THE NEW AMERICAN WORKPLACE

THE SUMMARY IN BRIEF

The U.S. government’s Work in America report received national acclaim and front-page coverage in media across the United States when it was published 30 years ago. Since then, the American workplace has undergone tremendous changes, from the growth of globalization to the dramatic decline in job security for the average worker.

In The New American Workplace, the long-awaited follow-up to the bestselling Work in America, authors James O’Toole and Edward E. Lawler III provide a comprehensive, authoritative picture of the state of the workplace today. They offer a definitive look at the major choices faced by individuals, organizations and governments, and outline practical actions that allow workers and employers to take greater control of their destinies. In addition to chronicling U.S. workplace changes, they examine the factors underlying these developments, detail their impact on workers and explore future workplace scenarios for both workers and the organizations that employ them.

Based on decades of research by hundreds of leading management scholars, this summary presents a wide-ranging look at the hot-button issues that define work in America today.

In addition, this summary will also show you:

✓ How the growing use of information technology affects the workplace.
✓ What employers and employees should know about offshoring, outsourcing and downsizing.
✓ How High-Involvement companies address the increasing struggle of individuals to achieve work/life balance.
✓ What the growth of contract and part-time work, and other forms of contingent employment mean to individuals and companies.
✓ How employee participation in decision making, profits and stock ownership affects growth and productivity.
Work in America

It is now widely recognized that a new global economy is emerging. It is characterized by the transnational flow of capital, goods, services and labor; by greater national specialization and increased competition across borders; and by the use of new technologies that radically disrupt traditional ways of doing business.

In seeking competitive advantage, the United States has targeted a niche for itself at the top of the world economy: It has opted to use the highest technology, to have the most capital- and knowledge-intensive industries, and to produce the highest quality and highest value-added goods and services.

Surfing the crest of this giant wave is not easy: To maintain its prosperity, the U.S. economy must be in a state of constant change, driven by a process of “creative destruction.” Inefficient products, companies and entire industries continually need to be replaced by new ones employing evermore complex processes.

And the nation’s industrial base needs to be enhanced constantly to yield the high profit margins required by the new standards of international finance.

What must be done in private workplaces and public institutions to make the nation’s competitive strategy succeed in the long term? If the United States wishes to continue to be the world’s leading economic power, what workplace practices and public policies are required to ensure that it succeeds?

These solutions must serve both the well-being of employees and the effectiveness of their employing organizations in the belief that doing one without the other is not viable in the long run.

What Do Workers Want?

Decades of research establish the fact that three major human needs can be satisfied by gainful employment:

1. The need for the basic economic resources and security essential to lead good lives.
2. The need to do meaningful work and the opportunity to grow and develop as a person.
3. The need for supportive relationships.

Good work satisfies all three of these fundamental needs.

Tangible Rewards and Social Relationships

It is critical to keep in mind the distinctions among these three types of employment needs — the extrinsic tangible rewards, the work itself and social relationships — and to understand that jobs satisfying the requirements of one, or even two, of these needs may not satisfy them all. For example, a job may pay well but, at the same time, be dull and unfulfilling. A truly fascinating job may pay poorly, and a well-paying, intrinsically interesting job may be overseen by an abusive supervisor.

The relative importance of each of the three types of needs varies dramatically from worker to worker. But all three needs must be satisfied before most people will say they have a “good job.” Indeed, for most workers, whichever need is unmet on the job becomes the one they are most concerned about fulfilling next.

Research shows that satisfying the needs of Americans for good jobs is important, if not essential, for the prosperity, health and social well-being of the nation. By all accepted standards, the world’s wealthiest nations offer their citizens a preponderance of good jobs, while the economies of the poorest nations are characterized by bad jobs.

(continued on page 3)
Work in America
(continued from page 2)

Because work is a major source of identity, status, fulfillment and meaning, a sufficient supply of jobs is necessary for individual psychological and physical health. The costs of an insufficient supply of good work include a declining standard of living, a lower quality of life, increased social conflict, the loss of America’s unique standing in the world as the leading economic power, and an inability to attract human and financial capital from around the world.

The Nature of Workplaces Today

There are three emerging management models that are becoming dominant in the economy.

1. Low-Cost Operators. These include large grocery, discount, fast-food and mall-store chains. To keep prices as low as possible, managers of these Low-Cost (LC) companies have developed a business model focused on continually reducing all the costs of their operations.

2. Global Competitor Corporations. Characterized by their enormous size and geographic reach, Global Competitor (GC) corporations compete in terms of the financial capital, skills, knowledge and technology they are able to command. They are the glamour companies of the age: industry leaders in information and telecommunications technology, consumer products, pharmaceuticals and biomedicine, financial and professional services and media and entertainment.

