PUBA Welcomes Visiting Professor Thomas Kochan from MIT's Sloan School of Management

**Date:** April 2011

PUBA hosted Professor Tom Kochan from MIT on April 4th and 5th, 2011. Professor Kochan is the George Maverick Bunker Professor of Management at MIT's Sloan School of Management and Co-Director of the Institute for Work and Employment Research. He came to Honolulu to talk about developments in the public sector nationally, and in particular how Hawaii might avoid the meltdown that took place in Wisconsin by thinking and acting more proactively about the issues underlying that crisis. Professor Kochan gave two talks, had a dialogue with key union, elected and administration officials, met with the Governor, and was interviewed by the editorial board of the Honolulu Star Advertiser.

Slides of Professor Tom Kochan's presentations follow.
AMERICA’S TRANSFORMATIONAL MOMENT: WILL WE SEIZE THE OPPORTUNITY THIS TIME?

Thomas A. Kochan
MIT Sloan School Institute for Work & Employment Research
University of Hawai`i at Manoa
April 5, 2011
Overview

- Current situation: A Teachable Moment? A Transformational Moment?
- Getting the Facts Right in Public Sector Debates: A quick review and reference
- Learning from the Private & Public Sector
- Moving Forward—What it will take for this to be a positive transformational moment
Proximate Causes of Current Public Sector Crises

- Fiscal crises facing at least 37 state governments
  - Budget deficits
  - Unfunded pension liabilities
  - Rising health care costs
  - Crisis in American education: need for major reforms

- Political shift in power
  - 18 new Republican Governors (29 in total)
  - Well funded anti union “Tea Party” backed campaigns
  - 700 bills introduced in state legislatures
Wisconsin

- **Governor’s Bill**
  - Increase employee contributions to pensions & health
  - Strip bargaining rights
    - Only can bargain wages up to cost of living increases
    - Unions must show majority support each year

- **The Saga**
  - Democrats boycott
  - 100,000 demonstrate
  - Legislature passes Governor’s collective bargaining bill
  - Court case pending on whether it’s legal
Wisconsin Virus is Spreading: 18 States in Action

Source: Rebecca Givan, Cornell University
Will this be a Transformational Moment?
How can we help it be so?

- Necessary Conditions for Transformational Moments
  - Political shift in power, sometimes driven by economic crisis
  - Change in labor law/policy
  - Shift in strategies of either or both labor and employers
Prior Turning Points

- 1930s New Deal
- 1960s public sector
- 1980s private sector
- Obama’s election: Great expectations; missed opportunity
- Will we seize this moment? What do we need to do?
How to Address the Current Crisis

- Get the facts right and make them transparent
- Hold a state-level or local-level summit and negotiate a new grand bargain
- Propose reforms to modernize public sector collective bargaining to support ongoing collaborative processes
The Facts: Brief Summary

- Compensation: Public sector workers receive about 11% lower wages and 3% lower total compensation than comparably educated private sector workers.

- Dispute resolution processes (mediation, fact-finding, and arbitration) have produced outcomes comparable to negotiated solution and comparable to private sector collective bargaining.

- Unions and municipalities have responded to prior fiscal crises by forming coalitions that have addressed the key problems.
Is Bargaining Blameless? No!

- Slow, incremental, conservative (status quo oriented)
  - Boston Firefighters arbitration
  - Teacher union resistance to education reform
  - Massachusetts local bargaining failed to negotiate health care reform and cost savings
  - Long delays in arbitration awards (700 days in NY!)

**Bottom Line:**
We Have to do Better!
Moving Forward:
Learning from the Private Sector

- Traditional arms length, “job control” labor relations not competitive with non-union alternatives

- Transformed, collaborative relationships could perform at world class levels
  - Saturn: Could we propose a clean sheet approach to labor contracts”
  - Kaiser Permanente: Could we put interest based bargaining, worker engagement on the front lines, and strategic partnerships to work in the public sector?
Three-tier transformation model

Learning from the Public Sector

- Coalition bargaining in prior fiscal crises (NYC)

- Integration of transportation agencies/unions in Mass
  - Coalition of unions: Support from State AFL-CIO Leader
  - Multi-party negotiations with gains sharing model
  - New proposal to bring stakeholders together in Mass education sector

- Collaborative examples of education reform
Dept. of Ed Ten Principles for Reform

- Strategic Direction Setting
- Clear & Shared Responsibility for Academic Outcomes
- Supporting Growth & Improvement of Teachers & Leaders
- School Design, Schedules, Teacher Workload & Time
- Teacher Evaluation
- Administrator Evaluation
- School Board Evaluation
- Transfer, Assignment, & Reduction in Force
- Compensation & Benefits
- Dynamic Decision-Making & Problem-Solving
Predicting the Future?
Three possible Scenarios

1. Backlash against public sector unions dominates
   - Public sector union decline
   - On-going labor wars, possible escalation.....?
   - Everyone loses

2. Unions successful in counteracting political attacks:
   - Short run stalemate
   - Longer term union decline as public recognizes problems have not been solved or addressed: private sector 1980s scenario replicated in public sector

3. Unions counteract political attacks and new strategies for labor and management dominate in addressing problems and jumpstart a renaissance in labor management relations!
Efforts to Make Scenario 3 Happen

- Multiple op eds
- Employment Policy Research Network paper
  http://www.employmentpolicy.org/topic/402/research/getting-it-right
- State specific efforts
  - Massachusetts
  - Hawaii
  - Wisconsin???

Australia? Please join the effort!