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The Future of Human Resources Management

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Author

Strauss, George

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The Future of Human Resources Management

Two conflicting trends are at work in Human Resources Management. On the one hand there is a growing trend toward high commitment policies designed to develop broadly trained employees who identify with their organization and who are prepared and trusted to exercise high orders of discretion. Organizations with such strategies are marked by participation, lifetime employment, career flexibility, new forms of compensation, and generous fringes. At the moment, however, these strategies are being threatened by corporate restructuring, downsizing, and leveraged buyouts, all of which discourage investment in human capital. But even if high commitment organizations dominate the heartland of the economy in the future, many in the labor force will be denied their benefits.

What is the future of Human Resources Management? Looking even to the immediate future I find prediction difficult. In the first place, organizations are quite diverse. If GM or IBM is one model of the future, perhaps McDonalds is another, and the Los Angeles School district, a law firm, and Jose's gardening service are still others. Secondly, there are a number of competing trends or strategies. One, for example, involves high investment in human capital while another requires its partial liquidation. Nevertheless, with considerable trepidation, let me make twelve predictions with the hope that some will turn out right².

1. High commitment policies will become more common (at least in the long run).

By high commitment policies I mean those designed to develop broadly trained employees who identify with their organization and who are prepared and trusted to exercise high orders of discretion. Along with this comes a commitment from the firm to provide job security and the opportunity to develop a satisfying career (not just a job). Key components of this strategy are participation, lifetime employment, career flexibility, and new forms of compensation. Together they constitute a "high commitment culture".

These policies require heavy investment in human capital, and in some ways are like our stereotype of Japanese management. On the other hand, they are not like Japanese management in that they give employees a considerable amount of free choice and individual rights.

Some of the leaders in this development, IBM and Hewlett-Packard, for example, are non-union. However the plans for GM's new Saturn Division -- and the practice at NUMMI, the GM-Toyoto joint venture in Fremont, at Xerox and at

1 . Paper presented to the Fortieth Anniversary Conference, Institute of Industrial Relations, University of California, Los Angeles. To appear in a volume published by the Institute.

2 . For an earlier venture at prediction see Strauss (1982).

National Steel -- show that equally innovative plans can be adopted in genuine collaboration with unions. There is nothing basically inconsistent between the high commitment and collective bargaining. In fact the chances of such firms as IBM and HP backsliding from their present high resolves would be much reduced were they unionised. Unions would keep them honest.

Though high commitment organizations may constitute the main wave of the future, unfortunately, both for my thesis and the economy as a whole, this main wave has hit some big rocks. Our economy is shifting from manufacturing to service. Firms once protected from competition are subject to its full rigors. Many previously stable industrial giants (e.g., A.T. & T.) are being forced to "restructure" and "downsize", sometimes as a result of takeovers, leveraged buyouts and the like. Quite often such organizations emerge from such bloodbaths with a high debt level and a desperate need for cashflow. As a result they liquidate their human assets at a rapid rate. Not only are skilled managers, professionals, and workers thrown on the ash heap, but expensively nurtured "corporate cultures" are quickly shattered. If companies are treated like commodities, to be bought and sold on an auction market, people are likely to be treated similarly. This strategy is completely inconsistent with high commitment.

At the moment disinvestment in human resources seems to predominate over high commitment. Over the long I predict this trend will switch, but this is a shaky one and there will certainly will be forces operating in both directions.

Aside from greater stability than now exists in many companies, the spread of high commitment policies depends on two other requirements. In the first place, these policies are more appropriate in firms with custom or craft technologies (where each job is different and general purpose equipment is used) and in process-continuous flow technologies (in which workers' primary function is to adjust or repair equipment when it isn't working right) (Woodward, 1965; Piore and Sable, 1984) than they are in mass-production technologies. They also function best when employees seek intrinsic as well as purely extrinsic satisfactions from their jobs. To the extent that either requirement is not met, high commitment policies will be less common.

2. Management and to a lesser extent women's interests will set the agenda.

Forty years ago it was the union movement which took the initiative and came up with new ideas - and management reacted. Today management has the upper hand. In some cases management has exercised its power in ways that I view as anti-social and shortsighted. In other cases, its influence has been quite positive.

