position on women's rights was taken (Mansbridge).

1850

In the South, cotton plantations were the South's factories. The hundreds of slaves included large numbers of production workers - the field hands, as well as specialists and skilled artisans such as carpenters, drovers, coopers, tailors, millers, butchers, shipwrights, engineers, dentists, and nurses. The owner dealt with production and marketing and also had to provide the living necessities for all of these people (Groner 99).

The price of slaves was controlled largely by the cost of free labor and rose from an average of $250 in 1815 to $700 in 1860 and from $500 for prime field hands in 1800 to as much as $2,000 in 1860. Very few whites, even in the South, actually owned slaves. Indeed, the 1860 census showed that fewer than 5 percent held slaves, and almost three-fourths of these had fewer than ten slaves (Groner 139).

1860

Civil War - 1861 - 1865 - For the first time, Americans were asked to pay income tax to help fund the war. The tax lasted for only 12 years and was then discontinued (Groner 141).

The monopolistic practices of the employer during the 1860s encouraged the employees to unionize, and in 1866 the National Labor Union (NLU) was formed. It advocated an eight-hour day, consumer cooperatives, restriction on immigration, a Department of Labor, and legal tender greenbacks. It did not consider collective bargaining one of its aims, nor were workers advised to strike to achieve their goals. The NLU floundered and disbanded six years after its creation, due to a preoccupation with currency reform and a lack of commitment to union goals (Dulles 96).

1863 - The Women's National Loyal League was formed by Susan B. Anthony (Mansbridge).

1866 - The Crane Company introduced a medical department for employees (DeCenzo 19).

1869 - The Noble Order of the Knights of Labor (KOL) was founded and was open to skilled and unskilled laborers and sought economic and social reform by political action rather than strikes. The members also sought to secure higher wages, fewer working hours, and better conditions through legislation. However, the KOL lacked a unified goal and philosophy (Carrell 10).

1870

The Depression of 1873 placed labor at the mercy of the employers. The treatment of workers by railroad companies was typical of this period. Railroad companies had, through various capitalization schemes, produced large dividends for wealthy stockholders while consistently losing money. To compensate, railway rates increased and wages were reduced. The workers' discontent reached desperation after a 35 percent wage cut in three years, irregular employment, increases in railway hotel and transportation costs (use of which was necessitated by work schedules), and a suppression of union activities (Carrell 9).

In 1877, numerous eastern lines announced a new 10 percent cut in wages, and the workers in Maryland began a strike. The strike spread quickly and violently to West Virginia, Kentucky, Ohio, Pennsylvania, New York, and Missouri. State militia dispersed one gathering in Pittsburgh, killing twenty-six people. Militia were called out in Kentucky; and federal troops fought with workers in Maryland, Ohio, Illinois, and Missouri. The strike lasted less than twenty days, but more than 100 workers were killed and several hundred badly wounded. For the first time in the history of the U.S. labor movement, a general strike swept the country, and federal troops were called out to suppress it (Carrell 9).

The newly forming labor movement realized that the failure of this largely spontaneous strike stemmed from lack of organization. Propertied classes, terrified by the events of 1877, strengthened support of state militia. The construction of armories in major East Coast cities coincides with this period (Carrell 9).

1875 - The first private pension plan adopted; it provided benefits for employees age 60 or over who had 20 years with the company (DeCenzo 19).

1880

1885 - Proctor & Gamble granted a Saturday afternoon half-holiday for all workers.

1886 - Westinghouse Corporation granted paid vacations.

1887 - Proctor & Gamble established a profit-sharing program (DeCenzo 19).

1886 - The American Federation of Labor (AFL) was formed under the leadership of Samuel Gompers and had the sole policy of improving the position of skilled labor. Its' program included standard hours and wages, fair working conditions, collective bargaining, and the accumulation of funds for union emergencies. The AFL introduced the concept of business unionism to union management and leadership. A decentralization of authority allowed national unions trade autonomy, enabling them to make decisions for themselves. A particular craft or trade union had exclusive jurisdiction to ensure protection from competition (Barbash).

Samuel Gompers was born in London in 1850. He became a cigarmaker at the age of 14 in New York City and joined the Cigarmakers' Union. He became the first president of the AFL in 1886 and remained in that position, except for the year 1895, until his death. He served as an advisor to the Council of National Defense during World War I. Gompers championed "business unionism," advising union leaders to build their unions and bargain with employers for economic gains. He felt that the goal of labor should be better wages, hours, and working conditions, not political reform. He was viewed as essentially conservative: opposed to industrial unions, government regulation, and the widening of the labor movement to include blacks, women, and unskilled workers. Although the powers of his position were limited, Gompers built the AFL into the largest labor organization in the country (Kaufman).

The Haymarket Square Riot took place in Chicago in 1886. Laborers called a general strike to demand an eight-hour day. A peaceful meeting, held to protest a police shooting of four strikers during a fight the previous day, ended with a bomb thrown into a group of police, killing one policeman and injuring others. The police opened fire and more strikers were killed or injured (Carrell 10).

1890

1890 - Wyoming became the first state with women's suffrage. The movement was accelerated by the formation of the National American Women's Suffrage Association and the election of Carrie Chapman Catt as president (Mansbridge).

1894 - The National Wallpaper Company and the Wallpaper Craftsmen negotiated a guaranteed annual wage (DeCenzo 19).

Pullman strike of 1894 - Railroad workers in Illinois lived in Pullman's town, where wages were low and rents were high. A group of employees who made the Pullman cars demanded wages be restored to previous levels and rents be lowered. These workers went on strike when their demands were refused. In sympathy, another group of workers refused to switch Pullman cars. When switchers were fired, even more classifications of railway workers went on strike (Carrell 12).

1890 - The Sherman Anti-Trust Act was passed - it declared that contracts, combinations, and conspiracies formed in restraint of trade and commerce were illegal. - Theoretically directed at business, the court's injunction caused controversy when applied to labor unions (Carrell 13).

1898 - A by-product of the Pullman Strike was the passage of the Erdman Act (Carrell 13).

The U.S. Strike Commission formed by President Grover Cleveland investigated its cause and results, recommending a permanent federal commission to conciliate and, if necessary, decide railway labor disputes. Congress used this recommendation as its basis for passage of the Erdman Act. This act gave certain employment protection to union members and offered facilities for mediation and conciliation of railway labor disputes. While the legislation was limited to employees operating interstate trains, its passage suggested that federal regulation of employer-employee relationship might be necessary to ensure peace in interstate industries (Carrell 13).

1900

1902 - The first state's workmen's compensation law enacted in Maryland; declared unconstitutional in 1904 (DeCenzo 19).

1902 - The United Mine Workers organized a strike of anthracite coal miners. President Theodore Roosevelt stepped in and offered to establish a President's Commission to arbitrate; however, the mine owners refused. The Commission's recommendation included wage increases but fell short of union recognition (Carrell 14).

1903 - The Women's Trade Union League (WTUL) was formed as an alliance of middle class and working women. The WTUL led the drive to organize women into trade unions, secure protective legislation for female workers, and educate the public to the needs of working women. Margaret Drieir Robins served as its president from 1907 to 1922. The league gave women an opportunity to work for the labor movement during a time when the American Federation of Labor reserved that privilege for highly skilled men in organized trades. Feminism was at the basis of the League's conception of labor and reform. Members of the WTUL believed that women could transcend ethnic and class differences to forge an alliance confronting social injustice (Payne 24).

1910

Up until about 1900 or 1910 American business was run primarily by entrepreneurs--the owners of a business were also its managers. As businesses grew too big for one-man rule, outside administrators were hired, and a gradual separation took place between ownership and management. As this division grew more marked, it became common for the top men in corporations to work for salaries, rather than for the profits of the business (Groner 193).

Management became a proficiency separate from the traditional skills required by a business. Corporations still needed executives who were familiar with sales, marketing, and finance; but what they needed even more were people who were capable in the arts of management (Groner 193).

1911 - The first group life insurance plan for employees inaugurated by the Pantasote Leather Company (DeCenzo 19).

1912 - The first major group insurance plan introduced at Montgomery Ward (DeCenzo 19).

1912 - Textile Workers in Lawrence Massachusetts went on strike and were supported by contributions from around the country. After nine and one-half weeks, mill owners capitulated and met most of the workers demands (Carrell 14).

1913 - A strike by mine workers in Ludlow, Colorado spurred the start of company unions. Mine owner, John D. Rockefeller, Jr., realized the inevitability of such workers' organizations. By instituting his own recognized employee organization and initiating reforms such as health funds and better living conditions, Rockefeller hoped to eliminate the need for union recognition. Such company unions created the illusion of participation but lacked the essential element of labor and the employer meeting as equals at a bargaining table (Carrell 14).

1916 - Dennison Manufacturing Company announced a plan for payment of unemployment benefits (DeCenzo 20).

1917 - The health committee of the Chicago branch of the WTUL designed a plan for the first comprehensive health plan sponsored by a labor organization in the United States. It included incentives for preventing disease (the precursor to the "Wellness Programs" of today), as well as maternity benefits for working mothers. Working women affiliated with the League were entitled to two physical examinations a year in exchange for a nominal fee, as well as to lectures by physicians on health-related topics (Payne 134).

World War I started in June 1914 with the assassination of the Austrian Archduke Ferdinand. The U.S. entered the war in 1917, and it ended in November 1918 when the allies and the U.S. defeated the Germans on the western front (Groner 222).

When World War I ended, there was no real place in the economy for all the planes that had been built or the talents of the thousands of men who had learned how to fly. An early initiative was taken in 1918 by the Post Office Department and the Army which started an experimental airmail service between New York and Washington. Independently, the Post Office started a New York to Chicago airmail run and by 1924 had expanded it to a transcontinental service. Later, Congress passed the Kelly Act which required that the jobs be turned over to private air transport companies. As more and more air transport services emerged, the need for new airplanes developed which led to a new industry started by William E. Boeing, Glenn L. Martin and Donald Douglas (Groner 300).

Because America's fundamental transportation and manufacturing systems had been completed before 1914 and because the war had suddenly put the U.S. into an unfamiliar role as a creditor nation possessing a record-breaking stock of European gold, businessmen were free to turn their attention toward refinements in the production and distribution processes. Due to military demands during the war, and adoption of scientific management techniques in the years immediately afterward, U.S. industrial production nearly doubled between 1919 and 1929 (Groner 301).

Since there was no corresponding expansion of employment or wages to encourage a wider distribution of the supply of goods and services, advertising became a major industry in itself. Saving was condemned as out of fashion and almost unpatriotic. It was every American's duty to provide himself or herself with as many wristwatches, electric floor scrubbers, Frigidaires, etc., as humanly possible. The advent of installment purchasing plans provided additional impetus to consumption (Groner 301).

1920

President Wilson tried to extend the wartime truce between capital and labor at an industrial conference in 1919, but employers insisted on their right to hire and fire as they saw fit. The courts aided this by giving industrial firms the upper hand over their workers. A state law forbidding employers from forcing their workers to sign yellow-dog contracts, in which they would agree not to join a union, had been overthrown by the Supreme Court in 1915. In 1918 and 1922, the Court declared federal child labor laws unconstitutional, and in 1923 it ruled against a minimum wage law for women (Dulles 301).

The American Federation of Labor lost almost a third of its 4.1 million members between 1920 and 1929. Employer influence had corresponding gains.

