
GOOD JOBS, BAD JOBS

THE RISE OF POLARIZED AND
PRECARIOUS EMPLOYMENT SYSTEMS
IN THE UNITED STATES,
1970s TO 2000s

ARNE L. KALLEBERG

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Arne L. Kalleberg
University of North Carolina at Chapel Hill

Chapter 1

Job Quality in the United States

WORK IN America has undergone marked transformations in the past four decades. Globalization and deregulation have increased the amount of competition faced by American companies, provided greater opportunities for them to outsource work to lower-wage countries, and opened up new sources of workers through immigration. The growth of a "new economy" characterized by more knowledge-intensive work has been accompanied by the accelerated pace of technological innovation and the continued expansion of service industries as the principal sources of jobs. Political policies such as the replacement of welfare by workfare programs in the 1990s have made it essential for people to participate in paid employment at the same time that jobs have become more precarious. The labor force has become more diverse, with marked increases in the number of women, non-white, older, and immigrant workers, and growing divides between people with different amounts of education. Ideological changes have supported these structural changes, with shifts toward greater individualism and personal accountability for work and life replacing notions of collective responsibility.

These social, political, and economic forces have radically transformed the nature of employment relations and work in America.¹ They have led to pervasive job insecurity, the growth of dual-earner families, and 24/7 work schedules for many workers. More opportunities for entrepreneurship and good jobs have arisen for some, while others still only have access to low-wage and often dead-end jobs. These changes in work have, in turn, magnified social problems such as poverty, work-family conflicts, political polarization, and disparities by race, ethnicity, and gender. The growing gap between "good" and "bad" jobs represents a dark side to the booming American economy of the 1980s and 1990s; it has contributed to a crisis for the middle class in the United States in the past decade.

Changes in work and the workforce in the United States since the 1970s have made the quality of employment problematic. The notion of job quality communicates that it is the nature of work that is important to

workers, not just whether they have any job at all. Creating good jobs and avoiding bad jobs are major priorities because work is central to human welfare and the functioning of organizations and societies. Jobs are the main way by which individuals are linked to the economy and are slotted into places within the system of social stratification. In the United States, a job is the primary source of one's ability to obtain essential things such as food, housing, and education; a job also has profound consequences for one's social, psychological, and economic well-being. Good jobs provide a foundation for a high quality of life, healthier workers, and stronger families and communities. Workers who have job security and who have reasonable expectations regarding future job opportunities are more likely to be able to put down roots in a community, conceive and raise children, buy a house, and invest in family lives and futures. The amount of control that a person is able to exercise in the workplace has far-reaching effects on one's psychological functioning and non-work life.

This book examines changes in job quality in the United States since the mid-1970s, a period when there were broad transformations in work organization and employment relations in the United States. Beginning in the late 1970s, changes in the contexts of work—the work structures, the institutions, and the rules and norms governing the employment relationship—led to changes in work and job quality. Changes in the demographics of the labor force, such as gender, education, immigration status, race, and age, affected the types of jobs that people valued as well as the kinds of jobs they were able to obtain. The result of these changes has been a polarization of jobs and employment relations with regard to aspects of job quality, such as security and stability, economic compensation, control over work activities, and time spent on the job. Studying changes in job quality provides insights into theories of work organization and social stratification, and how economic and social changes affect the working lives of individuals, their life chances, and their families.

There is an enormous literature written by social scientists about changes in work and employment relations and how they have affected the quality of jobs. However, there have been relatively few attempts to examine the diverse components of job quality in the United States.² Social scientists have tended to focus on discrete dimensions of job quality. Economists have studied primarily wages and fringe benefits; psychologists evaluate jobs in relation to a wider array of individual needs and values, focusing on job satisfaction; and sociologists and institutional economists have emphasized changes that have occurred in the organization of work. These piecemeal approaches have hampered a comprehensive understanding of how the transformation of work and the labor force have affected job quality overall.

This book adopts an integrated perspective on job quality that combines insights from economics and psychology, as well as from the sociological study of social stratification, organizations, occupations, industries, and work, to describe how variations in macro-level institutional, organizational, and cultural contexts of work in the United States have generated differences in jobs and workers' responses to these differences during the latter part of the twentieth century. I draw upon the results of others' research as well as primary analyses of survey data to evaluate the evidence that social scientists have accumulated on the topic of job quality in the United States since the 1970s, and I point to some of the main implications of this research for policies to improve the quality of jobs.

In this chapter, I first discuss the often problematic nature of job quality. I then identify some basic dimensions of job quality and indicate what differentiates "good" and "bad" jobs. Next, I provide an overview of my argument that there has been a growing polarization in both economic and noneconomic dimensions of job quality in the United States. This polarization is structural, not cyclical, and is due primarily to a growing mismatch between social and economic institutions and the changing nature of work and the labor force.

The Problem of Job Quality

Concerns about the quality of jobs are nothing new. The prevalence of bad jobs, in particular, has long been a major problem in the United States and in many industrial societies. Marginal and irregular work was common among the laboring classes in industrial countries in the nineteenth century. Until the end of the Great Depression, most jobs were insecure, and most wages were unstable.³ Pensions and health insurance for workers were almost unheard of in the United States before the 1930s, and benefits were contingent on workers' docility rather than given as entitlements.⁴

Laws enacted during the 1930s dramatically increased the number of workers whose jobs provided a living wage, employment security, and fringe benefits.⁵ Workers' rights to bargain collectively, along with increased government control over working conditions and employment practices, restricted employers' power over the terms of employment. By the 1940s, the ratio of good jobs to bad jobs had increased sharply.⁶

During the postwar boom period in the United States, economic compensation generally increased for most people, leading to a growth in equality that has been described as the "Great Compression."⁷ Opportunities for advancement were generally plentiful, enabling many workers to construct orderly and satisfying career narratives. The attainment of a basic level of material satisfaction freed workers to emphasize other

concerns in evaluating whether their jobs were good, such as opportunities for challenge, meaning, and other intrinsic rewards.

Although regular full-time jobs were the norm by the 1950s, employers continued to rely on a peripheral workforce to contain labor costs and to act as a buffer to protect the jobs of their "permanent" employees.⁸ In fact, the growth of "good" jobs that were covered by collective bargaining and federal labor-protection laws made the "badness" of peripheral jobs even more striking. In the 1950s, concerns about work were symbolized by the conformity represented by the "organization man,"⁹ while the 1960s raised fears about the disappearance of work through automation and the challenges of the "leisure society."

The late 1960s and early 1970s brought widespread anxiety concerning the quality of noneconomic aspects of jobs. This fueled debates about the human purpose and the meaning of work and the work environment. It was widely feared that job dissatisfaction was on the rise as workers, particularly young ones, developed high expectations for control over work and intrinsic rewards, which clashed with the reality of the routine, Taylorized, and Fordist jobs within mass production industries.¹⁰ In 1973, the Special Task Force to the Secretary of Health, Education, and Welfare issued a report in response to perceived widespread dissatisfaction, and terms such as "blue-collar blues," "white-collar woes," and "managerial discontent" filled the pages of academic writings and the popular media. This apprehension was exemplified by the large-scale worker unrest among the mostly younger workers at the General Motors plant in Lordstown, Ohio, in the late 1960s.

Nevertheless, there was considerable optimism in the early 1970s that the engine of economic growth in the United States would create a "tide that would raise all boats," as President John F. Kennedy famously predicted in the early 1960s. In this optimistic scenario, it was believed that low-paid, unstable, dead-end jobs would be swept away by economic progress and replaced by well-paid, secure jobs that were connected to pathways of upward mobility.¹¹

Unfortunately, this optimism was misplaced. In the 1980s and 1990s, wages were stagnant for many people, and jobs became more pressured and demanding. Concerns about work were widespread, encompassing a large range of issues, including greater insecurity, work-family tensions, unemployment, stresses produced by too much or too little work, declining standards of living, inequalities in economic and noneconomic job rewards, and lack of health insurance and pension benefits, among many others. Low wages and job insecurity left many Americans at or below the poverty line, even in periods of high employment, such as the latter part of the 1990s.

The 2000s thus far have combined high uncertainty and insecurity with relatively low economic growth. The end of the twentieth century and the first decade of the twenty-first century saw a reawakening of fears, especially those about the economic aspects of job quality. Academic and media attention focused on peoples' anxieties about their inability to obtain jobs that paid a living wage, were relatively secure, and could provide opportunities for advancement. Political debates about the state of the economy paralleled discussions among social scientists about whether recent changes in the world of work resulted in gains or losses for different groups of workers.