But many of the changes I see in the future come from the women's agenda (if not from the women's movement itself): comparable worth, flextime, child care, and the freedom to move in and out of the labor force. The new, new (post-1982) feminist is interested not just in equality on the job, but in equality plus the chance to bring up a family without unduly harming her career.

3. Law will continue to play an important role.

Since 1960 Congress and the courts have had a greater impact on human resources policies than anything unions could do. As collective bargaining continues to weaken, society will increasingly turn to the law to stem abuses. Soon

the U.S. may surpass Europe in the extent to which government regulates industrial relations.

True, President Reagan was elected on a platform calling for deregulation, and his Presidency has been marked by considerable slackening of the rigor with which the executive branch has sought to enforce the laws. But the laws themselves have been little changed; nor have the courts greatly changed their interpretation of them. Indeed, even under Reagan, Congress has done more tightening than loosening³, the state legislatures keep on legislating, and there is a tremendous log jam of bills (dealing with such topics as parental leave, polygraphs, plant closings, and "double breasting" in construction) which may soon pass at state or federal levels.

Further, even without new legislation, management may have to spend more time trying to justify its decisions in an increasingly litigious society. The erosion of the employment-at-will doctrine has already heavily involved courts in company personnel practises.

4. Equal employment and discrimination issues will receive less attention, though many of the basic problems will remain unsolved.

The 1970's were the decade of equal employment. They forced a radical changes in the procedures used to select, evaluate, and promote employees at all levels, as well as significant increases in the employment of women and ethnic minorities in occupations that were once all white-male.

But, by now the legally mandated adjustments in company policy have been made. Organizations have learned how to live under equal employment rules and yet preserve a degree of flexibility. For this reason, business has shown little interest in following the Reagan administration's call to dismantle the affirmative action machinery. As stressed earlier, the laws are still in place. Through judicial inertia and the operation of formal and informal seniority systems, the number of minorities and especially women in higher paid jobs should continue to increase.

But the enthusiasm for equal employment has been lost. It is last decade's cause. Severe inequities remain, but mainstream society has pushed the issue under the rug⁴. New legislation may affect job rights, maternity leave, etc., but not equal employment (hiring and promotion) as such.

The hot current equal employment issues relate to the handicapped, the aged, and comparable worth. As to the latter, the courts appear to have given up trying to impose job evaluation schemes, but some comparable-worth progress is being made in the government sector through lobbying and collective bargaining. The private sector will move more slowly.

3 . Laws passed in the last Congress have prohibited mandatory retirement in most occupations, required continued health plan protections and pension accruals for employees who work beyond normal retirement age, permitted employees to extend their health benefits for at least 18 months after layoffs, and prohibited employment of illegal immigrants.

4 . Some serious problems -- such as family breakups, teenage pregnancies, and the existence of a vast black underclass -- can't be resolved by company employment policy alone. But business can do more than it has -- and government can do vastly more.

5. There will be increasing emphasis on the human resource function and increasing status for human resources as a staff department.

Personnel administration, for many years a step-child, has been rechristened human resources management (HMR) and is enjoying a renaissance in both academia and the real world.

Personnel grew in status during the 1930's and 1940's largely because of the wartime labor shortage, the union threat, and the later need (in many companies) to adjust to being unionised (Jacoby, 1985; Baron et al., 1986). Then as union-management relations "matured" and became routinized, other, seemingly more pressing functions, such as production, marketing, finance, and law, began to receive the bulk of top management's attention.

In the early 1970's things began to change again. As just mentioned, equal employment requirements - first for minorities, and then for women, the aged, and the handicapped - forced radical changes in selection, evaluation, and promotional procedures. This in turn raised human resource specialists' status and budget.

Further, as foreign competition became tougher in the late 1970's, as deregulation hit many industries, and as the economic climate began to sour, many top managements began to view human resources policies as critical for reducing costs, increasing organizational flexibility, and even insuring survival. Industrial relations, personnel, and organization development policies became increasingly closely coordinated (Beer and Spector, 1984).

In some case this meant using hard-ball tactics to keep unions out of non-union worksites and to extract deep economic concessions at locations where unions already existed. In other instances, it involved developing cooperative new relationships in which the union serves as equal partner. Regardless of strategy, the purpose was to increase shop-floor efficiency and to soften the effects of rigid work rules, often developed for an earlier technology. Perhaps in a majority of instances, however (particularly where the company employees few blue-collar workers), policy toward the union was subsidiary to broader interests, especially efficiency and flexibility.

