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# The Working Life: The Labor Market for Workers in Low-Skilled Jobs

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increased subservience precisely because of the resulting absence of determinative directing purpose from anybody in authority. The book's last section is a discussion of these trends in globalization. Supiot writes, "Neo-liberalism and neo-corporatism have combined to transform the State into a mere instrument in the hands of forces superior to it—the financial markets at the international level and socio-professional interests internally" (p. 155). He goes on to discuss the growth of "management-by-objectives" in all sectors of private industry and government. This regime produces a kind of pseudo-legitimacy, inasmuch as people are now judged by the results of their actions, as mutually agreed upon. The result, however, often is merely an unending push for more effort, from the bottom to the top of the hierarchy: workers must work ever harder (speed-ups in factories are a classic example), and managers must strive to realize more and more profits for stockholders.

Supiot elaborates on the confusions as to the ultimate sources of legal authority for setting standards, particularly labor standards. In some European states, such as France, parliament can extend a particular labor-management agreement to a broader group. In addition, a great many regulatory agencies have gained power, partly because of the privatization of previously state-provided services and partly because of the liberalization of the movement of capital. These "advisory bodies" are particularly prone to the effects of lobbying and capture by special interests, yet they are expected to give non-partisan advice to governments—and governments accept and act on such advice, deferring to it as the "will of the people," when doing so allows them to escape noisome responsibilities. At the same time, there has been an increasing tendency for states, and for the European Union, to require collective bargaining to cover certain specific matters, such as professional training, gender equality, and pensions. Whatever good these mandates do, they represent intrusion into the collective bargaining process.

The picture of European labor law that emerges is one of buzzing confusion and disorder. The state imposes rules on collective bargaining; variegated groups of "advisory bodies" stand in for the will of the people; and most of the people, meanwhile, are increasingly ruled by administrative authorities, and are in turn asked for their advice by those authorities, all in a rather haphazard manner.

Ultimately it seems to me that Supiot wants the state, and the supranational bodies that increasingly substitute for the state, to be capable of negotiating with multinational corporations based on realistic standards of morality rather than just on practical, instrumental, and (often) adversarial terms. He would like to see the states and supranational bodies concentrate on doing a better job of oversight to ensure justice, using means that go well beyond naïve indexes such as those in the "structural adjustment plans" that are regularly foisted on Third World Countries by the institutions that loan them money.

One reason I call Alain Supiot a liberal is that he avoids extremes, and is sensitive to the cultural contexts in which values are shaped. Thus, although he does believe in human rights, he rejects utopian designs:

> Many intellectuals, echoed by politicians of all colours, are today abandoning social issues in order to specialize in these "last taboos," calling for a society in which differences between the sexes would be abolished, maternity "de-instituted," filiation replaced by contract, children freed from their "special status"—likened to an oppressed minority—and where insanity would be recognized as a human being's inalienable right. (p. 194)

He does not believe this makes sense either. In short, Supiot, besides being a thoughtful scholar, is a common-sense liberal. Those qualities are much in evidence in *Homo Juridicus*. For American labor scholars and labor lawyers who wish to learn from the experiences of their European counterparts, this book is a source of valuable knowledge and insight.

*Jerome Braun*

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## Labor Economics

*The Working Life: The Labor Market for Workers in Low-Skilled Jobs.* By Nan L. Maxwell. Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 2006. 206 pp. ISBN 13-978-0-88099-298-5, $40.00 (cloth); 13-978-0-88099-297-8, $18.00 (paper).

The economics literature on low-wage labor markets typically emphasizes the attributes of employers rather than the skills of workers as determinants of workers' compensation and promotion opportunities within firms. Is the firm large? Is it unionized? Is it a major supplier in a highly concentrated output market? Large size, unionization, and concentrated output markets are generally to the advantage of workers. The primary/secondary distinction captures this no-

tion perfectly, but one does not have to be a proponent of dual or segmented labor markets theory to hold the view that skills are less important than institutional features of the workplace in shaping the working lives of low-skill workers.

In this book, Nan Maxwell argues that skills matter quite a lot in the low-skill labor market. Employers report a need for particular skills, and because these skills can be in short supply, firms pay for them, devote resources to actively recruiting workers who possess them, and construct internal labor markets that offer workers an incentive to remain with the firm and acquire even more valued skills in order to move up well-defined job ladders. The analysis is based on original survey evidence from over 400 employers of low-skill labor and over 700 individuals who were potential hires for low-skilled positions in three counties of the San Francisco Bay Area in California.

At the core of this analysis are employer responses to the worker skills they value—from reading and writing English to solving simple mathematical equations, from performing simple measurements to sorting and categorizing information, from identifying potential solutions to problems to resolving problems in a leadership role, from using copy machines to using database software—and how employers go about recruiting and screening workers who possess these skills and then keeping them after they have been hired. Based on employer responses, Maxwell is able to establish that skills matter at least as much as institutional features of firms in explaining the starting wages of low-skill workers; that the skills employers demand influence the process they use to recruit and screen workers (from verbal networking to job fairs and from drug tests to formal references); and that employers create internal promotion policies wherein the skills possessed by workers in starting positions are the building blocks for skills required in the next highest job on the job ladder.

The household surveys are meant to give us a sense not only of the supply of these skills in the local labor market—and thereby of whether there are shortages of particular skills in the Bay Area—but also of the experiences of workers who have been in low-skilled positions. However, the analysis of these responses is less compelling than the analysis of the employer survey. Basing estimates of skill shortages on a random sample of 700 households in the Bay Area seems strained. The sample size is very small and it is unknown whether the respondents are even members of the local labor force. Moreover, the focus group discussions with those who have worked in low-skilled positions suggest that few workers believe skills really matter; for these workers, success is more about possessing a good work ethic and showing up to work on time.