Company unions grew from a handful in 1917 to hundreds, with a total membership of more than 1.4 million, ten years later. Various welfare plans were instituted by some employers, partly to discourage union initiatives and partly because of a growing humanitarian tendency on the part of management. A number of employees got free medical services, subsidized sports and recreational activities, paid vacations, and low-cost lunches. Group insurance by 1927 covered 4.7 million workers, with total coverage estimated at $5.6 billion. A 1926 survey showed that more than 400 firms, employing 4 million, had pension plans, almost all of them started since 1911 (Dulles 236).

1920 - Susan B. Anthony's proposed right-to-vote amendment to the Constitution became law (Mansbridge).

1926 - Sun Oil Company established an employee savings plan with company contributions (DeCenzo 20).

1929 - Blue Cross concept of prepaid medical costs initiated at Baylor University Hospital (DeCenzo 20).

1929 - Bagdad Copper Mine in Arizona offered guaranteed lifetime employment (Dulles).

The idea of designing jobs with the intent of making individual occupants of jobs insignificant can be traced to Frederick Taylor, Henry Gantt, Frank Gilbreth, and Lillian Gilbreth. The premise was that managers with the help of professionals could carefully and systematically analyze each task to be performed in the workplace and determine the quickest and best methods for performing the task. It would even be possible to calculate the precise time the average worker or the ideal worker, who would be precisely matched with the task to be performed, should take to perform the work. In the course of designing work, the tasks to be performed would be broken down to their most fundamental level. Workers could then focus on performing a few discrete, predefined and carefully measured acts in the workplace. The setup and care of machines, tracking of output, coordination of the flow of raw materials and finished products, and even discipline in performing the work would be externally imposed on workers (Mondy).

While there were 40,000 millionaires in the U.S. by the end of 1928, millions of American families continued to live in poverty. Farm income declined steadily throughout the twenties, and unemployment kept climbing until it neared the four million mark by the end of 1928. The coal and textile industries remained depressed for most of the decade, producing pockets of severe poverty in the South and Appalachia. Federal surveys revealed that two-thirds of American families were struggling to survive on incomes below $2500, the official minimum standard for a decent living. Lured into installment purchases, workers watched as a growing percentage of their wages was sacrificed every week to meet mounting interest payments (Groner 286).

Calvin Coolidge was elected in 1923 and dedicated his administration to the proposition that "the business of America is business." He placed the moral and material resources of the federal government at the disposal of the private sector, a policy that appeared to pay immediate dividends as the nation entered a period of unprecedented material abundance. To Coolidge, as to most Americans in the Roaring Twenties, financial titans, such as Morgan and Morrow, and industrial giants, like Henry Ford and John D. Rockefeller, were objects of almost religious veneration. Coolidge said, "The man who builds a factory builds a temple and the man who works there worships there." Secretary of the Treasury, Andrew Mellon immediately began to cut government spending and reduce federal income tax rates on businesses and wealthy individuals (Groner 275).

In the second half of the decade, as the struggle among producers for customers grew more intense, the mortality rate among smaller businesses increased dramatically. The business structure of the U.S. was undergoing a process of rationalization in which many of the smaller companies found it increasingly difficult to compete with the high efficiency standards set by the well-managed, large-scale enterprises. Large corporations continued to prosper only because they were earning extravagant profits in the stock market (Groner 276).

1928 - Hoover elected President. The election of Herbert Hoover set off a victory boom in the stock market. Stocks rose sharply the day after the election (Groner 285).

1929 - Beginning in March, the stock markets in the United States began a period of wild price swings, both upward and downward (Groner 285).

Tuesday, October 29 - In the first 30 minutes of business, immense blocks of stock--50,000 shares of Chrysler, GE, ITT, and Standard Oil were dumped on the market by wealthy individuals and institutions at prices that stunned onlookers. By noon, more that 8 million shares of stock had been sold. The Federal Reserve Board was in session in Washington with Secretary Mellon; President Hoover was conferring with Secretary of Commerce Lamong. Leading bankers gathered at the office of J. P. Morgan, Jr., to discuss the deteriorating situation--$15 billion worth of stock values had vanished into thin air, wiping out the life savings of investors across the nation (Klingaman 73).

1930

The country's wage earners stood by helplessly as the depression cut into production, paralyzed normal trade, and caused many factories, mines, and workshops to shut down altogether. Pay checks were gradually cut and then replaced by notices of dismissal. The whole program of welfare capitalism began to disappear as employers were forced to withdraw the benefits which, in the days of prosperity, had often been granted in the place of wage increases. Profit sharing schemes, employee stock ownership, industrial pensions, and even workers' health and recreational projects were quickly eliminated. Company unions were powerless to protect their members' interests (Dulles 251).

Herbert Hoover presided over three and a half years of depression. Between 1929 and 1932, the general level of American business activity slowed to about half of what it had been. Unemployment statistics reflected the measurement of human suffering. At the peak in 1933, an estimated 13 million people, or 25 percent of the work force were out of work. Virtually everyone and every business fell victim to the cycle of unsold merchandise, lower production, wage cuts and layoffs. Machinery was left to rust in place. Pay cuts were almost universal. Store clerks received as little as five or ten dollars a week, and servants worked for ten dollars a month plus room and board. Bank failures added to the crisis. During 1932, more than 1400 banks failed and the number was accelerating in early 1933. Franklin D. Roosevelt became President in 1933 and Hoover turned all the problems over to him. The New Deal had begun (Dulles 253).

Early in March of 1932 Congress passed the Norris-LaGuardia Act. This measure declared it to be public policy that labor should have full freedom of association, without interference by employers; it outlawed yellow-dog contracts and prohibited federal courts from issuing injunctions in labor disputes except under carefully defined conditions (Dulles 253).

The Glass-Steagall Banking Act of June 1933 regulated banking and securities businesses. Also it created the Federal Deposit Insurance Corporation to guarantee bank deposits up to $5000 (Groner 296).

1933 - The Civilian Conservation Corps was created putting 300,000 men to work in national forests and in various conservation projects paying subsistence wages (Dulles 272).

The Federal Emergency Relief Administration was designed to distribute $500 million in relief to the states through the Reconstruction Finance Corporation to provide grants to the states for giving direct relief (Dulles 272).

The National Industrial Recovery Act was passed to mobilize labor and industry in putting more of the unemployed back to work. It appropriated $4.4 billion to finance public works through a newly formed Public Works Administration, designed to make a frontal attack on some of the more obvious symptoms of the Depression--unemployment and closed factories. To labor, the act promised a guarantee of collective bargaining rights, minimum wages, maximum hours, and a ban on child labor. To employers, it presented an immense challenge, with limitation of production, higher prices, and exemption from antitrust laws. From June to October, employment rose by 2.5 million or 6.8 percent (Groner 298).

The number of workers involved in strikes rose from 158,000 in 1930 to 812,000 in 1933, and union membership grew from 3 million in 1933 to 3.9 million in 1935 (Groner 299).

The Civil Works Administration was created to provide jobs for 4.3 million people who worked on 180,000 different projects. A minimum of the $950 million was spent for materials, and most of the money went into wages, which averaged almost $15 a week (Groner 298).

1935 - The Works Progress Administration spent more than $13 billion and gave jobs to 3.8 million or about a third of the unemployed (Groner 298).

1935 - Senator Robert Wagner's National Labor Relations Act was passed, which guaranteed the right of collective bargaining and forbade certain acts by employers that might be construed as intimidation of union members. It also resulted in the formation of the National Labor Relations Board, whose purpose was to be centered on the encouragement and facilitation of collective bargaining. The Act also said representatives designated for collective bargaining by a majority of the employees in an appropriate unit, whether it was an employer, craft, or plant unit, were to have exclusive bargaining rights for all employees. The Act also outlawed company unions (Carrell 17).

1935 - The Social Security Act provided the basis for a federal retirement system and state-administered unemployment insurance programs. (DeCenzo 20)

This new law created a contributory plan for old age insurance that was to be progressively widened in its application and encouraged the states to develop systems of unemployment insurance (Munnell).

1935 - Enactment of the first workmen's compensation laws (Dulles).

1937 - The Railroad Retirement Act federalized a private industry's pension program (DeCenzo 20).

1938 - The Fair labor Standards Act was passed. It provided for minimum wage and prohibited employment of children under 16 years of age (Carrell 18).

1939 - World War II began in Europe in September 1939 and ended in September 1945 with the formal surrender of Japan (Groner 270).

1940

1940 - National Labor Relations Board ruled that vacations, holidays, and bonuses were proper subjects for collective bargaining (DeCenzo 20).

Roosevelt began to return control to business as the New Deal was beginning to flounder; he felt that business could regain control as it moved toward economic recovery. However, war then broke out in Europe. As we shifted into a war-time economy, dozens of new plants were being built, mostly financed by the government, furnaces were stoked, assembly lines were set in motion, and men and women found a warm welcome at employment offices. Almost every able-bodied man not in military service, as well as millions of women were at work, many spending long overtime hours at the job (Groner 314).

World War II - British and American governments required massive production of military equipment. Not only was the sheer volume of output staggering, but bomber and fighter aircraft were among the most complicated and difficult items to manufacture. Government agencies, labor and the public joined in the "lets do it" attitude. Labor asked for and frequently got a meaningful role in plant production committees. Everyone in every industry shared expertise and knowledge and got the job done. Employment expanded to 54 million. Moonlighting became a common practice, as workers held one job by day and another by night. Millions of women, many with husbands in service, took jobs and maintained their homes. When the war was over, the U.S. began to help shattered countries rebuild (Groner 318).

1949 - Supreme Court upheld ruling on Inland Steel and United Steelworkers of America negotiations that pensions were bargainable (DeCenzo 20).

1950

From 1940 to the mid 1950s a number of large corporations were reorganized for a variety of reasons and in a variety of different ways; but most of them settled into the centralized-policy, decentralized-operations mold that had been pioneered by Du Pont. In the postwar era a large number of professional managers turned toward corporate objectives, such as stability of earnings, flexibility, and long-term survival (Groner 330).

While government expenditures and military outlays dropped sharply after the war, they rose again during the Korean War period and remained high throughout the 1950s. The airlines began to grow into a major industry with revenues totaling more than $1 billion by 1951. Cyrus Smith headed American Airlines, Howard Hughes, owned Trans World Airlines, and the leading airplane builders were Boeing, Douglas, Lockheed, Convair, Martin, and North American (Groner 327).

Shorter working hours and higher incomes meant expanded use of leisure time. The total leisure market by the mid-1950s amounted to more than $20 billion in spectator and participant sports, a wide variety of amusements, recreational and pleasure travel, boating, hunting and fishing, including dining out. The Diners' Club started around 1950 with an idea and a $75 mailing list of sales managers. By 1960, it had developed into an organization whose members charged $149 million in credit purchases at restaurants and stores around the world (Groner 325).

1955 - Ford Motor Company and United Auto Workers negotiated supplemental unemployment benefits (DeCenzo 20).

James Hoffa became president of the International Brotherhood of Teamsters in 1957 and began to expand its membership and power amid charges that he was linked to the underworld. In 1967, after a series of indictments and court trials, Hoffa was sent to prison for jury tampering and mishandling of the union's pension fund. He was freed in December 1971 by President Nixon, with the provision that he not engage in union activity until 1980. Hoffa was thought to be trying to reassert control of the union when he disappeared on July 30, 1975, apparently the victim of a gangland execution (Franco).

