

# SELECTED REFERENCES

INDUSTRIAL RELATIONS SECTION  
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## NOTEWORTHY BOOKS IN INDUSTRIAL RELATIONS AND LABOR ECONOMICS, 1995.\*

Booth, Alison L. *The economics of the trade union*. Port Chester, NY 10573. Cambridge University Press (110 Midland Ave.). 1995. 295 pp. \$54.95, cloth; \$19.95, paper.

The author proposes a structure for the immense literature that describes and quantifies the impact of trade unions on labor market outcomes, particularly wages. She suggests that the models of collective agreements between labor unions and management are also relevant to the broader variety of labor contracts in labor markets in which workers have bargaining power, i.e. those circumstances in which it is costly for the firm to replace existing workers by outsiders. In such situations trade unions can increase workers' remuneration by inducing the firm to share any surplus. The author poses a number of questions not yet answered by the trade union literature: 1) bargaining agenda topics besides wages and employment, for example, hours of work, effort, capital-to-labor ratios and redundancy payments; 2) endogenous membership; 3) union insiders and outsiders; 4) the relationship between seniority and wages; and 5) the impact of unions on non-wage outcomes, namely, productivity and productivity growth, investment, profitability, and employment. While the book focuses primarily on Britain and the United States, it has wider relevance for other industrialized economies. It presents technical research in an accessible fashion and is suitable as a textbook for both undergraduates and graduate students.

Card, David E. and Alan B. Krueger. *Myth and measurement: the new economics of the minimum wage*. Philadelphia, PA. 19182. Princeton University Press (Order from: California/Princeton Fulfillment Services, P.O. Box 7780-4721). 1995. 422 pp. \$29.95.

In this milestone work, Card and Krueger question the standard model of the labor market. They challenge the conventional view that higher minimum wages reduce the number of jobs for low-wage workers. They find no evidence for a large, negative employment effect of higher minimum wages. The authors explore a variety of different policy experiments in which an increase in the minimum wage led to an increase in wages for a specific group of workers. Using data including the 1992 increase in New Jersey's minimum wage, the 1988 rise in California's minimum wage, and from the 50 states prior to and after the 1990-1991 increases in the federal minimum wage, the authors show that increases in minimum wage led to increases in pay, but no loss in jobs. Other results indicate that the increases in the federal minimum wage led to significant increases for the lowest wage earners and a reduction in overall wage dispersion. They use empirical methods including the comparison between "treatment" groups (workers whose minimum wage rises) and "control" groups (workers who do not receive an increase in minimum wage). They also show that previous

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

literature on the minimum wage lacks support for the claim that a higher minimum wage reduces jobs.

Cohen, Malcolm S. *Labor shortages as America approaches the twenty-first century*. Ann Arbor, MI 48106. University of Michigan Press (P.O. Box 1104). 1995. 183 pp. \$47.50.

Cohen asserts that predicting labor shortages is of great importance for planning the education and training of the nation's present and future labor force. He believes that if labor market information can be used to determine actual and potential labor shortages, individuals will be able to make more informed career choices, and the government will be able to process aliens' applications for labor certification more economically. Cohen notes that the problem of identifying shortages has been a slippery one for economists, because labor shortages cannot be measured directly in the way wages can be. Using labor market information, Cohen provides both a theoretical model and a method for determining labor shortages. Actual indicators are developed for 193 occupational groups, covering all civilian occupations.

Danziger, Sheldon and Peter Gottschalk. *America unequal*. Cambridge, MA 02138. Harvard University Press (79 Garden St.). 1995. 220 pp. \$30.00.

