

== Chapter 1 ==

Pathways to Adulthood: Reversing the Downward Spiral of the Youth Labor Market

A CRISIS is emerging in the American labor market. Young people who do not get college degrees have been called the “forgotten half” because society offers them no way to enter adult roles (Howe 1988). They either experience enormous difficulty getting jobs or take dead-end jobs that offer low status, little training, and pay too low to support a family (Osterman 1980; Althausser and Kalleberg 1981; NAS 1984). Among new high school graduates, 26 percent of whites and 56 percent of blacks still had no job four months after graduating from high school (NCES 1993, 82). Moreover, another study found that most graduates who got jobs (58.3 percent) were only continuing the same dead-end jobs that they already held during high school (Nolfi 1978). Obviously, high school graduation does not give these students access to better jobs. Moreover, their difficulties do not end quickly, and their early problems may hurt their career many years later (D’Amico and Maxwell 1990; Lynch 1989). Even at age thirty, a large portion of high school graduates continue to hold low-paying, high-turnover jobs (Osterman 1995).¹

College is often viewed as the solution. Like many political leaders, President Clinton urged all student to attend college, and high school officials in some communities have stressed college preparation, while dismantling vocational programs. This college-for-all approach has clearly had an impressive impact in raising students’ plans. A national survey finds that nearly all seniors (95 percent) plan to attend college (National Educational Longitudinal Survey, NELS 1992). Unfortunately, school officials who embrace college-for-all programs,

rarely examine what happens to these students in subsequent years. Only 28 percent of young adults, age thirty to thirty-four, have a B.A. degree or higher, and another 8 percent have an associate's degree (NCES, 1999, table 8). What happens to students between high school and age thirty? Instead of bragging about students' high expectations, school officials should be considering the long-term effects of the college-for-all approach. We shall follow a cohort of high school seniors for ten years after their graduation to see which ones follow through on their educational plans and whether earnings benefits follow (see chapter 3, this volume).

The youth labor market also poses difficulties for employers. Employers complain that high school graduates have poor basic skills in reading, writing, and mathematics, and that as a result they are incapable of handling good jobs (CED 1985; Marshall and Tucker 1993; NCEE 1983). Many employers are so concerned that they are providing basic skills education programs for their workers (Eurich 1985). These problems will become more serious because demand is projected to increase, particularly in jobs requiring the higher skills that youths lack, but the number of young people is not increasing. As one analyst (Howe 1988, 30) described the double-edged nature of the problem: "Unless workforce basic skills are raised substantially, and quickly, we shall have more joblessness among the least skilled, accompanied by a chronic shortage of workers with advanced skills." Even in today's strong labor market, youths still have difficulty in getting jobs with advancement opportunities, and employers have great difficulty in hiring workers with good skills and work habits. Many business and labor groups foresee "labor market disruptions" for some sectors of the economy. The projected skill shortage suggests that we can no longer afford such serious educational failure, nor can we squander the potential labor force contributions of new high school graduates in long periods of unemployment and aimless job turnover.

Although the strong labor market reduces unemployment, it does not solve employers' skill shortages, and it does not give unskilled youths good jobs that pay enough to support a family. Moreover, a strong labor market will not last forever. Even low unemployment rates do not solve the underlying difficulties of employers and youths.

These problems are not inevitable; indeed, other nations have managed to avoid them. Germany and Japan have had dramatically lower youth unemployment rates than the United States over long periods of time (Hess, Petersen, and Mortimer 1994, 5; Hamilton and Hurrelmann 1994; U.S. Department of Education 1987). In addition, while

American youths were two and a half times more likely to be unemployed than adults in 1965, and four times more likely by 1979, this ratio was much lower and did not increase in Japan and Germany (Coleman 1994, 35). Even in the 1990s, youths' disadvantage in the labor market remained much lower in Japan and Germany than in the United States (Stern and Wagner 1999, 6). Moreover, Japanese and German employers even see advantages to hiring younger workers, who, besides being less expensive, are often more energetic and more easily taught, especially in new technologies. An American researcher noted that German eighteen-year-olds hold responsible jobs that Americans believe eighteen-year-olds cannot do (Hamilton 1990). Young people are seen as desirable and capable workers in Japan and Germany, but not in the United States.

