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# Losing Work, Moving On: International Perspectives on Worker Displacement

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respectively), the paper by Javier Ortega in the *Economic Journal* (2000), and the article by Richard Blundell and Ian Preston in the *Quarterly Journal of Economics* (1998). Inasmuch as these papers have had their titles, headings, tables, and figures sequentially numbered by chapter throughout, however, and are covered by one index in common with the other papers, they are not simply reprints. In these regards, the book is well edited. It is also handsomely formatted. On the other hand, I caught some surprising typos, and the List of Contributors information is incomplete and uninformative.

A more serious problem is that expectations raised by the editors are disappointed. The Introduction's promise of an examination of the interplay between "economic fundamentals" and "institutional" factors goes unfulfilled. I expected a closely linked set of papers on how differing sets of institutions and policies across countries have led to different experiences in the pattern of inequality changes—a comparative exploration underscoring the force of Richard Freeman and David Card's observation that "small differences can matter." Instead, the volume is largely a set of stand-alone studies (some of them excellent, as noted) linked by a structuralist perspective on the economics of rising inequalities.

Even if other readers, like me, scale back their expectations and accept as the volume's unifying principle a structuralist perspective on the economics of rising inequalities, they will find gaps in coverage—a problem that reliably besets, to some degree, any collection of studies on such a broad theme. There is not much direct comparison of Anglo-Saxon versus European countries in the degree to which wage-setting environments are centralized or decentralized. Beyond Acemoglu's alternative theory, there is little consideration of the major debate over whether globalization or information technology can best explain widening earnings inequality; nor is there much discussion of the various forms of endogenous growth suggested, for example, by Paul Beaudry and David Green. Some discussion of the role of apprenticeship training, the transition from school to work, and increasing use of non-standard employment patterns would have been useful. Only one paper—Etienne Wasmer's "The Causes of the 'Youth Employment Problem': A (Labour) Supply Side View" (Chapter 5)—considers the slippage in real wages and earnings of young workers, a major concern on this side of the Atlantic and apparently in evidence on the other side as well. And while the empirical work is

capably done in the various studies, there is no discussion of mobility or worker dynamics, and no actual panel analysis of patterns of inequality.

All in all, however, this book is a valuable addition to the literature. I view it like a good NBER volume—a collection on a mix of topics, with some papers you will want to refer back to and several that will likely give rise to extensive further studies. Provided the book can be found at a reasonable price, it is well worth adding to one's personal library.

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*Losing Work, Moving On: International Perspectives on Worker Displacement.* Edited by Peter J. Kuhn. Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 2002. 560 pp. ISBN 0-88099-234-4, \$45 (cloth); 0-88099-233-6, \$28 (paper).

The view that we can learn much from cross-country studies is so often affirmed by labor economists that it has attained mantra-like status. Repetition of anything can eventually numb us to its meaning or wisdom, and scholars who pay only lip service to the value of cross-country research do so at their peril. Particularly for fields that are U.S.-centric (with labor economics a strong candidate for a top ranking in that competition), cross-country comparative studies are essential. Finding and explaining both universals and exceptions truly deepens our understanding of both theory and empirical reality.

This book, a collection of chapters written for and presented at a conference held in Burlington, Ontario, Canada in 1998, delivers on the promise of cross-country comparative studies. The five comparative chapters, written by an international group of 22 distinguished authors, together with Peter Kuhn's introductory essay in Chapter 1, offer the reader a rich, provocative, and thoughtful examination of the incidence and consequences of worker displacement across ten industrialized countries.

In the early 1990s, much was known about displaced workers in the United States, but little was known about them in other countries. By the mid-1990s, however, historically high un-

employment rates in Europe and Japan and improved availability of panel data generated both the policy interest and the tools needed to study worker displacement in a number of industrialized countries. The chapters in this volume constitute a highly coordinated attempt to answer one big question: what can we learn from the similarities and differences in displaced workers' experiences across countries? Each of the five basic chapters addresses a pair of countries. All the pairings work well. Two of them—France with Germany, Australia with Britain—are obvious choices, but two others—the United States with the Netherlands, and Japan with Canada—seem odd at first, because the differences in these cases seem clear and stark and the similarities few. Yet by the end of the latter two comparative treatments, previously unsuspected similarities are uncovered, suggesting puzzles for future research to sort out.

The chapters are very well coordinated in two key respects. First, each chapter presents a complete yet concise discussion of relevant institutions—particularly employment protection laws, wage-setting, and unions—backed up by a wealth of detail, including, for empirical wonks and the plain curious alike, abundant data in appendices and as many as 20 tables. Second, no chapter uses a rigid definition of displacement. Such a definition would have been incompatible with the variety of data sets (primarily administrative and survey-based) and would have unnecessarily limited the cross-country comparisons. Throughout the chapters, however, there is a clear thematic idea of worker displacement: displaced workers are those who experience “involuntary separation from stable jobs for reasons beyond their control” (p. 375).

The editor's concluding “Summary and Synthesis” adds much to an already valuable collection. Particularly useful are Kuhn's thoughts about defining worker displacement and his interpretation of the cross-country institutional differences documented by the contributors. There are a number of important dimensions across which definitions matter. Consider just two: job tenure, and its relationship to potentially lost specific skills; and temporary versus permanent layoffs, and how *ex ante* expectations may differ from *ex post* experience. As Kuhn notes in his introduction (p. 16), there are also semantic differences that highlight the variety in cultural perspectives. Consider some of the many expressions for “laid off”: “given the sack,” “canned,” “downsized,” “discharged,” “fired,” “made redundant,” “sacrificed as part

of a retrenchment,” “put on forced vacation,” and “*kata tatakai*.” The last of those terms means, literally, “shoulder-tapping,” a method by which workers are commonly informed of their layoffs in Japan. In regard to institutions, Kuhn usefully suggests a dual categorization of countries according to whether the primary focus of their displacement-related institutions is “palliative” or “preventative.” The “palliative” group includes the United States, Canada, the United Kingdom, Australia, and (to some extent) Denmark. Institutions in these countries have a post-displacement focus, with programs to assist workers after job loss. Countries in the second, more preventative (sometimes interventionist) group—Japan, France, Germany, the Netherlands, and particularly Belgium—have policies and programs that aim to prevent layoffs in the first place, or, if layoffs are unavoidable, to reduce the likelihood that a spell of unemployment follows the job loss.

