Chapter 6
Inviting Business to the Party: The Corporate Response to Social Policy

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During President Bill Clinton's first term, both Democrats and Republicans attempted to make profound changes in the nation's system of social provision. Clinton sought to require employers to grant their workers family leave and proposed a fundamental overhaul of the health financing system; the Republicans proposed to cut Medicare radically and to erode guarantees of health coverage for elderly people. A greatly pared-down Family and Medical Leave Act passed, but both health bills failed.

Big business interests were at least initially considered to be important players in these legislative campaigns. First, because many social benefits in the United States are dispensed through private companies, public policy changes have profound implications for corporations. This blend of public and private provision means that pressures on one sector inevitably affect the other; for example, questions about the adequacy of company medical plans (coverage, portability, and costs) prompted discussion about public health reform.

Second, the new politics of the budget deficit left both parties needing business support and offering corporate managers very different rationales for signing onto the parties' political programs. For the Democrats, the deficit made expanded or new public programs politically impossible; instead, the party decided to use the employer-based system of social benefits to achieve its new social goals. Thus, in a sharp break with New Deal social prescriptions, the Clinton administration sought not to create new spending programs, but rather to impose new regulations on the private sector.

The Democrats tried to attract corporate backers by framing their initiatives as part of a larger project to reorganize social policy. Clinton argued that markets failed to provide American industry the resources necessary to capture world market share; government should assist industry with economic and social investment policies to maximize America's competitive advantage. Because employers were already paying a large share of social benefits, the Democrats hoped that mandates would seem like a logical extension of the status quo. Corporate payers had good reasons for wanting nonpayers to assume their fair share: many companies with benefits were in fact paying for workers without coverage either through hospital-imposed surcharges for the uninsured or through family benefits.

For the Republicans, their goals of balancing the budget and reducing government were the rationale for asking business to back social spending cuts. The GOP assumed that exploding nonwage labor costs and pressures of international competition would make corporate payers and nonpayers wary of new social burdens. Rationalizing costs might be appealing, but mandating new benefits could be frightening, especially to labor-intensive, low-wage companies. Thus the Republicans offered managers a move in the opposite direction from the Democrats: less social provision, lower taxes, and substantial reductions in public programs such as Medicare to inject market rationality into the public system (and incidentally to create new profit opportunities for the health care industry.)

Third, business managers were key as agents of change. For the Democrats, company providers were necessary to implementing the new social initiatives. Clinton planned to use markets as a way of achieving social ends; as private providers of social benefits, big business managers were critical to this market restructuring.

The parties also saw employers as sources of political power and sought to include them in legislative coalitions. The Democrats had limited success mobilizing corporate support. Although much big business opposition was favorable toward the Clinton health plan in the prelegislative period, the initial interest later evaporated. The Republicans fared better with their allies, organizing an impressive business show of force to support their balanced budget and antiregulatory agenda. But they, too, ultimately fell short of their goals.

This essay considers the possibilities for bringing business managers into policy coalitions, exploring the failure of the Clinton administration to secure much corporate support for its social initiatives and the greater
Republican success in rallying business allies. Business support for spending reduction is not inherently surprising. But the GOP success diverged from conventional wisdom. Although the Republican party has historically been portrayed as a handmaiden to leaders of industry, small business was the backbone of support for the Republicans’ social policy agenda. Many big business managers were quite wary about the Republican social agenda; for example, they stood to lose much from the Medicare reform through increased cost shifting onto private payers.

I argue that it has become increasingly difficult for Democrats to bring corporate allies into social reform coalitions because of the institutional organization of U.S. big business and the difficulties that Democrats face in simultaneously winning support from key interest groups and mobilizing public opinion. First, institutional features of American business have always made it difficult to mobilize corporate leaders in support of long-term policy change, and recent changes within business have exacerbated this problem. Corporate receptiveness to social policy legislation depends on how business is organized. Although American business managers are very good at acting on their own narrow, short-term self-interests, they are not organized in ways that support broad collective goals. Without a unitary peak employer association, corporate managers lack a forum to make difficult zero-sum decisions and to communicate collectively to a course of action.

Second, business involvement in social policy legislation depends on social policy entrepreneurs’ strategies vis-à-vis business, but the Democratic party today has a much more difficult time incorporating sympathetic corporate elites into its policy coalitions. In matters of both message and strategy, the party finds it hard to reconcile the equity concerns of “have-nots” with the human investment interests of corporate sponsors. Populist appeals designed to excite the first serve only to alienate the second.

In comparison, Republicans have been much more successful at building business coalitions. Small business allies are much better organized and the GOP has a less diverse coalition and a less activist agenda than the Democratic party.

Employment-Based Social Benefits under Pressure

Business and social policy have little in common at first glance. One might wonder why politicians would reach out to corporate America for support in this area. But for years large employers have been a major source of social benefits, filling in the vacuum left by the very limited government welfare state. Employers began offering employee benefits in the late nineteenth century to curb labor unrest. Initially hostile to company plans, unions viewed benefits as weapons to halt the advance of collective bargaining and to trap workers in onerous jobs. But the creation of the National War Labor Board (NWLBB) during World War II precipitated a dramatic expansion of the employee benefit system. Anxious to prevent inflation, the NWLBB limited wage increases but did not regulate benefits, so workers negotiated benefit increases as a way to expand their total compensation package. The excise profits tax also stunted the growth of benefits, because firms could pay for benefits with pre-tax dollars. Shortly after the war the labor movement expanded its earlier campaign for greater government social provision to include private sector benefits.

Today, while other countries have public health insurance, training programs, child allowances, and pensions, the United States has a patchwork system of benefits in which private employers play a key role. This “shadow welfare state” is heavily subsidized by the federal government because business expenditures for health insurance and pensions are tax-deductible. Tax expenditures for these purposes amounted to $64.4 billion for employer health plans and $55.4 billion for employer pensions in 1996. Business is at the heart of the health care system: almost two-thirds of the nonelderly population is covered through employers. Business health care spending climbed from 2.2 percent of salaries and wages in 1965 to 8.3 percent by 1989. Even the biggest government benefit, social security, has enormous help from the private sector (but unfunded retirement income: in 1993 social security old-age benefits combined with disability insurance) paid individuals $297.9 billion, and private employer pensions paid out $192.6 billion. Many employers also provided supplemental unemployment, disability, and life insurance.

Significant as it is, the coverage of the system of employer-provided benefits is quite uneven. Less-educated and lower-paid workers are much more likely to receive benefits from their employers. For example, in 1992, 28.4 percent of family heads who had not completed high school received health benefits from their employers, compared with 81 percent among those who had completed college. Recent economic and political changes have eroded the social provision of many firms. International trade has pushed firms to price com-
petitively and often to reduce total compensation costs. Companies worry about providing benefits when nonpaying firms shift social costs onto paying ones. For example, many large companies provide health benefits to the spouses of their workers when these spouses cannot obtain coverage through their own employers.