Why do these differences occur? Are American young people inherently defective, or is there something about the way they are brought into work that creates their work-entry difficulties? Youth work-entry difficulties are not an inevitable feature of young people or of labor markets. They vary across different societies, and they seem to be affected by social contexts (Shavit and Muller 1998). As we describe later, Japan and Germany have clear systems for helping high school students enter work, and the resulting contacts have dramatic benefits for employers, students, and schools. These Japanese and German systems may explain their lower youth unemployment rates, youths' better preparation for employment, and employers' confidence in the value of youth.

In contrast, the U.S. labor market is highly decentralized and lacks a clear system. Every year schools turn out students, and employers hire some of these students, yet we know very little about the relationships that form between these institutions—how these institutions communicate information, how they respond to each other, and whether they use information from each other. We suspect that the relationships between employers and high schools vary a great deal, and that this variation in contacts may affect work-entry processes and outcomes (Granovetter 1974/1995).

This book explores the ways in which American students, employers, and teachers perceive each other, what information they receive about each other, and what actions they take to affect the youth work-entry process. Analyses of the youth labor market usually focus on either employers or youths, but we examine both, as well as high school influences. Moreover, while most analyses blame students for poor skills or blame employers for restricted job opportunities, this book considers whether the relationships between these parties contribute to the problems. We examine whether youths' work-entry

problems arise because of poor interaction, poor information flow, or poor incentives for employers, students, and teachers.

Like neoclassical economic theory, I focus on employers' and students' incentives. That theory assumes that students and employers see incentives to respond to each other's needs, but I consider whether they actually do. Employers or students may not perceive incentives correctly, they may send inadequate information about their needs (or qualifications), or they may not use all of the information they receive. Unfortunately, research has rarely tested these assumptions. Instead of making assumptions about perceptions, we examine the incentives that students and employers actually perceive and the factors that affect their perceptions and actions. If employers and students do not perceive their presumed incentives, that could explain youths' work-entry problems.

The studies in this book arise from a new model, the linkage model. This model resembles mainstream labor market theories in some ways. Like signaling and network models, the linkage model focuses on information problems and on the ways in which social contacts convey information (Granovetter 1974/1995). Like the neoclassical economic model, our model emphasizes the importance of incentives. Like the structural model, it contends that social structures create and contribute to inequalities.

However, unlike the structural model, which emphasizes structural barriers and unequal resources, the linkage model suggests that institutional contacts influence not only resources but also incentives. The model contends that inequalities arise, not merely from initial differences among individuals, but also from the incentives, or lack of incentives, that society and schools offer to individuals. Because societal linkages tend to offer incentives to advantaged students but not to others, linkages often magnify preexisting differences in human capital.

The result is stratified incentives, which increase the motivation and human capital of some students while decreasing them for others. We show that American society offers stratified incentives: it offers strong linkages and incentives to high-achieving students and weak linkages and few incentives to other students, who consequently see no reason to exert effort in high school. Stratified incentives create a perverse situation in which lower-achieving students not only are at a disadvantage, but they also have no incentives to improve their achievement. In contrast, higher-achieving students not only are at an advantage, but they also have clear incentives to keep improving. Contrary to a common assumption, we find that many low-achieving students plan high career goals but obtain poor information about the

requirements for their goals and about actions they could take to achieve desirable career payoffs. This situation is not inevitable, and as we show, some other nations do not stratify incentives, and they give work-bound students clear incentives for school effort. These societies provide a linkage structure that offers incentives to all students, regardless of career goal or prior achievement.

The linkage model considers additional questions that are usually ignored by other theories. While signaling theory contends that actors need more information and network theory contends that contacts affect the amount of information (Raider and Burt 1996), the linkage model contends that actors also need better information—that is, information with the right qualities. Often actors have the problem of deciding how to select information to use and how to get information that is relevant and trustworthy. We examine the ways in which long-term, repeated contacts affect the amount, relevance, and credibility of information, as well as the factors that influence who gets better information, including stratification influences on the quality of information. Some students may get better information about their incentives than others.