Any review of a collection of essays runs the risk of offending the authors who do not receive specific mention. Here, I single out only one paper for discussion not because the others are less worthy, but because of space constraints and because I think that the country comparison in this particular paper will interest the greatest number of readers of this journal. Specifically, those readers with a U.S.-centered take on worker displacement will, I believe, find the chapter on Japan and Canada (by Masahiro Abe, Yoshio Higuchi, Peter Kuhn, Masao Nakamura, and Arthur Sweetman) particularly stimulating.

Japan, with its historically low unemployment, may seem to have few layoffs. Yet, just beneath the surface, there is horizontal (across-firm) shedding of labor, mandatory retirement, and, yes, layoffs. Canada, with much higher unemployment than Japan, has substantial *ex ante* temporary layoffs that provide noisy signals about permanence. The authors' struggle to compare two countries that differ greatly in institutions (Japan's being preventative, Canada's palliative) and in the way separations are labeled results in a very useful summary measure of employment and wage security: the fraction of employed persons likely to experience wage loss of 30% or more (p. 199). For men aged 35–39 (thus excluding the older men at high risk of separation in Japan), the fraction is 1.7% in Canada compared to 0.2% in Japan. Yet for older workers (age 55 plus), Canada offers greater earnings security than Japan. The overall picture is one of rough similarity in permanent separation rates between the

two countries—an unexpected finding that will likely inspire further investigation by other researchers.

In a collection of this breadth, it is difficult to tease out universals across the countries studied, but some do exist. Displacement disproportionately affects men and lesser-skilled workers in all countries, and in all the countries studied in the volume except Japan, the incidence of displacement declines with rising job tenure. Japan is a notable exception, with older and more tenured workers at greater risk of layoff than younger workers. Women and the lesser-skilled experience more joblessness following displacement than do other groups, with the lesser-skilled and particularly the high-tenure lesser-skilled facing new job alternative wages that may not compare favorably to their unemployment insurance benefits (at least over the period of benefit eligibility). In this vein, another universal is the rise of earnings losses with job tenure. Perhaps the commonality that is most striking, given the wide institutional variation across countries, is a purely numerical one: in all ten countries, about 4–5% of employed workers are displaced each year.

This volume further strengthens the already important role of the W.E. Upjohn Institute in organizing and publishing the highest-quality book-length studies of worker displacement and adjustment policies. Interested readers now need a long bookshelf for these studies. *Losing Work, Moving On* will be of interest not only to scholars studying displacement, but to any economist or social scientist interested in labor market dynamics.

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### History

*After the Strike: A Century of Labor Struggle at Pullman.* By Susan Eleanor Hirsch. Urbana: University of Illinois Press, 2003. x, 292 pp. ISBN 0-252-02791-4, \$44.95 (cloth).

This well-researched and concisely written volume offers one sort of narrative rarely encountered in current labor history scholarship: a sustained account of changing labor relations at an important U.S. corporation over the span of decades. With great care, Susan Hirsch probes shifting labor dynamics at the Pullman Com-

pany from the late nineteenth century through the post–World War II years. In the process, she sheds light on many of the difficulties that unions have faced in twentieth-century America.

As Hirsch makes clear in this volume, the Pullman Company provides an excellent subject for this sort of long-range study. Labor relations at Pullman played a critical role at two important junctures in U.S. labor history. The first was an 1894 strike by Pullman’s car-building employees that sparked the famous Pullman Boycott. That conflict destroyed the nascent American Railway Union, landed its charismatic president, Eugene V. Debs, in prison, and, along with the Homestead steel strike of 1892, signaled the rise of the open shop era. The second juncture came in 1937, when the company finally gave in after years of struggle and signed a contract with its black service workers’ union, the Brotherhood of Sleeping Car Porters (BSCP), led by the gifted A. Philip Randolph.

In-between these two major turning points, the Pullman Company employed a wide range of tools to retain a loyal and flexible work force. From the 1880s through the 1950s, the common thread of labor relations at Pullman was management’s ceaseless drive to exclude or weaken unions and maintain the greatest flexibility in the deployment of its labor force. The Pullman Company pursued these goals with different strategies over time. By the 1880s Pullman had already perfected the tactic of the “runaway shop” by relocating car repair shops from strong union cities like Elmira, New York, to areas where unions were less well entrenched and labor was cheaper, such as Wilmington, Delaware. Pullman also famously built a model company town in Chicago in the 1880s and pursued what Hirsch calls an “environmental approach”—an effort to “create the perfect environment for producing unorganized skilled workers” (17).

When the bloody 1894 conflict heaped discredit on the company town approach, the Pullman Company embarked on a two-pronged labor strategy in subsequent years. First, the company developed and expanded on a wide range of corporate welfare programs offering educational, health, pension, and insurance benefits. Second, it developed bureaucratic methods of internal labor market organization and control, offering complex bonus systems that were linked, in its car building shops, to the introduction of scientific management techniques.

These efforts worked well until the United States entered World War I. Then a host of new