

SELECTED REFERENCES

INDUSTRIAL RELATIONS SECTION

PRINCETON UNIVERSITY

No. 270

Princeton, NJ 08544

April 1994

NOTEWORTHY BOOKS IN INDUSTRIAL RELATIONS AND LABOR ECONOMICS, 1993*

The Industrial Relations Section is pleased to announce that this year's winner of the Richard A. Lester Award is Douglas L. Kruse for *Profit-sharing: does it make a difference? the productivity and stability effects of employee profit-sharing plans.*

Bok, Derek Curtis. *The cost of talent: how executives and professionals are paid and how it affects America.* New York, NY 10022. The Free Press (866 Third Avenue). 1993. 342 pp. \$22.95.

In his revealing and well-documented study of compensation practices in the fields of business, law, medicine, higher education, teaching, and government, Bok argues that the salaries of top executives, lawyers, and doctors cannot be justified, nor do they provide incentive for higher quality work. He posits that the vitally important teaching and public service professions lose the most highly talented, highly educated people to Wall Street, elite law firms, and medical specialties. This lure of high compensation, he argues, will have a profound effect on the nature of health care, the progress of the economy, effectiveness of public policy, the pursuit of justice, and the quality of education in America.

Edwards, Richard. *Rights at work: employment relations in the post-union era.* Washington, DC 20036-2188. Brookings Institution (1775 Massachusetts Ave NW). 1993. 265 pp. (A Twentieth Century Fund book). \$26.95.

International competition has put pressure on American firms to improve quality, decrease costs, and operate more efficiently. Edwards argues that labor issues, such as benefits and long-term commitments to employees, have begun to assume a lesser role as a result of this shift in emphasis. Though new national and state legislation has granted workers improved rights and legal protection, the role of unions has become marginalized, and their decline is examined here in detail. The author endeavors to find an alternative system of employment relations and proposes some innovative policy strategies which would protect workers' rights while at the same time enhancing employees' ability to succeed in a highly competitive global environment. He proposes "protections" which would entail an obligation by employers (union and non-union) to specify the legally enforceable rights granted to their workers, along with an independent system of mediation and arbitration.

*Items on this list should be ordered directly from the publisher. Addresses are given in connection with each reference.

Employee representation: alternatives and future directions. Edited by Bruce E. Kaufman and Morris M. Kleiner. 1st ed. Madison, WI 53706. Industrial Relations Research Association (7226 Social Science Building, University of Wisconsin, 1180 Observatory Drive). 1993. 390 pp. (Industrial Relations Research Association series). \$28.00.

The issue of employee representation in the workplace lies at the heart of the transformation currently taking place in American industrial relations. Academics, employers, unionists, and policy makers are confronted with the possibility of alternative forms of employee representation and future directions for public policy. Chapter topics in this volume include: employee representation in a nonunion labor market; employee representation and the law; declining union membership in the United States; evolving modes of workforce governance; finding the workers' voice in the legitimacy and power of their unions; joint governance in the workplace; strategic choice and senior executives' preferences on employee voice and representation; employee representation through the political process; German works council and firm performance; the Saturn partnership; and an historical perspective on employee representation.

Gould, William B. *Agenda for reform: the future of employment relationships and the law.* Cambridge, MA 02141. MIT Press (55 Hayward St). 1993. 313 pp. \$35.00.

Gould attempts to set forth a series of workable proposals which would balance the interests of both management and workers. His agenda to protect employee participation and job security in the workplace is based on the assumption that in the foreseeable future, most workers are unlikely to be represented by unions and protected by collective bargaining agreements. Gould advocates sweeping changes in law and policy, which include Congressional and Supreme Court actions to reverse dozens of management and union practices, and the policies that govern the relationship between the two. He proposes measures such as giving workers the right to bargain collectively with their employer if a majority of employees at a work site signs union authorization cards—an innovation that would preclude the often lengthy process of conducting union representation elections. He also supports proposed legislation to ban the permanent replacement of strikers.

Hamermesh, Daniel S. *Labor demand.* Princeton, NJ 08540. Princeton University Press (41 William Street). 1993. 444 pp. \$45.00.

This comprehensive discussion of labor demand links theory, empirical work, and policy. Beginning with the static model of labor demand, Hamermesh presents and analyzes the impact of employers' choices about employment and work hours on labor market issues. Dynamic labor demand is the basis of the author's investigation of the birth and death of firms, productivity and the business cycle, and the trade-off between hours and numbers of employees. Throughout this volume, Hamermesh's discussions emphasize areas of research that have not been fully covered elsewhere. Special attention is paid to the heterogeneity of the labor force and its relationship to labor market outcomes and policy.

Jacobson, Louis S., Robert Lalonde, and Daniel Sullivan. *The costs of worker dislocation.* Kalamazoo, MI 49007-4686. W.E. Upjohn Institute for Employment Research (300 S. Westnedge Avenue). 1993. 185 pp.