A tighter competitive climate has prompted firms to scale back services and to shift social risk to their workers. In 1982, 84 percent of employees were enrolled in defined-benefit plans, which pay benefits based on workers’ years of service and salary history. By 1994 only 56 percent were in such plans; the remainder were in defined-contribution plans, in which benefits are based solely on the accumulated contributions of workers and firms. Employer-provided health benefits also declined, and workers had to make up the difference. In large and medium firms, employers fully financed health insurance for 56 percent of their employees in 1988; only five years later that number had dropped to 37 percent. The extent of family coverage in health insurance also declined. In 1988, 36 percent of employees participated in health insurance plans in which the employer fully paid for benefits for the worker’s family; by 1993 only 21 percent of employers picked up the tab for an entire family. Moreover, the number of temporary workers—least likely to receive benefits from their employers—has grown in recent years. Thus, just when workers are needing an expanded safety net, the private welfare state has less to offer. Business Week remarked:

The relationship [between company and worker] isn’t what it was. The new compact between company and worker dismisses paternalism and embraces self-reliance. Bid farewell to unconditional lifetime employment, even at the bluest of blue-chip companies that once implicitly turned on such an ethic.

Economic competition may be forcing companies to reevaluate their programs of social provision, but social changes are creating new needs. By 1987 working mothers represented 65 percent of the labor force. Female executives have urged their companies to accommodate these dramatic gender changes in the composition of the work force with a variety of family-oriented policies such as parental leaves and help with child care.

Globalization is challenging all countries to alter their systems of social provision, as the national regulatory structures suited for the 1950s and 1960s seem inappropriate to the new rules of global economic battle. But despite consensus about the problem—the need to remain competitive in a changed economic world—there is much dissonance in business over the best course of action. Managers disagree about the impact of labor market institutions and social supports on market efficiency and company profits. Some are drawn to a laissez-faire approach that considers social provision detrimental to these goals; others, to a high-performance work force approach that considers social investment a necessary component.

The laissez-faire approach would cut social spending in both the private and public realm in order to reduce labor costs and free up investment capital. In this view, social policies, especially those that impose regulations on employers, limit companies’ ability to hire and fire in downturns; therefore, firms avoid hiring extra workers and the system actually augments unemployment. The minimum wage allows workers to stay unskilled, so that firms would be less willing to hire them. Social security taxes swell the cost of labor, as do fringe benefits. Health insurance limits worker mobility and thereby harms efficiency. Social programs can enlarge the tax burden and budget deficits. Thus social policies detract from economic growth in this zero-sum world.

The high-performance workplace approach recommends rationalizing, targeting, and often expanding social investment spending by governments or firms in order to develop the capable, productive workforce necessary to knowledge-intensive, high-tech production. This approach links the well-being of workers to a strong bottom line for the firm. Social investments are part of the solution, because the new era of flexible manufacturing entails greater investment in the work force. Flexibility is necessary to postindustrial manufacturing, when products and production processes are changing quickly, consumer tastes cry out for variety (operationalized as limited production runs), and computer technologies favor the jack-of-all-trades over the assembly-line automaton.

Managers in some companies have been attracted to government social investment policies for several reasons. Companies that already provide social benefits would like government to force their competitors also to offer benefits; for instance, much of the corporate debate about national health reform fixed on ending cost shifting. Some big corporate spenders (often with firm commitments to their unions) would like the government to bail them out by assuming some of the costs of social provision. Again, some automobile and steel companies sought national
health reform to evade their commitments to unionized workers who retired early. Finally, some firms believe that a coherent government policy could rationalize the current system of social delivery and encourage greater provision of a collective benefit. But even those business managers who advocate social investment do not want broad new government programs of the New Deal vintage; rather, they look for solutions that work through existing private markets and do not interfere with their own private programs.

Constructing Preferences and Choosing Sides

How do companies choose between these competing visions about limiting or expanding social investment in workers? To some extent the battle lines separate firms that already provide benefits from those that do not and, consequently, large from small firms. Large and small employers have substantially different interests in social investment: small firms tend to be less involved in international markets and have less incentive to ensure that worker skill levels meet European standards. Large corporate providers want to end cost shifting; because small firms tend to offer fewer benefits and are the source of cost shifting, they have no interest in a level playing field. Typically labor-intensive enterprises, small companies are likely to oppose social investment policies that place any additional labor costs on firms.

The data reflect big businesses' greater involvement in social provision. In a 1986 study, all sampled firms with over 500 employees offered health benefits, while only 55 percent of small companies had programs; 79 percent of the big companies had pension plans, compared with 17 percent of the smaller firms. In a 1994 study, small firms with under 100 workers spent 84 cents per hour worked (5.7 percent) on health benefits, while large companies with over 500 workers spent $1.84 (7.9 percent). Eight percent of the small companies in one study provided paternity leave in 1992; 53 percent of large and medium companies provided it in 1993. The American Management Association found that companies with fewer than 50 employees were much more likely to be operational stability would be harmed by the Family and Medical Leave Act (55 percent) than larger companies (28 percent). Distinctions also separate manufacturing and service sectors. In 1994 the retail trade sector spent $2.03 an hour on all benefits for its employees, or 22 percent of total compensation. Manufacturing firms spent $7.03 an hour on all benefits, or 34 percent of total compensation.

But this distinction between large and small does not tell the whole story. Obviously small high-technology companies have very different social investment needs from grocers; large insurers' interests in health system restructuring are quite unlike those of large auto producers. At least some companies' interests are difficult to pigeonhole. Firms, like people, have conflicting goals. Managers cannot be sure that their actions will achieve the intended outcomes; widespread concern about a problem does not translate into agreement about its cause and effect. In situations where interests are complex and uncertain, business managers' grasp of complicated social issues will depend in part on whether they have the institutional resources to learn about technical policy problems and are organized to take action based on this learning.

American Business Organization and Collective Social Goods

The essential question, of course, is whether the laissez-faire approach or that favoring social investment in workers will carry the day. The marginal contribution of business mobilization to social investment initiatives is likely to reinforce those espousing the laissez-faire approach for three reasons: the nature of the tasks facing the two groups, the organizational clout of each, and the business mobilization capacities of each side's primary party allies.

The Nature of the Task

First, the business supporters of laissez-faire are likely to have more impact on social investment policy (or the lack thereof) because they have a simpler task. It is generally easier to attack than to support in the U.S. political system because proactive positions require collective action. Firms have difficulty bearing social costs on their own; rather they need organizational cover that will commit all to a social course and will increase their trust that they will not be punished for their collective behavior. In addition, payroll issues are directly linked to the bottom line for labor-intensive small employers, but they are typically of some-
what less importance to capital-intensive large firms, which often save their political capital for more relevant battles.

Organizational Superiority

A second reason the forces behind laissez-faire are likely to win is that the small business groups at the heart of the coalition are much better organized. Large employers who favor expanded public social provision have no distinctive voice (apart from the Business Roundtable, which seldom expresses anything more than general principles), and the groups responsible for representing big companies' political views almost never reflect the full extent of positive business attitudes toward social initiatives.

Scholars tend to assume that weak business organization enables greater welfare state development. Yet business managers' political capacity to support collective social goals depends on their cognitive ability to perceive the link between social investment and economic growth and their organizational discipline to focus on broad, mutual concerns over narrow self-interest. Therefore a higher degree of business organization may actually increase corporate support for social investment initiatives. Organization of business in the United States is likely to discourage corporate support for expanded social initiatives. American business is politically quite fragmented, and the explosion of narrow interest groups since the 1960s has prevented business managers from articulating a broad, collective vision of their own long-term interests. The development of in-house political expertise within the firm has exacerbated the proliferation of voices. Although government affairs offices provide companies with greater knowledge of public policy, they paradoxically accelerate the fragmentation of the business perspective by creating the means for identifying a separate firm interest.