Many of the new initiatives came from top management itself as line managers began "asserting greater control over industrial relations policy issues because industrial relations and human resources professionals were slow to change" (Kochan, McKersie, and Chalykoff, 1986, p. 494). In some companies, these new policies meant wholesale replacement of oldtime industrial relations experts who had "become increasing isolated, conservative, and less influential" by "a new set of human resource management specialists who were more conversant with different types of planning, behavioral-science-based innovations in work organization and personnel systems" (Kochan and Piore, 1985, p.5)⁵. Thus, when General Motors' Vice President of Labor Relations retired, he was replaced by the former director of the company's quality of working life program, not by someone whose career had been in industrial relations (Kochan and Cappelli, 1984). Similar changes occurred at Ford and Chrysler.

5. Katz (1985, p. 220) reports that "in the airline industry five out of twenty-three vice presidents of industrial relations were fired in 1982 alone".

As top management and line seem to demonstrate greater interest in human resources policies, the status and perhaps the clout of the newly named human resources departments⁶ seems to be growing, especially according to such indices as title of top officer, staff size (O'Reilly and Anderson, 1982), budget, salary level⁷, and number of MBAs hired. The human resource department, for example, is now more frequently involved in long-run strategic planning.

Along with this have come some other developments. First, there have been some important technological breakthroughs in selection, evaluation, and performance appraisal. These rather dull areas have suddenly become rather hot -- at least in academia. Secondly there is much greater willingness to experiment. Often new policies are tried out in a several departments or plants before being introduced uniformly.

Some of these new approaches are discussed below.

6. Various form of participation will become more common.

Expanded employee participation is at the heart of the high commitment strategy. Participation, it is hoped, will increase employee satisfaction and commitment as well as organizational effectiveness. If successful, all parties gain.

Participation is hardly new. Informal participation -- as a style of consultative management -- has been preached for a long time, but the last few years have seen a considerable increase in formal participative schemes. These schemes can be grouped under three overlapping heads:

First, there is job redesign, which includes job enlargement, job enrichment, and autonomous work groups. Here the purpose is to broaden and deepen individual or group responsibilities on a permanent basis. Job enlargement (sometimes called broad banding), for example, involves combining what were previously separate job classifications.

Secondly, there are Quality Circle and Job Involvement schemes. These involve committees of workers who meet on a fairly regular basis. Typically they begin by addressing problems relating to quality or working conditions, and, as they gain skill and confidence, move over into production issues. By comparison with autonomous work groups, which are capable of implementing their own decisions, these committees make recommendations for management to implement.

Finally, by contrast with QC-JI committees, which typically operate at the shop-floor level, there are a variety of joint union-management or employee-management committees which operate at plant-wide or even company-wide levels and deal with issues such as safety, training, absenteeism, and job security. At the peak there is employee and union representation on the company board of directors. The various UAW contracts provide a maze of committees plus another

6. According to a Wall Street Journal article (April 27, 1983, p. 1), personnel workers receive "at least 30% higher pay...if the company uses the trendy "human resources" title."

7. During 1971-86, salaries of personnel administrators increased faster than those of the five other staff occupations followed by the Bureau of Labor Statistics. As weighted by the number of incumbents in 1971 in each position grade (e.g., Engineer I, Engineer II...) salary increases during the period were as follows: Personnel Administrators 204%, Lawyers 192%, Chemists 185%, Accountants 178%, Buyers 164%, and Engineers 150% (U.S. Bureau of Labor Statistics, 1986).

structure to coordinate them. Some of these committees have separate budgets and staffs. The job of QWL facilitator is developing into a career ladder of its own, rivaling that of international representative.

Some of the most dramatic cases of participation have occurred in the automobile industry, which was once almost the prototype of alienating work and autocratic management. One of the most notable examples of participation has occurred at NUMMI, the joint GM-Toyota venture at Fremont, California. Typical of NUMMI's participative approach is its procedure for hiring new employees, in which candidates are required to go through an exercise which tests their participative skills, with success in this exercise being judged by a union-management committee. GM's new Saturn Division was jointly designed by a union-management team and will include the election of first-line working supervisors and "dual control" over a variety of issues at other levels. Similar innovations, especially autonomous, foreman-less work groups, are spreading in the unionised steel industry and in the non-union sector almost everywhere.