This book explores new questions about American work-entry practices and makes new discoveries about students, employers, and high schools. We show that poor information leads students to make unrealistic plans and to fail to make some efforts that could help them achieve their goals. We discover that students are far more confused than is generally realized, and that some groups of students have predictably high failure rates, yet counselors do not provide the career advising that we had assumed is part of their job.

Of course, work-bound students' incentives are affected by employers' reactions to their efforts. We examine how employers get information about recent high school graduates, how high schools help students get jobs, and how institutional relationships affect these processes. Although informal personal networks have been studied, studies usually ignore institutional contacts, repeated contacts, and the ways in which high school–employer interactions may influence youths' labor market outcomes. Some critics have noted that employers use invalid and biased information in hiring; we examine employers' reasons for using information about which they have misgivings. The nature of contacts may affect whether employers use school information in making hiring decisions; whether or not they do, in turn, affects students' incentives for school effort.

We also examine high schools' effects on the work-entry process and on work-bound students' incentives. High school is the main societal institution that could help students enter society. It is the last

institution that serves nearly all youths. High schools could influence employers' perceptions of students, students' perceptions of the labor market, and students' incentives. Our research examines whether high schools provide information to employers about students that corresponds to employers' needs, that predicts students' labor market success, and that creates incentives for students. We also examine whether high schools help students get better jobs, and if so, how this happens in the absence of formal procedures. We discover deficiencies in current practices and describe circumstances that might address those deficiencies.

These studies also point to actions that could remedy these problems. These studies discover that some employers have found ways to use high schools to meet their needs, and that some teachers have found ways to create incentives for students. We also discover actions that students can take in high school to get desirable jobs, including some of which many students are unaware. For instance, we discover that high schools give evaluations that signal students' value in the workplace and predict their eventual career success, yet most employers, students, and teachers are not aware of the predictive power of these indicators. We also discover that some students benefit from hidden school job-placement practices that lead to large earnings payoffs, and that, surprisingly, these school job placements help minorities and women more than white men. (White men rely more on family contacts, which we find actually have lower long-term earnings payoffs than school contacts.) Indeed, though the American system lacks formal linkages, we discover that some American teachers create informal networks with employers that are similar to the formal school-to-work institutional contacts in Japan and Germany. These informal linkages enable teachers to guide youths toward actions that enhance their labor market value, and they provide employers with trusted signals of youths' productive value.

The linkage model contends that an appropriate infrastructure of strong-tie contacts can convey relevant and trusted information about the positive value of lower-achieving students. Such linkages show students and employers each other's needs and show them incentives to respond to each other. Just as the College Board infrastructure creates incentives for college-bound students, school-employer linkages can create strong incentives for work-bound students.

The linkage model concurs with network theory that contacts are important; however, we explore the conditions necessary to make contacts effective. We show that some reforms that tried to improve labor market access without creating appropriate contacts have inadvertently stigmatized participants and failed to convey their positive

value. We explore the theoretical basis for creating effective contacts—information channels, normative sanctions, and reciprocity. We examine how some teachers create effective contacts that give meaning and value to the actions of students, particularly disadvantaged students who otherwise would have difficulty showing their positive qualities in the labor market.

The rest of this chapter has three tasks. First, we review the findings of prior research that suggest that the interactions between employers, students, and teachers sometimes make youths' work-entry problems worse. These results indicate the need for a new view of these interactions.

Second, to get a fresh perspective on interaction, we look at a system in which labor market interactions are very different from ours. Like fish not noticing the water, people have difficulty seeing customary interactions because they take them for granted. It is particularly difficult to notice missing elements—aspects of interaction that could occur but do not. This new perspective raises questions that we ordinarily do not think to ask, challenges our implicit assumptions, and points to what our society is lacking that may be contributing to the difficulties of employers and students. This suggests new research issues for our study of the American labor market. Third, this chapter outlines the agenda for the rest of the book.

Mutual Responsiveness or Downward Spiral?