While many of these concerns are not new, they created especially great disruptions in peoples' established patterns and expectations about their work lives since they came after three decades marked by sustained growth and prosperity following World War II. As a consequence, these changes present new and pressing challenges for individuals and their families, businesses, labor, governments, and society.

Dimensions of Job Quality

A job refers to the specific set of tasks that people do for a living. Jobs are embedded in broader aspects of working conditions that characterize the employment relationship, such as those classified as occupations and workplaces. Jobs are complex and can provide workers with many potential job rewards—benefits and utilities that individuals may potentially obtain from their work activities.¹² Jobs are made up of bundles of rewards, and the multidimensionality of job quality is reflected in definitions that recognize the diverse aspects of what constitutes a "good" job.¹³

While there are many aspects of work that might constitute potential rewards, most people would agree that job quality depends heavily on economic compensation such as earnings and fringe benefits like health insurance and pensions; the degree of job security and opportunities for advancement to better jobs; the degree to which people are able to exercise control over their work activities and to experience their jobs as interesting and meaningful; and the extent to which peoples' time at work and control over their work schedules permit them to spend time with their families and in other, non-work activities that they enjoy.

Some of these aspects of job quality are easier to evaluate and measure than others. There are relatively good data on the distribution of (and changes in) earnings and fringe benefits, for example. Others—such as job security and statistical probabilities of opportunities for advancement—are measurable in principle, but the data on them are not readily available. Still other dimensions of job quality are difficult to

measure even in principle—cooperation among coworkers, degree of personal autonomy, and intrinsic rewards—although a number of alternative measures of the latter two concepts have been proposed (see chapter 7, this volume).

In view of the complexity underlying job quality, I use a relatively simple classification that distinguishes between economic compensation, such as pay and fringe benefits (especially health insurance and retirement benefits, but also flexible work time options such as family leave), and noneconomic benefits, such as the degree of control that workers have over their work tasks, intrinsic rewards, and the time that they spend at work.

Economic Dimensions of Work

Economists often assume that job rewards reflect a person's skill and effort; hence, there might be good and bad workers, but not good and bad jobs.¹⁴ Others accept the idea that some jobs pay better than others, regardless of the skills of the incumbents of these jobs. Economists tend to equate job quality with the level and stability of economic compensation (especially wages), framing debates about good jobs versus bad jobs in terms of differences between jobs in their earnings: good jobs are high-wage jobs, while bad jobs are low-wage jobs.¹⁵ This assumption is not unreasonable, as earnings are a fairly reliable indicator of the differences between good and bad jobs.¹⁶

A large literature (mainly in economics, but increasingly in sociology) seeks to document and explain the changes that have occurred in wages and earnings in the United States in the past several decades. These studies have examined changes in levels of earnings, as well as in earnings inequality and earnings instability (see chapter 6, this volume).

Economic compensation also includes fringe benefits such as health insurance and retirement benefits. Some researchers have included the rate of employer-provided health insurance as part of their measure of job quality.¹⁷ Fringe benefits are an important form of job reward in the United States due to the employer-centered model in this country that underlies much of the distribution of health insurance, retirement pensions, and other economic benefits.

Control over Work

Some jobs may pay relatively modestly yet still be considered good jobs because they are challenging, meaningful, and allow people the flexibility to take care of their non-work activities. While economists often ignore nonwage attributes of jobs in the debate concerning good versus bad jobs, sociologists have long emphasized the importance of noneco-

nomic aspects of jobs.¹⁸ Marx underscored the desirability of workers' being able to conceptualize how to do their work as well as their ability to execute it.¹⁹ When conception is not separated from execution, workers can exercise discretion over their work and have real input into decisions that affect them. A large literature in sociology has underscored the importance of workers' autonomy and control—self-direction over what they do and how they do it—for their well-being.²⁰ Psychologists have also stressed the centrality of noneconomic dimensions of jobs, such as autonomy and control, for the quality of one's work experience and the ability of workers to achieve self-actualization.²¹

Workers who are able to control how and what they do at work are also more likely to obtain intrinsic rewards from their jobs. Intrinsic rewards are benefits and utilities that people obtain *from* task performance, as opposed to extrinsic rewards such as money or fringe benefits, which people obtain *for* performing their work. Intrinsic rewards reflect people's ability to utilize their skills, knowledge, and abilities in their jobs. Some people obtain satisfaction from their jobs primarily because they have the opportunity to develop their abilities and to have interesting, meaningful, and challenging work over which they can exercise responsibility, as opposed to being mere cogs in a machine.

A second aspect of control is the capacity to decide the pace and scheduling of work. Not having control over one's work pace is a disutility of jobs that detracts from the quality of work experience. Workers who have little control over how much effort they expend or the number and timing of hours that they work are likely to suffer from stress and other negative consequences.

Skills are another important aspect of job quality. Some writers (for example, see Green 2006) regard skill as a separate dimension of job quality because skill utilization has intrinsic value and is an end in itself. My view is that skills are important for job quality mainly because the greater market power enjoyed by those with more skills results in certain job rewards such as greater earnings, fringe benefits, and control over one's work schedule. Moreover, skills are intimately related to the amount of autonomy and control that workers have over their tasks as well as to the intrinsic rewards they derive from their jobs. Thus, while I discuss skills in various places throughout the book, I do not consider skills to be a distinct aspect of job quality.

Good Jobs and Bad Jobs

People have differing opinions about what constitutes a "good" job since they seek to achieve a variety of goals from work.²² Some will define a good job as one that pays well or provides health insurance, is

secure, or leads to higher paying jobs in the future. Others will maintain that a good job is one that a person enjoys or finds interesting, challenging, and fulfilling. Still others believe that a good job is one that, alternatively, provides them with a convenient and easy commute; allows them to leave "work at work" and does not interfere with life on weekends or in the evenings; permits them to work in pleasant surroundings; does not (or does) require moving around from one place to another; is low (or moderate) on stress; is stable or provides opportunities for change; is flexible; provides access to friendly coworkers or supervisors; gives them the opportunity to "make a difference" by helping other people; and so on.

To some extent, then, the quality of jobs should be evaluated in terms of personal choice. Whether particular job characteristics constitute potential job rewards thus depends on individual differences and the importance that people place on various aspects of jobs, or their "conceptions of the desirable" with regard to their work activity.²³ Some people like to work with their hands as opposed to dealing with people or ideas. Some prefer to work full-time, while others would rather work part-time. Some people see work as a source of self-actualization, while others regard their job as simply a means to earn a living so that gratification can be sought in other ways.

Within a society, a person's work values and expectations are related to his or her gender, race, and age, as well as education and work experience.²⁴ In the 1970s, younger workers appeared to emphasize the importance of intrinsic rewards—raising fears among the media, social scientists, and managers about possible widespread "alienation" from work—while older cohorts of workers remained concerned with obtaining extrinsic benefits like earnings and job security. Workers have economic and psychological needs that they try to satisfy via work, but not all of them can be fulfilled through employment relationships at any particular time.²⁵

There are also modal, cultural, and institutional understandings of what constitutes good and bad job characteristics in a particular society and time period.²⁶ Understandings of job quality differ in part according to the opportunities that are available for the attainment of various kinds of job rewards. Workers are likely to calibrate their standards of what constitutes a good or bad job based on economic conditions. During economic downturns, for example, workers are likely to be happy to have a job at all (even a "survival" job) as opposed to suffering through long-term spells of unemployment. During the Great Depression, for example, a good job was one that provided enough money to live on. Moreover, during the Great Recession of 2007 to 2009, standards for evaluating a job as good were also likely based on whether the job

provided decent wages and health insurance.²⁷ According to Jean Eisen, a person in Southern California who lost her job selling beauty salon equipment two years prior to being interviewed in 2010, "There are no bad jobs now. Any job is a good job."²⁸ By contrast, in the relatively affluent decades of the 1960s and early 1970s, the standards for evaluating a job as good might have been raised to one that provided meaningful and interesting work that enabled persons to "self-actualize" or to "be all that they could be."