The employer analysis possesses flaws as well. I can think of many questions that could have been asked of employers, but were not, in an original survey that attempts to yield a better understanding of firm behavior in low-wage labor markets. For example, data on the gender/race/ethnicity composition of the low-skill labor force would be of value in analyses of the determinants of wages. Some questions about the extent and cost of turnover or the amount of job training would be useful for understanding recruitment and screening processes. And for understanding the operation of internal labor markets, it would be interesting to know what proportion of low-skill workers are likely to receive a promotion, the length of job ladders, and the pay differential from the bottom to the top rung of these ladders. The questions that were asked in this study, and thus the hypotheses that were tested, seem less interesting to me than they might have been.

Regarding the empirical analysis itself, I would like to have seen a bit more detailed discussion of the literature, a bit more care in describing the specifications being used, and a bit more thought given to the interpretation and robustness of the findings. For example, in the wage analysis, instead of using the reported skill needs of employers, the author uses factor scores from a factor analysis of skill sets, but never explains these scores in much detail or tells us how to interpret the estimated coefficients on these factor scores in the estimated wage equation. In the analysis of screening devices, we find that in order to discern whether an applicant possesses simple English skills, employers rely on work experience and references in addition to direct evidence. One would have thought that the latter would suffice. Yet there is no explanation for this and other peculiar results. And in the analysis of internal labor markets, it is discovered that employers may well hire into entry-level positions workers who already possess some of the attributes desired in more advanced positions, including lengthy work experience and some college. This is an interesting finding, but of course it suggests that the entry-level jobs are not therefore filled by low-skill workers, who by the author's own definition are workers with no more than a high school degree and no more than one year of experience.

*The Working Life* makes a fairly solid case for shifting attention to worker skills for an understanding of low-wage labor market outcomes. Maxwell shows that employers value skills in this segment of the labor market, and that their recruit-

ment, screening, and promotion policies appear to be shaped by the demand for these skills. The basic picture of the low-wage labor market put forth in this study is new and mostly compelling. The original survey data, however, could have been more interesting, and the analysis of these data should have been more carefully executed.

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## Human Resources, Management, and Personnel

*Does Education Really Help? Skill, Work, and Inequality.* By Edward N. Wolff. New York: Oxford University Press (Century Foundation Books Series), 2006. 303, x pp. ISBN 13-978-0-19-518996-4, $45.00 (cloth); $40.50 (electronic [Kindle] edition).

Nobel Laureate Gary Becker asserted "Education helps almost everything be better" to a roomful of labor economists at the inaugural meeting for the *Journal of Human Capital* in the fall of 2006; all nodded; no one challenged either Professor Becker or the spirit of Jacob Mincer, ever present in the room. Becker's "almost everything" is intriguing because of the unnamed exceptions it implies. Becker's work states that education enhances the rewards associated with human capital, observed at the micro level (the level of the individual or small cohort). And most empirical evidence supports that argument. But the results of research at the macro or economy-wide level are more ambiguous.

Edward Wolff's credentials for answering the question posed by the title of his book, *Does Education Really Help?,* include over twenty years of research and writing on productivity growth, income and wealth distribution, and poverty. To approach the issue of education's benefits or lack thereof, he focuses on two macro observations: in spite of a rise in educational attainment and a fall in educational disparity, (a) real wages have fallen since 1973, and (b) inequality has been increasing since 1967. From these points of departure, he mounts a powerful critique of the belief that education will cure many labor-related economic ills. He concludes that increased schooling, employee training, the information technology (IT) revolution, and the "New Economy" are "a washout for most workers and (have) actually served to lower average earnings and to increase inequality" (p. 5).

To evaluate the results of education and training or imparted skills, the author focuses on a range of topics that are broadly reflected in the chapter titles: "Postwar Trends in Income, Earnings, and Schooling," "Technology and the Demand for Skills," "Wages and Skills," "Productivity and Skill Change," "The Growth of the Information Economy," "Skill Dispersion and Earnings Inequality," and "Skills and Changing Comparative Advantage." Given the emphasis on skills, how Wolff measures that variable is clearly key to the book, and the construction of a data set on skills is described in Chapter 2 and in an appendix. For each of 267 occupations, Wolff sets out the calculation of three measures of skills: Substantive Complexity (SC), Interactive Skills (IS), and Motor Skills (MS). For example, to obtain a measure of MS for an occupation, Wolff applies factor analysis to already available data on manual dexterity, motor coordination, and the ability to set up machines or the precise operation of machines. He also uses data on median years of schooling for each occupation and a weighted composite measure of SC, IS, and MS as a fourth metric.

Using the occupational skill configurations he has constructed, together with other data, Wolff examines four paradoxes or stylized facts: first, U.S. educational attainment has risen faster than skill requirements; second, real wages have fallen in spite of higher educational attainment; third, productivity changes are not correlated with changes in skills or education; and fourth, while educational opportunities have broadened, income inequality has increased. A layman's acquaintance with the historic values of the U.S. Gini coefficient since the mid-1960s prompts the question I ask my classes: "When is the revolution? How can U.S. society sit still for such a deterioration of relative economic position of the middle and lower income classes, especially in view of the concomitant falling elasticities of transition among income groups?"

From his analysis, Wolff draws six conclusions. First, "one of the great success stories of the post war era is the tremendous growth in schooling achievement by the U.S. population" (p. 227), but education is not a panacea for the ills of decreasing real wages, or inequitable income distribution; second, labor productivity growth has not resulted in rising real wages since 1973; third, "despite the pervasive evidence of a rising return to schooling, rising educational achievement has not translated into increasing average wages at the aggregate level" (p. 231); fourth, computerization may be "de-skilling" and "is a principal culprit in the rise