A least-common-denominator politics within the big umbrella associations (the most likely sources of centralized thinking and planning among business leaders) also limits collective thinking. American business managers have a more difficult time finding common ground than their counterparts elsewhere, which reflects a weakness in the organizations that represent employers in the political realm. Unlike business managers in many advanced industrialized countries, U.S. business people have no single peak association to aggregate their interests at the class level. Rather, the Chamber of Commerce and the National Association of Manufacturers compete to represent the entire business community, and the Business Roundtable claims to represent big business. In addition, industrial sectors have trade associations that operate as independent agents, further fragmenting the business voice.

Competition among groups claiming to represent business compels these various entities to function as sales organizations—competing to win new members—rather than as democratic decisionmaking bodies. Unable to make difficult choices, employer organizations tend to defer to vocal minorities and to neglect the sentiments of the more silent majority. Constant catering to minority objections means that associations resort to a least-common-denominator politics, expressing only broad, inoffensive but empty principles and seldom providing leadership. Since change always offends somebody, these groups find it easier to voice short-term objections than to endorse broader, long-term change. Thus, despite its impressive reputation for political power, big business is so politically fragmented that its representative associations usually engage in only the most limited of political activities. As one business respondent put it, "I can't tell you how many times I've sat in a room where all but one person supported a position; and if that one person objected, we didn't do it."

These constraints typically do not affect action toward the narrowly targeted self-interests of companies; when a few large firms or sectors have very direct economic interests, managers often dominate the policy process. But where a wide spectrum of companies shares broad collective goals, employers are hard pressed to find common ground. Without being certain that other companies will go along, it is hard for even the most farsighted to take long-term positions because they might be punished for their behavior. If they train workers, they run the risk of these workers being raided by other companies. If they offer health benefits, they can be undersold by companies not offering these benefits.

The profile of small business groups offers a sharp contrast to the behavior of umbrella organizations and reinforces the importance of organization. First, media and public appeals have come to dominate modern political life, making the ability to exercise spin control and to shape public perception of an issue extremely important to political outcomes. Small businesses evoke the same kind of nostalgic reminiscences as farmers; this home-and-pop-store profile allows the little guys to win very favorable approval ratings from outside publics. For example, in 1982,
71 percent of journalists found small firm proprietors credible, but only 50 percent believed CEOs of big corporations. \textsuperscript{25}

Even more important in this going-public world, small business groups such as the National Federation of Independent Business (NFIB) and the National Restaurant Association have a connected mass base that they can call upon in every congressional district to demonstrate a public show of organizational force. \textsuperscript{26} The very weakness of small employers in the old days when Washington was a closed community—their numbers, diversity, and lack of prestige—is a source of strength today. The well-heeled corporate lobbyist who wielded such power behind closed doors lacks the television charisma of hundreds of restaurateurs storming Congress. Innovations in computer technologies have augmented the advantage of small business groups: grass-roots computer mailings first made popular by public interest groups are perfectly suited to their large and varied membership.

Second, the most prominent of these groups have developed organizational decision rules to augment the natural advantages of a broad-based, numerous membership. The NFIB avoids the least-common-denominator politics of larger umbrella groups by grounding its policy positions in regular membership polls. This practice both gives the organization’s positions legitimacy and enables it to reach zero-sum decisions that adversely affect a minority subset of members. \textit{Roll Call} has called the NFIB “the most powerful advocacy group in Washington.” \textsuperscript{27}

Of course, even the most inclusive of small business groups has an easier time of it: they enjoy a more homogeneous membership than umbrella organizations that include both large and small employers. Indeed, the Chamber of Commerce has suffered from a sort of schizophrenia as it has flip-flopped between its big and small business constituents over the years. After a period of relative inaction, the chamber grew dramatically in the late 1970s and early 1980s, moved to the ideological right, and developed a grass-roots operation called Citizen’s Choice, which organized mass telephone calls to legislators before key congressional actions. The chamber’s budget for research and political action increased threefold between 1974 and 1980. This period marked a close relationship with the small employer members of the chamber (about 59 percent have fewer than ten workers), whom the organization viewed as an enormous source of power in lobbying Congress. \textsuperscript{28} The move to the right alienated the chamber’s big business members, and in the late 1980s the organization shifted dramatically toward its international, high-technology, big business wing. Then in 1993 it swung back to the right again.

But small business enjoys less ideological homogeneity than one might think; indeed, opinion polls show a polarization among small employers. Some want no government interventions in areas such as health and family policies; others want even more government involvement than that desired by large employers, believing that small firms cannot hope to offer social investment support on their own. Thus the NFIB found a quarter of its members favored a government single-payer plan in health reform. \textsuperscript{29}

Finally, small business groups have overcome the least-common-denominator politics syndrome with single-issue coalitions. Large employers sometimes join these coalitions; for instance, PepsiCo was an important actor in the Health Equity Action League’s efforts to defeat the Clinton health plan. But groups such as the NFIB, the National Association of Wholesaler-Distributors, the National Restaurant Association, and the National Retail Association are typically at the core of these coalitions and are the leaders in organizational efforts. Indeed, the small business lobby has explicitly tried to establish itself as an independent voting bloc. In the words of NFIB grass-roots organizer R. Marc Nuttle, “Christians did not realize how big they were. Pat Robertson put a face on them and I intend to do that for small business.” \textsuperscript{30} The NFIB recently passed on to its members David Broder’s rhetorical question, “Is there a small business voting bloc?” The association’s response was predictable: “Your personal involvement can help make the answer ‘yes.’” \textsuperscript{31}

Coalitions evolve when employers are dissatisfied with the umbrella associations’ least-common-denominator politics and believe that a new forum dedicated to a single issue can make tougher decisions. \textsuperscript{32} Typically organized to influence a specific bill, some outlast their precipitating legislative initiatives. They may be organized by business groups or by public sector policy entrepreneurs within the administration or in Congress. According to Dirk Van Dongen, the groups organized by political figures tend to have a greater sense of direction.

There is a big distinction between a coalition that has an elected official and one that doesn’t. The Reagan administration was very adept at providing leadership from the top down. They had a goal and mobilized folks that shared that goal and provided leadership. That type of leadership gave a sense of direction and position that you don’t have without that
type of leadership. . . . It gives a clarity in the exercise that is not there as much in the absence of that [political leadership].

Not all coalitions achieve discipline, but the most successful have developed decision rules to keep participants committed to general objectives. In exchange for specific benefits, members must pledge to support the entire legislative package and not to make side deals with the other side. The Republican Contract's Thursday Group presents a good example of this decision rule. The leadership asked group members to take a "blood oath" to back the Contract with America in its entirety in exchange for action on their concerns. One participant explained, "We have no independent goals; all goals come from the leadership. We will do whatever the leadership feels we should do."

Mobilization Capacity

Finally, the business supporters of laissez-faire have been strengthened by the Republicans' relatively easier task of mobilization. In a climate of deficits, Democratic goals for expansion of social programs are politically harder to achieve than Republican cutbacks. Fiscal constraints have made it harder for the Democratic party to harmonize the needs of both haves and have-nots. Constituency-building dilemmas pose challenges for strategy: a populist mass politics has very different policy implications from business mobilization. Divisions among constituents have been exacerbated by the seeming inability of the Democrats to find a strong ideological message that could unify diverse factions. Despite Clinton's efforts to create a new public philosophy, "tax and spend," Democrats have been unable to reinvent themselves as investors in human resources in part because they need to address the very real concerns of society's disadvantaged.