Participation is not without problems. There is resistance almost everywhere.

1. Not all workers are anxious to participate. Broadbanding often reduces job security as well as the special status of senior workers. Workers fear, with some justice, that greater productivity means fewer jobs.

2. Management resists too. Lower levels of management fear that participative techniques bypass them, threaten their status, authority, and even their jobs. In some situations the introduction of participative techniques has resulted in the elimination of whole levels of management. For those who are left, totally new skills are required to operate in a participative situation.

3. Unions fear that participation threatens pay relationships, job protections and work rules, such as job classifications and seniority rules. Furthermore, participation implies giving up adversarial relationships which unions generally believe have served them well. In many cases "participation" has been viewed as a fairly meaningless quid pro quo for substantial wage concessions; in other cases it has been the forum for orchestrating work-rule concessions.

Beyond this, participation requires a great deal of energy and high orders of mutual trust. Even if participation is successfully initiated, problems arise over time. Groups may run out of easy problems to solve. Overly optimistic expectations may be dashed. Trust can be easily dissipated. Apathy, burnout, and plateauing often set in.

There are those who say that participation is merely a fad, which will pass. In some instances this is certainly the case. But over time participative work techniques may become more satisfying for workers and more efficient for management. Like taking drugs, participation is an acquired habit, but a habit which is difficult to shake.

Participation doesn't come naturally; generally it represents an unstable social system. Autocracy is simpler. Fortunately, however, we are now learning the organizational skills required to make participation work. In time its success rate should improve.

7. The distinction between "core" (permanent) employees of large organizations and the rest of the work force will grow.

Along with participation, one of the objectives of high commitment companies is to provide something akin Japanese-style lifetime employment. In this, their objectives are much like those of unions. Unions insist that their members receive a constant stream of income from the day they are hired to the day they die: they get it in the form of wages, vacations, sick leaves, jury pay, SUB benefits, pensions, and the like. High commitment companies provide similar benefits for their core employees. In both cases, most of the economic uncertainties of life are transferred from the employee to the employer.

Maintaining life-time employment, in the face of the vagaries of the market, is difficult for many businesses. An increasingly common solution among American high commitment companies is to do this in the Japanese way. They absorb peak workloads through overtime, subcontracting, so-called agency temporaries, part-time and on-call work and the like. In slack times they protect their core employees by reversing this process, i.e. eliminating overtime and dismissing temporaries and subcontractors (Bureau of National Affairs, 1986)⁸.

Consistent with this policy the number of part-time and on-call employees has grown considerably. Similarly, employment in the "agency temporary" industry almost doubled between 1982 and 1985 (Carey and Hazelberg, 1986). Subcontracting also has increased⁹. The kind of work subcontracted ranges from janitorial and equipment maintenance to top-management decision-making (in the latter case the subcontractors are called management consultants)¹⁰.

When business is seriously depressed, there may not be enough work for even core employees. Then management must chose between making layoffs as soon as the need seems apparent and so maintaining a "tight shop", or of delaying the decision until absolutely necessary, meanwhile finding some sort of activity for surplus workers.

High commitment firms tend to follow the policy of delay. They search for temporary assignments for unneeded workers and perhaps provide them special training or subsidize their transfer to other plants. If business gets still worse they accelerate attrition through specially beefed-up voluntary early retirement schemes.

Even this may not be enough. Some companies (such as Advanced Micro Devices, Daily Labor Report, August 14, 1986) have felt forced to abandon their written no-layoff policies, as have other high commitment firms who never wrote their policies down, but in fact rarely laid people off. Indeed recent years have seen the largest number of managerial layoffs since the depression. This has occurred even in such presumably stable industries as banking, telephones, retail groceries, and chemicals.

8. They also minimize fringe (especially unemployment) benefits.

9. Business services (which supply services such as consumer credit reporting and data processing) constitute the country's fastest growing industry (Howe, 1986).

10. Subcontracting has always been common in construction, movie making, the theater, and the garment industry. As subcontracting spreads it may be viewed as a form of matrix system. A computer consultant, for example, reports both to her client and to her formal employer.