Do interactions between employers, students, and teachers reduce youths' work-entry problems, or do they sometimes make these problems worse? It would be nice to assume that problems will easily fix themselves. Neoclassical economic theory suggests a plausible way in which problems create pressures for constructive change. If employers cannot get suitable workers, they will create incentives for students to prepare themselves adequately, and students will respond. If work-bound students lack skills for getting good jobs, they will anticipate their problem and increase their efforts and preparation. This theory predicts an upward spiral—employers and students responding to each other's needs so that they can benefit from each other.

Unfortunately, that positive scenario may not happen. Instead of an upward spiral, there are indications that a downward spiral sometimes occurs. As we note later in the chapter, employers do not always create clear incentives for students to increase their efforts, and they sometimes inadvertently contribute to the problems they decry.

Nor do students necessarily respond to employers' needs. Research indicates that some students not only are low-achieving, but they also lack the motivation to improve their achievement or to exert any effort in school. Far from responding to each other's needs, employers and students seem to be strikingly *unresponsive* to each other's needs. Economic theory did not foresee this downward spiral.

Employers and the Downward Spiral

Are employers at fault for the poor school-to-work transition? Do employers really care about academic skills, or are they complaining only to justify the poor jobs that they offer to young workers? In particular, if employers care about youths' academic skills, why don't they pay attention to school performance in their hiring practices?

Judging from their public statements, employers care a great deal, and they see youths' poor academic skills as causing serious productivity problems. The heads of major corporations often give speeches on highly visible occasions about the poor academic skills of young people and the resulting problems for national productivity (Ray and Mickelson 1993). Many national blue-ribbon panels have issued reports decrying youths' poor skills (CED 1985; NAS 1984; NCEE 1983).

Yet there are reasons for doubting these claims. Some critics have wondered whether these Sunday speeches are merely a smoke screen to justify offering poor jobs and poor pay to youths (Ray and Mickelson 1993). Employers have many undemanding jobs, and they often restrict youths to "youth jobs" that demand little skill or responsibility and offer no training or advancement. Researchers have found that job tasks often do not really need the amount of education stated in formal job descriptions (Berg 1971; Attewell 1987; Levin and Rumberger 1987). Looking over the jobs that employers need to fill, it is easy to infer that they do not necessarily need workers with academic skills or any other skills to fill them (Borman 1991).

Moreover, despite employers' claims of needing workers with academic skills, few employers use students' high school performance in their hiring decisions. Although an employer survey in five cities found that over 70 percent of employers require a high school diploma, employers most often ask for this information in applicants' self-reports. Fewer than one-third of employers check applicants' education, and fewer than 5 percent recruit directly from schools (Holzer 1995, 52, 55). In the 1997 National Employer Survey, employers asked to rank the relative importance of various potential criteria in the hiring process on a five-point scale (from "essential" to "not at all important") put "tests and academic performance" near the bottom of

all criteria (2.3 and 2.5), just above “teacher recommendations” (2.0), and far below “applicants’ attitude” and “employer references” (4.6 and 3.9, respectively) (Shapiro and Iannozzi 1999, table 2). Employers rarely make efforts to obtain valid information from schools. As John Bishop (1993, 343) notes, “Many employers were remarkably casual about their hiring selections.” In fact, longitudinal surveys of new high school graduates consistently find that grades, test scores, and other school information have little effect on unemployment, earnings, or the jobs that graduates get after high school (Griffin, Kalleberg, and Alexander 1981; Meyer and Wise 1982; Willis and Rosen 1979).

Why do grades and test scores have so little influence on hiring? Sometimes the fault is with high schools, which fail to send transcripts to employers (Bishop 1993). However, high schools generally respond to strong needs by local interest groups (Useem and Useem 1974), especially when they are asked to do something as simple as providing transcripts. Thus, if schools are not providing transcripts, we must wonder whether employers have asked them to do so. Indeed, research indicates that many employers do not care about school information. In a large survey, employers report that grades are important for hiring college graduates, but not for hiring high school graduates (Crain 1984), and another study found that most employers do not even request school transcripts (Bills 1988). Even when employers consider school experience, they do not necessarily focus on academics. A bank personnel officer reported that he sought people with social skills, and that extracurricular activities were thus more important than grades (Bills 1988).