3. High-Involvement Companies. The High-Involvement (HI) companies are found in many, if not most, industries (although their numbers are relatively few in comparison to LC and GC companies). HI organizations offer workers challenging and enriched jobs, a say in the management of their own tasks and a commitment to low turnover and few layoffs.

Major Themes

While analyzing how these three types of American corporations are managed, and the consequences for American workers, the nation’s economy and society, researchers found the following key themes running through the research they examined:

● Insufficient creation of new “good jobs.” Today, fewer than 10 percent of American workers are employed in manufacturing, down from about 25 percent in the early 1970s.

● Increased choice and risk. Workers today face a wider array of choices than ever before. Most American workers are bearing increased risk compared to the workers of previous generations.

● Increased influence of competitive and economic drivers. The decisions employers make about the pay, benefits, and working conditions they offer are increasingly driven by competitive and financial considerations.

● Increased tension between work and family life. Among lower-paid workers, the cause of this tension is that two parents increasingly need to work long hours to make ends meet. For professionals and executives alike, work has increasingly become a 24/7 activity.

● Mismatch between skills and business needs. The primary and secondary educational system in the United States is failing to provide the skills millions of workers need to escape minimum-wage and dead-end employment.

● Increased social stratification based largely on educational attainment. In terms of real wages, executives and technically skilled workers have fared spectacularly in recent years, and college graduates, in general, have fared well relative to the rest of the labor force, at least until recently.

● Changing nature of careers. Almost all young, educated people today expect to work for multiple employers, to move back and forth between work and education and between work and family responsibilities, and, perhaps, never to retire.

● Reduction in community and commitment. The new employment contracts found in GC corporations and the high rates of employee turnover characteristic of LC operators have reduced the opportunity for workers to satisfy their needs for belonging to supportive workplace communities.

● Shortcomings of the health care system. The high and growing costs of health insurance are driving countless business decisions, causing companies and industries to be unprofitable, putting American exporters at competitive disadvantages in world markets, discouraging the creation of jobs and leading to the export of others.

● The boomer demographic imperative. In the near future there may be a shortage of skilled workers, a shortage of jobs for older workers who cannot afford to retire, a rapid decline in the demand for goods and services as baby boomers retire with insufficient incomes, steady economic growth as they continue to make economic contributions well into their 70s and 80s, the end of retirement as we know it, a demand for increased immigration or all, some or none of the above.

● Unrealized opportunities to make more effective use of human capital. Current workplace practices, such as the use of contingent and part-time workers, preferences for younger over older workers, underfunding of training, growing gaps between the salaries and benefits of executives and average employees, and a 24/7 working environment, appear to be having negative effects on worker turnover, motivation, loyalty and job satisfaction.

For additional information on how work satisfaction is changing in America, go to: http://my.summary.com
Changes in the American Workplace

The emergence of a global economy has had a transformational impact on American corporations, forcing many to reinvent themselves to meet increasing competition from overseas. To continually improve their performance, large American businesses now organize with an eye toward being able to change products and strategies rapidly. In many cases, U.S. companies have established operations around the globe.

In the 1970s, corporations largely were owned by individual shareholders; today, the dominant stockholders are financial institutions — in particular, private- and public-sector employee pension funds. This change has led to a reconceptualization of corporate capitalism, the most profound consequence of which has been Wall Street’s heightened emphasis on short-term performance.

Completing this shift has been a transformation in economic values in which the responsibility of publicly traded corporations to create shareholder wealth now takes precedence over their responsibilities to other stakeholders, in particular, to their employees.

Global Competitor Organizations

The quintessential manifestation of this new global economic order is the emergence of the Global Competitor organization, the corporate model built to change. This new mode of structuring and managing organizations has enormous consequences for the people who work in them. In creating GC organizations, executives are reconfiguring the American workplace. As a result, employees are working longer and harder, and expectations about their performance have increased.

Sound and prudent corporate and national policy must be based on thorough analysis of all the relevant facts, open-minded consideration of all the alternatives available, and with regard to the potential consequences for all constituencies affected.

The Nature of Organizations

There is evidence that the combination of the three external forces of change — globalization, technology and the focus on performance — have led to significant increases in national productivity. Economists calculate that U.S. productivity increased 72 percent between 1973 and 2003. But this growth was not achieved at a steady rate. The best explanation for the recent acceleration is the combined impact of information technology and several organizational changes: Machines have replaced workers in much of what is left of American domestic manufacturing; many lower-paid jobs have been eliminated and replaced by fewer higher-skilled, higher-paid jobs; and the number of employees on the payrolls of large manufacturing corporations has shrunk as business has increased.

