Foreword

The seal of the Russell Sage Foundation features the ambitious slogan: "For the Improvement of Social and Living Conditions." For over a century, the research projects undertaken by the Foundation, whatever their specific aims, have also sought to serve this broader purpose. The Russell Sage–sponsored study of low-wage work, of which this volume is the culmination, is no exception. Indeed, this study returns to some of the Foundation's earliest concerns.

In 1907 the Russell Sage Foundation's very first large grant financed an extensive survey of the harsh working and living conditions faced by steel workers and coal miners and their families in Pittsburgh, Pennsylvania. The Pittsburgh survey became a model for subsequent social surveys and helped energize Progressive Era reform initiatives that led eventually to occupational health and safety laws, workman's compensation, and the regulation of hours, wages, and the workweek. Modern American workers are the beneficiaries of these reforms, which have vastly improved working conditions over the last hundred years. But recent decades have witnessed a troubling retrenchment, especially for workers in the lower tiers of the U.S. labor market.

Joint Russell Sage/Rockefeller Foundation studies of some twenty-five American industries between 1999 and 2001, summarized in the RSF volume *Low-Wage America*, reveal a disturbingly common pattern: firms, facing intensifying economic pressures due to globalization, technological change, and other economic forces, have sought to hold the line on labor costs by freezing wages, cutting benefits, and reorganizing production, often in ways that intensify work and erode job quality. In the United States, where unions are weak, minimum wages are low, and workers with limited education are plentiful, the deterioration of low-wage work has been widespread. Exceptions have been few and far between and are found mainly where local labor market institutions make it difficult for firms to compete by reducing wages and job quality. Interestingly, in such cases firms have found other ways to compete successfully—often by making investments in training or capital equipment to increase worker productivity and thereby bear the costs of maintaining higher wages and better working conditions.

The coordinated international project reported in this volume compares these recent American developments with labor market trends in five European countries. The comparison builds on intensive study of frontline jobs in five industries, which are predominantly low-paying jobs in the United States. At issue is whether U.S. trends are the inexorable result of worldwide intensification of economic competition, or whether European institutions have been more successful in resisting economic forces and maintaining a higher level of pay and job quality for workers on the lower rungs of the labor market.

The standard measures of a country's economic performance—real income or consumption per person, output per hour worked, and the like—are important but incomplete. When Keynes remarked modestly that "economists are not the guardians of civilization, but they are the guardians of the possibility of civilization," he had this incompleteness in mind. So did we in the planning of this project, even though it is focused on the characteristics of workers, jobs, and labor markets. There is more to a job than the money income that it brings in, though adequate wage income is clearly part of the "possibility of civilization." Likewise, there is more to an economy than the surplus it generates for consumers. An economy affects the well-being of those who take part in it in many other ways as well; the quality of the environment is one, but so too is the quality of the jobs on offer. And job quality is no less real because it is invisible in national economic statistics. That is why this study of low-wage work in Europe and America was planned to augment the standard range of statistical information about low-wage workers and low-wage jobs with intensive case studies of low-wage work that involved site visits to multiple establishments in each industry and interviews with managers and workers.

We speak of "job quality"—just as, in a still broader context, we speak of "the quality of life"—to refer to the nonpecuniary aspects of a job. It is impossible and unnecessary to give an exhaustive list of the components of job quality. The most important items would certainly include: safety and freedom from harmful physical dangers; a degree of job security; some certainty, continuity, and advance notice about hours of work; regular rest periods and paid vacations; a reasonable possibility of upward mobility in pay and status; and a degree of personal autonomy and opportunity for sociability during the workday. In the American context, one would want to add access to health care and provision for retirement. Of course, there are limits and trade-offs imposed by finite productivity. These limits and trade-offs are relevant all up and down the occupational distribution, but they become most acute at the bottom of the labor market, where efforts to hold down labor costs may severely erode the quality of jobs and the quality of workers' lives.

A double objective motivated the decision to extend to Europe the research plan first embodied in *Low-Wage America*. The first was simply to gain some systematic knowledge about the variety of outcomes in some national economies that are basically similar, but obviously not identical, to the American economy. That is why we chose only high-income, successful capitalist economies. If all low-wage labor markets looked exactly the same in wages and job quality, the implication would have been that there was probably little scope for feasible public policy to affect outcomes. That proved not to be the case: there is plenty of variety across these six countries—both in the overall incidence of low-wage work and in the quality of specific jobs in specific industries. It is that variety, if we can understand its origins, that offers scope for policy-induced change.

The second goal, then, was to explore and test the hypothesis that the nature of labor market institutions plays a decisive role in shaping the earnings and other qualities of low-wage jobs as compared with those higher up in the occupational hierarchy. One pretty definite conclusion is that routine economic factors, like technology and market competition, while they play a very important role in governing outcomes, are far from the whole story. They leave a considerable area of slack in which historical, attitudinal, and institutional factors can operate and in which, therefore, public policy can have influence.

We can illustrate with examples from both sides of the street. Looking at the narrowly economic factors at work, it is clear that the intensification of competition leads business firms to urgent cost reduction. This has come about in the hotel industry through consolidation into large, often publicly owned chains intent on streamlining operations and raising profit margins; it has come about in the food processing industry through increased price pressure from large food retailers with significant market clout and from competition from producers in low-wage countries. These pressures on costs then translate easily into pressure on the wages and working conditions of the low-paid, because workers in frontline jobs generally have little firm-specific human capital, are easily replaced if they quit their jobs, and often lack union representation.