Employers’ neglect of school performance in their hiring decisions seems to cast doubt on their claims about the importance of academic skills. High schools devote enormous efforts to evaluating students repeatedly over the year and to compiling a record of students’ cumulative achievements. Nonetheless, employers ignore these evaluations. Without any awareness of the irony of their statements, employers complain about their workers’ poor academic skills and poor work habits, and yet, in the same interviews, they report that they ignore applicants’ records of academic achievements and school efforts (chapter 6).

This book examines whether employers really want youths to have stronger academic skills or are complaining for some other reason, perhaps to justify confining youths to jobs with poor pay and career prospects (chapter 5). It also examines whether school information has any value in predicting which youths will do well in the workplace (chapter 8). It looks at employers’ perceptions of school infor-

mation and their reasons for not using such information (chapter 6). It also considers the effect of the larger context in which employers receive school information on their reluctance to use it, and some circumstances in which employers are willing to use school information (chapters 6 and 10).

Students and the Downward Spiral

Do work-bound students perceive incentives to improve their school achievement? Economic theory assumes that students do perceive such incentives, and that these incentives lead them to work hard in school to improve the skills they bring to the labor market.

Although some blue-ribbon commissions have blamed teachers, there are many indications that students are not responding to teachers' efforts. In every Gallup poll over the past three decades, parents identified student disinterest, misbehavior, and drug and alcohol use as among the greatest high school problems. Many kinds of motivation and discipline problems are widespread: absenteeism, class cutting, tardiness, disruptive behavior, verbal abuse, failure to do homework assignments, and substance abuse (Birman and Natriello 1978; Chabot and Garibaldi 1982; Cusick 1983; DeLeonibus 1978; DiPrete 1981). Students are inattentive in class, look out of windows, talk to each other, groom themselves, and even sleep in class (Sedlak et al. 1986). In the National Educational Longitudinal Survey (NELS), 31 percent of high school sophomores do only one hour of homework a week or less, and teachers report that 10 percent of students rarely do homework (DeLuca and Rosenbaum, forthcoming). Before we can improve students' achievement, we must understand why students exert so little effort in school.

These are not just problems for schools; they are problems for society. One of the fundamental challenges for any society is to engage each new generation of youth. To persist for another generation, society must engage youths' efforts to achieve societal goals (Durkheim 1956 [1912]). Schools have the primary responsibility in this process, and school disengagement is probably a precursor of societal disengagement. The disengagement of large portions of students is a real threat to society and to youths' own prospects. Indeed, many working-class and black youths have great difficulty becoming engaged in school and society (Willis 1977; Fordham and Ogbu 1986).

Moreover, the disengagement of a few individuals has far-reaching implications for the entire schooling process. Even if only a few students are absent in a day, different students are absent each day, so teachers must keep backtracking to help the prior day's absentees

catch up. Passive student disinterest can force teachers to adjust their instruction to keep most students following along, and active disruption by just one or two individuals can bring instruction to a standstill. In addition, teachers have difficulty improving students' effort if they are met by a uniform lack of effort by students (Sedlak et al. 1986). Thus, work-bound students' poor motivation undermines the overall sense of purpose in classrooms.

Motivation problems may be more serious than achievement problems, and they are hard to explain. Although economic theory assumes that youths see incentives for school effort, and employers call for reforms to improve students' poor academic achievement, few studies have examined whether students see any incentives for school effort. Do students lack motivational capacity, do they fail to perceive incentives for school effort, or are they unresponsive to those incentives, perhaps because they do not see any actions they can take in high school that will help them attain their career goals?

Teachers and the Downward Spiral

Although employers urge teachers to raise academic demands, it is not clear that students would respond. Just as it is not clear that students see incentives to exert effort in school, it is not clear that they see teachers as possessing authority over any rewards that matter to them. Grades are the main direct sanction that teachers control. When employers do not use grades for hiring, students see that grades do not affect the jobs they will get and teacher authority is severely crippled. Employers often ask why teachers do not exert their authority, but by ignoring grades, employers may unwittingly be undermining teachers' authority over work-bound students.