Despite the recent surge in productivity growth, the United States nonetheless now ranks eighth in the world in national productivity, down from its commanding first place in 1973. This drop is significant because productivity growth is perhaps the single clearest indicator of a nation’s economic health.

The wealth generated by productivity growth is essential to fund future job creation and such national programs as Social Security and Medicare. The challenge is to upgrade the education and skills of American workers so that more can participate in the shift to the good jobs being created in GC and HI companies, and to improve the management of those companies so that they will create even more good jobs in the future. Steps also must be taken to address the basic needs of workers left behind in this era of transformation and disruption.

The Work Itself

The routine and repetitive jobs prevalent in the early 1970s were symbolized — not necessarily accurately — in the popular press by work on assembly lines.

Over the next quarter century, multiple forces conspired to transform American manufacturing, the most profound of which was automation. In addition, three waves of domestic workplace reform — employee involvement, total quality management (TQM) and reengineering — were introduced at about the same time as manufacturing jobs that couldn’t be automated or reformed were being exported.

Employee Involvement

When managers give workers authority over their work and then reward them for doing the right thing, they address basic human needs for recognition, control and belonging, needs that are more important determinants of employee morale and performance than are the physical conditions of work. Particularly when people work together — as opposed to being separate cogs in a machine — social bonds are formed that lead to cooperation and a desire to help each other succeed.

Throughout the 1980s and into the 1990s, most U.S. manufacturing companies — and many service providers, as well — adopted or experimented with self-managing work teams to cut payroll costs and/or to enrich jobs. In most cases, such efforts led to increased employee motivation and to lower levels of turnover, absenteeism and stress-related illness.

Total Quality Management

The total quality management (TQM) movement had its origins in American munitions factories during World War II and, ironically, was adopted later by Japanese
Changes in the American Workplace
(continued from page 4)

Manufacturers. What came to be known as “Japanese management” in the 1970s and 1980s was actually a variation on the far-sighted quality techniques developed in the 1940s by American statisticians Joseph M. Duran and W. Edwards Deming.

By sharing operating information with shop-floor workers and teaching them the statistical techniques needed to be self-managing with regard to quality control, “Deming’s way” encouraged workers to think like managers, thus creating a sense of mutual interest between the two.

The TQM system involves a number of practices that influence the nature of work, the most highly publicized of which is “quality circles,” a method designed to facilitate employee problem solving related to the development and implementation of quality processes. Quality circles are a form of employee involvement; however, the level and scope of that involvement falls far short of the authority invested in self-managing teams.

Reengineering and Offshoring

In the 1990s, the reengineering movement focused on reducing costs by eliminating unnecessary steps in work processes and, in particular, by eliminating unnecessary layers of management. Like employee involvement and TQM before it, reengineering faded partly as a result of its success: Reducing unnecessary layers of management has become an accepted practice in almost all large organizations today.

U.S. companies send key operations offshore to take advantage of lower wages paid in other countries, do tasks Americans are unwilling to do, make use of special skills found elsewhere and gain access to local markets. Regardless of why companies send work offshore, the practice almost always affects the nature of work remaining in the United States.

Offshoring, when coupled with the effects of information technology, is having a profound effect on the nature of work being done by Americans. And when those effects are added to the cumulative impact of employee involvement, TQM and reengineering, the result is a reshaping of many, if not most, domestic jobs.

There is some evidence that the combined effect of these changes has been to improve the nature of work in America. According to data from a national survey of American workers from 1977 and 2002, Americans today feel they have more freedom and opportunities to learn on the job and do more meaningful work than they did in the 1970s.

Consequences for the American Worker

As the workplace has been transformed over the last three decades, the consequences for American workers have been as mixed as the nation’s work force is diverse.

With regard to their chances of finding good jobs and careers, there is a growing chasm between those workers with higher educations and those who are less educated. Older and less-educated men experience shorter job tenure and lower relative compensation than in the past. In contrast, better-educated women are earning more and have improved career prospects. The incomes of people with similar demographic characteristics now vary considerably, in contrast to the small differences found in the recent past.

Many workers are reporting greater satisfaction with their work, more rewarding careers, and increased opportunities for mobility; at the same time, many others are experiencing greater on-the-job stress, increased tensions between work and family responsibilities, and a loss of meaning and community in the workplace.