What distinguishes current "outplacement" from the earlier "sack" is the "delicacy" with which it is made. A whole new art of firing people has been developed. Aside from the considerable expenses which have been incurred to induce older employees to accept early retirement, some companies have financed training for new occupations and subsidized the costs of job-finding trips. Quite frequently leading firms continue employees' pay and benefits and give them time-off to look for a new job¹¹. Meanwhile, a whole new occupation of morticians, called outplacement counselors, has developed. Their job is to listen to "outplacees" emotional traumas, assist in writing job applications, coach interview skills, and generally help in the job search.

These human resource policies are not uniformly followed, of course, not even in hi-tech industry. A high percentage of employers offer little or no protection against layoffs¹². As a consequence, considerable political and legal pressures have been developing to require companies to give advance notice of plant shutdowns and to provide some form of severance pay. These pressure will continue.

Some employees (especially working mothers) dislike being tied down to full-time permanent jobs and prefer flexibility. Quite a lot of people like the independence of being subcontractors. But few of these people enjoy much security. On the whole they are low paid, have few fringe benefits, and most of them are women. A high percentage of part-time workers, possibly a majority would prefer full-time regular employment (Daily Labor Report, September 23, 1986). Or, as the next section suggests, they would like the choice to be full-time or part-time to be their's, not the employer's.

Thus, the growing distinction between core and other employees accentuates what economists call the "segmented labor market" and creates serious social dilemmas. The substantial job security enjoyed by core employees merely accentuates the insecurity suffered by the rest. A secondary labor force is the ugly backside of high commitment policy.

8. There will be greater freedom to choose among alternative work schedules and career paths.

What is sometimes called a flexible career system includes flextime and the freedom to move back and forth from full to part-time to zero-time work (for example, in response to family demands) -- and to do so without jepordizing one's status as a core employee. It may mean calculating seniority cumulatively rather than the consecutively. It also involves the right to a phased-retirement (a right especially important since mandatory retirement has become illegal).

11. Compared to the golden parachutes which protect top management, the ordinary worker gets pushed out with at best a bronze parachute and sometimes only a fairly thin cushion.

12. According to a recent GAO report on companies faced with closure or layoffs, "slightly more than half...offered workers severance pay, about a third offered placement assistance, and 3 percent offered occupational training" Daily Labor Report, August 22, 1986, p. 2.

It includes RJP (realistic job previews), opportunities to bid on jobs and training opportunities, and freedom to accept or decline transfers. It involves assessment centers to evaluate skills, as well as more opportunities for counseling and to make inputs as to career futures. It includes the opportunity to do some of one's work at home (for example, parents work at computers while their children nap).

Along with this is concern with burnout, and concomitantly, greater freedom to shift lines of work once one gets stale.

Many of these demands came from the women's movement. But they are of interest to men, too, and particularly to professionals and managers. Flexible careers systems are certainly consistent with the philosophy of participation and high commitment. On the other hand, flexibility may be hard for organizations to provide. Individual and organizational needs often mesh quite badly.

9. Individual job rights - sometimes protected by law - will be strengthened - and these will clash with organizational needs.

By contrast with participation and flexible career systems, both of which give individuals freedom to make choices within the organization, the rights to be discussed here protect the individual from the organization and its members. In effect they say the organization can go this far -- and no further.

Among the rights involved are those relating to clothing and hair style on the job, various forms of behavior off the job, unpopular political opinions, whistle blowing, sexual harassment, drug and genetic testing, and privacy of records.

For the most part these are new, recently articulated issues. For instance, they were not on traditional union agendas, and indeed they stem largely from changes in overall social values. Many raise unsettled controversial questions. For example:

What rights does a professor have to see confidential evaluations of her work by her peers? What rights does anyone have to prevent dissemination of material in his file to others?

Who can have access to reports prepared by company doctors and psychiatrists? Under what circumstances can a supervisor search an employee's desk?

What freedom of dress and hairstyle does one have on the job? Under what circumstances can the company inquire about one's behavior off the job?

What rights does one have to smoke on the job? What rights does one have not to be bothered by other peoples' smoking?