1960

1962 - United Steelworkers of America gained an extended vacation plan in negotiations with American Can Company and Continental Can Company (DeCenzo 20).

1966 - Medicare, developed to provide medical care for the aged, became operative (DeCenzo 20).

1968 - The Treasury Department adopted new rules with limiting integration of private pension plans with Social Security retirement benefits (DeCenzo 20).

Throughout the 60s and 70s, researchers argued over McGregor's Theory X and Theory Y assumptions. McGregor believed that managers usually attempt to motivate employees by one of two basic approaches. He referred to these approaches as Theory X (suggests that managers are required to coerce, control, or threaten employees in order to motivate), or Theory Y (suggests that managers believe people are capable of being responsible and mature) (Mondy 282).

From 1960 to 1970 U.S. population increased 13 percent and the gross national product rose around 48 percent. While some businesses were experiencing record-shattering profits, others were beginning to have unprecedented losses. General Dynamics lost $143 million in 1961, American Motors lost $76 million, and Penn Central Railroad lost $500 million and went into bankruptcy in 1970 (Groner 352).

In the 60s, the American family was enjoying a rising standard of living. In 1950, more than one family out of four had an income of less than $3000 a year; by 1960, only about one family in six remained in this group, and by 1969, it included fewer than one family in ten. At the other end of the scale, one family in nine had an income of $10,000 or more in 1950; by 1960, this top group included every fourth family, and by 1969, it included 46 percent of all families and almost one family in five had an annual income of $15,000 or more (Groner 353).

In the late 1960s and early 1970s, prosperity seemed to be creating at least as many problems as it solved. An increasing number of Americans made no secret of their disenchantment with the values of a society that placed so much importance on material well-being. Much of the criticism came from the young, who did not pay much attention to the direction in which society was moving, but instead criticized its shortcomings and the nation's achievements (Groner 353)

By the 1960s, business was caught up in a cycle of rapid change. Now added to technology, industry continually explored new applications for scientific discoveries; the public responded readily to the new and ever newer; and business needed to be endlessly alert and adaptable to the changes in people's moods, preferences, and styles of living (Groner 353).

Another major new trend in retail sales was franchising. The franchiser could develop wide distribution without a huge investment in outlets, and his dealers had built-in incentives to succeed. Among the fastest growing franchise operations were food dispensers such as the McDonald chain and the International House of Pancakes restaurants (Groner 354).

Unskilled and relatively uneducated men and women could find employment as fast food restaurant workers, hairdressers, waitresses, sanitation workers, car washers, and domestics. Those jobs spelled low wages, miserable working conditions, and employment insecurity. Those private and public sector white collar jobs, which paid best and provided decent conditions and job security were reserved for people with advanced formal education (Groner 353).

Tax laws and accounting methods contributed to the growth of the business of renting and leasing such diverse items as formal wear, automobiles, jet aircraft, and heavy industrial machinery. It even became profitable, in some cases, for the owner-operator of an office building or hotel to sell it and then lease it back (Groner 354).

Characteristic of the decade of the 1960s was the introduction of the concept of the "knowledge industry," which was growing much faster than the rest of the economy. The computer industry, perhaps more than any other, placed heavy reliance on knowledge, obviously in the development of hardware and software (Groner 354).

The rise of a service economy, regarded by many as a natural development in a nation moving beyond industrialization, had offered unforeseen business opportunities. The computer industry became big enough for fortunes to be made almost anywhere in the industry. In 1962, H. Ross Perot left IBM and started his own company, Electronic Data Systems. By 1971, his net worth was $600 million (Groner 359).

The 1960s were also known for mergers and diversification. Business marriages increased steadily, climbing close to 4000 in 1968. McDonnell Aircraft bought Douglas Aircraft; New York Central and Pennsylvania railroads merged to become Penn Central; Litton Industries acquired Ingalls Shipbuilding and within ten years had acquired an additional thirty-seven companies (Groner 358).

Also during the 60s, a militant feminist trend emerged in the United States, encouraged by significant feminist studies and a general legislative climate favorable to minority rights and antidiscrimination movements. Militant women's groups were formed. The Women's Liberation Movement, which was social rather than political and was publicized in literature and demonstrations by radical feminists, is thought to have raised the awareness of the nation to the prevalence of discriminatory beliefs and attitudes (Mansbridge).

1964 - Title VII of the Civil Rights Act was passed. This act prohibited discrimination in employment and established the Equal Employment Opportunity Commission (Carrell 381).

In December 1964 President Lyndon Johnson declared "the Number One priority today is more jobs" (Dulles 380). What made the job problem more severe was the widespread introduction of automation into industry and the revolution in race relations. Automation clearly reduced the need for workers in several basic industries and transformed the structure of the labor force. President Johnson predicted that by the end of the 1970s the U.S. would be able to match the industrial output of the 1960s with 22 million fewer workers. (In 1962, Congress had passed the Manpower Development and Training Act with a three-year appropriation of $35 million to help workers who lost their jobs as a result of automation) (Dulles 380).

In 1961 Lockheed became one of the first large corporations to enlist in a voluntary program for providing jobs to unemployed minority workers. Ford and General Motors recruited actively in slum areas and kept workers on even when they failed to measure up to employment standards. General Electric plant managers were required to report regularly their percentage of nonwhite employees, compared to the percentage of nonwhites in their localities. Standard Oil of Indiana insisted on jobs for minority workers in the construction of its new $100 million office building. A number of companies offered help in the form of loans, guarantees, training, and counsel to aspiring minority group enterprisers (Dulles 378).

Many of these programs were failures. Xerox Corporation found that the cost of hiring and training hard-core unemployed was four times that for other workers (Dulles 378).

By 1964 women comprised 34 percent of the labor force; the greatest increase in waged work occurred among older married women. The vast majority of female workers tended to be employed outside the highly unionized, high wage job world of basic industry. Female workers typically earned only 59 percent as much as male workers. Nonwhites, women, and teenagers all competed for the same unstable, low-wage, nonunion jobs, with women as a group making the most progress (Dulles 390).

The UAW General Motors contract of 1964 included benefits for psychiatric treatment, tuition for job-related education, severance pay, and incentives for early retirement. Many contracts allowed for paid holidays and paid vacations (Dulles 390).

A poll conducted by the AFL-CIO reported that nearly half of union families lived in comfortable suburbs and most cited taxes and prices, not jobs and wages, as their primary political worries (Dulles 390).

1966 - Betty Friedan formed the feminist political organization, National Organization for Women (Mansbridge).

1970

The computer industry's business curve stayed on the upgrade as more and more businesses found ways to operate more efficiently with the use of computers. Science moved ahead on many fronts--nuclear energy became more affordable; man was exploring space and using satellites for communication and discovering the world of lasers. In experimental stages were supersonic trains and high-speed electrostatic spinning of yarn (Groner 355).

At the start of the 1970s observers of American labor focused on what they called the "blue collar blues." The traditional work ethic seemed under attack, as employees voiced discontent with the character of work in a routinized factory or office setting. Younger workers, especially those with no memory of the Great Depression and mass unemployment and with more formal education than their parents and greater expectations for obtaining satisfying work, disobeyed work rules, absented themselves from the job, and got "high on drugs or alcohol." On many automobile assembly lines only a "stoned" worker seemed able to confront the day's tasks. The Wall Street Journal and other business journals remarked on worker absenteeism, poor factory discipline, and the questionable quality of American labor (Dulles 389).

Office and professional workers also began to complain about jobs that provided little intrinsic satisfaction and infringed on their personal autonomy. Like industrial workers, they rebelled against rules set by their supervisors and demanded more freedom and variety in their work. Teachers, nurses, social-service professionals, and a wide variety of public servants began to act like traditional trade unionists and transformed previously ineffective professional associations into labor unions. Teachers, nurses, firefighters, and sanitation workers, among other public employees, resorted to strikes to win their goals (Dulles 389).

1970 - The Tax Reform Act of 1969 changed tax treatment of employee moving expenses and profit-sharing and stock-option plans (DeCenzo 20).

1971 - The Occupational Safety and Health Act of 1970 established a national commission on State Workmen's Compensation Laws (DeCenzo 20).

1973 - The Health Maintenance Organization Act established rights to offer alternative health care coverage (DeCenzo 20).

1974 - The Employee Retirement and Income Security Act becomes law to correct past mishandling of pension programs (DeCenzo 20).

1978 - The Civil Services Reform Act is passed (DeCenzo 20).

1978 - The Pregnancy Discrimination Act passed which requires employers to treat pregnancy as a short-term disability under their current health program (DeCenzo 20).

The 1970s began with rising inflation. Direct price and wage controls announced by the Nixon administration in the summer of 1971 for a time restrained inflation; but then when he listed them a year later, there was a sharper rise in inflation. In 1972 and 1973, as prices and social security payroll taxes climbed, workers found their real take-home pay declining. At the same time, the first "energy crisis" emerged in the nation. Higher oil prices impacted the American economy, raising the cost of everything dependent on the use of petroleum, from public and private transportation to home heating, lighting, and food. In 1975, the unemployment level exceeded eight percent of the labor force, and for the first time since the mid 1960s the number of families which the Bureau of the Census classified as living in poverty actually increased. Most of that increase occurred among the victims of long-term unemployment. At the end of the 70s, President Jimmy Carter sought to cure the problem of inflation and a stagnating level of production by calling on citizens to lower their expectations (Dulles 394).

1980

"The roaring 80s have been characterized like the 20s by an amiable hands-off attitude in Washington and by rising financial markets. It was not only okay to be rich, it was okay to flaunt it, to be photographed in sleek magazines with the new furnishings in your $5 million apartment" (Smith 1).

Ronald Reagan, elected in 1980, cut federal spending and tightened money policies; but by late 1981 this produced its own recession. In mid 1982, official unemployment rates reached their highest levels since before World War II and reached 9.8 percent. The figure for blacks soared to over 18 percent and for black teenagers it approached 50 percent; whole industries were in a state of depression. American automobile companies sold fewer cars than in any year since 1955 and were forced to lay off over one-third of their total workforce. Suppliers to the industry suffered also as did all companies linked to the automobile industry (Smith 26).

1981 - Air Traffic Controllers Strike - Public employee unions are organizations of municipal employees, such as firefighters, teachers, and police officers. The major difference between unions in the private sector and those in the public sector is that those in the public sector generally do not have the right to strike. They often strike anyway or circumvent the ban on strikes by proclaiming that their members are sick. One of the most important issues in union-management relations today is that of what to do about strikes in the public sector. President Ronald Reagan's unprecedented reaction to the 1981 strike of the Professional Air Traffic Controllers Organization (PATCO) was to fire 11,500 controllers and decertify the union (Carrell 24).

1981 - The Tax Reform Act permits individuals to save money for their retirement on a pre-tax basis (DeCenzo 20).

1983 - The Social Security Reform Act was passed (DeCenzo 20).

1984 - The Retirement Equity Act redefined rules of ERISA affecting women, and lowered vesting ages (DeCenzo 20).

1986 - The Tax Reform Act was passed which limits the number of individuals eligible for individual retirement accounts (DeCenzo 20).

1986 - The Amendment to the Age Discrimination Act was passed which removed the cap for mandatory retirement age (DeCenzo 20).

1986 - The Consolidated Omnibus Budget Reconciliation Act (COBRA) was passed which provides for continuation of health care coverage for most employees separated from their organizations (DeCenzo 20).