Despite these individual and subjective differences, there are certain objective characteristics that most people would agree are necessary for a job to be considered a good job (or, at least, not a bad job). A basic requirement is that the job should pay a wage that is high enough to satisfy a person's basic needs. Another requirement is fringe benefits to also accommodate those needs. In the United States, these benefits would include health insurance and, to some extent, retirement benefits, since these kinds of social supports are generally distributed (if at all) through the workplace and not through the societal welfare system. Of course, the relative value of wages and fringe benefits varies from person to person; if a person has an employed spouse or parent whose job provides health insurance coverage for the family, then the worker might place greater emphasis on wages and less on fringe benefits.

In general, then, a good job is one that

1. Pays relatively high earnings and—perhaps more importantly—provides opportunities for increases in earnings over time
2. Provides adequate fringe benefits, such as health insurance and retirement benefits
3. Enables the worker to have opportunities for autonomy and control over work activities
4. Gives the worker some flexibility and control over scheduling and terms of employment
5. Provides the worker with some control over the termination of the job

Some of these components may be positively related, at least for some people at certain times. Members of professional occupations in particular settings, for example, may have considerable control over their work and schedule while also being economically well compensated. On the other hand, the absence of a particular good job characteristic does not necessarily make a job bad. Conversely, not all of these components are necessary conditions for workers to consider a job to be good. Unionized

manufacturing jobs, such as welding or other semiskilled work in the auto or steel industries, for example, were generally regarded as good jobs in the three decades following World War II since they paid relatively high wages and supplied good benefits despite not providing workers with much opportunity to exercise autonomy and control.

On the other hand, a job is generally regarded as bad if it

1. Pays low wages and does not lead to higher wages over time
2. Does not provide fringe benefits, such as health insurance and pension benefits, especially if one's family has no other source of such benefits
3. Does not enable the worker to exert control over the work activities
4. Does not provide the worker with flexibility to deal with non-work issues
5. Does not give the worker some control over the termination of the job

Likewise, the absence of particular bad job characteristics does not necessarily make a job good; for example, a job that pays slightly above the minimum wage is not necessarily a good one, and some workers who are given a lot of autonomy (such as nursing assistants, who are often not closely supervised) may also receive low wages and no fringe benefits.²⁹

Jobs also differ in their degree of security and opportunities for advancement to better jobs. All jobs have become increasingly precarious in the past four decades (see chapter 5, this volume), though some jobs and persons are more vulnerable than others to both the risk and consequences of job loss. Since both good jobs (for example, well-paid consultants) and bad jobs are generally insecure, it has become increasingly difficult to distinguish good and bad jobs on the basis of their degree of security.

Jobs that do not provide any real opportunities for advancement to better jobs (or to increased wages in the current job) might also be regarded as bad jobs. Such "dead-end" jobs do not offer the promise of more noneconomic and economic rewards in the future. Lack of advancement opportunities is especially problematic for people who have completed their formal education and have families to support.

Overall Job Quality?

There are good theoretical reasons to expect that the dimensions of job quality are, in general, positively interrelated, and so one can speak of

the overall "goodness" or "badness" of jobs. Labor market segmentation theories, for example, assume that various aspects of job quality covary such that "only certain configurations of [governing] rules tend to fit together" (Tilly 1997, 269).

For example, the dual labor market theory proposed by institutional economists in the 1960s and 1970s posited that various dimensions of job rewards cohere together into clusters of good jobs and bad jobs. The primary labor market segment was made up of good jobs (that is, well-paying, relatively secure jobs that were associated with job ladders in large firms), and a secondary segment consisted of bad jobs (that is, relatively insecure jobs associated with low-wage employment and the absence of job ladders and opportunities for advancement to better jobs).³⁰

Economic and noneconomic rewards may also be positively related due to their common dependence on skills. High-skilled workers are generally in high demand, which tends to bring them greater earnings. Workers with more skills usually have higher market power, especially due to the growing marketization of employment relations (see chapter 2, this volume), a trend that has led to employers' assessing an employee's value as being proportionate to his or her value to other employers. Therefore, more highly skilled workers are apt to have more autonomy and control over their work activities and schedule, as well as greater job security and earnings. Since high-skill jobs require more extensive training, employers are more likely to set up job ladders to facilitate the acquisition of skills, which leads to career advancement over time within occupational internal labor markets, if not firm internal labor markets (or FILMs).

An alternative view is that interrelations among job rewards are relatively weak. Workers who have jobs that are intrinsically interesting or convenient (in terms of flexibility) may not necessarily be well paid or have opportunities for advancement with an employer. In addition, some relatively low-skill jobs in the primary labor market (unlike those in the secondary market) were often unionized, so they still tended to be relatively secure, middle-class jobs that provided good fringe benefits in addition to relatively high wages. This is consistent with the "summative" view of job quality held by neoclassical economists, who assume that employers can vary job rewards at will (within certain limits); a job can be good on some dimensions but not on others. This leads to the possibility of compensating differentials, or employers' utilizing one kind of benefit to compensate for another,³¹ workers can trade off the attainment of some types of job rewards to obtain other job rewards. Employers may have to pay workers more, for example, to get them to work in insecure conditions where there may not be much chance of

advancement, as is the case in many consulting arrangements. Increases in job insecurity may also be somewhat compensated by greater autonomy, at least for some people, such as highly skilled independent contractors.

It is likely that interrelations among dimensions of job rewards have loosened over time. For example, all jobs have become more insecure, as I discuss in chapter 5. Thus, job security has become more weakly or even negatively related to income and other job rewards. Changes in the various kinds of job rewards over the past three decades may also have offset one another to some extent: organizational restructuring may have had negative consequences for security and earnings while increasing opportunities for control over work tasks and intrinsic rewards.

In any event, the current state of data collection in the United States and elsewhere is such that there is no single measure or index of job quality that enables us to examine changes in job quality over time and includes both economic and noneconomic factors.³² Hence, I concur with the following conclusion reached by the European Commission:

Given its relative and multidimensional nature, there can be no one single measure or index of employment quality . . . There is no standard or agreed definition of quality in work in the academic and expert literature. Given the lack of a single composite measure, most studies adopt and suggest various key dimensions of job quality. (Commission of the European Communities 2001, 7)

Therefore, I examine economic and noneconomic job rewards separately.

Explaining Changes in Job Quality

Changes in job quality result from the interplay between two main sets of factors. First, economic, political, and sociological forces shape the structural and institutional contexts of work³³ and help to explain how and why employers make various decisions, how industries grow and decline, how occupations expand and contract, and how workers are able to exercise, in varying degrees, individual and collective power in relation to their employers.³⁴ Second, changes in the composition of the labor force and in the needs and preferences of workers affect the fit between job characteristics and workers' values, needs, and expectations, thus influencing what features of work are salient for defining a good (or bad) job.

This book elaborates on the interplay between institutional structures and the composition of the labor force in generating polarization in job

quality in the United States since the mid-1970s. Chapter 2 provides an overview of the transformations in social and economic institutions that have led to changes in the economic and noneconomic dimensions of job quality since the mid-1970s, the time period when it is generally agreed that the most recent era of polarization and precarious work in the United States began. The increasingly market-driven approach that came to be known as neoliberalism intensified economic integration and price competition. Technological advances both forced companies to become more competitive globally and made it possible for them to do so. Changes in capital markets that rewarded managers for short-term profits encouraged them to treat labor as a variable rather than a fixed cost, leading to outsourcing and the growth of temporary and other forms of nonstandard work.

The neoliberal revolution spread globally, emphasizing the centrality of markets and market-driven solutions, privatization of government resources, and removal of government protections. Changes in legal and other institutions mediated the effects of globalization and technology on work and employment relations.³⁵ Government regulations that set minimum acceptable standards in labor, product, and capital markets eroded. Ideological changes toward greater individualism and personal responsibility for work and family life supported these structural changes; the slogan "you're on your own" replaced the notion of "we're all in this together."³⁶ Beginning in the era of the Reagan administration, the lack of enforcement of labor standards, along with coordinated anti-union business strategies, contributed to a continuing decline of unions, thereby weakening a traditional source of institutional protections for workers and severing the postwar business-labor social contract in the United States. Union decline and labor market deregulation reduced the countervailing forces that had previously enabled workers to share in the productivity gains that were made. The balance of power shifted heavily away from workers and toward employers.