With their authority undermined, teachers still must come to terms with students. How do teachers respond? As long as they are in the same classroom, they must reach an accommodation, and with limited bargaining power, teachers compromise their expectations. "In most high schools there exists a complex, tacit conspiracy to avoid sustained, rigorous, demanding basic inquiry" (Sedlak et al. 1986, 83). Teachers make an implicit bargain with students: they will demand little of students if students will demand little of them. As a high school senior reported, "As long as I do not cause too many hassles for teachers, they will let me get by and graduate" (Rosenbaum 1976, 109).

External constraints can limit this bargain, so it is not likely to affect students who aspire to selective colleges. Students who aspire to selective colleges cannot press for lower standards, because selective

colleges penalize schools and students with low achievement. These colleges also give teachers authority to evaluate students and give schools incentives to devote resources (better books, teachers, and laboratories) to college-bound students.

However, similar constraints may not apply for other students. Do students who aspire to open-admissions colleges, which are designed to open access, see incentives for effort in high school? This book examines how these policies affect students' views of payoffs to high school effort (chapter 3).

Of course, students know that colleges and employers demand diplomas, which teachers still control. However, all-or-nothing rewards like diplomas encourage students only to satisfy minimum requirements, and failure is not a credible threat against what Theodore Sizer (1984, 158) has described as a "common front of [student] uninterest," since teachers cannot fail *all* students if performances are "uniformly shoddy." Moreover, teachers are unlikely to fight to maintain standards for work-bound students when employers do not care enough to use grades for hiring.

Incremental rewards like grades are far more effective at motivating people than all-or-nothing rewards, but they are not effective if they do not influence valued outcomes. The motivation and discipline problems of work-bound students may indicate that grades have become ineffective and that teachers may not have authority over any incentives that students value.

Are teachers crippled by a lack of authority to influence important outcomes for most students? Or do teachers have ways to buttress their authority and provide meaningful incentives? Do teacher evaluations predict the educational outcomes of students, even in an era when many students attend open-admissions colleges and seek two-year degrees? Can teachers give any evaluations that affect job outcomes? Are there any circumstances in which employers value teacher evaluations and give teachers authority to influence job outcomes?

The Dilemmas of the Downward Spiral and an Alternative System

It is dismaying to discover that we are in a perverse situation: employers contribute to the problems they decry, and students respond by becoming increasingly unsuited for college or jobs. Employers ignore students' school achievement, and students respond with just the behaviors that employers deplore—doing the minimum required to pass and developing habits of poor attendance, poor discipline,

and low engagement. Teachers are blamed for students' shortcomings, but it is not clear that they have authority to influence outcomes that students value, so they may dilute standards and bargain with students about assignments. Instead of problems fixing themselves, as economists assume, we have the opposite—employers, students, and schools may sometimes make their problems worse.

Is this downward spiral inevitable or do alternatives exist? We can gain some perspective on the American situation by comparing it with a radically different system. Japan has an explicit system to coordinate the behaviors and expectations of employers, students, and teachers. Japan's system creates an upward spiral in which employers and students are mutually responsive. We use the Japanese example to pose new issues and to suggest studies of American practices that have not been examined. Our aim is not to urge that we emulate Japan, but to gain a better understanding of American practices by contrasting them with Japan's. These studies allow us to discover new aspects of American practices, and they suggest a way for the United States to escape the downward spiral.

The System That Helped Japan Escape Its Downward Spiral

Like the United States today, Japan in the 1920s had a serious shortage of skilled workers while unskilled workers had high unemployment rates. A series of policies was tried to create a better-trained workforce over the next several decades, but each one failed, and employers became increasingly dissatisfied with youths' preparation and productivity. Even in the 1950s, "Made in Japan" signified inferior production. Yet today there is widespread respect for the high quality of Japanese products, and Japanese youths excel in academic achievement and productivity. Some attribute Japan's success to its culture, which the United States cannot easily duplicate. But Japan's culture has not greatly changed over this period. Its practices have changed, however, so its practices, not its culture, are the most likely explanation for Japan's great success at training work-bound youths.

