

## The Analysis of Firms and Employees: Quantitative and Qualitative Approaches

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inequity best and how might explanation of their success deepen the already rich analysis of *Black and Blue*? Finally, Frymer's arguments suggest the need for more attention to party politics as they have evolved since the New Deal and the Great Society. How does the takeover of the Republican Party by its heavily southern-based right wing help to account for the growing hostility to working-class interests on the part of national political institutions? And what of the Democratic Party? Frymer's subtitle suggests that it is nearly dead and gone, but the electrifying grassroots mobilization that helped Barack Obama to win the presidency suggests otherwise. How might the Democrats' recent renewal—to which both civil rights and labor forces contributed—add new questions to the agenda set by this fine book?

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### Research Methods and Information Sources

*The Analysis of Firms and Employees: Quantitative and Qualitative Approaches.* Edited by Stefan Bender, Julia Lane, Kathryn L. Shaw, Fredrik Andersson, and Till von Wachter. Chicago: University of Chicago Press, 2008. 400 pp. ISBN 978-0-226-04287-9, \$90.00 (cloth).

The eleven chapters in this volume are from the 2006 National Bureau of Economic Research (NBER) Conference on the Analysis of Firms and Employees (CAFE). The book brings together researchers who are at the nexus of labor economics, industry studies, and industrial organization. It is subdivided into four sections: "Human Resource Practices and Firm Productivity," "Firm Differences in Human Resource Practices," "The Effects of Ownership Changes on the Organization of Production," and "Globalization, Trade, and Labor Markets." The contributors focus on a wide range of theoretical and empirical issues. Two themes, however, resonate throughout the book. First, each chapter addresses, in a unique way, the often complex interaction between firms and employees (for example, the relation between firm performance and the organization of work). Second, each chapter uses novel data collection strategies and innovative empirical methods (for example, firm-level case studies or linked employer-employee data bases).

The starting point for this volume is the observation that an empirical analysis of firms and employees can take place at two distinct levels. First, researchers can use large-scale, nationally representative data sets, which may combine administrative or survey data on firms and employees. These data are typically produced and held by national statistical agencies. Second, researchers may, on their own, develop either specialized surveys for collection of personnel information on a group of firms or single-case studies. Data from the latter are typically proprietary. Each empirical strategy can have strengths and weaknesses. This volume shows the rich variety of data and economic insights that can be produced by combining the two approaches.

The first three chapters address important issues surrounding human resource practices and firm productivity. The first chapter, by Fredrik Andersson, Clair Brown, Benjamin Campbell, Hyowook Chiang, and Yooki Park, constructs measures of human resource practices in the U.S. electronics industry. The authors combine Longitudinal Employer-Household Dynamics data with R&D surveys. They compare the HR practices of low-R&D and high-R&D firms and show how interactions between HR practices and R&D affect productivity. They find a positive association between performance and buying new skills, an effect that is especially pronounced for high-R&D firms. The second chapter, by Stephen V. Burks, Jeffrey Carpenter, Lorenz Götte, Kristen Monaco, Kay Porter, and Aldo Rustichini, combines longitudinal personnel data from a single large U.S. trucking company with a panel survey of newly hired workers. This in-depth study investigates the intricate relations among HR practices, incentives, productivity, and employee turnover. The third chapter, by Marc-Arthur Diaye, Nathalie Greenan, and Michal W. Urdanivia, uses a matched employer-employee survey on computerization and organizational change in a set of French companies. The authors investigate the effect of subjective performance evaluations on employee effort when work is done either individually or in groups and teams. They show that the evaluation interview both attracts high-productivity workers and affects productivity.

The second section in this volume investigates firm-level differences in human resource practices. The chapter by von Wachter, Bender, and Kathryn Shaw investigates linked employer-employee (LEE) data over time for all workers in the German car industry matched to their establishments. The authors probe initial wage differences and career paths of workers and investigate the conditions under which these differences persist or dissipate.