The 1980s taught some bitter lessons to American business leaders. Faced with accelerated global competition, it became evident that, with a few exceptions such as Nucor Steel, Lincoln Electric, and Wal-Mart, America was not good enough. Our quality was not good enough, our service to customers was poor, and we were too slow in bringing new products and services to the marketplace. Our expectations about what we could do were too low (Smith 88).

The flattening of organizations began around the middle of the 1980's. Up until that time, the stock market had rewarded companies for growth, even growth that sometimes did not make much sense. Big companies wanted to stay big and get even bigger; conglomerates proliferated. However, around 1985 the rules changed. Suddenly the stock market and just about everyone else discovered that the traditionally structured big companies were having a hard time competing with a lot of their smaller and more focused rivals. The giants of the last 40 years, the large institutions like General Motors, ITT, and Du Pont, basically had outlived their usefulness. Because in spite of the advantages large companies had--access to resources, economies of scale, and stability--size also brought with it severe disadvantages. Big companies just were not as flexible or agile as their smaller competitors. There were too many built up layers of management, bureaucracy, and too much diversification. Employees and managers had lost touch with their customers. As the 80s ended, GM was still struggling with how to reorganize, as were Sears, Eastman Kodak, and most other big companies (Kiplinger).

In 1982, merit increases for all workers averaged 9.1 percent. By 1988, such increases had shrunk to 5.3 percent. In place of large annual merit increases, more and more companies were moving to bonuses, incentive awards, and other forms of variable compensation (Kiplinger).

1982 - Negotiations between Ford and the UAW resulted in the union relinquishing several basic worker benefits, in order to protect jobs. Workers agreed to surrender annual pay increases, defer for nine months the cost of living wage adjustments, and lose six paid days off. In return, Ford promised a moratorium on plant closings and to use every effort to maintain current employment levels. A month later GM and the UAW reached a similar settlement (Carrell 26).

1985 - Seven percent of the households in the U.S. consisted of a working father, a housewife mother, and two or more school age children. In 1980, it was 11 percent, in 1955 it was 60 percent (Smith 261).

1987 - The American Productivity and Quality Center and the American Compensation Association conducted a survey of 1598 organizations in 40 different industries and found more firms adopting nontraditional reward systems--more gainsharing, pay for knowledge, small group incentives, and lump sum bonuses. Many reported eliminating or significantly reducing the use of COLA (Cost of Living Adjustments), pattern bargaining, and a variety of executive perquisites (Carrell 168).

In a Hay Group survey of three hundred U.S. companies conducted in 1987, one out of fifteen reported that they provided lump sum payments instead of salary increases to at least part of their work force in 1986 (Carrell 168).

1988 - Du Pont announced what chemical industry analysts called a trend setting pay plan. Under their plan, starting in 1989, the salaries of all twenty thousand employees in its fibers business from group vice president to hourly workers would be partially tied to the unit's profitability. For Du Pont, the plan meant a payroll savings of $36 million per year if the profit plan was not met and a payout of $72 million in bonuses if actual profits exceeded goals by 150 percent (Kiplinger 26).

Chapter 2

SIGNIFICANT EVENTS

Within this century there have been many significant events that are still impacting today's workplace and are also being challenged. Most significant, is the involvement of federal and state government in the operation of business on the local, state, and national level.

GOVERNMENT REGULATION OF THE WORKPLACE

Government regulation includes any public policy that operates by imposing constraints on private individuals or organizations, especially business firms. It seeks to achieve governmental goals, such as protecting the public from dangerous products or unfair sales practices, while leaving most business decisions to the discretion of management and the test of the market (Quirk).

Several industries have been heavily regulated by the federal government--including agriculture, banking, securities, telecommunications, radio and television broadcasting, energy, and transportation. More than 50 federal agencies with approximately 80,000 employees are engaged in some form of regulation (Quirk).

Throughout American history, as the scholars Merle Fainsod and Lincoln Gordon have observed, regulation has been "initiated by particular groups to deal with specific evils as they arose, rather than inspired by any general philosophy of governmental control" (Quirk). The first regulatory programs were adopted, at the state level, to control businesses in a position to exercise arbitrary power (Quirk).

The federal government first assumed a major regulatory function to deal with railroads. In the 1870s, protest by the National Grange, focusing on charges of unreasonable rates and discriminatory practices, led to regulation of railroads in a number of states. State regulation of railroads proved ineffective, and in 1887 Congress created the Interstate Commerce Commission and gave it modest authority to oversee the industry. Also, Congress superseded state regulation of trusts and monopolies in the Sherman Anti-Trust Act of 1890 (Quirk).

> Besides the ICC, the principal independent regulatory commissions now in existence are the Consumer Product Safety Commission (1972), the Federal Communications Commission (1934), the Federal Reserve Board (1913), the Federal Trade Commission (1914), the National Labor Relations Board (1935), the Nuclear Regulatory Commission (1975), and the Securities and Exchange Commission (1934).
>
> Other regulatory programs are administered by agencies located in the executive branch, such as the Antitrust Division of the Justice Department; the Food and Drug Administration (1931), in the Department of Health and Human Services; the Occupational Safety and Health Administration (1970), in the Department of Labor; the National Highway Traffic Safety Administration, in the Department of Transportation; and the Environmental Protection Agency (1970), which is independent of any cabinet department. (Quirk)

Most of the expansion of the federal regulatory role took place in three stages, each occurring during a period of general political ferment and governmental activism. The Democratic party, which has been more liberal and less responsive to business than the Republican party, has controlled Congress in each of these periods; most of the time a Democrat also occupied the White House (Quirk).

The first stage occurred during the "progressive movement" from 1900 to World War I. These include the Pure Food and Drug Act of 1906, the Hepburn Act of 1906 (which strengthened railroad regulation), and several major laws adopted in President Woodrow Wilson's first term: The Federal Reserve Act (1913), The Clayton Anti-Trust Act (1914), and the Federal Trade Commission Act (1914) (Quirk).

The second stage occurred at the end of the depression of 1930, which produced widespread distrust of capitalism. Regulation was created or expanded for industries which were believed to be responsible for the depression, such as banking and the stock exchanges, and some industries which were hardest hit by the depression, such as agriculture, coal, airlines, and trucking (Quirk).

The third stage was believed to be the result of the liberal activism of the 1960s and 1970s. Networks of citizens' organizations with leaders like Ralph Nader sought social objectives rather than economic objectives. Congress established or expanded regulatory programs in consumer protection, environmental protection, workplace safety (the Occupational Safety and Health Act of 1970), and civil rights (The Civil Rights Act of 1964) (Quirk).

Since the mid 1970s the trend has been to eliminate excesses of existing programs. Due to a more conservative public mood, the move to deregulation has been endorsed by many economists and other critics who feel that some regulations are unnecessary or too costly and may hinder economic growth. Presidents Ford, Carter, Reagan, and Bush all attempted to contain costs of regulation, and deregulate where they felt it was safe to do so (Quirk).

U. S. DEPARTMENT OF LABOR

The U.S. Department of Labor was established in 1913 to "foster, promote, and develop the welfare of the wage earners of the United States; to improve their working conditions; and to advance their opportunities for profitable employment." Currently, the department administers more than 130 federal laws involving wages, hours, working conditions, unemployment insurance, workers' compensation, and freedom from discrimination in employment. It also publishes statistical information and engages in other activities concerned with jobs and labor unions. In 1991 it had around 18,000 employees and a budget of about $32.3 billion (Grolier).

The department's Employment and Training Administration assists the states in maintaining public employment services intended to help workers find jobs. It operates manpower training programs and emergency job programs for the unemployed and sets standards for apprenticeship and other forms of industrial training (Grolier).

The Labor-Management Services Administration administers laws that require regular reports from labor unions and private pension plans. It helps veterans exercise their reemployment rights and supervises labor-management relations in the federal government (Grolier).

The Employment Standards Administration administers the minimum-wage and hour laws and various other laws concerning the compensation of workers. In

1970, the Occupational Safety and Health Administration was established by Congress to enforce safety and health standards in industry (Grolier).

The Bureau of Labor Statistics compiles the Consumer Price Index and indexes of wholesale prices and publishes information on employment and earnings (Grolier).

MINIMUM WAGE

Minimum wage is a low limit established by law for the wages employers may pay. In the United States the Fair Labor Standards Act (1938) set a minimum wage (25 cents per hour) for many workers engaged in interstate commerce. The law was intended to prevent competitive wage cutting by employers during the Depression. After the law was passed however, wages began to rise as the economy turned to war production. Wages and prices continued to rise, and the original minimum wage ceased to be relevant. Accordingly, it was raised by Congress to 75 cents an hour in 1950 and after a series of additional increases reached \$3.35 in 1981. Federal legislation passed in 1989 further increased the minimum hourly wage to \$3.80 by April 1990 and to \$4.25 by April 1991. The law's scope has been broadened to include millions of workers not originally covered. Small businesses--those with annual gross income of less than \$500,000--are exempt (Anderson).

PENSIONS

A pension is an income payable after a worker retires, usually at the age of 60 or above, depending on the provisions of the particular retirement plan. Pensions can also be paid out earlier if a worker becomes disabled, or to the survivors of a worker who dies (Trowbridge).

About 90 percent of all U.S. workers are covered for retirement and disability under Social Security. Most of the others are members of some public-employee retirement system. Fewer than half of all workers in the private sector are covered by some form or private pension of profit-sharing plan (Trowbridge).

Modern retirement plans come in two general forms. The traditional form is the defined-benefit plan, under which the employer promises specific pension benefits based on an employee's earnings and length of employment. Generally, employees do not pay any earnings into defined-benefit plans. In defined-contribution plans, however, workers make payments into a plan along with employers. In this type of plan, pension benefit amounts are not specified and depend upon such unknowns as the returns on investments made with the pension fund during a participant's employment tenure (Trowbridge).

The Employee Retirement Income Security Act (ERISA) of 1974 was enacted to protect employees' pension rights. It specified certain conditions that a pension plan in the private sector must meet. It also established the Pension Benefit

Guaranty Corporation to insure private plans, through premiums paid by employers, and to guarantee payment of pensions in the event of employer bankruptcy. ERISA also made provision for workers whose employers did not have pension plans. They were encouraged to save for retirement by opening Individual Retirement Accounts (IRAs). An employee could invest up to $1500 (later $2000) of his or her salary yearly, deferring taxes on the amounts contributed until retirement or age 59 1/2. The money could then be withdrawn--increased over the years by interest or dividends the IRA had earned--and used to supplement Social Security benefits and other savings. The Keogh plan, another tax-sheltered arrangement, is available for the self-employed (Trowbridge).

In 1986 Congress required that employees be "vested" (entitled to full pension rights) after they had worked five years for their employer. (Trowbridge)

THE 1930s DEPRESSION

The economic depression that occurred in the United States and other countries in the 1930s was unique in its magnitude and its consequences. At the depth of the depression, in 1933, one American worker in every four was out of a job. In other countries unemployment ranged between 15 percent and 25 percent of the labor force. The great industrial slump continued throughout the 1930s, shaking the foundations of Western capitalism and the society based upon it (Pierce).

