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**Human Resources,
Management, and Personnel**Book
review
of →

Change at Work. By Peter Cappelli, Lauri Bassi, Harry Katz, David Knoke, Paul Osterman, and Michael Useem. New York: Oxford University Press, 1997. 240 pp. ISBN 0-19-510327-0, \$27.50 (cloth).

My mother once told me that my grandmother had been the favorite child in a family of seven children. Why was my grandmother so favored? Because she was the spitting image of *her* mother. There is a natural tendency to prefer someone who looks like us.

The academic labor market provides seniority-related privilege and job security via tenure. Success in academia depends heavily on prior education and continuing skill enhancement (say, by reading this journal!). Academics are largely self-directed and participate so heavily in university management that the U.S. Supreme Court has ruled that they effectively are managers. A major theme of *Change at Work* is that the United States would be a better place if everyone had an academic-style labor market. We academics evidently like what looks like us.

But the main problem today—the book says—is that downsizing and restructuring have destroyed the “traditional” seniority/security model that once prevailed for non-academics. And the skills needed for self-direction and participation will therefore not be provided by employers. Firms will not want to invest in the skill development of a labor force of quasi-temps. So how will workers be trained to do what management wants? A crisis looms!

That theme is the one that I found most insistent in *Change at Work*—and it is announced with more decrying and lamentation than suits my taste. I would hasten to say, however, that this multi-authored, multi-opinioned book cannot be reduced to one argu-

ment. In fact, it cuts a path somewhere between a literature review and a message book—and it is probably best approached as the former. If it is read that way, one chapter at a time, readers will find in it a wealth of useful citations and information. (Only be warned that not all the reprinted factoids are of equal value. Example: 40% of employees feel “used up” at the end of the day (p. 195). If that means what I think it does, I am old enough to assure the authors that lots of folks came home pooped in the golden '50s, too.)

Following a short introduction, Chapter 1 analyzes corporate restructuring and concludes that the process is ongoing, not a one-shot correction. Chapter 2, on downsizing and job insecurity, terms the trend “alarming.” Chapter 3 argues that firms will have difficulty operating “high performance work systems” with insecure employees. But it also concludes that a majority of employees—perhaps the vast majority—are not under such systems.

The fourth and fifth chapters review training and education programs and fret about the declining incentive for firms to train. However, the data presented do not show a drop in corporate training (for example, p. 133), and they show training disproportionately taking place in larger establishments where much of the recent restructuring has occurred (p. 135). The sixth chapter is a shopping list of labor market woes under the heading of the effect of restructuring on employees. But some of the woes, such as the slowdown of real wage growth after the early 1970s, predate the restructuring era. And some of the data interpretations raise questions. It is true that the unemployment rate is higher now than it was during the height of the Vietnam War. But does a comparison with a clearly overheated wartime economy back then really provide an indication that unemployment is worsening in some structural sense? Doesn't the rise in reports of occupational stress have something to do with the shift in the willingness of workers' compensation systems to reward such claims?

Chapter 7 provides policy conclusions. But there are some important omissions. A major gap is lack of a macro perspective. If the economy is operating at full employment, worker mobility is likely to be high and the value of job security to employees is likely to be low. Lose one job; quickly find another. Sadly, now that Keynes is long dead, even labor economists have lost sight of the importance of full employment. And human resource types are habitually micro-oriented.

Reviewers of the economic and human resource research output, however, should draw attention to, and correct, this macro deficiency in the current literature.

The book's discussion of contingent pay schemes—such as profit sharing—omits the possibility that such pay plans might actually help achieve full employment and job stability. This particular omission is not the fault of the academic literature. There is a large literature on just that point, thanks to Martin Weitzman's work on the “share economy” in the 1980s. Unfortunately, *Change at Work* considers only the productivity incentive (micro) effect of contingent pay and omits the macro benefits.

Given that this book uses official statistics extensively, it is unfortunate that the authors did not make deficiencies in our national labor market data system a topic for extended explicit discussion. To determine the extent of labor market changes, we must have *consistent* data over a long period of time. For those interested in employment security, as the authors of this book clearly are, it is regrettable that the long-standing BLS series on quits and layoffs was discontinued in 1981, and that the widely cited job tenure data are afflicted with changes in definition in mid-stream.

Also missing is a review of the performance of industries that have adopted a highly contingent form of employment. After all, that is the form that most bothers the authors. Prominent among such industries is film and television production. In Hollywood, many employees move from project to project on a regular basis. Often a high degree of skill is required, which these employees somehow acquire. And, of course, U.S. film and television production is an internationally competitive industry. Suggestions for the institutions and conditions needed for success in a contingent-employment industry might have been found through such a case study.

Downsizing is assumed by the authors to be a major force in the labor market. Yet data on new claims for unemployment insurance—a crude proxy for layoffs—show no indication that more involuntary churning is occurring. This observation suggests that downsizing is a phenomenon of large firms. Because most workers are not employed by such firms, the downsizing effect is lost in the aggregate data. A corollary is that much of the work force never was employed under the seniority/security model the authors prefer. All of this deserves more discussion than *Changes at Work* provides.

My reading of the evidence is that the U.S. workplace reacted to greater product market uncertainty, beginning in the 1970s. The cost of offering employment security "insurance" rose for those employers providing it. They reacted by offering less job insurance—and, through lower real wages, they shifted the cost to workers for what security they continued to provide. Management gurus, consultants, and academics began reporting this shift and, because the human resource field is faddish, the reports reinforced the effect. Indeed, there may have been some overshooting.

In any event, it is no good bemoaning the fact that the employment relationship looks less like academia than it once did. Employers who still want or need loyalty will have to pay a premium to get it. Those who don't, won't. Employers who want special skills will have to bid for them. In the aggregate, they will have to bid high enough to induce employees to acquire the needed training. Non-union employers who go "too far" toward contingency may become targets for union organizing. On the other hand, some unions may find it useful to provide institutional support to a mobile work force. That approach by unions, for example, is a feature of the Hollywood labor market.

In my view, public policy can help employees, unions, and employers in five ways. First, policy should encourage benefit portability to assist mobility and reduce the social cost of layoffs. Second, policy should ensure that foundational skills are taught in the schools; subsequent training depends on it. Third, macro policies should be followed that keep the economy as close to full employment as possible to reduce the costs to workers of restructuring and decreased job stability. Fourth, policy should promote flexible pay systems (through tax incentives and other means) to help firms adjust to product market uncertainty, thus reducing job displacement. Fifth, policy should demand production of consistent labor market time-series data by statistical agencies to help researchers track emerging trends.

The authors of *Change at Work* agree with me on points 1 and 2. But they are unfortunately silent on the other points. And they state in the conclusion that they disagree among themselves over how much further the negative trends they identify will continue (p. 226). But don't worry. In the words of economist Herb Stein: "That which cannot

go on forever must come to an end." And so must this review.

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