The Republican program of contracting government spending in a period of deficit restraint—combined with ideological unity, less constituency conflict, and greater organizational strength—has made it easier to mobilize business allies. But the Republicans also face political problems in their attack on programs that have enormous legitimacy and public support. The Republicans are also likely to face distributional conflicts between business and radical right constituents. Thus the GOP leadership must persuade supporters among business managers to buy into the broad project of contraction even when this project attacks specific interests.

The following discussion of initiatives during the two halves of the first Clinton administration reveals how the policy legacies of the private welfare state involved employers in public policy reforms and how the different organizational strengths of big and small business affected political outcomes.

The Family and Medical Leave Act

The Family and Medical Leave Act, signed into law in 1993 after seven years of legislative failure, revealed the strength of small businesses, which opposed the measure, and the relative quiescence of big businesses, many of which already provided such benefits. First proposed in 1985, the measure granted unpaid leave to workers after the birth or adoption of a child or for serious family medical problems. The bill failed in 1985 and was successfully filibustered in the Senate in 1988. Congress passed the bill twice in 1990 and 1991, only to have it vetoed by President George Bush. The overwhelming popularity of the measure ensured passage once Clinton was elected. According to pollster Ethel Klein, in 1989, 93 percent of Americans believed that individuals should have the right to take a leave to care for a newborn or sick parent without the threat of losing their jobs. Nonetheless, the delay in enactment is rather astounding, given the high level of public support and the ubiquitous presence of leaves in the industrialized world; small business groups may take full credit for the procrastination and for the limited reach of the bill the president ultimately signed.

Business Positions

Many large companies are sympathetic to work-family issues, especially because of the perceived links between productivity and family policies. New mothers in firms with flexible leave policies and health care express greater satisfaction, have lower levels of absenteeism, take less time off during pregnancy, and are more likely to return to their jobs. As Carol Sladek of Hewitt Associates put it, "Companies that are perceived as being family-friendly realize that it's good for that company's bottom line." Turnover is enormously expensive for a company. The Families and Work Institute calculated that it costs 75 to 150
percent of an employee's salary to replace a worker but only 32 percent to grant him or her a leave. Merck estimated that a six-month parental leave policy actually saved $12,000 per employee by eliminating turnover costs. In a Fortune 1000 sample, 55 percent feared potential future labor shortages.38

One might think that family and medical leave would be an easy policy for large employers to endorse, since it ratified the status quo for many big firms. Yet big business experts in work-family issues had practically no involvement with the national legislative debate, largely because of their lack of political organization. Work-family experts have a more tenuous position within the firm than managers in other social investment areas because they are often brought in from the outside and placed in new divisions rather than incorporated into the traditional human resources departments, which have close relations with government affairs. Because these experts are predominantly women, their issue connotes feminist overtones. Finally, this relatively new issue has no corporate organizational sponsor to organize business followers, to spread the word in the larger business community, and to push the issue in the public arena.39

Where large employers largely ignored the issue, small business trade associations made opposing family leave a cause célèbre for seven years. Conservative critics sought to frame the policy as a new entitlement.40 Participants like Michael Roush at the NFIB worried that the family leave act set a precedent for mandants and promised to be a first step in a slippery slope toward an expanded welfare state. Opponents also feared that the requirement for unpaid leaves would become the ubiquitous camel's nose under the tent leading to paid leaves.41 Small business predicted dire economic effects on companies; small firms especially would be hit with high costs for hiring and training replacement workers.42 Chamber of Commerce lobbyist Virginia B. Lamp argued that the leave motivated employers to discriminate against women in hiring decisions. Parental leave would also replace other goodies in the employee benefits "pie" and reduce the flexibility to negotiate alternative compensation packages.43

Business Mobilization

When first introduced in 1985, as the Parental and Disability Leave Act, the measure covered all businesses, provided up to eighteen weeks of unpaid leave for mothers and fathers of newborn or adopted children, and granted up to twenty-six weeks of leave for workers with disabilities and sick children. Over the next eight years, the initial core of feminist and liberal Democratic supporters expanded their congressional coalition by increasing the reasons leave could be granted, by exempting small businesses, and by reducing the weeks of guaranteed leave. The interest coalition they built included such pro-family groups as the Catholic Conference, as well as more traditionally liberal groups such as organized labor and the American Association of Retired Persons, which signed on when provisions for eldercare were added to the bill. Throughout consideration of the bill, small business proved the principal and most staunch opponent of the Family and Medical Leave Act.44

The U.S. Chamber of Commerce initially led the small business attack on family leave policy, but in 1987 some fifty-eight companies and groups contributed $175 each to form a new coalition, the Concerned Alliance of Responsible Employers (CARE).45 The coalition met on a weekly basis, often in close coordination with the Reagan administration, to discuss new information, tally congressional positions, and distribute assignments.46

Both the chamber coalition and CARE fought to defeat family leave with the usual arsenal of coalition strategies: spin control, Mailgrams, and media events. Presented with formidable public enthusiasm for family leaves, the small employers tried to cast the issue in a less attractive light. CARE conducted its own public opinion poll showing that even while many Americans supported family leaves, they remained ambivalent about mandating this benefit. Small business picked up Phyllis Schlafly's (Eagle Forum) refrain that family leave was a "yuppie" issue.47

Small business opponents did a series of massive direct mail campaigns urging members to contact legislators each time the bill seemed to progress. In the fall of 1987 CARE's major offensive made the bill lose legislative sponsors. CARE's Mary Tavenner quipped, "We've been all over those guys like a cheap suit." In August 1988 the chamber urged members to "blitz" legislators with Mailgrams and phone calls.48 By October the Senate had killed the family leave bill, with very few moderate Republicans defecting from their party's majority. Senator Christopher Dodd, Democrat of Connecticut, blamed business lobbying for the defeat, angrily adding that "groups that support parental leave or child care don't have any political action committee money."49
The Bush administration offered less political leadership than its predecessor to the antileave contingent. Candidate Bush worried that opponent Michael Dukakis would seize control of the family issue, so he promised to diverge from Reaganomics with a kinder, gentler approach to public policy. At a meeting of Illinois Republican women he even seemed to lean toward supporting mandated leave by stating, "We need to assure that women don’t have to worry about getting their jobs back after having a child or caring for a child during a serious illness. That is what I mean when I talk about a gentler nation." This campaign strategy prompted Linda Dorian of the National Federation of Business and Professional Women’s Clubs to comment, "We think the Bush campaign is showing some very good signs. There is room for some productive dialogue on this." Once in office, however, the small business antileave coalition was able to secure promissory notes of a presidential veto from John Sununu, White House chief of staff.

Where were big business managers while this struggle against family leave was unfolding? The Women’s Legal Defense Fund, which had played a critical role in creating and fighting for the bill, tried hard to bring corporate leaders who supported private sector leave policies into their reform coalition, but was largely unsuccessful. The organization sent letters to the CEOs who headed a Working Women’s list of best companies. The response to this exercise was, "We agree with you but we can’t alienate our colleagues."