Japan implemented a system in which high schools are much more involved in allocating students into the labor force than American schools are. The United States and Japan have similar proportions of high school graduates who directly enter the workforce (about 40 percent). While American high schools help only 10 percent of these students find jobs, Japanese high schools help over 75 percent.

Japanese high schools do not just give advice—they provide access to jobs. Schools have long-standing relationships with certain em-

employers who offer the same number of jobs to a school each year and expect schools to nominate seniors of dependable quality for those jobs. These employers expect schools to nominate students with better grades for better jobs.

Homeroom teachers advise students on their choices and allow them to apply for the school's nomination if their choices are appropriate. A committee of teachers then nominates and ranks students for job openings; it is that process that permits students to apply to these employers. The employers cannot choose among all interested students, only among those selected by teachers, and students cannot apply to these employers without the school's nomination. Thus, youths compete for jobs before entering the labor market, and teachers make the first selections.²

Does this system actually work, as the policy claims? Like U.S. employers, Japanese employers are uncomfortable relinquishing their influence over hiring. Indeed, 99.7 percent conduct job interviews for high school graduates, and 48.6 percent expressed reservations about letting schools restrict their choices for hiring students. Therefore, we must wonder how often employers ignore teachers' nominations.

Similarly, the policy directs teachers to base selections entirely on students' achievement. Like American teachers, however, Japanese teachers are ambivalent about relying heavily on grades. They know their students as whole people, and they want to take account of all aspects of students' capabilities and character. We must wonder to what extent teachers nominate students based on academic achievement and to what extent they select favored students or reward cooperative behavior.

Research findings are reassuring on both points. Despite their qualms, Japanese employers do accept teachers' nominations to a very large extent. Even in recessions, when they do not need new workers, employers still try to maintain their linkages with schools by hiring some graduates from these schools (although they may reduce the numbers hired). These unneeded hirings are a price that employers pay to preserve stable sources of recruits of dependable quality. These temporary costs are regarded as investments in the relationship, not as expenses. Of course, in these periods they stop recruiting from nonlinked schools entirely (Amano 1982).

The amount of control that Japanese employers delegate is considerable. Employers hire over 81 percent of applicants when they are first nominated, and of those rejected, over 84 percent are hired by the second firm to which they are nominated. Fewer than 3 percent of all students have to apply to three or more employers. Since some

students apply with weak ratings, schools' influence is probably even stronger than these numbers imply.

Similarly, despite their qualms about grades, teachers use them as the primary criterion for nominating students. Teachers report that they feel constrained to use grades in order to maintain their relations with employers. Indeed, 47.5 percent of schools do not recommend students with substandard grades, even if that means they do not fill their quota of jobs. Moreover, analyzing the jobs that students actually get after graduation, we find that grades are the strongest determinant of who gets desirable jobs, while department, attendance, tardiness, and even socioeconomic background have little influence.³

Although human capital theory assumes that institutional linkages are unresponsive to market demand, schools' commitment to standards is reinforced by an implicit threat of sanctions. If schools fail to send qualified workers, employers stop giving job offers to them in later years. Although the actual frequency of such sanctions is not known, teachers perceive the loss of jobs as real risks, and they feel compelled to recommend qualified students to maintain relations with contract employers.

Skeptics might wonder whether linkages let schools abuse their special influence to relax meritocratic standards and recommend favored students with lower grades. Our results find the opposite. Grades are *more* important for getting good jobs with *linked* employers than they are with *nonlinked* employers. Rather than lowering requirements, schools hold youths to more stringent achievement standards for the desirable jobs in linked firms.

Maintaining these relationships is crucial to a school's success in placing its graduates in jobs and to an employer's success in recruiting capable employees on a continuing basis. As a teacher said, "Getting jobs is only a onetime experience for individual students, but it is repeated year after year for schools" (Rosenbaum and Kariya 1989, 1363). Every hiring decision reaffirms the mutual commitment of the school and employer to each other. Schools must select students who satisfy employers in order to continue receiving job allocations in the future, and employers must continue hiring a school's graduates in order to maintain a stable source of employees of dependable quality. Deviations from agreed standards would jeopardize their relationship, so these standards are stable, dependable, and difficult to circumvent.