But the controversy of the year relates to drug testing. Can/should the employer test everyone? Only those whose on-the-job behavior might injure others were they influenced by drugs? Or only those who demonstrate overt signs of being currently drugged? What deductions can the employer draw from a single positive test (since false positives are common)? Suppose the test is accurate, what is the employers' obligation: To inform the police? To discharge the employee quietly? Or to send him to an expensive, employer-paid cure?

Partially analogous issues are involved with genetic testing, polygraphs, AIDS, and alcoholism. Do polygraphs, AIDS, and genetic testing violate individual privacy? Are AIDS, alcoholism, and drug addiction occupational handicaps to which the employer must make a reasonable accomodation? Where does one draw the line?

Standards are unclear here, and they are rapidly changing. Until recently, forinstance, the right to smoke on the job was generally recognized, and non-smokers had to accomodate themselves as best they could. Now the reverse is the case. Many companies now heavily restrict smoking, with 85 percent of these policies being introduced over the last five years (Daily Labor Report, June 16, 1986, p. A-4).

Emotions over such issues run high. All of them invite the legislature to set general standards, although neither management or civil libertarians may be happy with the results.

One thing seems clear. Management has less freedom in these areas than it had a few years ago. Futher its freedom is likely to decline even more.

Individual job rights relate to my next prediction.

10. Formal due process procedures to protect job rights will be more common, especially in nonunion firms.

One can see this in the growing use of ombudsmen, formal grievance and appeals procedures, and even binding arbitration in nonunion (particularly high commitment) companies¹³. These provide nonunion workers many of the protections traditionally enjoyed by unionised workers¹⁴. (Indeed the procedures often represent an attempt to keep the union out.)

Along with this employees are having easier access to the courts. The traditional common law view that employment is at will and can be terminated for any reason -- or none -- is rapidly being eroded. Further, unless a company is careful in how it fires an employee it may be subject to defamation or libel suits. There are an increasing number of age discrimination cases, most of which are based on charges that the company has unjustifiably discharged an older worker. While courts are unlikely to defer entirely to the company's internal adjudacation process, the existence of such a process may constitute a defence against charges of procedural, if not substantive, unfairness.

Defence against unjust dismissal suits is particularly difficult if management bases its case on incompetence. Incompetence is considerable more difficult to document at the managerial level than the blue collar level. And this is one reason for the recent experimentation with new performance appraisal techniques which presumably will seem fairer to all involved and will be more likely to stand up in court.

13. Seventy-three percent of the large companies in the 1983 Conference Board study had "formal complaint or grievance systems" in their non-union plants (Kochan, McKersie and Chalykoff, 1986).

14. Most public sector employees now have the right to a hearing before being discharged.

For management to justify its decisions in an increasingly litigious society is likely to be expensive. It will be time consuming. It will require much paper work. It will make personnel and interpersonal relations more formal and less flexible.

11. Compensation systems will be more flexible. They will place greater emphasis on individual and group performance and less on job titles and across-the-board adjustments.

Especially in management, there is a growing dissatisfaction with traditional compensation practices based on job classifications and seniority, adjusted by cost of living changes. It is argued that this system is inflexible, especially in bad times, rewards longevity rather than performance, and discourages teamwork and job switching.

As a consequence there is an unparalleled amount of experimentation with alternative compensation schemes, among others the following:

the abandonment of individual piece-work for gainsharing programs based on departmental, plant, or organization-wide performance,

profit sharing and Employee Stock Ownership Plans (ESOPs),

basing individual managers' pay on the contribution which they (or the unit under their direction) make to overall organizational performance,

greater use of one-time awards and bonuses which provide recognition for meeting specific goals but which don't enter into base pay¹⁵,

and finally, for blue collar workers, pay for knowledge, that is pay based on the number of skills one has learned rather than the particular job classification one is in.

Each of these new approaches has its problems or limitations. Some, such as ESOPs, have been introduced in part just for their tax benefits. Others represent symbolic quid pro quos given in return for pay cuts. But taken as a whole they seek to reward teamwork and performance and to provide the employer a more flexible wage bill, one which is responsive to fluctuations in the business cycle. Profit-sharing, ESOP, various bonus and gainsharing systems, all shift some of the risk of employment back from the company to the worker, and for this reason are likely to meet resistance. On the other hand, by emphasizing the fact that company and worker somehow share a common fate, they are consistent with the high commitment philosophy. Further, they reward participative efforts.