Neoliberalism at the societal level was mirrored within the workplace as employers sought greater flexibility in their relations with workers. The standard employment relationship, in which workers were assumed to work full-time for a particular employer at the employer's place of work, began to erode. Managements' attempts to achieve flexibility led to various types of corporate restructuring and transformations in the nature of the employment relationship. The work process also changed during this period as increases in knowledge-intensive work accompanied the accelerated pace of technological innovation. Service industries increasingly became the principal source of work as the economy shifted from manufacturing-based mass production to an information-based economy organized around flexible production.

These institutional transformations were accompanied by important changes in the composition of the labor force that played a central part in the story about changes in job quality, as discussed in chapter 3. The labor force became more diverse, with marked increases in the number of women, nonwhite and immigrant workers, and older workers. The growth of dual-earner families made it more important for workers to have control over their work schedules and the flexibility to attend to non-work, familial activities. The growth in immigration due to globalization and the reduction of barriers to the movement of people across national borders produced a greater surplus of low-skilled labor, encouraging employers to create more low-wage jobs. The expansion of educational attainment within the labor force enhanced the importance that workers placed on challenging work and led to growing gaps in earnings and other indicators of labor market success between people with different amounts of education.

Polarization in Job Quality

These macro-level transformations in economic and work structures that began taking place in the middle of the 1970s—along with changes in the composition of the labor force—led to a polarization in specific dimensions of job quality and the spread of precarious work. There has been an expansion in both good and bad jobs, reflected in an increase in high-skill, good jobs and low-skill, bad jobs, along with a decline in semiskilled, well-paying jobs that has shrunk the size of the middle class. Moreover, education has become a key factor for differentiating those who have good jobs from those with bad jobs (see chapter 3, this volume). The growth of polarized work during the past four decades, which I will discuss in chapter 4, represents a departure from the three decades following World War II marked by sustained growth and relatively shared prosperity.

This polarization is not new, but the duality between the primary and secondary labor markets has increased along with the disappearance of relatively low-skill, traditional, middle-class jobs with good pay and benefits, job stability, and steady promotions. The decline of the middle class has reversed the predictions of the theory of embourgeoisement, which predicted that the working class would be integrated into the middle class. Due to their greater reliance on increasingly uncertain jobs, the American middle class has come to resemble the classic proletariat.³⁷ In particular, “subordinate primary labor market” jobs are among those most threatened by corporate restructuring and downsizing, and no longer enjoy the institutional protections once provided by unions.

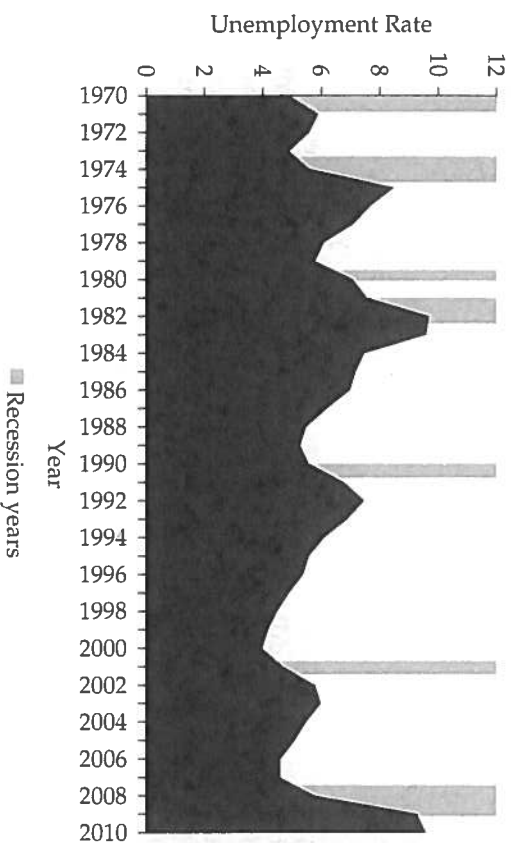
Along with the growth of polarization was the general increase in precarious work and job insecurity for all workers, as I discuss in chapter 5. All jobs—blue-collar occupations as well as previously privileged white-collar occupations—are now more insecure and associated with higher levels of risk for workers.³⁸ The ties between employers and employees have become more tenuous, layoffs have increased and have become relatively permanent, and nonstandard work arrangements have proliferated. Job insecurity has led to economic insecurity, which “isn’t just a problem of the poor and uneducated . . . Increasingly, it affects . . . educated, upper-middle-class Americans” (Hacker 2006, 6). While all jobs have become more precarious, some workers have been less vulnerable than others, and the labor force has become increasingly polarized into those with more education and marketable skills and those without these human capital attributes.

The growing gap between good- and bad-quality jobs is a long-term structural feature of the changing labor market. Polarized and precarious employment systems result from the economic restructuring and removal of institutional protections that have been occurring since the 1970s; they are not merely temporary features of the business cycle that will self-correct once economic conditions improve. In particular, bad jobs are no longer vestigial but, rather, are a central—and in some cases growing—portion of employment in the United States.

At the same time, economic fluctuations in business cycles need to be taken into account when examining the evidence regarding changes in job quality during various periods since the 1970s. *Ceteris paribus*, we would expect good economic times to be associated with better jobs. High economic growth (characterized by tight labor markets and falling unemployment) generally provides workers with greater employment security and gives them more power in relation to their employers. In economic conditions that are favorable for workers, employers tend to try to do what they can to retain valued workers; thus job quality is likely to improve. By contrast, when unemployment is high, companies have fewer incentives to provide high earnings and benefits to their employees, who now generally have fewer alternative job opportunities. Downturns in the economy may also lead employers to require some employees to work longer hours and work more intensely and also to cut in hours for other employees. Figure 1.1 summarizes the changes in business conditions that have occurred from the 1970s to 2010, as represented by the unemployment rate³⁹ and by recessionary periods.⁴⁰

Polarization in work is but one aspect of large-scale changes in American society. The decline in the middle class and expansion of the very rich and very poor has resulted in the creation and maintenance of

Figure 1.1 Unemployment Rates and Recessions, 1970 to 2010



Sources: Author's compilation based on data from the following: Unemployment rates from U.S. Department of Labor (2011); recessions from National Bureau of Economic Research (2010).

"two Americas" that differ widely in their life chances and political attitudes and preferences. The economist Richard Freeman (1997, 3) warned of an emerging apartheid economy in the late 1990s:

Left unattended, the new inequality threatens us with a two-tiered society . . . in which the successful upper and upper-middle classes live fundamentally different from the working classes and the poor. Such an economy will function well for substantial numbers, but will not meet our nation's democratic idea of advancing the well-being of the average citizen. For many it promises the loss of the "American dream."

Chapters 6 through 8 summarize the consequences of polarized employment systems on several key components of job quality: economic aspects of jobs, such as wages and fringe benefits (chapter 6); noneconomic benefits, such as the control people have over their work activities and the extent to which they are able to obtain intrinsic rewards (chapter 7); and how hard people work and their control over work schedules (chapter 8). Chapter 9 summarizes some of the evidence on changes in overall job quality as represented by the concept of job satisfaction, the most commonly studied indicator of the overall quality of jobs.

American Exceptionalism?

All high-income industrial countries face similar pressures due to the social and economic forces associated with more intense globalization, technological advances (especially in information and communication technologies), greater mobility of capital and labor, new forms of organizational interdependence, and weakened unions. In important ways, these pressures affect the institutional frameworks governing employment relations in all high-income countries.⁴¹

The adoption of particular work practices are conditioned by institutional structures, however, and changes in the distribution of job quality are not an inevitable outcome of market forces. The emergence of polarized and precarious employment systems in the United States was shaped primarily by the responses of employers to pressures for more flexibility. Employers' actions were facilitated by an institutional environment that was characterized by a weak labor movement and relative lack of government regulation and interference. The absence of strong labor market institutions encouraged the growth of polarized and precarious employment systems, as employers in the United States had relatively free rein to create bad jobs as well as good jobs.

Focusing on one country makes it difficult to assess the role of institutions in transforming employment systems since there is relatively little variation in labor market institutions in the United States. While there may be regional or local differences in union power or labor market regulations, these variations are relatively minor compared with the range of possibilities. Thus, while this book is about the changing nature of labor market institutions and employment practices in the United States, it will be useful to compare the responses of American employers, governments, and workers with the responses of other countries facing similar macrostructural forces, such as globalization, technological change, and so on. Throughout the book, I attempt to briefly highlight the responses of several Western European countries that share some similarities with the United States with regard to political, economic, and social institutions.