President Calvin Coolidge had said during the long prosperity of the 1920s that "The business of America is business." Despite the seeming business prosperity of the 1920s however, there were serious economic weak spots, a chief one being a depression in the agricultural sector. Also depressed were such industries as coal mining, railroads, and textiles. Throughout the 1920s, U.S. banks had failed--an average of 600 per year--as had thousands of other business firms. By 1928 the construction boom was over. The rise in prices on the stock market from 1924 to 1929 bore little relation to actual economic conditions. In fact, the boom in the stock market and in real estate, along with the expansion in credit created, in part, by low-paid workers buying on credit and high profits for a few industries, concealed basic problems. The U.S. stock market crash that occurred in October 1929, with huge losses, was not the fundamental cause of the Great Depression, but it did mark the beginning of the most traumatic economic period of modern times (Pierce).

By 1930 the slump was apparent, but few people expected it to continue; previous financial panics and depressions had reversed in a year or two. The usual forces of economic expansion had vanished, however. Technology had eliminated more industrial jobs than it had created, the supply of goods continued to exceed demand, and the world market system was basically unsound. The high tariffs of the Smoot-Hawley Act (1930) further impacted the downturn. As business failures increased and unemployment soared--and as people with dwindling incomes still had to pay their creditors--it became more apparent that the United States was in the grip of economic breakdown. Most European countries were hit even harder, because they had not yet fully recovered from the ravages of World War I (Pierce).

The deepening depression essentially coincided with the term in office (1929-1933) of President Herbert Hoover. The statistics reflected the distress of the millions of people who lost jobs, savings, and homes. From 1930 to 1933 industrial stocks lost 80 percent of their value. In the four years from 1929 to 1932 approximately 11,000 U.S. banks failed (44 percent of the 1929 total), and about $2 billion in deposits evaporated. The gross national product, which for years had grown at an average annual rate of 3.5 percent, declined at a rate of over 10 percent annually, on average, from 1929 to 1932. Agricultural distress was intense: farm prices fell by 54 percent from 1929 to 1932 (Pierce).

President Hoover opposed government intervention to ease the mounting economic distress. His one major action, creation in 1932 of the Reconstruction Finance Corporation to lend money to ailing corporations, was seen as inadequate. Hoover lost the 1932 election to Franklin D. Roosevelt (Pierce).

THE ROOSEVELT ERA - THE NEW DEAL

The New Deal is the term used to refer to U. S. President Franklin D. Roosevelt's program (1933-1939) of relief, recovery, and reform that aimed at solving the economic problems created by the Depression of the 1930s. Accepting the 1932 Democratic presidential nomination, Roosevelt said: "I pledge you, I pledge myself, to a new deal for the American people" (Polenberg). The New Deal included federal action of unprecedented scope to stimulate industrial recovery, assist victims of the depression, guarantee minimum living standards, and prevent future economic crises. At first the New Deal was concerned mainly with relief, but the later years--beginning in 1935 and often called the second New Deal--emphasized reform (Polenberg).

In each of its goals, the New Deal was partially successful. The production controls and price supports managed by the National Recovery Administration and the Agricultural Adjustment Administration (both set up in 1933) helped put business proprietors and farmers back on their feet, but the nation's economy did not regain its 1929 level until the United States entered World War II. The Public Works Administration (formed in 1933) and the Works Progress Administration (formed in 1935) helped tide many of the jobless over hard times, but nearly 9.5 million remained unemployed in 1939. The Social Security Act (1935) created a system of old-age pensions and unemployment insurance, and the Fair Labor Standards Act (1938) established a federal minimum wage and maximum hours policy; both laws, however, excluded millions of working people. By regulating banks and the stock market, the New Deal eliminated the unethical and sometimes illegal financial practices that had set the stage for the great depression; but

Roosevelt's chief fiscal tool--deficit spending--proved not entirely effective in averting downturns (Polenberg).

After 1936 the New Deal was thrown increasingly on the defensive. The U.S. Supreme Court ruled that much of the New Deal legislation was unconstitutional, and the president's proposal (1937) to enlarge the court to make it more liberal and therefore more amenable to the legislation caused many members of Congress to desert the president. In addition, a severe recession (1937-38) led many people to turn against New Deal policies. When World War II erupted in September 1939, Roosevelt grew increasingly reluctant to support reforms that might jeopardize support for his foreign policy, by antagonizing conservatives in Congress or by alienating any bloc of voters. No major New Deal legislation was enacted after 1938 (Polenberg).

United States entry into the war provided a temporary solution for many problems that had baffled New Dealers. The war, not the New Deal, triggered massive industrial expansion, brought about full employment, and pushed farm income to new heights. The New Deal did, however, lay the foundation for a greater federal commitment to manage the economy and provide a system of programs to aid the poor (Polenberg).

NATIONAL RECOVERY ADMINISTRATION

The National Recovery Administration (NRA) was the keystone of the early New Deal program launched by President Franklin D. Roosevelt to overcome the effects of the Depression of the 1930s. It was created in June 1933 under the terms of the National Industrial Recovery Act, a measure that Roosevelt considered "the most important and far-reaching...ever enacted by the American Congress" (Polenberg). The NRA permitted businesses to draft "codes of fair competition," subject to presidential approval, that regulated prices, wages, working conditions, plant construction, and credit terms. Businesses that complied with the codes were exempted from the antitrust laws, and workers were supposed to have the right to organize unions (Polenberg).

Using the slogan "We Do Our Part" and adopting the symbol of the Blue Eagle, the agency, under its first administrator, General Hugh S. Johnson, obtained the voluntary cooperation of all major industries. Although the NRA aided economic recovery, it also antagonized consumers by keeping production down and prices up, offended small-business proprietors by granting big business a dominant voice in the setting of policy, and disappointed workers by failing to guarantee the right to bargain collectively. In May 1935, the U.S. Supreme Court, in Schechter Poultry Corporation v United States, unanimously declared the NRA unconstitutional on the grounds that the code-drafting process constituted an unwarranted delegation of legislative powers (Polenberg).

PUBLIC WORKS ADMINISTRATION

Established as a New Deal measure under Title II of the National Industrial Recovery Act of June 1933, the Public Works Administration (PWA) was designed to stimulate U.S. industrial recovery from the depression of the 1930s by pumping federal funds into large-scale construction projects. President Franklin D. Roosevelt placed the PWA under Secretary of the Interior Harold L. Ickes. Although Ickes established a record for incorruptibility, his extreme caution in allocating funds did not stimulate the rapid revival of U. S. industry that New Dealers had hoped. Initiating its own construction projects and funding similar ones started by federal agencies and state governments, the PWA spent $6 billion during the 1930s. Although it worked through private companies and was not viewed primarily as a relief agency, the PWA enabled building contractors to employ approximately 650,000 workers who might otherwise have been jobless. The PWA built courthouses and hospitals, schools and libraries, bridges and tunnels, roads and highways, and dams and levees. The agency also financed the construction of cruisers, aircraft carriers, and destroyers for the navy (Polenberg).

WORKS PROGRESS ADMINISTRATION

The Works Progress Administration (its name was changed to Works Projects Administration in 1939) was the most important New Deal work-relief agency. It was created by President Roosevelt and authorized by Congress in 1935.

Headed by Harry Hopkins until 1939, the WPA developed relief programs to preserve people's skills and self-respect by providing useful work during the period of massive unemployment. From 1935 to 1943, the WPA provided approximately eight million jobs at a cost of more than $11 billion. It funded the construction of hundreds of thousands of public buildings and facilities (Polenberg).

The WPA sponsored the Federal Theater Project; Federal Art Project; Federal Writers' Project, to give work to persons in the arts, and the National Youth Administration, to provide young people with part-time employment. The most innovative of New Deal agencies, the WPA was also the most vulnerable to criticism. Some opponents charged that the agency was infested with subversives, others that state and local Democratic politicians used WPA assignments to bolster their political machines. In 1943, after the onset of wartime prosperity, Roosevelt terminated the WPA (Polenberg).

SOCIAL SECURITY

Social security consists of public programs intended to protect workers and their families from income losses associated with old age, illness, unemployment, or death. Most countries have some form of social security for its people. In the United States the term refers to a group of national programs that began to evolve with the passage of the Social Security Act of 1935 and that are now administered by the Social Security Administration. The main programs are Old Age, Survivors, and Disability Insurance They provide direct payments to maintain the income of retired or disabled workers, their dependents, and their survivors and to defray some of the medical expenses of retirees and their spouses at age 65 or older. Social security is funded through payroll taxes collected in equal amounts from employees and employers during the workers' years of active employment in accordance with the Federal Insurance Contribution Act (FICA). Participation in social security is mandatory and benefits are paid as what is today called an "entitlement" (Munnell).

The Social Security Act of 1935, passed as part of President Franklin D. Roosevelt's New Deal legislative program was intended to provide pensions for most retired commercial and industrial workers aged 65 years or more. At the same time it established a joint federal-state system of unemployment insurance (Munnell).

The original act provided retirement benefits only to retired workers themselves. However, in 1939 before any benefits had been paid, the first of numerous extensions to the system provided benefits for survivors and dependents. Later extensions included several classes of workers not covered under the original law. During the 1950s, state and local government employees, members of the armed forces, and many farm workers, domestic workers, and self-employed professionals were taken into the system. In 1956, the age at which women became eligible for some benefits was reduced from 65 to 62, and in 1961 men were given the option of retiring at a reduced level of benefits at the age of 62 (Munnell).

In 1957 the National Disability Insurance program was introduced. A separate fund was established to provide cash benefits to workers over age 50 who become totally and permanently disabled. In 1965 Medicare and Medicaid were introduced, providing medical benefits for those over 65. In 1974 the Social Security Administration established the federal Supplemental Security Income program, which took over responsibility from state-administered programs for providing aid to the blind, the disabled, and the indigent aged (Munnell).

NATIONAL LABOR RELATIONS ACT

The National Labor Relations Act passed by the U.S. Congress in 1935 was intended to encourage and regulate collective bargaining between employers and employees. It was known as the Wagner Act after its principal author, Senator Robert F. Wagner, Sr., of New York. Passage of this act was facilitated by the success of the Norris-LaGuardia Act of 1932, which outlawed two antilabor weapons, the "injunction" and the "yellow-dog contract." The declared purpose of the act was to correct "the inequality of bargaining power" between labor and management. It identified several "unfair labor practices" by employers, including interference with union organization attempts and discrimination against employees because of union activity (Gould).

Under the act, an employer could informally recognize a particular union if the employer believed that it was the choice of a majority of the employees. Otherwise, a majority of the employees voting determined whether a union was wanted, and, if so, what particular union they preferred. An employer was obligated to bargain exclusively with the appropriate union representatives. Administration of the act was entrusted to the National Labor Relations Board (Gould).

The National Labor Relations Act greatly stimulated union growth and power, especially in the years immediately following its passage. New industrial unions came into existence through the efforts of organizers led by John L. Lewis, Walter Reuther, Philip Murray, and others; in 1937 they won contracts in the steel and auto industries. Total union membership rose from about three million in 1932 to over ten million in 1941. The Act was declared constitutional by the Supreme Court in National Labor Relations Board v. Jones & Laughlin Steel Corporation (1937). The act was amended by the Labor-Management Relations Act of 1947 (the Taft-Hartley Act) and by the Labor-Management Reporting and Disclosure Act of 1958 (the Landrum-Griffin Act) (Gould).

PRESIDENT LYNDON JOHNSON - THE GREAT SOCIETY

The Great Society is the name given to the domestic program of President Lyndon Johnson. It was defined in his 1965 State of the Union speech as one in which federally sponsored programs would improve the quality of life for all Americans. The idea was associated with Johnson's War on Poverty, launched in 1964. Great Society measures passed by Congress in 1965 included Medicare, federal aid to education and the arts, and the establishment of the Department of Housing and Urban Development (Grolier).