The authors believe powerful economic forces have diminished the prospects of millions of Americans. Changes in the economy, public policies, and family structure have contributed to slow growth in family incomes and rising economic inequality. Poverty remains high because of an erosion of employment opportunities for less-skilled workers, rather than diminished work ethic, and because government has failed to do more for the poor and the middle class, not because of social problems. There is nothing about a market economy, the authors assert, that ensures that a rising standard of living will reduce inequality. This book challenges the view, emphasized in the Republicans' "Contract with America," that restraining government social spending and cutting welfare should be our top domestic priorities. Instead, it proposes a set of policies that would reduce poverty by supplementing the earnings of low-wage workers and increasing the employment prospects of the jobless. Such demand-side policies, the authors argue, are essential for correcting a labor market that has been increasingly unable to absorb less-skilled and less-experienced workers.

*Differences and changes in wage structures*. Edited by Richard B. Freeman and Lawrence F. Katz. Chicago, IL 60628. University of Chicago Press (11030 S. Langley Ave.). 1995. 461 pp. \$60.00.

This collection of twelve essays explores the changes in wages of skilled and unskilled workers in the United States during the last two decades. Wages of skilled workers in the United States rose while those of unskilled workers fell. Less-educated young men have suffered great losses in real earnings. These essays examine whether this trend is unique to the United States or is part of a general growth in inequality in advanced countries. Focusing on labor market institutions and the supply and demand forces that affect wages, the papers compare patterns of earnings inequality and pay differentials in the United States, Australia, Korea, Japan, Western Europe, and the changing economies of Eastern Europe. Cross-country studies examine issues such as managerial compensation, gender differences in earnings, and the relationship of pay to regional unemployment. The contributors attribute changes in relative wages and unemployment among countries both to differences in labor market institutions and training and education systems, and to long-term shifts in supply and demand for skilled workers. These shifts are driven in part by skill-biased technological change and the growing internationalization of advanced industrial economies.

*Economic perspectives on affirmative action.* M.V. Lee Badgett... [et al.] ; edited by Margaret C. Simms. Lanham, MD 20706. Joint Center for Political and Economic Studies (Order from: University Press of America, 4720 Boston Way). 1995. 97 pp. \$39.00, cloth; \$16.95, paper.

The essays in this volume present three perspectives on affirmative action, perhaps the most controversial policy to come out of the 1964 Civil Rights Act. Andrew Brimmer focuses on the African-American labor force. He estimates the growing loss to the American economy of African-Americans not being employed to their full capacity and not receiving an equal level of training and education at 3.8 percent of the gross domestic product, \$241 billion in 1993. Brimmer's findings refute affirmative action critics who claim that the policy places blacks in jobs for which they are under-qualified. Instead, he finds that more than one-half of the continuing GDP loss is due to failure to employ African-Americans in jobs that do use their current skills. Cecilia Conrad's estimate of the direct cost of affirmative action, through public expenditure (enforcement) and private expenditure (compliance) is \$12 per employee annually. She also finds that the impact of affirmative action on productivity is minimal. Lee Badgett and Heidi Hartmann review studies of the effectiveness of affirmative action. In spite of different approaches and methodologies used in the studies and frequent limitations in the data available, there are consistent findings in terms of the policy's impact on wages, employment, and occupational status—small but significant gains in wages and employment by people of color and women in certain blue-collar and white-collar occupations without displacing white males. While the evidence points to the effectiveness of affirmative action as a policy strategy, the authors concur that it does not necessarily eliminate institutional or systemic discrimination.

Lazear, Edward P. *Personnel economics*. Cambridge, MA 02142. MIT Press (55 Hayward St.). 1995. 170 pp. \$27.50.

Lazear, who founded the subfield of personnel economics, provides a quick introduction for economists who have not studied this subject. He summarizes work that has taken place during the past fifteen years, including recent advances in the field. The author points out that because mainstream economic theory has often been considered too abstract to be of much practical use in the hiring, organizing, and motivating of employees, the field of personnel has often been left to industrial psychologists and sociologists. Lazear shows that economic analysis can be extended to an important, but traditionally neglected class of practical problems. By adding more detail and structure to their theory, economists can make specific predictions and prescriptions for personnel issues that arise in business on a daily basis.