The response by employers in the United States represents an Anglo-Saxon model that is characteristic of liberal market economies (such as the ones in this country, Britain, and Australia) that do not have very "inclusive" labor market institutions, like centralized and solidaristic collective bargaining and strong minimum wage laws. I further develop this argument later in the book. Inclusive labor market institutions extend the gains made by workers with relatively high power to those with relatively little power, as is the case in countries like Denmark and

France.⁴² On the other hand, in non-inclusive countries such as the United States,

labor market institutions have been inadequate to protect workers' interests. . . . The result has been a deterioration in the quality of jobs that do not require a university degree, an increase in the incidence of low-wage work, and a widening of the earnings gap between high- and low-paid workers. (Appelbaum 2010, 186)

In liberal-market, non-inclusive countries, there has also been a growing polarization in noneconomic aspects of job quality, such as work intensity and control over work, as will be seen in chapters 7 and 8.

Toward a New Social Contract

The arguments and evidence presented in this book about the polarization of job quality and the growth of precarious jobs point to the need for a new social contract to address a range of problems created by the changes in employment relations and the growth of bad jobs. Chapter 10 sketches the components of such a new social contract, drawing inspiration from the experiences of other countries with policies related to “flexicurity” as well as from the lessons learned from the New Deal. These historical and comparative models underscore the necessity of integrating employment and social policies in order to protect people from the negative consequences of market forces and to provide them with opportunities to succeed in unstable and uncertain labor market environments.

The final chapter discusses some of the issues related to the realization of this new social contract. Implementing the needed strategies requires the coordinated efforts of government (at federal, state, and local levels), business, and labor. This constitutes major challenges for social and economic policies in the United States in light of this country’s relatively passive labor market policies, comparatively small public sector employment (achieved in part through privatizing government jobs), and history of only moderate support for the disadvantaged. The final chapter discusses some of the obstacles we face in achieving the new social contract and concludes by suggesting some strategies that may overcome these obstacles.

== Part I ==

Changing Work Structures and Workers

Chapter 10

Confronting Polarization and Precarity

THE CHANGES in economic and noneconomic dimensions of job quality discussed in this book result from institutional, economic, legal, political, and social transformations in employment systems and relations in the United States since the 1970s. These changes in job quality reflect structural modifications rather than simply fluctuations of the business cycle. During the past several decades, employers have had relatively free rein to implement workplace practices that were designed to increase their flexibility, cut labor costs, and maximize shareholder value in response to greater price competition, technological change, globalization, and other social and economic forces. Changes in financial and capital markets provided incentives to employers to restructure work in order to increase short-term profits. Employers were able to do this essentially without taking into consideration the views of workers, who were unable to act as a countervailing force due to their relatively weak position.¹ Workers were also increasingly vulnerable to market forces due to political decisions to remove institutional protections for workers, such as government regulations and standards in labor markets. These macrostructural changes were supported by ideological shifts toward greater individualism—shifts that have considerably reduced any sense of communalism.

At the same time, changes in the composition of the labor force in the United States since the 1970s have shaped both the rewards available from jobs and how workers evaluate the quality of these rewards. The growth of dual-earner families, for example, has made it more important for workers to have control over their work schedules and the flexibility to attend to nonwork activities, especially those related to the family. The expansion of educational attainment within the labor force has accompanied opportunities for challenging work, while the growth of a low-skilled immigrant population has helped fuel the expansion of low-wage jobs.

In this chapter, I first summarize briefly my main conclusions about reasons for the growth of polarized and precarious employment systems

since the 1970s and how these transformations have led to changes in job quality. I then describe other countries' efforts to deal with similar economic and social structural problems, drawing especially on the principles suggested by the general notion of "flexicurity." This discussion helps to identify components of a new social contract that is needed to reduce inequalities in the various components of job quality and to protect workers from the insecurity and uncertainty associated with precarious jobs. This sets the stage for the final chapter, which seeks to identify some strategies for implementing this new social contract in the United States.

Changes in Job Quality in the United States Since the 1970s

The evidence presented in this book suggests the following seven conclusions about changes in job quality in the United States since the mid-1970s.

First, there has been an increasing polarization on a number of dimensions of job quality since the middle of the 1970s. The evidence of growth in inequality in economic rewards, such as wages and fringe benefits, most clearly illustrates this polarization (see chapter 6), although there is also evidence of growing inequality in the degree of control that workers have over their work activities and their ability to participate in decisions, as well as in some types of intrinsic rewards and work intensity (chapters 7 and 8).

Polarized jobs result from institutional, legal, and political forces that encourage or discourage the creation and maintenance of jobs that pay well or poorly, provide workers with more or less control over their activities and schedules, and so on. These forces are not inexorable, however; the actions of government, business, and labor can create well-paying jobs, give workers more control over their jobs and lives, and reduce inequality in job rewards. Inevitably, some bad jobs are bound to occur in a dynamic industrial society like the United States, and some people will always be more vulnerable than others to working in these bad jobs. Nevertheless, labor market and other social institutions—such as labor laws and standards and collective bargaining agreements—can markedly influence the extent of such bad jobs.

Second, there has been a general increase in precarious work and insecurity (see chapter 5). All workers have been made more insecure by the greater precarity of work that has pervaded the occupational structure. The anxiety associated with precarious work constitutes a major concern for current and future generations of workers. Some workers are more vulnerable to the consequences of precarity than others, however: workers with more valuable skills, for example, are better able to take

advantage of new opportunities created by the growth of open, market-mediated employment relations.

Third, the past three decades have seen the creation of a large number of low-wage jobs (see chapter 6); many of the good jobs that have been lost have been replaced by jobs of lower quality. The low-wage sectors of the labor force encompass both white-collar and blue-collar jobs that generally provide few benefits, such as health insurance and pension coverage, while often requiring workers to work long hours and providing few opportunities for advancement. Black and Hispanic workers are especially likely to be concentrated in low-wage jobs.

Fourth, the economy has also generated substantial numbers of good jobs. There has been an overall increase in intrinsic rewards and control over work activities, for example. Nevertheless, not as many good jobs have been created as one would have expected, given the increases in productivity and in the educational attainments of the labor force.

Fifth, even these good jobs are more likely to have some bad aspects. For example, relatively well-compensated workers and those with considerable autonomy over their jobs have also experienced greater insecurity. And added workloads and time pressures have forced persons to work harder and often for more hours per week.

Sixth, workers' needs for greater control over their work schedules have grown faster than their jobs have changed to permit them to balance work with their family and personal life. The continued growth of dual-earner and single-parent families, along with more complex family arrangements, such as parents with shared custody of children and responsibility for their own parents, coupled with increases in work intensity (chapter 8), have raised concerns about the paucity of available family-friendly policies, such as flexible work hours and assistance with child and elder care.

Seventh, differences in education and skill levels increasingly separate those workers who have good jobs from those who have bad jobs (see chapters 4 through 8). Transformations in work have underscored the growing importance of skills for labor market success; workers with more human and social capital are better able to take advantage of opportunities created by the greater marketization of employment relations. While more-educated and higher-skilled workers may not necessarily have more job security with a particular employer, their more marketable skills enhance their labor market security, which, in turn, generally provides them with higher earnings, greater control over their jobs, higher intrinsic rewards, and better-quality jobs overall.

The expansion of bad jobs has made things worse for minority group members (such as blacks and Hispanics) in particular, who tend to be concentrated in these jobs. Jobs that pay very low wages are not valued very

highly by employers, customers, or employees. When jobs require few skills and workers can be easily substituted and replaced, employers have few incentives to train workers and to develop compensation strategies designed to retain them, a pattern that leads to high turnover. Low wages also leave many Americans at or below the poverty line, even in periods of high employment.

The hollowing out of middle-class jobs has hurt opportunities for upward mobility by decreasing the number of jobs that might provide stepping stones to better jobs. This decline in the middle layer of occupations (see chapter 4) has made it more difficult for people to experience career advancement and upward mobility (see chapter 6). Workers in low-wage jobs, in particular, have few opportunities to advance to better-paying jobs, if any at all. The polarization of work into either good or bad jobs, with little in between, is linked with the growing divergence in other aspects of life, such as the decline of the middle class and the growing polarization of politics.