MEDICARE

Medicare is a system of health insurance for the elderly provided by the federal government. It is managed by the Social Security Administration and financed largely by Social Security funds. It is designed for persons 65 years old and older and for the severely disabled. Medicare helps to pay for the services of physicians, inpatient hospital care, some outpatient hospital services, and limited home care after the patient leaves the hospital. One of the most successful of Lyndon Johnson's Great Society programs, Medicare was signed into law in 1965, along with Medicaid, a program for the medically indigent. The two programs allow broad access to physician and hospital care for some of the poor, most of the disabled who receive social security benefits, and almost all of the elderly (Abramson).

Medicare covers all expenses for the first 60 days of hospitalization (except for an initial amount paid by the patient) and for a portion of hospital costs for an additional 30 days. Prescription drugs, extended nursing-home care, or costs of lengthy or chronic illnesses are not paid for by Medicare. Patients are expected to carry private health insurance or receive health benefits through retirement programs to pay for the costs not covered by Medicare. Medicaid is funded jointly by the federal government and state governments. It is for individuals whose monthly income falls below state-specified levels or who are blind, disabled, or members of families receiving Aid to Families with Dependent Children. Individual states also determine the costs that are covered by their programs. Generally, they include hospital and nursing-home care, clinical treatment, treatment in state mental hospitals, and doctors' fees (Cohen).

THE CIVIL RIGHTS ACT OF 1964

Under intense public pressure brought about by massive demonstrations during the Civil Rights movement of 1957 to 1965, Congress enacted new legislation in an attempt to overcome local and state obstruction to the exercise of citizenship rights by Blacks. These efforts culminated in the Civil Rights Act of 1964, which prohibited discrimination in employment and established the Equal Employment Opportunity Commission. This major piece of legislation also banned discrimination in public accommodations connected with interstate commerce, including restaurants, hotels, and theaters. The Civil Rights Act of 1968 extended these guarantees to housing and real estate (Lewis).

EQUAL OPPORTUNITY

The Civil Rights Act of 1964 authorized the creation of the Equal Employment Opportunity Commission (EEOC). Title VII of the Civil Rights Act prohibits discrimination in employment on the basis of race, sex, national origin, and religion. The Supreme Court has developed two concepts of discrimination banned by Title VII: "disparate treatment" and "disparate impact." Disparate treatment occurs when an employer harms an applicant or employee because of the employee's race of other protected characteristic, most usually as the result of prejudice. For discrimination against women, it can include sexual harassment, or permitting a work environment that is hostile to women employees (Hyman).

When employment discrimination in violation of Title VII has been found, the courts can correct it by prohibiting the discriminatory practice; by awarding employment, promotions, back pay, and seniority to persons harmed by the practice; and by establishing numerical goals as guidelines to determine whether discrimination has reappeared. The courts can also provide for equal opportunity by requiring employers to hire or promote a specified percentage of qualified members of the protected group (Hyman).

Equal result is a way to measure when discrimination has occurred and to correct proven discrimination, and as part of a method to prevent further discrimination. Employers can also adopt affirmative action programs that give special consideration to members of protected groups and reserve a specified percentage of places for such people. These programs should be for limited duration only and they must be tied to numerical discrepancies that indicate a lack of equal employment opportunity in the past and cannot affect the rights of non-protected groups (Hyman).

SEXUAL HARASSMENT

In U.S. law, sexual harassment is a civil offense in which employers are held financially liable for their own or their workers' violations against fellow workers of the opposite sex. The term sexual harassment came into general use in the 1980s when the problem of sexual intimidation of working women was finally recognized as a legal wrong (Grolier).

Almost all of the case law on sexual harassment is based on Title VII of the federal Civil Rights Act of 1964, which forbids, among other things, discrimination in employment on the basis of sex. The EEOC laid down guidelines defining actionable misconduct. That misconduct, as seen by the courts, includes unwelcome sexual advances whether physical or verbal, requests for sexual favors, and other sexual conduct when (1) an employee's submission is made explicitly or implicitly a condition of employment, (2) an employee's submission or refusal to submit is used as the basis for employment decisions affecting the worker's status, or (3) such conduct interferes with a worker's job performance (Grolier).

In 1986 the Supreme Court in Meritor Savings Bank v. Vinson found for a female bank teller who had been made to feel economically vulnerable by a "hostile working environment." The court thereby added the concept of environmental abuse and ruled that employers must guard against it (Grolier).

AFFIRMATIVE ACTION

Affirmative Action is a formal effort to provide increased employment opportunities for women and ethnic minorities to overcome past patterns of discrimination. Under the Equal Opportunity Act of 1972, most federal contractors and subcontractors, all state governments and institutions (including universities), and most local governments must initiate plans to increase the proportions of their female and minority employees until they are equal to the proportions existing in the available labor market (Carter).

The measures employers and institutions should take to demonstrate their compliance with the law have been the subject of controversy. Affirmative Action plans that establish racial quotas were declared unconstitutional by the Supreme Court in University of California v. Bakke (1978) but upheld in the case of private businesses and unions in United Steelworkers of America v. Weber (1979). In 1984 and 1986 the justices ruled against upsetting seniority systems to favor minorities. In two cases in 1986 however, the Court reaffirmed its support for limited use of racial preferences for minority groups (who may not personally have suffered discrimination) or redress specific job discrimination when other measures are unavailing. In 1989, in several rulings, the Court further narrowed the effect of the 1972 act. Responding to criticism, a bipartisan coalition in Congress then negotiated the Civil Rights Act of 1991, reaffirming and strengthening the protections afforded minorities by earlier acts (Carter).

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Chapter 3

WORKPLACE OF THE 90s

This chapter will look at the beginning of the 90s, what is happening in government to impact the workplace, and what changes are occurring.

1990

American public high schools graduated 700,000 functionally illiterate students every year, and nearly a million dropped out. The dropout rates in many urban high schools was 50 percent; 75 percent among Hispanic students. Four out of five young adults couldn't summarize the main points of a newspaper article, and many of them never saw newspapers anyway. They couldn't read a bus schedule or figure the change from a restaurant bill. The Committee for Economic Development said that each year's dropouts cost the country more than $240 billion in lost earnings and foregone taxes. It would cost American industry $25 billion a year just for remedial training (Boyett 8).

In the 90s big companies are continuing to restructure. Restructured divisions from the 80s are being broken down further into small "business units." These business units are structured around a line of products and/or services and have responsibility for expanding the customer base for these products and/or services. These business units are operated as independent small companies under a corporate umbrella (Boyett 12).

During the 1990s whole groups of American workers are continuing to lose their jobs or find their association with a particular company terminated as major companies disintegrate and refocus on a core business where they can be really good. Traditional notions about the value of vertical integration, where companies seek competitive advantage by bringing all parts of the business under their control, are being rejected. Instead the new corporate model is more like a solar system than a pyramid. Instead of acquiring companies outside their core business, companies are seeking instead close relationships with a network of smaller, independent companies as key suppliers. Parts of companies outside the core business are being sold off or closed (Boyett 17).

There is a new movement to transform staff functions into entrepreneurial profit centers to reduce overhead costs by recouping part or all of the operating costs from fees charged for services to outside companies as well as internal divisions; to make such functions more responsive to internal and external customers by forcing them to compete for business; to upgrade the image of these functions by making them highly competitive professional service groups that can attract and retain high performers (Boyett 18).

There has been a continued growth of entrepreneurial micro-businesses started up with less than four employees. Many of these are being started by executives or middle managers of large companies who have been forced out as a result of cutbacks or downsizing, and also by employees in large companies who have not been hit by downsizing and restructuring, but who no longer feel their jobs are secure. Rather than wait for the next wave of displacement to reach them, many of these employees are deciding to start their own businesses (Boyett 19).

The days of job stability are at an end. American workers no longer expect to join a company and stay with that company until retirement. Indeed, most Americans will experience repeated job changes throughout their careers and months of unemployment as they move from one failed large company business unit or small company to a new business. Since every American can expect periods of unemployment, having four to six months of salary readily available in cash or assets that can be quickly converted to cash will be critical. Also, with corporate downsizing becoming a continuing activity, more and more workers will be hired as part-time or temporary employees with few, if any, benefits (Boyett 16).

In many of the experts' views, all Americans should expect to work harder and longer hours. For top managers and those aspiring to be top managers, 60-hour weeks will not be uncommon.

Most of the 20 million new jobs created in the '90s have been in the service industries, including health care, computer operations, international trade, accounting, communications, banking, insurance, transportation and engineering.

Employment in manufacturing will continue to decline as a share of total jobs (Boyett 19).

After allowing for retirements, women, minorities, and immigrants will account for almost all net additions to the work force between now and the year 2000. Nearly 65 percent of the growth will be comprised of women, because relatively fewer women will retire. Blacks will account for 17 percent of labor growth between now and the end of the century, and by the end of the 90s, Blacks will make up 12 percent of the total force, Hispanics about 10 percent, and Asians another 4 percent. There will be more Hispanic men than Black men in the work force. White males will account for only 45 percent of the labor force (Boyett 30).

According to experts, union membership will stay low--less than 20 percent of all workers. Some unions will be more providers of services than collective bargaining agents. Union dues will pay for services such as monitoring an employer's compliance with labor laws, child care, counseling, financial planning, department management and retraining (Boyett 258).

In America In The Global '90s, the author predicts that with an inflation rate of four percent annually, wages of $30,000 in 1989 will need to be $46,200 just to keep a worker "running in place". Also, that growth in benefits will slow down as employees are forced to chip in more for health insurance and other extras (Kiplinger 24).

**'Now That We Did Our Tricks, Let's Go Hit The Fat Cats'
For More Treats'**

Source: St. Louis Post Dispatch, Tuesday, October 31, 1995

THE POLITICAL ENVIRONMENT IN 1995

ITS EFFECT ON THE WORKPLACE

When the Republicans gained control of the House of Representatives in 1994, the leaders of the Republican party signed a "Contract with America." Speaker of the House, Newt Gingrich compared this contract with the consolidation of big government in the first hundred days of the presidency of Franklin D. Roosevelt. Whether the first hundred days of this House will deserve comparison with Roosevelt's presidency will depend upon whether the Republicans are as successful at setting their initiatives in concrete as the New Dealers were.

The similarities are that both 1933 and 1995 were years of high legislative intensity; both years are likely to be described later as landmarks in 20th century political history (Folsom 19). The differences between the two events are that the Republicans are critical of big government and skeptical of the idea that man can improve his condition through central planning. By contrast, FDR's New Deal promoted the idea that government could solve economic problems - that individual liberty had to be sacrificed and power should be centralized in Washington to attack the Great Depression. Also, the Republican Contract is a conscious, thoughtful, and usually coherent plan that went from campaign document to legislative writ. The New Deal was improvisational and contradictory from the start. During the 1932 campaign, FDR denounced Hoover for his reckless spending and budget deficits; but in Roosevelt's First Hundred Days, he reversed himself. In just three months he pushed and signed bills that authorized government to spend almost as much as Hoover did in his entire presidency. His First Hundred Days were crucial because they shattered the notion that government worked best when it was limited. Government became a friend of interest groups who wanted to secure benefits from Washington. The Republican Contract is a response to the rise of this welfare state and to the twofold protest that the New Deal/Great Society programs mostly haven't worked, and taxes to pay for them are too high (Folsom 20).