Levine, David I. *Reinventing the workplace: how business and employees can both win*. Washington, D.C 20042. Brookings Institution (Dept. 029). 1995. 222 pp. \$15.95.

The author uses case studies and extensive evidence to show that greater employee involvement in the workplace can significantly increase both productivity and worker satisfaction. The strongest underlying theme is that frontline employees who are actually performing the work will always have insights about how to improve their tasks. Employee involvement encompasses policies that, at the minimal end, permit workers to suggest improvement, and at the substantive end, create an integrated strategy to give all employees the ability, motivation, and authority to constantly improve an organization's operations. The author explores obstacles to the spread of substantive employee involvement, including legal barriers, capital markets that discourage investment in people, organizational inertia, and the costs of implementation. Levine

concludes with specific public policy recommendations for increasing the extent of employee involvement. He also suggests new roles for unions and provides a checklist for employers to assess their progress in promoting employee involvement.

Lichtenstein, Nelson. *The most dangerous man in Detroit: Walter Reuther and the fate of American labor*. Scranton, PA 18512. Basic Books (Order from: Harper Collins, 1000 Keystone Industrial Park). 1995. 575 pp. \$35.00.

Drawing on extensive research in government and union archives and numerous interviews, Lichtenstein has produced a substantial biography of Walter Reuther, president of the United Auto Workers and the Congress of Industrial Organizations and the most visionary American labor leader in the post World War II era. The book traces Reuther's rise from a skilled worker at the vast Ford River Rouge manufacturing complex through his almost thirty-year tenure as president of the 1.5 million member United Auto Workers. Even after Reuther's death in an airplane crash in 1970, his influence in the UAW, which he presided over from 1946 to 1970, was felt for at least a decade through the top leaders of the union who had worked with Reuther and continued his tradition. Reuther believed that a strong labor movement could be in the interest of all Americans by linking profitability and pay, helping to solve the broader American economic problem of wage stagnation in a growing economy. Reuther was an internationalist who favored free trade, as long as corporations did not use low wages and poor working conditions to increase their competitive advantage. Aside from their concerns over certain historical misinterpretations and occasional carelessness, critics commend this important and well researched study.

Rosenblum, Jonathan D. *Copper crucible: how the Arizona miners' strike of 1983 recast labor-management relations in America*. Ithaca, NY 14851. ILR Press/Cornell University Press (Order from: CUP Services, P.O. Box 6525). 1995. 256 pp. \$38.00, cloth; \$16.95, paper.

In the author's opinion, the 1983 Arizona miners' strike was one of the critical events in U.S. labor history that saw the 1980s shift to an era of union busting. Rosenblum details the involvement of all the parties in the lengthy strike, using extensive interviews with participants to enhance his story. The most immediate precursor to the strike was Phelps Dodge's refusal, unlike the other four top copper producers, to settle a contract that retained cost-of-living provisions. The corporation also demanded substantial wage cuts and concessions on benefits and medical care. The author contends that Phelps Dodge's aim, even before the strike began, was to break the union, and succeeded in doing so by hiring and protecting replacement workers who eventually decertified the union. On the union's side, there was a struggle for leadership of the Steelworkers Union between Frank McKee, who headed the copper negotiations and believed in hardcore strike tactics, and Lynn Williams, the pragmatist who ultimately won the election for union president, but was left in a weakened negotiating position. The government's contribution to this tragic situation occurred when Governor Bruce Babbitt sent in the National Guard to protect replacement workers and when the regional NLRB director's finding, contrary to evidence, cleared Phelps Dodge of unfair labor practices. In this gripping account of the demise of one union local, Rosenblum has described the decline within the American labor movement of two of its great achievements: solidarity and the right to strike. For an important, added perspective, a 1992 Noteworthy Book in Industrial Relations and Labor Economics, *Capital and labor in American copper, 1845-1990: linkages between product and labor markets* by George H. Hildebrand and Garth L. Mangum, serves as a highly recommended analysis of these issues and events.