The next chapter, by Judith Hellerstein, David Neumark, and Melissa McInerney, presents new evidence on changes in workplace segregation by education, race, and sex. The study uses the Decennial Employer-Employee datasets of 1990 and 2000. The authors find contemporary evidence of pervasive racial and ethnic segregation in workplaces. Importantly, they find no evidence that racial segregation has declined over time. However, on a positive note, the authors do find that segregation by sex has declined over time. The last chapter in this section, by Colleen Manchester, Julia Lane, and Kathryn Shaw, investigates the effect of tuition reimbursement on turnover. The authors use data from a single employer and find that participation in a tuition reimbursement program significantly reduces the probability of separating from the employer. This result is interesting as it challenges conventional theory, which predicts an increase in the probability of employee job separation for firms that invest in general human capital.

The third section deals with effects of ownership changes on the organization of production. The chapter by John S. Earle, Almos Telegdy, and Kathryn Shaw focuses on the relation between ownership and wages in Hungary. Using LEE data, the authors find substantial ownership effects. For example, there is a premium for working in a foreign-owned firm compared with working in a domestic private company. The next chapter, by Guido Friebel, Elena Panova, and Shaw, investigates the relation between insider-privatization and careers. The study uses a single case study of a Russian firm over a long time period. Contrary to the conclusion of previous insider-privatization studies that there is little post-privatization restructuring, this study finds significant effects. For example, the wage bill is reallocated from blue- to white-collar workers, and job separations are more likely to affect blue-collar workers. These two chapters provide compelling evidence that ownership and governance have important implications for HR outcomes.

The final section addresses the complex, and frequently contentious, subjects of globalization, trade, and labor markets. The three chapters in this section use data that are truly international, covering Brazil, Germany, and sub-Saharan Africa. In addition, each chapter makes use of LEE data. The chapter by Marc-Andreas Muendler, Julia Lane, and Kathryn Shaw investigates a central globalization theme: the effect of trade liberalization on workers. As is well known, many organizations, such as the International Monetary Fund and the World Bank, frequently advocate trade liberalization as the route to economic growth. The use

of LEE data permits such hypotheses to be much more cleanly tested. The authors of this chapter, focusing on Brazil, investigate the consequences for workers in firms subject to foreign competition and significant levels of import penetration. They find that there is significant dislocation of workers who are not absorbed into other sectors for long periods of time. In consequence, workers transition to the informal economy or unemployment. The next chapter, by Sascha O. Becker, Muendler, and Shaw, uses LEE data for Germany. Multinational enterprises (MNEs) that increase their foreign direct investment exposure, the authors find, become more competitive, and one result of this policy is a significantly reduced rate of job losses relative to those in non-MNEs. The last chapter shifts the focus from globalization and employment to wage outcomes. This chapter, by Johannes van Biesebroeck, Julia Lane, and Kathryn Shaw, investigates wage and productivity outcomes in Tanzania, Kenya, and Zimbabwe, countries at different stages of development. The authors find that the more developed an economy, and the more open it is to foreign markets, the more closely wages match the individual productivity of employees, controlling for other factors. Interestingly, the authors report that wage increases associated with more education significantly exceed the productivity gains they bring in the least developed countries.

Overall, this book makes compelling reading for a number of important reasons. First, it provides an enormous wealth of new empirical information relating to firms and employees. Moreover, the data come from a broad range of institutional and cultural contexts. A number of the chapters use data from the United States, but also provided are valuable data from Europe (Germany, France, Hungary, and Russia), South America (Brazil), and Africa (Tanzania, Kenya, and Zimbabwe). Second, the chapters are informed by good economic intuition and investigate a wide range of issues relating to the intersection between firms and workers. Third, a compelling strength of this volume is the innovative way in which data are collected and treated. Each chapter relies in some way or other on contemporary advances in data collection techniques. For instance, some studies combine survey data with personnel records from a single firm, and others use nationally representative LEE data sets. Such data sets are ideally suited to understanding, for example, how changes in personnel practices can affect organizational performance. The studies in this book clearly illustrate the advantages of using such innovative high-quality data.

The intellectual effort and range of empirical

findings contained in this book are impressive. The volume makes a significant contribution to the literature on the analysis of firms and employees. The wealth of data, methods, and significant insights it provides are invaluable. It will be particularly useful to researchers in the field of applied microeconomics whose focus is on the application of novel methods to new types

of innovative data sets. However, the scope and depth of the book will also appeal to a general audience interested in the economics of organizations and work.

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