The issue of worker displacement takes on renewed policy relevance with the passage of NAFTA. This study reveals that the monetary losses are not only those resulting from the period of unemployment, but that earnings from new jobs remain depressed by 25% even five years after job loss. Using data from the state of Pennsylvania, the authors compare the earnings of dislocated to similar non-dislocated workers and highlight the persistent substantial losses incurred by high-tenure, displaced workers. They note that unemployment insurance and Trade Adjustment Assistance programs replace less than half of pre-displacement wages, and do nothing to supplement earnings after re-employment.

Kruse, Douglas L. *Profit sharing: does it make a difference?: the productivity and stability effects of employee profit-sharing plans*. Kalamazoo, MI 49007-4686. W.E. Upjohn Institute for Employment Research (300 S. Westnedge Ave.). 1993. 289 pp. \$27.00.

There are two dominant theories on the economic benefits of profit sharing: the "productivity theory," which states that it can improve company performance by encouraging worker effort, cooperation, and the exchange of ideas and information; and the "stability theory," which says that profit sharing can lead to fewer layoffs and greater employment and output stability, for companies as well as for the macro economy, by changing employer incentives to hire and retain employees. Using new data from a survey of 500 United States public companies (half with profit sharing plans, half without), Kruse concludes that profit sharing boosts corporate productivity and profitability. However, he cautions that the study has not identified company characteristics that insure the success of profit sharing, and points out that a myriad of other influences on productivity may contribute to the positive shift.

Labor and an integrated Europe. Edited by Lloyd Ulman, Agnate Annat, and William T. Dickens. Washington, DC 20036-2188. The Brookings Institution (1775 Massachusetts Ave NW). 1993. 295 pp. \$36.95.

One of the far-reaching changes brought about by the European Communities' full economic integration will be in the European labor market. In this volume, leading labor economists and social scientists address the major concerns arising from this integration, and provide insight into labor's likely response. The contributors distinguish three aspects of the the challenges posed by the Single Market Program: its implications for European industrial relations; European labor mobility, and for economies and labor markets in the rest of the world.

Lindbeck, Assar. *Unemployment and macroeconomics*. Cambridge, MA 02141. The MIT Press (55 Hayward St.). 1993. 201 pp. (Ohlin lectures; 3). \$22.50.

Lindbeck investigates the microfoundations of unemployment and discusses the microeconomic incentives and opportunities for unemployed workers, examining issues such as the hiring and firing of labor, the market power of incumbent workers, the design of employee benefit systems, the organization of wage bargaining, labor market training and exchange systems, and public sector employment programs. Against the backdrop of the unemployment experience of developed market economies during the last century (primarily after World War II), the book focuses on three questions: 1) Why does unemployment exist at all, and how are aggregate employment and unemployment determined? 2) What are the initial "shocks" that periodically precipitate changes in the levels

of aggregate employment and unemployment, and how are they transmitted to the labor market? 3) What explanation can be offered for the apparent persistence of unemployment, even after the reversal of the initial impulse which instigated the change? Lindbeck applies his theoretical analysis to actual situations in OECD countries, and gives particular attention to Sweden's full employment policy.

Polachek, S.W. and W.S. Siebert. *The economics of earnings*. New York, NY 10011-4211. Cambridge University Press (40 W. 20th St). 1993. 367 pp. \$59.95.

The authors analyze the wages that people earn, the jobs they perform, and the labor market laws and rules within which they operate, stressing informed worker choice during the course of a life cycle—the "human capital approach." They summarize the theoretical and empirical developments in the economic analysis of human capital formation, and demonstrate how these findings can lead to better labor market policies.

Small differences that matter: labor markets and income maintenance in Canada and the United States. Edited by David Card and Richard B. Freeman. Chicago, IL 60637. University of Chicago Press (5801 Ellis Avenue). 1993. 277 pp. (NBER Comparative labor markets series). \$29.95.

The studies in this volume relate economic outcomes to policies and institutions in the United States and Canada; they show that "small differences"—differences in safety net systems, labor market regulations, and labor market conditions have discernible effects on outcomes and explain a substantial share of the differing labor market and income experiences of these two countries in the 1980s. Card and Freeman view the United States/Canadian differences as opportunities for "natural experiments" in which the impact of alternative policies can be studied. The essays analyze immigration, skill differentials, unionization and wage inequality, unemployment, and income maintenance, and together indicate that Canada's solutions alleviated trends toward inequality and poverty—at the cost of higher taxes and greater debt.

Workers' compensation insurance: claim costs, prices, and regulation. Edited by David Durbin and Philip S. Borba. Norwell, MA. 02061. Kluwer Academic (101 Philip Dr.). 1993. 350 pp. (Huebner international series on risk, insurance, and economic security). \$99.95.

The first four articles in this volume, which comprises papers presented at the 7th and 8th "Conference[s] on Economic Issues in Workers' Compensation," address benefit system policy matters: the determinants of the level of workers' compensation benefit level; the determinants of the shape and location of loss distribution; and the factors that affect the propensity of temporary total disabilities to become permanent. The latter ten articles focus on the pricing, regulation, and potential insolvency of workers' compensation insurance.