There were a few exceptions to this negative showing. The National Federation of Business and Professional Women’s Clubs was a strong proponent of the legislation. Early on, the National Association of Women Business Owners (NAWBO) testified in favor of the family leave concept, but was unable to back the final policy because the group consisted primarily of small firms that considered the length of the leave beyond their capacity. Selected members of the Conference Board (which had done considerable work on firm family leave policy) also showed interest in the policy, but the organization did not offer formal support. Toward the end of the policy battle, the Women’s Legal Defense Fund organized a small group called the Business Leaders for the FMLA, and Business for Social Responsibility endorsed the policy as well. Lawrence Perlman, chief executive officer of Control Data, wrote an influential op-ed piece on the bill.

Although the bill initially had a low public profile, by the 1992 election it had become far more visible, making its high levels of public support more politically salient. Family leave was a natural issue for the unusually large number of women candidates running in what the media dubbed "the Year of the Woman." Candidate Clinton’s support for the measure provided a sharp contrast with Bush’s two vetoes. With business as the leading opponent, there was danger of a public debate that pitted business against families.

In the endgame the big umbrella associations moved into a position of neutrality. After Clinton’s election and with the arrival of a new vice-president at the Chamber of Commerce, Bill Archer, the chamber decided to abstain from the campaign against the Family and Medical Leave Act. The chamber’s chair for labor relations explained that the bill was less threatening than other labor initiatives: "We did not support it, but we decided that because over 70 percent of our members give [leave] and because there is a Democrat in the White House who will sign it, we could not develop a veto strategy. We also had to realize that as bad as family leave is, it is not going to kill American industry." The strategy greatly angered the chamber’s critics to the right. Grover G. Norquist, president of Americans for Tax Reform, colorfully denounced the chamber’s decision to sit out the battle:

When you don’t fight and stake out a position against it, you let the other side have a victory at no cost. It doesn’t work for high school girls and it doesn’t work for trade associations: You don’t get respect by giving in a few times every once in a while. That doesn’t make you reasonable; it makes you easy to have, and it makes you had. It doesn’t get you invited to the prom. The problem with pragmatism is that it doesn’t work.

Family leave was ultimately signed into law, but only with immense effort, significant public support, and the arrival of a Democratic president. Even so, it had been significantly pared down. Businesses with fewer than fifty employees residing within seventy-five miles of the firm were exempt from the provisions of the act. The leave had been cut to twelve weeks; to be eligible, employees had to have worked at least 1,250 hours for their employers. Democrats in Congress voted overwhelmingly in favor of the bill, but Republicans divided, with a significant majority (77 percent in the House and 61 percent in the Senate) voting to oppose the law. By the end, even its opponents recognized that their opposition was somewhat overdrawn: at one point a chamber lobbyist remarked, "This is almost an issue whose time has come and gone."
Clinton's National Health Reform

In 1993 President Clinton proposed the Health Security Act, a major overhaul of the medical financing system and key policy initiative of the president's first term. The bill sought to establish a universal right to health care by mandating employer benefits and to contain costs with a market-oriented system called managed competition. The health reform saga vividly confirmed the patterns of corporate engagement evidenced by the Family Leave Act. Initially considered promising allies by the administration, large employers ultimately abandoned the reform effort while Republicans and their small business compatriots carried the day.

Business Positions

As major providers of health benefits, large employers were sure to be affected by national health reform, and the Clinton plan seemed tailor-made to appeal to these likely corporate allies. Health reform had special appeal for large companies currently providing benefits (and often paying for spouses working for firms with fewer benefits) because it would impose costs on those companies' competitors. The Clinton bill was packaged as a way to protect the employer-based system and to work through the market to achieve social ends; thus managed competition was a very small step from the status quo. The employer mandates were not an especially big leap for large employers; many already provided health benefits. Large insurers were initially open to managed competition because they hoped to administer the new Clinton system.

Large companies as a monolithic mass did not rush to endorse national health reform, because various factions had different concerns during the proposal development stage. However, most big business managers seemed accepting of both systemic reform and employer mandates. The aging industrials (Chrysler and Bethlehem Steel) had given generous benefits to their early retirees, whereas companies such as AT&T, Arco, and IBM had made fewer commitments to their workers. Some large labor-intensive firms such as PepsiCo and Marriott opposed systemic health reform, because they provided limited health benefits and wanted to keep the status quo. Insurers and providers wanted a bill that preserved their profits and professional control. In my study of randomly sampled Fortune 200 companies, over half of the business respondents (54 percent) supported mandates and another 19 percent had mixed opinions on the subject. A survey of CEOs at big companies in 1990 found 90 percent convinced that a major system overhaul was necessary, and one-half favored employer mandates then or in the future. A Harris poll found two-thirds of a corporate sample at least somewhat accepting of a mandated standard benefits plan.

Membership polling within the major umbrella associations supported the findings of academic business surveys. In a 1992 study, 55 percent of National Association of Manufacturers members favored a "play-or-pay" approach (complete with employer mandates) as part of overall system reform. A June 1994 Washington Business Group on Health survey of large firms showed 72 percent supporting a requirement for all companies to offer insurance, 59 percent wanting firms to pay a portion, and 71 percent objecting to an arrangement that allowed small business to escape the mandate.

Small business managers also had reason to want changes in health policy, but most business groups opposed comprehensive reform on both ideological and material grounds. In 1991, 57 percent of the National Small Business United members surveyed ranked the costs and availability of health insurance as the number one problem facing business. But many small employers who did not offer coverage and feared creating a new entitlement opposed mandates. The NFIB wanted both to kill mandates and to improve access to health insurance, but destruction of the employer mandate became the group's all-consuming goal.

Business Mobilization

If health reform enjoyed widespread acceptance among big business, why did its proponents ultimately fail to do more to pass such legislation? An easy answer was that business feared the economic consequences of the bill. Large firms worried about losing purchasing power to the health alliances and getting pushed into the public pool. They considered the minimum benefits package excessive, were skeptical about the funding arrangements, found the plan complicated, and worried that states would have flexibility to experiment with financing mechanisms. The economic explanation partly explains the failure of big business to fight for health reform, but much remains puzzling. The administra-
tion assured corporate allies that many of their demands were alternatives acceptable to the president, as laid out in the “endgame scenario” written in the summer of 1993. The initial proposal was much closer to large employers’ preferences than the final outcome because legislators granted huge subsidies to small business. Therefore, why did big business not protect its turf better?

While business groups helped to make health reform a political issue, they were crippled by divisions within the ranks and unable to develop support for a specific legislative proposal. The administration initially considered the NAM and the Chamber of Commerce to be important allies, but both ultimately backed away from the Clinton plan, although the chamber went so far as to testify in favor of Clinton after he adopted their small business discount schedule. NAM president Jerry Jasinowski agreed to take the plan to the board if the administration would fix five issues troubling to large employers and, referring to a September 1993 press release, wrote, “I avoided any mention of mandates in order to imply that they may be a cost that business has to pay to get comprehensive reform; and to signal that mandates are not likely to be a top priority concern to manufacturers.” But although the administration calculated that a majority of the NAM board was sympathetic to health reform, health care providers and leaders of the fast food industry in the board’s minority managed to prevent the NAM from endorsing the proposal.

NAM staff remember going into a board meeting in February 1994 having “good things to say about the Clinton bill and having the board do a 180 degree turn.” The Business Roundtable did not get as far as the NAM or the chamber because its health care task force was controlled by insurers from the beginning. When the group considered a universal access bill, General Mills and the insurers campaigned to dissuade CEOs from this option.