The dire economic situation precipitated by the Great Recession of 2007 to 2009 has exacerbated these difficulties. This was the longest and most severe recession since the Great Depression. While unemployment rates were equally high during the recessions of the early 1980s, people back then were not out of jobs for as long. Moreover, the effects of the 1980s recessions focused mainly on the Rust Belt of America; in contrast, the extent of job loss and unemployment in the Great Recession of 2007 to 2008 was much greater and more widespread, and characterized virtually all occupations. Consequently, this economic recession and its aftermath will have an imprinting effect on the future: the skills of many workers will deteriorate due to joblessness, a generation of young workers will experience uncertainty and have their careers delayed, families will come under great stress, and communities will face the risk of unraveling.²

Given these potential dangers, it is essential that we meet the challenges caused by the growth of polarized and precarious jobs. Government and businesses in the United States have abandoned their obligations to their communities and employees over the past several decades, and workers have lost much of their collective bargaining power, as documented in previous chapters.³ Fortunately, polarization and the other consequences of globalization and technological change for job quality and employment systems are not inexorable, but instead are shaped by labor and market institutions and the choices made by employers, workers, and other social actors. To address these concerns, we need a new social contract that reduces inequality and socializes risk again.

In facing the consequences of the growth of polarized and precarious employment systems, we must be sensitive to the conditions that led to

the transformation of employment relations in the first place, as I outline in chapter 2. Employers must continue to have flexibility in order to compete in the global marketplace. They must be able to respond to the rapid pace of technological innovation and adjust to the shifting composition of the labor force, among other changes.

Examining the experiences of other developed countries that face similar challenges as the United States provides insights about ways of developing synchronized strategies to create good jobs and provide workers with security.⁴ The economic forces that have led to the creation of polarized and precarious jobs in the United States are global in nature, as I have emphasized throughout this book. All countries are faced with the basic problem of balancing flexibility for employers and security for workers (due to precarious work). Countries have sought to solve this dilemma in different ways, depending on their institutional and cultural traditions. The example of “flexicurity” illustrates how a number of other countries have approached this dilemma.

Flexicurity

The notion of flexicurity—a portmanteau word combining flexibility and security—has attracted a great deal of attention among European labor market reformers looking for a way to give employers and labor markets greater flexibility while still providing protections for workers from the insecurity that results from this flexibility. It is an appealing concept, as it proposes a solution to tensions between employers and workers, suggesting that flexibility for employers and security for workers are mutually supportive. This offers a “win-win” situation that addresses the needs of both groups, in contrast with a “trade-off” thesis, which posits that the requirements of more flexible labor markets inevitably reduce levels of economic security.⁵

Flexicurity is a fairly ambiguous concept (or “meta-policy”) that has been used to refer to a variety of policies that have been bundled together in different ways in different countries. It is a policy strategy that requires coordination between employment and social policies that generally socialize risks and help people deal with uncertainty. The vagueness of this multidimensional concept is politically advantageous in that it encourages thinking about principles by which to reconcile the needs of both employers and workers.⁶ The concept must be defined more precisely to be useful for analytical purposes, however.

There are a few key design principles that underlie flexicurity programs.⁷ First, flexicurity provides employers and labor markets with flexibility to adjust levels of employment (numerical flexibility, which includes both adjusting the number of employees and the number and distribution of working hours) and compensation (wage flexibility). In

some cases, flexicurity can also provide employers with functional flexibility to move employees among tasks or to change the content of work.⁸ Second, flexicurity provides economic security, or a safety net, for workers through generous unemployment assistance that gives workers a "soft landing" if they lose their jobs. A key element of a typical safety net is health insurance, which is provided to all citizens, regardless of employment status, in most developed countries of the world.

Third, active labor market policies associated with flexicurity provide workers with greater opportunities for lifelong learning and employability.⁹ This reemployment assistance includes job counseling, opportunities for retraining, and help in finding new jobs, thereby giving workers security as they move from one job to another. Moreover, receipt of these benefits requires engagement on the part of individuals, who must take personal responsibility to search for jobs, participate in retraining, and visit job counselors in order to take advantage of the opportunities that active labor market policies offer.

Fourth, flexicurity programs tend to be individualized and can provide a customized—rather than a standardized, one-size-fits-all—set of services. Thus, benefits are often adjusted to the needs of particular individuals, old or young, with families or without, and so on.

A final design feature of flexicurity is that the system takes different forms in different settings and is adaptable to the characteristics of particular countries. A number of countries have adopted—or are in the process of adopting—some version of the flexicurity system. The most prominent examples of this system in action are found in the Netherlands and Denmark.

The term *flexicurity* was coined by Dutch sociologist Hans Adriaansens in the mid-1990s to describe particular pieces of labor market regulation: the Dutch Flexibility and Security Act and the Allocation of Workers by Intermediaries Act.¹⁰ In the Netherlands, employers achieve flexibility through atypical, flexible types of jobs, such as part-time work. Workers in these nonstandard or atypical jobs have similar social security rights as those on standard employment contracts, however. The Dutch system emphasizes employment (as opposed to job) security and social security, especially for weaker groups (such as those in nonstandard employment relations), both inside and outside the labor market.

In Denmark, the famous flexicurity system combines "flexible hiring and firing rules for employers and a social security system for workers" (Westergaard-Nielsen 2008, 44). The Danish "golden triangle" of flexicurity has three main points; the ability of employers to easily hire and fire workers; a generous safety net for the unemployed; and active labor market policies that socialize the risks of uncertainty by helping people get new jobs once unemployed.¹¹ Low levels of employment protection are

combined with high levels of social protection: security on any one job is relatively low, but employment security is fairly high since unemployed workers are given a great deal of protection and help in the form of income compensation, education, and job training to find new jobs. (Laid-off persons are guaranteed about 80 percent of their wages in benefits, although this amount is capped for high earners.) The idea is to protect individual workers (through mechanisms such as opportunities for retraining) rather than to try to protect existing jobs. Danish employers have a great deal of numerical flexibility under this system, but it does not provide them with much internal, functional flexibility.

By contrast, the Japanese system of flexicurity has traditionally provided employers with high levels of internal, functional flexibility, as broad job classifications have permitted them to move workers among tasks and departments in response to organizational needs. Such flexibility was facilitated by high levels of employment protection for workers, especially males below a certain age who enjoyed "lifetime" employment in large organizations. Once unemployed, however, Japanese workers had relatively low levels of social protection due to a weak welfare system. Recent pressures on this system have resulted in employers' adoption of a variety of nonstandard work arrangements, such as temporary and part-time work, in order to obtain numerical flexibility in the external labor market. The challenge for Japan is to provide more social protections for these atypical workers in order to compensate for their low employment protections.¹²

European countries' experiences with flexicurity in particular illustrate both the content of policies that could be useful in helping to address precarious jobs in the United States and the process by which flexicurity principles might be implemented.¹³ Employers in the United States already have a great deal of flexibility in their relations with employees. However, workers in the United States have both low employment protection and low social protections. The challenge for developing "flexicurity with an American face," then, is primarily to provide more security for workers. Moreover, while the flexibility portion of flexicurity generally refers to flexibility for employers, it is also important to provide flexibility to workers in order to help them balance their work and nonwork lives.

Components of a New Social Contract

We need to build an innovative new social contract among the government, business, and labor to replace the postwar social contract that was dismantled during the 1980s and 1990s.¹⁴ The metaphor of a social contract refers to a portfolio of "expectations and obligations that workers,

employers, and their communities and societies have for work and employment relationships."¹⁵ Creating a new social contract will enhance both the competitiveness of the American economy and the quality of work experienced by individuals.

Policies seeking to address issues of job quality and inequality should be guided by considerations of efficiency as well as equity. Efficiency includes the ways in which people are allocated to jobs and the extent to which work can be organized in order to enhance productivity and organizational performance. Equity refers mainly to reducing the degree of inequality between good and bad jobs, as well as to raising the floor for low-end, bad jobs.¹⁶ A new social contract needs to restore the link between wages and productivity so that when companies succeed, so do their employees. As I discuss in chapter 2, workers have not shared in employers' productivity gains in the past several decades; this is reflected in the growing gap between investors and employers, on the one hand, and workers, on the other. These gains must be distributed equitably in order to achieve the potential for prosperity of productivity growth associated with the new economy.