Careers

The simple fact is that careers and career opportunities have changed enormously since the 1970s, particularly for professional and managerial employees who now have many more career choices than several decades ago. The exponential increase in technical and scientific knowledge in recent years has led to a concomitant proliferation of areas of expertise and, thus, to a greater number of professional specializations. Individuals also can choose to work at an ever-increasing variety of organizations. There are many new service businesses, more foreign companies that employ large numbers of Americans, and an increasing number of small-business and self-employment opportunities today.

Perhaps the most important change is the freedom individuals now have to structure their own career paths. As a result of more frequent job changes, responsibility for career planning, guidance and skill development has shifted from the organization to the worker. As the restraints that once confined the careers of “organization men” have fallen off, workers increasingly have become able to make choices based on “individualism, personal fulfillment, and passion,” values in keeping with the zeitgeist of the times.

Work/Life Balance

Thirty-eight percent of Americans report some tension between their work and home lives. Today’s highly publicized work/life balance conflicts are multiple, and their nature differs significantly depending on the jobs
individuals have and on their family situations. Tensions between work and family life clearly have implications for the well-being of individuals and their children and ramifications for society in general. Yet because the personal needs, desires, motivations, and economic circumstances of Americans are so varied, there appears to be no single way to resolve these tensions, no universal best practices with regard to work/life balance. For example, while both may say they want more time off work, the desires of a young, unmarried, high-paid professional for more leisure time are not the same as the work-hour flexibility needs of a middle-class couple with a disabled child or parent.

Employers have a moral imperative to be honest and clear about the conditions and expectations attached to the jobs they offer. Employers need to define the limits to their family-friendly policies.

Health and Safety

Since the 1970s, nonfatal injuries in manufacturing and construction are down by about 50 percent. American workplaces are far less dangerous today than they were 30 years ago, and most of the worst occupational diseases have been or are being eradicated. The biggest threat to blue-collar workers now is a lack of commitment to the ongoing task of monitoring for existing hazards and vigilance in terms of responding to new threats.

Recent studies show that the leading causes of absenteeism in the United States today are family-related, and that one out of six people who fail to show up for work offer stress as the reason. Jobs have changed, but stress has remained and spread like a contagion throughout the ranks of the work force. Studies show that social support can moderate elevated blood pressure. Hence, healthy workplaces are environments that provide ample opportunities for social interaction.

Role conflict and the related feeling of loss of control — for example, having a job with high performance demands but little decision-making authority, or not having enough co-workers to get a task done — appear to be at the core of most stress-related workplace health problems. Not surprisingly, research shows that socially supportive High-Involvement workplaces tend to be the healthiest for most workers.

Job and Life Satisfaction

Over the last half-century, scores of scholars have analyzed the causes and consequences of job satisfaction. Their most important findings are:

- Low levels of job satisfaction lead to turnover and absenteeism.
- The effect of job satisfaction on job performance is weak; in fact, job performance is more likely to be a cause of job satisfaction.
- Job satisfaction is determined primarily by the type and amount of rewards people get at work. Workers develop their perceptions of what they should receive by comparing their rewards to what others like them receive.
- There is a positive relationship between employee satisfaction and customer satisfaction in some service situations.
- There is an inverse relationship between job satisfaction and the desire of employees to form a union.

Employee Stock Ownership

Since the 1970s, there has been a major increase in employee stock ownership. It is estimated that roughly 23 million Americans own stock in companies at which they are employed.

Employee-owners are more inclined to exhibit positive behavior on the job, to stay with a company as a result of their equity interest, and to pay more attention to its financial performance, all of which are positive behaviors from a company point of view. United Airlines and a few other large corporations have taken advantage of the promise to reflect the desire of employee owners to assume greater responsibility for the management of their enterprise.

Training and Development

Particularly in the last decade, an observable convergence of trends has heightened the need for more and better job training: the increasing speed of technology change; the increasing sophistication of foreign competitors; the export of manufacturing jobs; downsizing...
Consequences for the American Worker

(continued from page 6)

due to pressures to increase productivity; shortcomings in the quality of formal education; and the aging of the work force. All told, those trends amount to an almost perfect storm, creating an ever-increasing need for workers to update their skills regularly and, often, to develop entirely new ones.

Companies fully committed to providing continuing opportunities for employee learning, growth and development — even when those companies make no long-term job or career commitments — generate returns on their investments in terms of increased employee initiative, motivation, trust and reduced turnover. GC companies committed to worker development — including Dell, Cisco, Boeing, Millennium Pharmaceuticals, Procter & Gamble, Intel and PepsiCo — seem to benefit as much as employees from investments in training and education, particularly in terms of having a recruiting edge with the most qualified job candidates.

