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The Law of the Labour Market: Industrialization, Employment, and Legal Evolution

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of American scholarship that exists in other parts of the world.

For this, ILR Press has surely to be congratulated. *Rebuilding Labor* is one of a series of engaged, provocative, and insightful studies on U.S. labor and employment relations that have been published in recent years. Together they comprise a valuable resource for researchers and progressive reformers not just in the United States, but worldwide.

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Labor and Employment Law

The Law of the Labour Market: Industrialization, Employment, and Legal Evolution. By Simon Deakin and Frank Wilkinson. New York: Oxford University Press, 2005. viii, 380 pp. ISBN 0-19-815281-7.

This volume is a compendium of many books. While its ostensible objective is to examine changes in employment contract law in contemporary Great Britain, the authors describe the histories of labor market institutions since Elizabeth I; give an account of the rise and demise of trade unionism and the welfare state; trace changes in labor market participation of women and part-time workers; and provide an interpretation of liberal economic theory from Robert Malthus to F. A. Hayek. To round things off, they conclude with a set of policy proposals that they refer to as Neo-Fabian. They submit that tighter labor standards are not incompatible with higher levels of productivity. With admirable skill, the authors forge the wide-ranging elements of this book into a cohesive, if not always seamless whole. The product is not an easy read, but it is certainly profitable.

The eclectic nature of the volume and its multiple and overlapping themes and directions stem from the authors' methodology. Preferring an evolutionary non-linear line of attack, the authors hold to the idea that understanding employment contract law requires a dual approach that combines knowledge of the progress of judicial decisions with a perspective on the role of law as a social institution. In their emphasis on contingency, open-endedness, and punctuated equilibria, the authors would appear to favor the social institution perspective. Their main conclusion is that modern contract law came late to Great Britain because concepts of status

that predated the industrial revolution persisted and were preserved well into the twentieth century. The modern employment contract was the product of collective bargaining and the welfare state, which invested the parties with reciprocal obligations. The timing issue is important because economists and political scientists routinely assert that well-defined property and exchange laws based on common law and dating from the Glorious Revolution were the cornerstone of long-term growth in Britain, as well as, by extension, in the United States and the Dominions. Deakin and Wilkinson challenge and successfully undermine this simple view of British law.

The first of the three long chapters that comprise this book describes the pervasive effects of state legislation on the employment relation. Beginning with the first Master and Servant Act (1743), status (unequal bargaining power) was enshrined in the employment relation. The second chapter contains a history of the Poor Law, which, despite its many mutations, consistently acted as carrot and stick in the employment relation for 500 years. It set a floor to workers' earnings but put the onus of unemployment on individuals, thereby weakening their bargaining position. Although the Poor Law was taken off the books in 1948, reports of its death were exaggerated. There are traces of it in Tony Blair's emphasis on individual responsibility—or activation policy—in the 1990s. In the third major chapter, the authors contend that collective bargaining beginning in the late nineteenth century shaped a new set of rights and obligations for groups of workers, pushing aside the master and servant model. Certain of these rights were extended to all workers with the creation of the modern welfare state. Initially, universality did not apply to women and part-timers, and after the postwar settlement new legislation, or its absence, redefined the employment bargain.

True to their evolutionary model, the authors observe in the concluding section that aspects of the Old Poor Law, in particular the Speenhamland system (an early nineteenth-century relief program specifically for poverty abatement in rural Britain), can serve as guiding principles in the establishment of a new set of labor rules that empower all types of workers in the modern labor market. Here they rely on the work of Amartya Sen and, in particular, Sen's concept of "capabilities": putative rights are meaningful only to the extent that the citizen (or worker) has been provided with the wherewithal to exercise it. The current British system has proved costly. Protective rules that give guarantees to full-time workers and part-time workers, skilled and unskilled, and native and

immigrant workers alike can ensure higher levels of skill formation and greater coordination in the supply of and demand for labor.

There is much to be admired in this volume. Masters of their subject, the authors present a compelling case. However, less than obeisant readers may feel unease with some of their historical interpretations and have difficulty judging their critiques of policy. What are the alternative explanations? How has the growth of human capital affected and been affected by employment law? The authors miss opportunities to present international comparisons at many junctures in the volume. Is their portrait of employment law (and specifically the emphasis on collective bargaining) specific to Britain? The book is strongest when the authors step outside Britain, as in their illuminating discussion of the adoption by different countries of the European Union's directives on working time.

These are minor shortcomings. This volume will find many readers among students of British labor markets, past and present.

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Labor Economics

Personnel Economics in Imperfect Labour Markets. By Pietro Garibaldi. New York: Oxford University Press, 2006. xvii, 258 pp. ISBN 0-19-928066-5, \$50.00 (cloth).

This book covers selected topics in personnel economics, including the problem of choosing the optimal skill mix of workers in the firm, the hours-employment trade-off, the question of whether to hire temporary or permanent workers, managing adverse selection in recruiting workers, optimal compensation schemes, performance pay with wage constraints, relative compensation and efficiency wages, training and human capital investment, job destruction, employment protection legislation, and teams and group incentives. In addition to scholars in the field, the audiences targeted include students in undergraduate personnel economics courses, in business school programs, and in traditional labor economics courses taught in Europe, where the labor market imperfections on which the book focuses are particularly relevant.

What distinguishes this book from others in per-

sonnel economics (most notably Edward Lazear's *Personnel Economics* [1995] and *Personnel Economics for Managers* [1998]) is its focus on labor market imperfections such as employment protection legislation, wage compression, and wage rigidities induced by minimum wages or collective bargaining. Garibaldi is correct in his observation that discussions in personnel economics frequently assume perfectly competitive labor markets. An investigation of how these theories change in the face of labor market imperfections is interesting and important. I found the discussion most engaging when it focused clearly on the role of labor market imperfections, as in the chapters on job destruction, employment protection legislation, training investments in imperfect labor markets, and the question of whether to hire temporary or permanent labor. These chapters are useful contributions and are not covered in Lazear's earlier textbooks. However, I think Garibaldi follows the model set by Lazear more closely than necessary, both in the selection of topics and in their treatment. For example, while any text in personnel economics must cover incentive pay, Garibaldi devotes a detailed seven-page discussion to the Safelite Glass case, which was the centerpiece of the corresponding discussions by Lazear.

While the role of imperfect labor markets makes for a very interesting theme, the book does not go as far as it could in advancing this main theme and sustaining it consistently. For example, consider the five case studies that Garibaldi touts as a distinctive feature of the book: changes in overtime regulation in France in 1982, the introduction of incentive pay at Safelite Glass Corporation, the role of the temporary help industry in the provision of training, relative performance pay in the context of broiler chicken production, and the effect on productivity of the introduction of team production in a garment manufacturing plant in the Napa Valley. Three of these cases do not concern issues of labor market imperfection, and four are based on data from the United States, where we would not expect issues of labor market imperfection to be particularly relevant. Furthermore, whereas in certain chapters (such as those on employment protection legislation and job destruction) the theme is highly visible and is the center of attention, in others (such as those on recruiting and team production) it is completely absent. This asymmetry is largely a function of the subject matter. Some decisions of the firm (those involving compensation, training, and layoffs, for example) are obviously strongly influenced by labor market imperfections. For other decisions of the firm (such as those involving job design and whether to use individual or