The new social contract must take into account the new work realities that have been summarized in previous chapters. Moreover, as we discussed earlier, the central feature of an American version of flexicurity is the provision of security for workers. Security is a multidimensional concept, and there are various types of it; a useful taxonomy of security is provided by a recent cross-national study by the International Labour Organization (ILO).¹⁷

The ILO's report outlines seven types of security. Of these, the most basic are income, representation, and skill-reproduction security.¹⁸ Income and skill security are fundamental design principles of flexibility programs. Representation security (that is, the right to bargain collectively with employers) is an essential feature of the European flexicurity models, which involve both employers and workers (through unions) in a cooperative effort. These three forms of security arguably are also causally prior to the other types of security. For example, if workers are able to have representational security, they are also likely to be able to enjoy greater occupational health and safety. Moreover, if workers should lose their jobs or if the labor market does not provide job opportunities, economic and skill security will likely help them get new jobs or be retrained.

Policies that seek to provide employment security directly are not likely to be as effective since they may reduce some of the flexibility in labor markets that employers require in order to remain competitive in the global economy. Employment protections have traditionally been low in the United States, which is why this nation is characterized by the notion of "employment at will."¹⁹ Moreover, regulations to inhibit layoffs

may have unintended consequences, as the experiences of European countries such as Spain and France have shown: employers may be reluctant to hire workers on standard contracts, thereby spurring the expansion of temporary and other forms of nonstandard work. On the other hand, providing employers with some disincentives for layoffs is likely to be useful in the United States. The case of Germany illustrates the potential for regulations designed to enhance employment protections; employers have complete flexibility on hiring and firing, but they are rewarded with tax advantages and even subsidies for retaining workers, while facing penalties for layoffs.

A new social contract that addresses the consequences of polarized and precarious employment systems should thus try to achieve three main things: providing workers with economic security that can protect them from the consequences of precarious work; guaranteeing workers the rights to collective representation and bargaining power; and retraining and preparing workers for good jobs. Taken together, these forms of security are also likely to encourage employers to create more good jobs and discourage them from creating bad jobs.

Building a Better Safety Net: Enhancing Economic Security

Economic security refers to the assurance workers have of an adequate level of current and future income. In the 1990s, the United States ranked twenty-third out of ninety-six countries on the ILO's index of economic security.

A new social contract should help people deal with the uncertainty and unpredictability of their work—and their resulting confusion and increasingly chaotic and insecure lives—while still preserving some of the flexibility that allows U.S. employers to remain globally competitive. We might best accomplish these goals by building a better safety net outside of the labor market to protect people from the negative consequences of uncertainty and insecurity that will certainly continue to characterize the American (and world) economy for the foreseeable future.

Social insurance is a common solution to problems of high risk.²⁰ Since people are very loss averse, uncertainty has a big impact on their lives; we therefore need insurance to socialize risks and help them cope with losses and compensate them for bad events.²¹ Such insurance is also needed to give people the self-confidence to take entrepreneurial risks. The highest priority should be on providing three types of social insurance: portable health insurance benefits; more generous retirement benefits; and expanded unemployment benefits and other wage supports (including assistance with acquiring new skills and relocation) to help

and people navigate the increasingly treacherous transitions between jobs and employers.²² This is consistent with the practice in most developed industrial countries, which provide their citizens with basic protections, including health insurance and retirement benefits.

Health Insurance The most basic element of a safety net is the provision of affordable health insurance for all. Employment-based health insurance is now the only real source of health coverage for Americans who are not yet eligible for Medicare and not poor enough to qualify for Medicaid; we thus need to protect those who do not receive health insurance from their employers. The 2010 Patient Protection and Affordable Care Act, discussed in chapter 6, attempted to expand health insurance to most U.S. citizens and legal residents. This law was an important step in the direction of universal health care, though a number of its reforms will not be effective for a number of years, and there is considerable uncertainty about how well the various parts will hold together, as a large number of details remain to be worked out.²³

Retirement and Pension Benefits We need strategies to help workers save more money so that they may be able to supplement their federal Social Security benefits upon retirement. The amount that Americans have set aside for retirement is shockingly low: a 2001 study found that only half of the households in the United States with retirement accounts and who neared retirement had savings of \$55,000, and one-quarter had savings of less than \$13,000.²⁴ The market turbulence of the recession of 2007 to 2009 dramatically exposed the riskiness of the 401(k) system, and demonstrates the necessity for alternative, more reliable, and universal additions to the Social Security system.²⁵

In view of the precarious nature of employment relations, sources of retirement funds in addition to Social Security should be portable across employers. Supplementing Social Security will not be cheap, of course: the aging of America and its labor force (see table 3.1) will require massive government commitments to the older population, extending retirement eligibility ages and possibly shifting income from younger workers to older retirees.

Unemployment Insurance Insurance against job loss is vital due to the high degree of mobility and job changing that characterizes modern labor markets. The Unemployment Insurance system (a product of FDR's New Deal) now covers less than one-half of the unemployed. Less than a third receive benefits; these benefits are lower and last for less time and for fewer people, compared with systems in other industrial countries. The problems with this system were clearly revealed in the Great Recession of 2007 to 2009, when millions of unemployed persons exhausted their

unemployment benefits (though Congress extended them temporarily). Moreover, contingent and part-time workers are disadvantaged by the minimum earnings and hours' requirements that most states use to determine eligibility.²⁶ Extending unemployment insurance supports to part-timers or low-wage workers who have not worked enough hours or earned enough money to qualify would help to give these workers greater security in times of economic adversity.

Beyond unemployment insurance, a minimum severance package would help workers who are laid off or had to take a lower-paying job.²⁷ It would be especially important to focus financial support on the neediest workers and their families and on those workers who have the greatest potential upside for retraining.

Wage insurance can also help those who are displaced from their jobs for long periods of time to avoid sharp income losses. It might subsidize their retraining costs and incentivize workers to take new jobs that may pay less than their old ones.²⁸ Income averaging could also help ease the burden of job loss on workers: this would lower taxes for people who had seen their income drop because they lost their jobs. This was an option offered to some American taxpayers until 1986, but thereafter it was only available to people whose incomes spiked up, not down.

This strategy for enhancing economic security is consistent with the vision of the classic American welfare-state model, which lets the labor market operate relatively competitively and then try to clean up its negative consequences afterwards, as opposed to placing constraints on the labor market itself. This model recognizes that it is likely futile to try to guard American jobs through protectionism and other forms of controls on international trade and capital flows, and just as ineffective to try to regulate wages and other job rewards through the labor market.

Unions and Worker Power: Reestablishing Representation Security

Representation security refers to individual rights in laws and collective rights to bargain with employers. As I have discussed, there has been a decline of collective power, especially in the form of unions, in the private sector in the United States since the 1970s. The decline in unions contributed to the decoupling of wages and productivity and the growth of polarized and precarious employment systems. In the 1990s, the United States ranked relatively low (forty-one out of ninety-nine countries) on the ILO's index of representational security.

It took the corrective actions of unions to help pass the legislation that reduced the oppressive employment conditions of the Depression era in the United States. In similar fashion, it is unlikely that the government would enact social and economic policies designed to create good jobs

and high-road business strategies unless workers have sufficient power over their employment situations to be able to press for their interests and to provide a countervailing force to government and business. Implementing the new social contract depends on the reconfiguration of political forces within the United States to give workers a real voice in decision-making and to exercise collective agency.²⁹

The decline of unions in the past several decades has been fueled by antunion behavior on the part of employers, who have discouraged workers from organizing as well as taken steps to avoid unionization—for example, moving workplaces to areas of the United States and the world where unions are relatively weak. Labor revitalization hinges to a large extent on our ability to reverse the antunion climate in America and to build a more hospitable environment for workers to join unions and to benefit from their presence. We also need to change the adversarial nature of the National Labor Relations Act, perhaps in the direction of cooperative legislation, like the European Works Councils.

The potential for increased unionization clearly exists: while unions have declined to their lowest point since before the Depression, nearly 50 percent of workers would join a union if given the chance.³⁰ Moreover, the growth of precarious work, increase in inequality, and deterioration of living standards for the middle class have all provided good reasons for workers to engage in collective action. And pressures from Generation Y and other waves of new workers whose expectations are not being met by the jobs that are available in the labor market are likely to turn up the volume on demands for change, as I discuss in the next chapter.