Community and Commitment

Social scientists find that people derive a strong sense of community from interactions with their co-workers, and the absence of community at work is a source of job and life dissatisfaction.

Over the last 25 years, a small minority of corporate executives have acted on the belief that it is possible to be flexible, innovative and competitive while at the same time creating supportive communities inside their workplaces.

Among them have been the leaders at Southwest and Continental in the airline industry; Costco, Whole Foods and Men’s Wearhouse in retailing; SAS and Xilinx in computer software; Herman Miller, Nucor and NRC Holdings in manufacturing; UPS in shipping; W.L. Gore Associates and Medtronic in medical technology; DaVita in health care; Starbucks in food services; and AES in the energy industry. Executives from these HI companies have argued that creating a strong sense of mutual obligation is neither countercultural in the United States nor inefficient; instead, they say it enhances a company’s productivity and profitability in the long term because it addresses the basic human need for community.

Choices and Future Directions

Realistically, not all workers have the same opportunity to choose from among the diverse array of employment options available in the workplace. The numbers and kinds of alternatives individuals have are determined by a variety of factors, including their education, skills and work history, and those, in turn, are influenced by the resources available to them and their families and by the personal choices they make early in their lives.

Good corporate, public policy and individual choices are ones that create the opportunity to have more, and better, alternatives to choose from in the future.

Organizations and Competitiveness

Here are some potentially cost-effective High-Involvement actions employers can take to make their workplaces healthier.

1. Encourage exercise and weight control. All companies can and should make an effort to educate workers about their responsibilities for limiting their own health-risk factors. More employers are providing exercise rooms at workplaces and weight reduction programs; some offer memberships in health clubs.

2. Manage people right. Stress occurs when workers don’t know what is expected of them, when they are...
told to do one thing and then punished for not doing another, and when they lack adequate resources to do their assigned jobs. Good managers create the conditions under which the people who report to them can carry out their assigned tasks.

3. Make supervision supportive. When workers perform poorly, it is almost always the fault of management, and the first step in correcting that is to train supervisors. Indeed, almost every organization can benefit from more, and improved, supervisor training.

4. Encourage work/family balance. Experience at High-Involvement workplaces shows that well-designed employer efforts to provide child care, elder care, flexible scheduling and job sharing can help to reduce role conflict and increase organizational support of workers in ways that make for healthier and more productive workplaces.

5. Create a sense of community. Employees at Patagonia — a $240 million firm with 900 employees — can receive full pay while working for two months in a nonprofit agency. Similarly, Timberland gives its employees a paid week off once a year to volunteer in local nonprofits and offers a limited number of six-month sabbaticals to workers who want to work for community organizations.

The Future of the American Workplace

In those American workplaces currently providing good jobs and careers, employees make productive contributions, add value to the goods they produce and the services they provide, and thus enhance performance and long-term sustainability of their companies. In the future, those “extra efforts” of employees — their innovative ideas, willingness to serve customers and engagement in work tasks — will be a competitive necessity in a nation that has carved out knowledge-related activities as the source of its competitive advantage. Securing a positive future for the American economy depends on more fully realizing the untapped and profound potential of the nation’s human capital.

If the United States is to succeed as the global leader in technology and high value-added goods and services, more corporations must adopt the High-Involvement approach to structuring jobs and employment, individual employees must plan their lives and careers more effectively, and the government must develop new policies, especially with regard to health and education. If all those things are done, the United States can, and will, continue to maintain its commanding economic position.

The Burden of Change

How much of the burden of change is the responsibility of employers, how much is the responsibility of individuals, and how much is the responsibility of government? Objectively grounding policy analysis in data is an important step in finding the answer to that question.

In the end, what we do with the knowledge created by social science research comes down to a matter of choice based on our collective beliefs and values about the kind of workplaces and nation we want in the future.

In the market economy, most of the responsibility to choose falls upon those who manage private enterprises. More than any other players, these people will make the key choices that determine the future of the American workplace.

Great leaders use their strategic and moral imaginations to create viable options where others see none. When there appears to be no choice but to take an action that is negative for a key constituent, imaginative leaders look for alternatives that haven’t been tried or for ones that others assume “won’t work.” In business, such leaders take the extra step and search for actions that serve all their stakeholders.

If U.S. companies are to meet the challenges of the new global economy, their leaders must begin to imagine what is required to build greater community and commitment in their respective workplaces, and then to create those conditions.

In acting to meet the needs of their employees for good work, corporate leaders not only seize an opportunity to improve the long-term performance of their businesses; they also fulfill their responsibility to all their stakeholders — owners, worker and nation alike.