15. Lump sum bonuses have taken the place of wage increases in many recent labor-management contracts.

12. Fringe benefit demands will increase, but rationing and choice will be more common.

The long-run trend has been to shift the cost of risks (unemployment, illness, old age, and death) from the employee to the employer. The demand for fringes is endless. Among those currently being pressed are childcare¹⁶, paid parental leave, special help in taking care of aging parents, "wellness" schemes, and Employee Assistance Programs. Despite all their advances, in some areas American workers lag behind those in other countries. Most Western European workers, for example, enjoy four or five weeks vacation annually. Eventually the U.S. will catch up.

For years the cost of fringes increased faster than wages. Recently, however, as a consequence of the recession and concession bargaining, fringes begun to peak out¹⁷. Some benefits have been eliminated, others have been made contributory.

Innovative new cost-containment schemes have greatly slowed down the growing cost of health care¹⁸. (Indeed, one of the more dramatic recent developments has been the transfer of control over health costs from providers, such as doctors and hospitals, to insurance companies, benefits plans, and the government.) But cost relief may be only temporary. As the population grows older and we demand more in the way of medical care -- for example, liver transplants for everyone who needs them -- costs are bound to resume their increase.

Over time, both pensions and health care benefits will take up an increasing portion of both GNP and total compensation. As resources get tighter, tensions may increase. Already we see some conflict between childless people and those with large families, and between younger people who want income now and older people want improved pensions.

Additional problems derive from the fact that our current fringe benefit systems were developed to meet the needs of a traditional family with a working husband and a nonworking wife who assumes all the childcare functions. Under these circumstances, for example, it made sense for the husband's medical benefits to cover the entire family.

Difficulties begin to arise when both spouses work and when, under a cafeteria plan, one spouse elects family medical coverage and the other cash. Under these circumstances the employer, in effect, pays for the same medical coverage twice.

Problems gets more complex when the family acquires children. Sick leave which initially covered only the wife's period of confinement (if that) has been frequently extended to include the first few weeks in which the new baby is home. But children are frequently ill and many employers now allow employees to use

16. Childcare is an especially difficult benefit to provide, since, if the employer provides it directly, a wholly new delivery system will be required. Rather than get involved with this difficult area, employers may prefer to pay a straight allowance per child and allow employees to shop for their own form of care.

17. In 1985 fringe benefit costs increased less rapidly than wages, a dramatic reversal of recent trends. Daily Labor Report, January 29, 1986, p. B-1.

18. While contributory benefit plans are growing more common, the benefits themselves are becoming more comprehensive and cover an increasing number of contingencies. Meanwhile provisions for alternatives to hospital care -- such as hospices, nursing homes, and home care -- are rapidly increasing. Daily Labor Report, April 25, 1986, p. B-1.

sick-leave time to take care of their ailing offspring. And if it can be used for sick children, how about for sick, dependent, elderly parents? or a sick spouse or "significant other"? Gradually the meaning of sick leave has been expanded so that it is little more than paid time off. Eventually the distinction between vacations and sick leave may be eliminated. Indeed many employers now permit employees to cash out unused sick leave at the time they retire.

All this points toward the greater use of cafeteria plans. The range of possible benefits will increase but a reasonably firm cap will be placed on their total cost. The employers will pass the buck to the employee to make the difficult choice among the many benefits available.

But this will do little to resolve another issue: the widening differences between permanent "core" employees and the remainder of the population in terms of the benefits, especially retirement and health benefits, enjoyed by the two groups. The only reasonable solution is for fewer benefits to be provided privately and more by the state, either directly or through legally established minimum standards.

Conclusion

Prediction is always difficult, and with U.S. economy going through substantial changes prediction is particularly hazardous. My main prediction is that "high commitment" organizations will become more common. Such organizations are marked by participation, lifetime employment, career flexibility, new forms of compensation, and generous fringes. But the extent to which this prediction will come true depends on many factors, most notably the development of technologies and market conditions favorable to it. At the moment high commitment strategies are being threatened by corporate restructuring, downsizing, and leveraged buyouts, all of which discourage investment in human capital. But even if high commitment organizations dominate the heartland of the economy in the future, there will be many in the labor force who either voluntarily or through circumstances will be denied their benefits.

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