The inability of large employers to express political support for the proposal made vote-seeking politicians unwilling to take firms’ concerns seriously. Legislators instead granted concessions to try to buy off the better-organized small business groups. A study showed that under a partial mandate large employers would cover 14.7 million more individuals than they would under a full mandate; in other words, this extra coverage would be cost shifted from the small employers allowed to escape the mandate. A bill that initially attracted big business by reducing cost shifting was offering to shift more costs than ever onto large firms.

Party strategies also worked against large employer support for health reform: the president designed the bill to appeal to business but failed to bring managers into the reform coalition. Employers felt that the administration refused to take business concerns seriously and confused campaigning and governing by rewarding loyalists and excluding others. In fact, the Office of Public Liaison restricted access to prior enemies in order to protect the privileges of its allies and warned against “wasting a huge amount of staff time ‘receiving input’ that would not accomplish very much toward actually building the coalition that will help us pass health care reform.” As one trade association representative put it, “Outreach to them means access to those who have been with them from the beginning and shutting out everyone else.”

The administration contended that it vigorously courted business managers in the early days of reform, but acknowledged that its business mobilization was later compromised by competing priorities. First, the administration was caught in a bind between rallying the mass public with a populist attack on insurers and drug companies and working behind the scenes with its business supporters. Its attack on drug companies elicited emotional, ideological responses that undercut the private sector policy experts’ ability to portray the issue in technocratic terms and to sell the plan to their firms. The need to rally mass support also prompted a shift in focus from cost containment to access, but corporate supporters responded best to the administration’s plan when the problem was framed as curbing costs. The president’s pollster, Stanley Greenberg, argued for the access appeal:

The dominant goal should be health care security: that people will have health insurance and that they will never lose it, never . . . Health care security has much more power than the cost argument, and it is much more believable: people think we can deliver on security; they are not sure we can deliver on cost control. There is also an emotion in security (lacking in cost) that empowers our rationale for bold changes.

Second, the administration was torn between conflicting demands from its congressional allies, over whom it had little control in an era of declining party discipline and decentralized legislative decisionmaking. The administration believed that a detailed presidential proposal could unify the diverse factions in Congress, but legislators felt that the executive deal making was premature and in the fall of 1993 forced the Clintons “to shut down the process” of offering concessions. This damaged the
administration’s credibility with business allies when, suddenly after
promises to the contrary, the Clintons refused to adapt to corporate con-
cerns. The administration quietly reassured groups that their demands
were consistent with its own “endgame scenarios.” But this strategy
failed to assuage the fears of the groups’ mass memberships, who could
dismiss the Clinton plan only by its public manifestation. Thus NAM pre-
dent Jerry Jasinski told Ira Magaziner, “I have a problem with some of
my members. They’re afraid that you’re rope-a-doping me.” Others
explained to Magaziner:

[Corporate opponents] say that you’re going to roll us and that you won’t be
flexible. If you made some of the changes that you yourselves admit,
even if you don’t change employer mandates or benefits, it gives us some-
ting to work with.

Third, the growing intrusion of the media limited coalitions with both
congressional and corporate allies. Early talk of “detailed briefings to
the health care press perhaps two or three times every week” was aban-
doned when Clinton’s media advisors feared that this would distract
decision-makers, shift attention away from the budget, and make con-
trolling the message difficult.

The Republican countermobilization against health reform was more
successful. Republicans identified health care as Clinton’s Achilles’ heel,
and most Washington observers ultimately concluded that conservative
Republicans were determined to block any bill with a Democratic label,
even centrist efforts. Thus Republican strategist William Kristol ad-
vised, “Those stray Republicans who delude themselves by believing
that there is still a ‘mainstream’ middle solution are merely pawns in a
Democratic game. . . . Our enemy is no longer Clinton, it is Congress.”

The Republicans pressured big business to reject reform, directing
employers toward incremental alternatives, framing the health debate
in larger terms, and capitalizing on the Republican party’s historical rela-
tions with individual companies. The message to business was that
health reform was “a new entitlement” and “a whole package,” and that
firms should not sell out their broader interests in less government spend-
ing and regulation for individual benefits. One aide remembered the
admonishment from her member of Congress:

“If you want our help in killing the Clinton plan, don’t do separate deals
on other things.” Again and again we were trying to lay out the big picture
for them. “Maybe you can accept the deal right now, but think about what
can be done to you in 10 years.”

The Republicans also threatened to retaliate in other policy areas if
companies joined the Democrats on health reform, forcing them to choose
between health and issues more directly tied to core production activi-
ties. Shortly before the Business Roundtable vote, House Minority Whip
Newt Gingrich told two dozen CEOs that “their interests were best pro-
vided by being principled rather than going for short-term deals.” When
Ameritech, a long-time supporter of health reform, planned to sponsor
presentation by President Clinton, Republican members of the House
Energy and Commerce Committee told the company that if it supported
the president, it would be punished in other regulatory areas under the
committee’s jurisdiction. Caterpillar and several telecommunications
companies received similar threats. CEOs were told, “If you are going to
come back and ask for help in future areas, you should know that it’s not
in your interests” to support mandates.

Congressional Republicans take much of the credit for the dramatic
policy reversal by the Chamber of Commerce. Chamber vice-president
Bill Archey worked with his group’s Health and Employee Benefits Com-
mittee to endorse a package of employer mandates, managed competi-
tion, and standardized benefits. This position greatly angered the House
Republican Conservative Opportunity Society, which demanded a meet-
ing with chamber president Richard Lesher and Archey and “read them
the riot act.” Representative Jim Bunning, Republican of Kentucky, gave
a speech against big government, big labor, and big business (causing
one participant to wonder if Bunning knew that the organization in-
cluded big Fortune companies.) Representative John Boehner, Republi-
can of Ohio and chairman of the group, sent letters on congressional
letterhead to constituents who were members of the chamber saying that
they should cancel their membership. The NFIB initiated a membership
drive against the chamber. Few members resigned, but the chamber re-
versed its position on reform.

The Republicans worked closely with small business groups to fight
health reform. On the House side, Billy Pitts (an aide for Minority Leader
Bob Michel) ran Monday morning meetings of congressional aides on
the key committees and business representatives. Pitts would identify
the issue of the week, and the group would “brainstorm on strategies,
sing up key amendments to focus on, and make sure that everyone was
pulling in one direction.” A big topic of conversation was “when to pull the plug on reform so that it didn’t look like the Republicans had pulled the plug.” The small business lobby intervened at critical junctures, such as its campaign to prevent the Energy and Commerce Committee from producing a bill. The NFIB sent action alerts to all of its members in the ten districts with swing legislators, urging that legislators oppose the chairman of the committee, John Dingell, Democrat of Michigan. These private sector allies were also very helpful to the Republican leadership in disciplining members of its own party, as when the NFIB did a preemptive strike against Fred Upton, Republican of Michigan. Republican Senators Paul Coverdell of Georgia and Bob Packwood of Oregon led a similar group to keep moderate senators in line, relentlessly arguing to business participants that no bill was better than anything legislated under the Democratic leadership. Lobbyists generally agreed that the Republicans came to this conclusion before most of the business community did so.

By the end, some business representatives opposed to the Clinton plan actually felt the conservative Republicans had gone too far in blocking any bill. One lobbyist explained, “Now we are getting hit from the right and the left. … The Republicans want to kill the thing without leaving fingerprints. But we still want health reform.” Despite the continued interests of some businesses in enacting health reform, business had played an active role in removing reform from the national agenda.