Enhancing the collective power of workers depends on the reaffirmation of the right of workers to organize and bargain collectively. We need legislative programs, as well as regulatory initiatives, to reaffirm workers' rights to organize.³¹ We also need stronger enforcement of existing rights to organize by watchdog agencies like the National Labor Relations Board. Existing labor laws severely constrain workers' abilities to organize, thus weakening pressure on employers to raise wages and improve job quality. Many key labor laws grew out of the New Deal and were based on an institutional structure of work that assumed that employment relations were organized at the employer's fixed site, workers were supervised by employers and managers, and the work was generally done full-time. This has now changed, as my discussions in chapters 2 and 5 have shown.

Traditional industrial unions in the United States were based on a firm or workplace model of organization. These unions engaged in collective bargaining with employers (either single employers or coordinated groups), and the main focus was on bread-and-butter issues such as earnings and job security. However, the changes in work, workers, and

workplace that have arisen since the 1970s raise the broader question of whether this traditional form of workplace unionism is the most viable form of worker power in the United States in the twenty-first century. People are no longer tied to specific firms and industries with the same level of stability that characterized the postwar period. The growth of precarious employment relations has reduced workers' attachments to their employers and increased the salience of labor market intermediaries that help to create channels for mobility between firms. An appropriate new social contract should foreground the role of work in virtually everyone's life, thereby making sensible employment policy an issue for everyone.

Education and Training: Achieving Skill-Reproduction Security

Skill-reproduction security refers to access to basic education and vocational training. The United States does relatively well on this dimension, ranking twelfth out of 138 countries on the ILO index. Nevertheless, a great deal more needs to be done. We must intercede on the supply side of the labor market and provide people with better and more extensive education and training in order to prepare them for good jobs. For four decades of both Republican and Democratic administrations, the dominant approach to improving job quality and reducing inequality has been a supply-side strategy of enhancing peoples' human capital through job training and education.³² While a higher level of education cannot by itself reverse the growth of earnings inequality—most of which has been due to the expansion of incomes at the very top of the distribution, as I discussed in chapter 6—it is an essential component of a new social contract for most Americans.

A new social contract must help workers and employers cope with job insecurity and the likelihood that workers will not spend large portions of their careers with a single employer. Because it is increasingly likely that all workers will have to move among jobs relatively frequently, social and economic protections must be portable and transferable from one employer to another. Employment policies and regulations are needed to help workers cope with this increased variability and uncertainty, especially for more vulnerable workers, who do not have the marketable skills that can enable them to find new jobs after job loss.

Supply-side policies that prepare workers for high-quality jobs should expand the pool of qualified job seekers by augmenting workers' skills and by inducing more people to look for work. These policies need to supplement peoples' own efforts to develop their human and social capital, both of which are needed to help workers function well in the knowledge and service economy of the future.³³

The importance of education and job-related training for improving workers' career prospects cannot be overemphasized. The explosive growth of information technology and the escalating importance of knowledge in the economy have underscored the significance of human capital, skills, and education for obtaining and performing well in high-quality jobs and for avoiding confinement to bad jobs. Life-long learning is becoming more essential than ever, due to the need for people to adjust to the technological changes that help to create job insecurity and uncertainty. Capitalizing on the skills and knowledge of American workers also enhances the competitiveness of American firms, which cannot otherwise compete with developing countries on their low labor costs. Rather than considering income redistribution, Americans prefer to expand education spending (as a means of ensuring greater equality of opportunity) in response to increasing concerns about inequality.³⁴

Educational policies should be supplemented by job training strategies that provide workers with the skills they actually need to perform jobs. These include both technical skills—such as cognitive and motor skills—and soft skills—such as work motivations, workplace communication, and teamwork skills.

The Need for a Coordinated Strategy

Enhancing economic, representation, and skill-reproduction security is likely to result in the creation of better jobs. If we make workers more economically secure, provide them with more effective representation and institutional protections, and facilitate their acquisition of human capital throughout their careers, then employers are likely to be encouraged to be more innovative in creating more skilled jobs, and thereby would be more likely to adopt high-road employment relations. More economic security is also likely to spur entrepreneurial activity and make people more willing to invest in their human capital. Greater representation security will facilitate collective bargaining, which, in turn, will create good jobs. And a greater number of skilled workers will incentivize employers to create better jobs to take advantage of a higher-skilled workforce.

We must address all of these components of a new social contract simultaneously through a coordinated strategy, however. Piecemeal efforts that focus on either job creation or providing workers with more training opportunities are not sufficient by themselves. It is pointless to try to generate jobs if workers do not have the skills to perform them. By the same token, education and training policies must be embedded in more-comprehensive demand-side labor market policies; giving workers more education and training is wasted unless there are jobs available in

which they can utilize these skills. It is not helpful to train people for occupations that are declining or for which opportunities do not exist.³⁵ Failures to link education and training policies to demand-side job creation strategies have resulted in skill shortages in some sectors of the economy (as many workers are often under-qualified for some of the jobs that are available) while workers are over-qualified for jobs in other sectors.³⁶ On the other hand, quality skills create their own employment pull, as can be seen in countries that place high value on education and training, such as India, Singapore, and the Republic of Korea.

Nevertheless, it is also necessary to focus directly on job creation and intervene on the demand side of the labor market. We need labor market institutions (such as unions, active labor market policies, or minimum wages) that upgrade the quality of bad jobs, forestall the deterioration of good jobs, and create additional high-quality jobs, thereby increasing the availability of high-end work while discouraging low-end jobs. As I have argued throughout this book, good jobs should pay at least a living wage, enable workers to exercise control over their work activities and participate in decisions, and permit workers to influence their work schedules so they can better balance their work and family lives.

Moreover, we need to create more job structures, not just jobs. Creating job ladders is easier in some occupations than in others, naturally, since some do not allow much room for advancement, this makes it even more essential that all jobs pay at least a living wage.³⁷ Career-ladder programs are more apt to be effective if they are part of a broader strategy to provide enhanced compensation and advancement opportunities for workers.³⁸ If they are to succeed in more than a token fashion, career-ladder programs should have a combination of public policy support (regulatory policies, in some cases mandatory), employer commitment to career ladders, and tight labor markets. They need to assist in providing training and education to help people move from one rung to the next, as well as the financial and other support to enable them to undergo the training. Establishing career ladders also requires that there be higher-level jobs to move to (for example, from nursing aides to licensed practical nurses, bank tellers to loan officers, clerical workers to information technology workers, and so on).³⁹

Conclusions

The growth of polarized and precarious employment systems in the United States presents challenges for governments, businesses, and workers. To address the concerns raised by the impacts of these employment systems on job quality, we need a new social contract that takes into

account today's realities of the world of work. This chapter has outlined such a contract, the elements of which can be found in other countries with differing institutional structures. The general idea of flexibility is a useful way of thinking about the kinds of policies that are needed, as this provides employers with the flexibility they need to compete while also providing employees with the security they need to construct career narratives. Implementing a new social contract inspired by the flexibility models is possible, depending on the construction of the appropriate labor market institutions.

Chapter 11

Implementing the New Social Contract

WE FACE vast challenges in implementing the components of the social contract described in the last chapter. The pendulum representing the second part of Polanyi's "double movement" does not automatically swing back to create social protections and regulations that remedy the negative consequences of polarized and precarious employment systems. Nor did Polanyi provide a theory of power that would help account for the mechanisms by which countermovements would emerge in response to unregulated markets. Indeed, we now have what amounts to an ideological vacuum in which we do not have anything close to a consensus theory about how to deal with the consequences of polarization and precarity.¹

All public policies are based on value sets that identify what ought to be changed and how best to implement these changes. I have argued that the rise of polarized and precarious employment systems has had profound consequences not only for individuals' experiences of work, but also for their families and communities, as well as businesses and society in general. Putting into practice a new social contract to address these problems requires the coordinated actions of government, business, and labor. This is a difficult task due to a variety of obstacles: ideological disagreements about the appropriate role of the government in the economy and in labor markets; a lack of trust in the government and institutions in general; the current weakness of the labor movement, which prevents workers from exercising voice and being a countervailing force; businesses seeking to cut costs and lobbyists trying to obtain favorable regulations for their clients; and all the economic challenges imposed by concerns over budget deficits, slow growth, and unemployment.

In this chapter, I first outline the roles that the government, business, and labor should play in order to address the growth of polarized and precarious employment systems and to realize the social contract described in the last chapter. I then summarize some of the obstacles that hinder