On the institutional side, it is generally observed that collective bargaining tends to compress wage distributions and to do perhaps even more to equalize nonwage benefits. Low-wage workers tend to do better in countries with strong union movements. Union strength is not necessarily measured by union density, especially in countries where governments have the capacity and the willingness to extend collective bargaining agreements beyond the actual participants. In these countries, the coverage of collective bargaining agreements may extend to workers who might otherwise have low-wage, low-quality jobs. Another important example is the role of a statutory or informal minimum wage: in France, for instance, the high legal minimum wage is very close to the low-wage threshold and seems to support it, whereas the Netherlands allows a long tail of subminimum wages for young workers. The effects are seen in the distribution of wages and in the composition of the population of low-wage workers.

Still another instructive example of the scope for institutional factors to affect the organization of unskilled work comes from big-box food retailing. In the United States and the United Kingdom, individual workers engaged in stocking shelves work in isolation on simple, repetitive, fully specified tasks. They require little skill and are easily monitored, easily shifted, and easily replaced. In similar stores in Germany, even many frontline workers have had some vocational training. As a result, they can take responsibility for several stages of a supermarket department, from ordering goods to stocking shelves, merchandising products, and advising customers. They have substantial discretion in arranging the necessary work. Vocational education makes this possible.

A different influence, one that crosses the boundary between the narrowly economic and the institutional, comes from the level of the "social wage." The availability of nationally provided health care, pension arrangements, long-lasting unemployment insurance, and social assistance for the poor makes the lives of low-wage workers much more secure in some countries than others. These benefits may also set a floor under the conditions of low-wage work from the supply side. Really bad jobs will attract few takers. And on the demand side, employers may be loath to offer low-wage jobs if they entail costly fringe benefits. In some countries, these supply-and-demand effects have been cited as a cause of high unemployment. In this connection, it is interesting that across the six countries studied here, there is no simple trade-off between job quantity and job quality.

Countries with generous social benefits are not necessarily doomed to high unemployment—at least across our sample of countries—nor are those countries with the thinnest social safety net guaranteed the lowest unemployment rates. Evidently, much depends upon how the social safety net is designed and financed, and perhaps also on the social context in which it is implemented.

The notion of "inclusiveness" emerges from the national comparisons as an important underlying determinant of both wages and job quality. It is partly a matter of informal, often historically embedded, social institutions and partly a matter of explicit public policy, as summed up in the "social wage" and also in the character of the educational system. In our sample of countries, Denmark offers the clearest (and most self-conscious) example of an inclusive, but still market-oriented, system. There has been an explicit national commitment that "no Dane should suffer economic hardship." It has led to a well-developed social safety net and a compressed distribution of earnings with much the smallest incidence of low-wage work. France also scores high on the inclusiveness scale, but in a pattern that involves more direct state involvement in the economy.

The United States exemplifies the non-inclusive end of the scale, not only in practice but in explicit individualistic intent. The United Kingdom and Germany offer contrasting histories. In the United Kingdom, the Thatcher era marked a sharp turn away from earlier inclusiveness, and that move left clear traces in the low-wage labor market. The Blair government made some moves in the reverse direction, notably in the institution of a (rather low) national minimum wage and tax benefits for working families. The results, however, have not been dramatic. Germany has moved in the opposite direction, toward a more individualistic system. German labor laws now permit "mini-jobs"—low-paying part-time jobs exempt from social security taxes—and there have been other attempts to make labor markets more competitive and less "corporatist." Here the consequences have been more noticeable, especially an increase in the incidence of low-wage work and a deterioration of some indicators of job quality. We read this history as containing two general lessons. First, inclusiveness, however it is described in the local policy language, is indeed open to debate and choice. Second, actually having a measurable effect on the quality of low-wage jobs is not easy; changes in policy and in informal behavior have to be fairly deep and have to be pursued persistently.

Another of the lessons of this study is, as the reader will discover, that there is not a simple, one-dimensional U.S.-versus-Europe story. There is variation within Europe too, and the variation occurs along several dimensions. One of the forces that drives change in Europe is that most job-related amenities—job security, regular hours, and so on—are costly. That does not mean that they are simply expendable; there are benefits that may offset the costs. But it does mean that the "high road" to achieving job quality, wherever it exists, is under pressure from intense competition. Firms that have to compete with lower costs elsewhere would like to pass their costs to governments, and governments have to find revenue at a time when raising taxes is unpopular. It is a little ironic that just when the Danish system of "flexicurity" has become a buzzword in Europe and elsewhere, questions have arisen in Denmark as to whether the necessary high tax rates are sustainable.

This is just one aspect of a much broader issue of social policy. No one doubts that, at any instant, the aggregate of goods, services, and quality of life that a society can provide is limited by its capacity to produce. Anything a society does to change the allocation and distribution of goods, services, and amenities is likely also to affect its capacity to produce those things. Wage compression diminishes inequality but weakens incentives; job protection improves security for those employed but adds to the risk assumed by a firm when it creates a job. The deep question for social policy is whether there are acceptable ways for formal legislation and informal negotiation to maneuver along these trade-offs to improve the distribution of incomes and nonpecuniary amenities and the allocation of risks in ways that the consensus will regard as an "improvement of social and living conditions."

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