**The Republican Medicare and Medicaid Proposals**

The intrabusiness dynamics of Clinton’s first two years became even more pronounced after the Republican landslide in 1994. In the second half of Clinton’s first term, the new Republican congressional majority mounted a strong effort to reduce medicare and medicaid spending. Because they had avoided cutting these popular programs in their Contract with America, Republicans could not claim an electoral mandate for these efforts. But by the spring of 1995, congressional leaders realized that they could not meet their ambitious deficit and tax reduction targets without cutting these two expensive programs. The Republicans proposed to cut $270 billion over seven years from the medicare budget and $90 billion from medicaid. The GOP turned to the vigorous small business trade associations to help in this ambitious and politically risky endeavor.

**Business Positions**

Because cutbacks in the public health financing system often result in increased cost shifting to private corporate payers, medicare reform could have enormous implications for the system of private sector social provision. But the GOP hoped to overcome corporate skepticism about the cuts and especially to appeal to those parts of the business community that did not offer health benefits by placing these policy changes in the context of its larger laissez-faire program of regulatory transformation, tax reduction, and budget balancing.

The Republicans also wooed business and health care provider interests with very specific concessions to interested parties but insisted that private sector allies reject side deals with the Democrats. For example, the Republicans wooed the American Medical Association with promises that medicare fees would not be reduced for seven years and with regulatory changes allowing physicians to refer patients to facilities with which they are financially involved.

Small business liked the Republican plan because it worried incessantly about rising payroll taxes. The Chamber of Commerce publication, *Nation’s Business*, suggested that the medicare trust fund was considering raising payroll taxes from 2.9 percent to 4.23 percent to pay for medicare hospital insurance. To make medicare solvent for seventy-five years, the payroll tax would be increased to 6.42 percent and 3.2 million jobs would be lost in the process. Efforts to satisfy different interests were not entirely congruous; for example, the Health Insurance Association of America objected to the provision allowing physicians to form managed care arrangements more easily.

Large employers were highly skeptical of the medicare project but had little input into the process. Worried when the Clinton administration proposed cutting medicare to pay for expanded access, big firms were likewise concerned that the Republicans wanted medicare reductions to balance the budget (and pay for the tax cut). Some large employers feared that the Republican plan did not have sufficient incentives to move beneficiaries into more cost-efficient plans from fee-for-service arrangements. But the largest concern of big business was that the medicare cuts would result in greater cost shifting by hospitals to private payers. One study concluded that the Republicans’ plan would shift at least $66 billion onto the privately insured, adding 2.3 percent to the costs for employers, employees, and self-insured individuals.
Business managers also worried that the Republicans' proposal to turn medicaid into a block grant would result in greater cost shifting to private employers, as Business and Health warned:

To the extent that states have been able to control Medicaid spending, they have done so by sharply limiting payments to providers...And guess who makes up the difference? Employers and private insurers...The business community has a strong vested interest in seeing that the Medicaid program gets overhauled carefully. One way or another, it ends up paying the bills.99

But as in the battles over the Clinton plan, the voice of large employers was difficult to hear. Big business was silenced in part by its desire for deficit reduction and regulatory relief. A Business Roundtable offshoot, Coalition for Change, planned to spend $10 million in advertising to support nonpartisan deficit reduction.100 Some business managers also grew less concerned about their own health costs. In 1994 health costs actually declined for the first time in a decade, making some believe that firm-level interventions were working, although costs began to climb again in 1995.101 In addition, as a lobbyist put it, "Business got a little embarrassed by its association with Clinton." A business representative confirmed this:

Old manufacturing industries were quick to jump on a Clinton bandwagon, but it divided the business community and embarrassed those like the automobile industry that were too close to the Clinton process. The Arcata CEO (Cook) got a nasty piece written about him in the Wall Street Journal. Other CEOs were made to feel like they had knifed business in the back.

The Republicans also met specific concerns of large employers, for example, by backing away from a program for keeping employees in private health plans even after they had retired. The roundtable argued that the government had an obligation to cover medicare recipients and that the line between public and private health care was not clear.102 Large employers also disliked a Senate proposal to increase the age of medicare eligibility from 65 to 67. The Corporate Health Care Coalition, which represented twenty-five big companies, attacked this aspect of the Republican plan because it would shift significant costs to corporations that provided retiree health benefits. The proposal to raise the eligibility age was quickly dropped.

Under strong Democratic pressure. Ultimately, the Corporate Health Care Coalition supported the plan because it would move the elderly into managed care arrangements. Many from the big business community were also persuaded that the medicare cuts were necessary to the budget-balancing goal that they so strongly desired.103

Business Mobilization

To bring the various interests together, the Republican leadership formed a group called the Coalition to Save Medicare, composed of ninety-nine associations from the insurers, providers, small business, seniors, and right-wing citizen activist sectors. The coalition was co-chaired by Pamela Bailey of the Healthcare Leadership Council and Jake Hansen of the Seniors Coalition.104 The Healthcare Leadership Council, which consisted of players from for-profit hospitals, insurance companies, and drug companies, had been a leader in the campaign against the Clinton bill. Thus the coalition continued a tradition begun by the Republicans during the 1980s of unifying business interests and sympathetic consumer groups in the same coalition.105 Learning from the Clinton failure to secure commitments, the Republicans met secretly through September 1995 to make deals with various interest groups and demanded ironclad promises of support in return; they unveiled their proposal only when they were ready to legislate.

The Coalition to Save Medicare helped the leadership in innumerable ways. First, members generated seemingly endless cash. Democratic allies trying to defeat the GOP medicare bill had much less money to spend than the Republican supporters that had fought the Clinton health reform plan earlier. For example, the HIAA spent $15 million on advertising attacking Clinton in 1994, while the American Hospital Association spent only $350,000 and the AFL-CIO spent $1 million criticizing Republicans in the first part of 1995.106

Second, interest groups helped the Republicans to define the medicare problem in the early stages with a media blitz to convince the public that medicare was going bankrupt. The coalition persuaded Republican senators to give radio commentaries on the bill.107 Participants hired political consultants to produce ads and polls to spread the word. Allies of the party claimed that this campaign was wildly successful. The Citizens for a Sound Economy's initial focus groups showed a
public largely convinced that there was no problem with the medicare system, yet follow-up focus groups a few months later showed a public largely accepting of the Republican line. Public opinion, of course, later shifted away from the Republican plan.

Third, business allies offered public support for the bill. Shortly before the August recess, the coalition held a “mobilization event,” offering legislators stirring testimonials to take back to the districts. The coalition also held a series of forums for congressional staffers, entitled “Medicare University,” to discuss issues related to the so-called medicare crisis. Thus aides were treated to sessions on “Tax Dilemma without Medicare Reform,” “How Choices Can Strengthen Medicare,” and “Investing in a Healthy Nation.” The coalition did the occasional grass-roots show of force, as when thirty seniors arrived at Congress with 100,000 “message-grams.”

Fourth, coalition members worked to protect Republicans from marginal districts. The Democratic Congressional Campaign Committee targeted fifty narrowly elected House Republicans in the 1996 election who were vulnerable on medicare. The GOP organized its corporate and right-wing allies to show “grass-roots” support for these legislators.

At first the GOP strategy seemed to pay off. A month after its introduction, the Medicare Preservation Act had been passed by both houses. But medicare and medicaid reform was subsequently killed by Clinton’s veto and his sudden willingness to stand up to his political enemies. Ironically, many of the Republicans’ ambitions were realized in 1997 because Democratic cooperation was secured by trade-offs on other issues in the budget reconciliation process. Chastened by the frustrations of the budget battle during the 104th Congress, the two parties became less combative during the 105th Congress.