In March 1933, when FDR got Congress to enact a significant number of laws which triggered the New Deal that expanded Washington's control, 17 million citizens had lost their jobs, 5,000 banks had collapsed, and the nation was still experiencing the most devastating depression in its history. Because of this desperate situation, Roosevelt, a democrat with a fresh mandate, was able to get a Democratic Congress to more or less pass anything he wanted (Folsom 20).

The national mood in January 1995, by contrast, was nowhere near as frantic. The Republicans faced a formidable enemy in the White House, a hostile press corps, a $1.6 trillion federal establishment refusing to relinquish power and a Senate led by Bob Dole. The biggest challenge the Republicans have is confronting entitlements--Social Security, Medicare, Medicaid, veterans benefits, and other programs, such as education and environmental. (Jacoby 20). If the Contract is successful, the burden of administering these welfare programs will be given to the states along with block grants to administer them.

AFFIRMATIVE ACTION

Along with the Contract, Congress and the nation are taking a second look at Affirmative Action and beginning a serious debate over its meaning and value. There is a proposed ballot initiative in California to amend the state constitution to prohibit preferential treatment in public policy based on race, sex, ethnicity, or national origin. In Georgia, the state legislature is considering a bill to end preferences for women and minorities in winning county contracts. Senator and presidential candidate Phil Gramm promises that, if elected, he will end major set-aside programs on his first day in office. President Clinton has ordered an "intense and urgent review" of all aspects of government affirmative action policy. Also, the Supreme Court threatens to reform, restrict, or undo federal set-asides for minority-owned businesses (Cain 35).

Ward Connerly, President of Connerly and Associates, Inc., a Sacramento-based consulting firm says,

> Affirmative action comes in many forms; some are acceptable, even desirable, such as advertising the availability of contract opportunities in minority communities and adopting strong measures to ensure that racial and gender discrimination have no place in our society. Other forms of affirmative action, however, are very damaging to the nation and to those whom such programs and practices are designed to benefit. One of the most odious forms of affirmative action is the concept of awarding contracts on the basis of racial, ethnic, or gender preferences. Minority set-aside programs are blatantly unfair and are creating all kinds of dysfunction in the marketplace. (36)

Daniel Colimon, Chief executive officer of Law-In-Motion, Inc., a Los Angeles-based litigation-support firm, feels,

> There are fatal flaws in set-aside programs, which, despite all of the good intentions, hope, and government intervention, have produced very few positive changes. If anything, the white "backlash" to affirmative action has perpetuated the polarization of America's various ethnic groups. If affirmative action was to redress past discrimination against African Americans and other racial minorities, it has failed miserably:
>
> - White males dominate the social, political, and business landscape as never before.
> - Racial minorities are still largely absent from the private sector's management or executive boardrooms.
> - Worst of all, affirmative-action programs have established an extremely damaging stereotype that places African Americans and other racial minorities in a very precarious position. We are perceived as a group of people who -- regardless of how hard we work, how educated we become, or what we achieve-- would not be where we are without the preferential treatment afforded by affirmative action programs. (37)

Many black leaders feel such programs are not the solution to America's race problem and affirmative action should take the form of equal-quality education, which will help lead the equal political access and equal economic opportunity. Additionally, they feel it is imperative that America acknowledge the existence of institutional racial discrimination. Rather than disavowing responsibility for it or wasting 25 years on programs that have not worked, we should identify those who practice clear discrimination and prosecute them (Cain 38).

These leaders feel that only then will America be able to say that we have equal opportunity. "The measure of this will be a society where people can achieve success regardless of race, where people will not be judged by the color of their skin, but by the content of their character" (Colimon 38).

WAGES

For the year ending September 30, 1995, workers' wages and benefits rose just 2.7 percent. This is the smallest increase on record since the Labor Department started keeping records in 1981. Robert B. Reich, Secretary of Labor says, "There is something wrong with rising profits, rising productivity and a soaring stock market but employee compensation is heading nowhere" (Poor 11b). It was noted that inflation over the same period rose only 2.5 percent, so wages and salaries were only stagnant, not declining, but the economy grew 3.5 percent (Poor 11b).

This trend was especially noticeable among workers in the manufacturing industry, where unemployment remains relatively high, keeping wages down. In the St. Louis area, workers' hourly earnings increased just 2.2 percent in the last year, according to the Missouri Division of Employment Security. Richard Gephardt, House Minority Leader has called on corporations to share the profits of a booming economy with workers (Poor 11b).

In an editorial in the St. Louis Post Dispatch, "Workers Shortchanged," it is noted that management, in its concern with overseas competition, has become fixated with cutting costs and are doing this by eliminating jobs and making the remaining workers do more for the same salary. It is felt that insecurity is so pervasive that consumers are spending less. The editorial sums up the situation with this statement:

> Stagnant wages in a time of stable growth should be a warning to all who wish to make money in business that something is, indeed, terribly wrong. Cost-cutting has gotten out of control, and those doing it have lost their sense of perspective. They are hurting not only workers but themselves, too. (2b)

MINIMUM WAGE

There is also an ongoing debate about raising the minimum wage. It is currently at $4.25 an hour. President Clinton wants it to rise to $5.15 an hour in two steps over the next two years. The last increase was more than four years ago (PD 10/24). Republicans are refusing to bring up the issue in Congress because they feel if the minimum wage goes up, opportunities to earn that wage will go down because employers will be forced to cut jobs to maintain their profits. Kristin Hogarth, spokeswoman for the National Federation of Independent Business says, "some small businesses could actually go under if, in response to a mandated wage hike, they don't lay off workers or raise prices" (Ross 12bp).

John Zalusky, head of the AFL-CIO's office of wages and industrial relations says, "Firms like McDonald's who pay well and pay better than their less well-managed competitors don't seem to feel the impact of a minimum wage increase" (Ross 12bp). Labor Secretary Robert Reich said recently, "If we are serious about getting people out of welfare and to work, it's necessary to provide a livable wage. Minimum wage earners bring home only $8,500 a year, and that's simply not a livable wage" (Ross 12bp).

SOCIAL SECURITY

Through the years workers have taken it for granted that social security would always be there when they retired. Workers of today do not count on it when they retire. There is heated debate in Washington and across the nation as to what to do about social security.

One opinion comes from Jagadeesh Gokhale, an economist with the Federal Reserve Bank of Cleveland. He suggests privatizing social security. With this system he suggests workers and employers still would have Social Security taxes deducted from paychecks, but the money would be deposited in each worker's retirement portfolio, which probably would be invested in stocks and bonds. He feels this system would overcome many of the obstacles posed by the current financing scheme. The obstacles he identifies are:

- Disincentive to work. The current payroll tax is 15.3 percent, with half the tax paid by the worker and half by the employer.

> Further boosts in that rate could discourage workers from working overtime or moonlighting.
>
> - Redistribute income from savers to consumers. The Social Security Administration now collects taxes from workers who are saving for the future. Retirees are spending the savings they've accumulated over a lifetime plus their monthly Social Security stipends. This redistribution from savers to consumers reduces the pool of savings available for investing in economic growth.
> - Expose Social Security funds to spending by the government. Current law requires the retirement program's surplus, accumulating at a rate of $63 billion a year, to be invested in government securities. (McGrath 11a)

He feels a privatized Social Security system also would restore the link between an individual's contributions and future retirement benefits (McGrath 11a).

In response to this proposal consultant Bernard Waso and senior fellow David Smith, both with Twentieth Century Fund, have countered this proposal saying,

> Social Security is not a funded retirement plan. That means it is not a place where you as a worker invest money now that earns a return for you later. It is a transfer system: Money put in today goes right back out today. If you work, you pay Social Security taxes. And that money goes to your retired father, the senior citizen who lives next door or someone on the other side of the country you'll never meet. (Waso 13b)

Their challenge to Gokhale is - Benefits being paid right now to retirees come directly from the paychecks of today's workers. If we end those contributions to Social Security, how do we meet the current obligation to retirees? They view Social Security as the original "Contract with America" and under this contract's terms, working Americans agree to do with less so that retired Americans can avoid indignity and poverty. Those paying the taxes know that they will get the same help when their working lives end (Waso 13b).

PENSIONS

There is currently a controversy over pension assets - who owns them, workers or employers. There is a Republican plan in Congress to allow corporations to withdraw reserve assets from pension plans and use the funds for purposes other than pensions. Under a provision included in a tax bill that recently passed the House Ways and Means Committee, employers could tap these assets just so long as they left a cushion of at least 25 percent over what is needed to pay current pension obligations (Lewis 2).

Author of the bill, Rep. Bill Archer of Texas and chairman of the Ways and Means Committee says, "This will allow companies with excess money in their pension plans to put that money to use, to create new jobs, opening up opportunities to expand the economy" (Lewis 2).

The Pension Benefit Guaranty Corp, the federal agency that insures pensions, calculates that a plan with a 25 percent cushion could become underfunded if the stock market dropped 10 percent or interest rates fell two percentage points (Lewis 2).

Labor Secretary Robert Reich told reporters, "We're going to see raids on pension assets that will make the train robberies during the days of Jesse James pale in comparison" (Lewis 5).

Senate Republicans have proposed a watered-down version of the House bill. Under the Senate proposal, funds withdrawn from pension plans could be used only for health insurance, disability payments, and similar benefits for workers and retirees. As a result, officials estimate companies would extract $15 billion, rather than the House's $40 billion, from pension funds (Lewis 5).

Chapter 4

WORKPLACE 2000

PREDICTIONS

Where do we go from here? There are already some signs of things to come. Many are predicting the future. Here are some of those predictions.

The organizations in the next century will continue in new directions. Rewards, recognition, and reinforcement provided will be for team rather than individual performance. Teamwork and cooperation will be the basis for creating value. The most valued individuals will be those who can work effectively with other employees in a team effort. Team leadership roles will go to those who have the skills to assist teams in surfacing ideas, being creative, and reaching consensus. Since peer pressure will be such a powerful force, a premium will be placed upon building strong and positive peer relationships (Boyett 39).

Methods of compensation will change drastically. Most companies will slow or even stop the growth in base compensation - Americans will receive less frequent or no annual increases. Annual increases will no longer be automatic or something to which a worker is entitled by virtue of another year of seniority. Instead, most companies will offer incentive pay where a substantial portion of a worker's total compensation will be tied to his or her group's or company's performance and will vary from year to year. American workers will have the potential to make sizably more money than before. In some cases, their bonus potential may reach 150 percent of their base salary (Boyett 116).

In these companies, workers will have the opportunity to increase their base pay by learning and maintaining skills to perform multiple jobs within the organization. With pay-for-knowledge, these companies will encourage and reward flexibility in addition to performance. Highly motivated and highly skilled individuals will prosper in this environment. Americans will need to supplement the training their company provides with training they take on their own time at their own cost (Boyett 116).

A typical CEO like Charles Lazarus, founder of Toys R Us, will have ready access to information and can monitor each of his 350 stores, simply by tapping into computers installed in his home, office, and even his beach house (Boyett 24).

Robert Kidder, CEO of Duracell, does not need hoards of analysts, support staff, and intermediate managers to help him get to the heart of a profit problem. From the work station in his office, he can browse through his company's mainframe, isolating and comparing the performance of Duracell's hourly and salaried employees worldwide (Boyett 24).