Conclusion

The experience of the Family and Medical Leave Act and health reform in the two halves of Clinton’s first term suggests important implications, both for the future of political coalitions in social policymaking and for the continuing provision of private sector benefits.

First, the experience casts doubt on the ability of any administration to muster much large employer support for future social initiatives. Although many managers from large companies were sympathetic to the connection between social investment and economic growth, they did little to produce social legislation. The pattern of business political influence during these legislative experiences exposed a fundamental weakness of big business organization and the relative strength of small business associations. Large employers were unable to organize themselves to support or, after the first few months, even to affect the Clinton health plan and were largely absent from the family leave debate. Big business worried that medicare reform would increase its health costs but did little to protect its interests and ultimately was saved only by Clinton’s veto.

Small business, on the other hand, has shown itself to be a natural and powerful coalition partner for the Republican retrenchment agenda. With a mobilizable mass base distributed in every congressional district, a deep distrust of new taxes or federal mandates, and a propensity to take intransigent stands, small business rivals the Christian right in its affinity for the Republican agenda. But small business does have its limitations: it has been more successful in blocking (the Clinton health plan) or delaying and cutting back opponents’ agendas (the Family and Medical Leave Act) than in developing and passing a social policy agenda of its own.

This episode also has implications for the provision of private sector benefits. In the aftermath of public policy’s failure to rationalize the health system and to reduce cost shifting, large paternalistic companies continue to be under pressure to cut benefits. Many have resisted eliminating employee plans by moving full force into managed care arrangements, thus, ironically, completing what Clinton promised with his system of health alliances. A Foster Higgins survey found that by 1995 managed care networks had come to cover 71 percent of workers who received health benefits through their jobs. But important questions about the quality of managed care remain. Companies are also shifting costs onto their employees; indeed 78 percent of a 1995 Business and Health survey found firms (often regretfully) anticipating this course of action. Some large firms, such as General Motors, have sought to reduce their obligations to provide health care to retirees.

There is some optimism that the growth in company health costs is dropping off. Towers Perrin consultants found health costs for employees (in their sample firms) increasing only 6 percent in 1994 and 2 percent in 1995, as opposed to 14 percent in 1991. But some employers fear that without a national policy framework health costs will continue to rise, especially if they were artificially restrained during the health reform political cycle in an effort by providers to demonstrate that na-
national legislation was not necessary to curb increases. Towers Perrin found health costs for employers up 4 percent in 1996, a modest growth rate but still above the 1995 figures. Some analysts believe that the declining growth rate in health care costs simply reflects a movement out of fee-for-service plans; when this process is completed, health costs will continue to rise. Business managers also fear that the initial savings from moving into managed care will not be sustained over time. One also wonders what the current wave of mergers and acquisitions within managed care will do to prices.

The pared-down Family and Medical Leave Act has had the anticipated consequences: it has done little to change the status quo, because it refuted what many large companies were already doing and exempted many small employers. Nearly 40 percent of all employees were not covered by the act because workers in businesses with fewer than fifty employees were excluded. A majority of the work sites covered by the act already provided some form of leave, although two-thirds of them made some changes in their leave policies to conform with the provisions of the act. A survey conducted after the first two years of implementation found that for the vast majority of employers, providing family leave under the new law had not increased costs or had increased them by only a small amount. Working mothers' behavior changed very little: 78.6 percent took leaves before enactment, and 78.4 percent took leaves after. Only 6 percent of firms reduced health insurance benefits to offset costs of family leave.

As large firms reduce the social benefits they provide to the middle class and as the public sector, crippled by budget constraints and polarized partisan politics, fails to address the growing gaps in coverage and the new concerns of a changing work force, these intertwined social and economic issues are likely to resurface on the public agenda. Because the public and private welfare states are so closely connected and because small business is so strongly organized, politicians of all stripes will have to contend with business interests as they attempt to remake social policy.

Notes

39. For a broader discussion of these issues, see Cathie Jo Martin, Stuck in Neutral, forthcoming.
44. For an account of the bill’s movement through Congress, see Ronald D. Elving, Conflict and Compromise: How Congress Makes the Law (Simon and Schuster, 1995).
45. Others in the antileave coalition began to resent the chamber’s high visibility and felt that it was stealing the spotlight.
46. Interview with Mary Tavenner, formerly with National Association of Wholesaler Distributors, July 1996.
52. Interview with CARE participant, July 1996.
56. The WLDF group included people like Arnold Hyatt, Elliot Lehman, and Lawrence Perlman. Interview with Lenhoff, March 31, 1995.
57. See Elving, Conflict and Compromise, pp. 190, 244.
58. Interview with chamber staff, May 1995.
61. For details see chapter 5 by Mark Peterson in this volume.
62. They were the primary providers of managed care networks for firms. Interview with industry representative, September 1992.
65. Play or pay was the Democratic predecessor to the Clinton plan, which called for employers to either provide benefits or pay a dedicated health tax. Foster Higgins/NAM, "Employer Cost-Shifting Expenditures" (November 1992). A majority still supported mandates in 1993, according to an unpublished survey provided by the Clinton administration.
66. NAM survey described in interview with Ira Magaziner, September 1995, and "Washington Business Group on Health," paper provided by the administration, n.d..
69. Interview with Mark Isakowitz at NFIB, November 15, 1994. The small business community was not entirely unified. The early alliance between small insurers and small business came under considerable stress when the Health Insurance Association of America (HIAA) endorsed employer mandates. As a sort of preemptive warning, the NFIB "sent a strong signal to HIAA that if they supported mandates, we'd support premium caps." To prevent a fissure, NFIB chief lobbyist John Motley and HIAA president Bill Gradison met in early 1994. An uneasy truce ensued, which ended when HIAA tried to do a secret deal with House Ways and Means Committee chair Dan Rostenkowski. The NFIB tentatively decided that if Ways and Means supported a mandate, the association would urge the Republicans to vote for premium caps.
70. Richard L Smith, "Getting Business Support for Health Care Reform," Washington Post, June 13, 1994, p. A18. ERISA preemption allowing self-insured firms to avoid state regulations was the major issue for large employers and the only one that unified the business community.
72. Interview with Ira Magaziner, September 1995.
73. Interviews with NAM staff.
74. Letter to [name blacked out] from H. Atwater Jr., chair and CEO, General Mills, December 2, 1993, obtained from White House sources.
76. Interview with administration official; and Memo, to Mrs. Clinton from Alexis Herman and Mike Lux, "Office of Public Liaison Plan for Health Care Reform Campaign," February 5, 1993.
77. Interview with industry representative, Spring 1994.
79. Interviews with industry representatives.
83. Interview with Magaziner, September 1995.
88. Interview with congressional staff in leadership role, September 1994.
89. Ibid.
90. Interview with chamber staff, July 22, 1994.
91. Business groups represented by NFIB, Healthcare Leadership Council, National Restaurant Association, National Retailers Association, and HIIA, among others.
92. Interview with participating lobbyist, September 1994.
105. Martin, Shifting the Burden.
111. Employment and training initiatives had a very different politics. See Martin, Stuck in Neutral.
117. This concern was echoed in a majority of the companies I surveyed that had some experience with managed care plans.