Traditional paths of career advancement will be closed for most people. They will not be promoted because there will be no jobs into which to promote them. The traditional organization of ten or fifteen levels will no longer exist. With fewer levels, there will be no room for rapid or even semi-rapid promotion (Boyett 42).

Unions in the new workplace would look and act quite differently from traditional American unions. They will no longer view themselves or allow the general public to view them as specialized vehicles for opposing management. Unions will have to become a positive value-adding force working with management as an independent ally rather than adversary. In addition, unions will have to become more of a representative body with a broad constituency that crosses jurisdictional lines (union to union), and even the traditional boundaries between labor and management. In all likelihood, many if not most, organizations will have no union and most employees will see no need for a union. The few unions that remain will be quite different from what we have known before. Charles Heckscher, an assistant professor of business administration at Harvard, foresees a kind of association unionism that encompasses a greater number of employees, not just traditional workers, with a structure that is more decentralized and flexible (Boyett 259).

RETIREMENT

It is noted that most new retirees do everything they had planned for years in six months, says Guild Fetridge, author of The Adventure of Retirement: It's About More Than Just Money. People are healthier and live longer than ever before. The National Institutes of Health states there is no substantial decline in mental ability until age 75 or so. The typical worker retires at age 62 leaving an average of another 15 years or more tó live. Without adjustments, Social Security payoffs will exceed the money coming in by 2020 (Kuhn 102). So what should people do? Sally Nichols, President of Career Builders in Toronto, tells people to start thinking about a second career by age 45; and to work successfully during retirement, one must stay sharp and highly skilled (Kuhn 102).

Travelers and Cigna have discovered that hiring skilled and knowledgeable alumni on a part-time basis is smart business. The "old folks" are already trained, and they tend to be far more reliable than younger workers. Small companies offer the most opportunity and flexibility to retirees. They can't pay as much as large companies, but they give older workers a real chance to contribute and to mentor younger people (Kuhn 104).

For those who want to open their own business, Bob Maddux, career management consultant at Right Associates in Pasadena, recommends making a business plan if you want to go it alone and beware of pitches for work at home or franchising opportunities that promise too much. Also, Joni Nelson, who organizes flower shows around the country, suggests, "Do it sooner rather than later. The younger you are, the more energy you'll have to make it through the frenetic early years, and the more seriously people will take you" (Kuhn 104).

BENEFITS

Companies are struggling with the problem of how to provide comprehensive benefits packages at a lower cost to their employees. A panel of insurance experts at a Chicago & Northeastern Illinois Association of Health Underwriters meeting suggest voluntary or employee-pay-all benefits. Unlike other countries, the United States relies on employers to provide benefits and to determine the specific benefits they will offer, how they will be administered, how much employees will pay, and what steps to take to control costs. According to Allan Powell, marketing director at Colonial Life & Accident Insurance Company, "a recent study found that 63 percent of employees would be willing to pay more for benefits if they had a voice in designing the package" (Nowak 44). Among the voluntary benefits products that have been on the market for some time are universal life, level term life insurance, and accidental death and dismemberment coverage (Nowak 44).

Life Insurance Marketing & Research Association (LIMRA) conducted a study in 1992 and found that 42 percent of U.S. households said they need more life insurance (Nowak 45). Voluntary Life insurance coverage offers employees the flexibility to choose the amount of coverage to fit their lifestyle.

Group dental coverage is an option many employers are dropping due to increasing costs. Jim Bushell, director of broker relations at insurer First Commonwealth, Inc., said, "voluntary managed choice and dental HMOs are the most popular forms of voluntary dental coverage." Voluntary dental HMOs feature rates 30 percent to 50 percent lower than those for voluntary indemnity plans and require no annual maximums, deductibles, claim forms, or waiting periods for eligibility. There is no minimum participation requirement or employer contribution requirement. Depending on plan design, family members may select different dentists, and orthodontic benefits may be offered for children and adults (Nowak 45).

Donna Heafley, director of product development at Fortis Benefits Insurance Company, states that technology can assist in informing employees about voluntary benefits options. Use of the Internet will provide work site marketing; multimedia tools, such as videos and telephone enrollment, will assist employees in benefits decisions (Nowak 45).

As the work force matures and lifestyles change, a new generation of flexible benefit plans have begun to surface. "Life resource" or "life cycle" or "career flex" benefits are designed to address the unique needs of each individual over a lifetime, recognize major life events that inhibit productivity and increase turnover. These plans also help a company contain costs for benefits both for the company and the individual worker (Burzawa 18).

Mark Manin, a consultant with the Segal Company, described the evolution to life cycle benefits plans:

> First generation benefits plans put in place protective benefits, such as life and disability plans; second generation benefits

> plans responded to an increasingly mobile and changing work force with Sec 401(k) plans, profit-sharing plans, and cafeteria-style flexible benefits plans; and now third generation benefits plans have expanded flexible benefits plans to encompass both traditional and nontraditional benefits" (Burzawa 18).

Dale Johnson, a consultant with Towers Perrin, feels that companies are going to start basing the size of the benefits pool on corporate performance somewhat like a profit-sharing plan. One example is Ford Motor Company's new flex plan. Part of the employer-provided credits are tied to corporate performance under a credit formula with a performance "kicker." The kicker is Ford's promise that if the company attains a specific performance level, it will fund $X for employees' credit allowance. The funding is not tied at all to the cost of benefits. Mr. Mannin agrees that flex plans are moving more toward basing credits on corporate performance and away from allocating credit amounts on employees' personal status, such as number of dependents that the employee will cover under the plan (Burzawa 19).

There are a number of possibilities for flex benefits - such as housing assistance, assistance with child care and eldercare, legal services plans, tuition assistance, job retraining, partner coverage, and financial planning.

Mr. Mannin said, "one of the most popular new benefits at Segal is transit passes, delivered to employees' desks so that they can avoid waiting in lines. Of about 700 eligible employees, 10 percent use the benefit for an employer cost of about $35,000." He stated, "Benefits are not a numbers game anymore. Rather, employers want to hear employees say, 'I can't leave this company because I can't live without the flexibility and convenience that my benefits provide'" (Burzawa 19).

TEMPORARY WORKERS

The number of temporary workers in the U.S. has nearly doubled over the past five years from 1.2 million to more than 2 million--a record of job creation that beats just about every other industry in the country (Aley 53).

While most of the millions of temps currently are filling low-wage clerical, secretarial, and light-industrial blue-collar positions, some of the fastest growing segments of the temp-job market are in professional and technical fields. General Motors retains Interim Services, a big staffing company based in Fort Lauderdale that supplies every flavor of temp--from entry-level secretaries to primary care physicians--to provide doctors and nurses at 160 GM factories around the nation (Aley 53).

According to a survey by the National Association of Temporary Staffing Services (NATSS), three-quarters of respondents said they became temps as a way to look for a full-time position; 40 percent said they received permanent offers. A study by the Bureau of Labor Statistics reports that roughly 60 percent of all people in the "contingent work force" - including temps, leased employees, and others -

say they would rather have full-time jobs. Recent research by the Federal Reserve Bank of Chicago shows that white-collar temps earn slightly more than their permanent counterparts (Aley 54).

There are currently between 5000 and 6000 temporary companies in the U.S. according to NATSS, twice as many as ten years ago. Experts predict that the growth in clerical and administrative temp jobs will slow, but the rate of creation of higher-end positions will speed up--one example noted was any new computer-related occupations (Aley 54).

The author states:

> The grimmer side of the rise of the temporary work force is, of course, that as long as the downsizing era grinds on, there will be an ample supply of skilled workers looking for whatever paychecks they can find. But at least with a fluid market for talent, people can aspire to be more than the jetsam of sinking corporate ships. (Aley 56)

MANAGEMENT STYLES

Most companies feel the role of middle management is extinct. In its place there is a new role--that of project manager. Project managers are more agile and adaptable and more likely to live by their wits. William Daughinais, a partner at Price Waterhouse says, "Project management is going to be huge in the next decade. The project manager is the linchpin in the horizontal/vertical organizations we're creating" (Stewart 179).

A project is defined as a task with a beginning, a defined scope, and an end: installing a computer network, introducing a new project, reengineering accounts payable. These boundaries make managing projects different from overseeing a production line and preparing a weekly tally of costs in and products out. Now, like quality, project management is evolving from a specialty into the central task of middle managers (Stewart 179).

Executive VP William Kelvie is Fannie Mae's chief information officer. He says, "automation and empowerment take away the need to have management oversee the day-to-day work. Everything has become projects. This is the way Fannie Mae does business today. Managing projects is managing change" (Stewart 179).

People become project managers in their mid-30's usually at mid-five-figure salaries; the top-notch command one hundred thousand dollars annually and up. They certainly earn it. There's a job to be done. It has to be defined in detail and it has to be staffed, usually with people from several departments. The project manager is responsible for what is done; the functions are responsible for how it is done, what codes, what practices. The job must be funded and executed (Stewart 179).

For the new middle manager, power flows from sources other than position. One is expertise in project management itself. Janine Coleman, a project manager for AT&T says, "I don't need to be a technical person, but I need to know enough to tell if a project is on track, if people are telling me the truth" (Stewart 180).

The project manager's world, like all markets, is uncertain, even scary, noisy with bargaining, and going full tilt all the time. Ms. Coleman says, "In the old organization, I had job security. Now each job has a beginning and an end - and then what? If I did well, my next assignment will be harder and better" (Stewart 180).

Chapter 5

CONCLUSION

SUMMARY

There was no intention on the author's part to identify every event, law, or situation that has impacted the workplace. Hopefully the most significant or interesting are captured to present a flow of events leading from yesterday to tomorrow. As a nation we have made enormous advances. The world has changed significantly since the colonial times. Following are the author's final thoughts.

The "Baby-Boomer" generation (exemplified by the career oriented over-achiever) is marching toward its golden years which will result in the largest number of people in retirement in history. There are major concerns about whether the current entitlement systems can survive this onslaught. "Generation X" has a totally different view of work. They are more interested in their leisure time. Work is just a necessity to go do and then hurry to do the things they really like. The problems they will face are still unfolding.

The workplace is struggling with global competition and cultures. Laws which were enacted for businesses in the U.S. do not apply and cannot be enforced with foreign businesses. Who will be the "gatekeeper" of this new world? Do we need a world council--something the like United Nations--for business? The method of doing business, the traditions, the social obligations from one country to another are significantly different.

Workers and the workplace have changed dramatically since colonial times. The struggles of both the employees and employers have been great, with sacrifices on both sides. World events have greatly affected the workplace, and certainly, government has become a strong influence on the workplace. Major laws, both federal and state, have been enacted to protect employees and restrict business. Worker expectations are at an all time high - in all probability, no organization can meet those expectations in today's marketplace.

The struggles of employees and employers is certainly not over. With the challenges of today and the future, there will be many more sacrifices as more downsizing and consolidation occur. Unions will continue to exist in some form, and will serve as watchdog to ensure worker rights and protection. The continual advancement of technology will have its effect also.

History seems to repeat itself in business as well in the rest of the world, so in all probability, we will continue to experience wars and financial crises, new technology, management styles, benefits, and competition. Old ideas will be forsaken, new ideas will take their place. But then again, some old ideas reappear in a little different form and then take off again.

This roller coaster ride called the workplace can be counted on to be exciting and hold your interest. Brilliant minds are attempting to forecast the future, but until the future gets here and we can see for ourselves what the world of tomorrow will look like, all we can do is fasten our seat belts tightly and hold on.

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