In comparisons of different societies, it is hard to know which factors cause outcomes. For instance, it is clear that Japanese students work harder than Americans, but it is not clear why. In *More Like Us*, James Fallows (1989) argues that cultural differences are responsible:

Japanese strive for effort for its own sake, while Americans exert effort for the sake of rewards. The cultural view, however, ignores the rewards that Japanese high schools offer: Japanese students might work hard if they did not have incentives, but they do not have to make that choice, since their efforts are well rewarded.

The strong incentives in the Japanese system surely contribute to the greater efforts by Japanese students. Moreover, if one accepts the cultural view that Americans are more motivated by rewards, incentives like those in Japan would have even greater effects on American students' motivation compared with the current American system, which offers no incentives to work-bound students.

The superior efforts of Japanese students pay off in higher achievement. At a time when American achievement scores have declined and rank poorly in international comparisons, Japanese scores are at or near the top in most comparisons (Cummings 1979, 1980, 1986; Crosswhite 1984; Bishop 1989; Dore and Sako 1988). The Japanese advantage is not among top-achieving students; they do about as well as their American peers. The Japanese advantage is especially large for students in the bottom half of the class; the bottom of the achievement distribution is much higher in Japan than in the United States (Stevenson and Stigler 1992). Japan's incentives for work-bound students, which are stronger than in any other developed country, undoubtedly affect the achievement of these students.

The Japanese system also contributes to more realistic aspirations. It tells work-bound students what they must do to get better jobs and how well they are doing. Every year students can look at their grades, and if their grades are too low, they can either revise their job aspirations or increase their efforts. One consequence is that Japanese students' job aspirations become more realistic over the course of junior and senior high school and are highly realistic by senior year, while American high school seniors often have unrealistic aspirations (Kariya and Rosenbaum 1987; Rosenbaum 1980b).

Finally, since Japanese linkages produce such high-achieving youths and give employers dependable information about applicants, they may contribute to employers' willingness to invest in young employees and to give them training for more skilled positions.

Americans are suspicious of linkages between public schools and employers. Employers worry that exclusive linkages will prevent them from getting the best applicants from the entire labor market. School staff often worry that linkages give employers excessive influence over public schools. Neither has been a problem in Japan. Indeed, the opposite has occurred. Although linkages with a few schools limit employers' access to other schools' graduates, they get

vastly better information about applicants because teachers are committed to making it trustworthy. Schools maintain their emphasis on academic achievement, and employers express dissatisfaction only if teachers depart from these criteria, owing to favoritism or social class background, to reward lower-achieving youths.

Implications of the Japanese Model for American Practices

The Japanese system is much more effective than American practices. Linkages make work entry much easier in Japan than in the United States. Of high school graduates not attending college, almost all Japanese students (99.5 percent) start working immediately after graduation. In contrast, as we have noted, only about half of American work-bound graduates have jobs by graduation, and most of these are only continuing the part-time jobs they had in high school (Nolfi 1978).

Not only does the Japanese model produce desired outcomes for employers, teachers, and students, but it also provides conditions to encourage the right behaviors to improve responsiveness, encouraging each party to make short-term sacrifices to meet their obligations to each other. Thus, Japanese employers hire students even when they do not need workers; teachers do not recommend a student who does not meet employers' expectations even if they want to help the student; and students exert themselves in school even if they hate schoolwork. This system provides conditions that help everyone pursue long-term benefits in spite of short-term sacrifices.

Not only are these behaviors missing from the U.S. system, but Americans do not even think about them, and our theories do not focus on them. Neoclassical economic theory assumes that these conditions occur in ordinary labor markets, but it does not examine whether they actually do occur, or the conditions that would encourage them to occur. For instance, when researchers find that school achievement predicts earnings outcomes (Jencks et al. 1972), they assume that students see those relationships and see incentives for school achievement, and that employers realize that school grades can predict an applicant's productivity. However, research has not examined whether students and employers do indeed perceive these relationships.

The Japanese model extends signaling and network theories by considering the qualities of information that encourage its use and the nature of networks that communicate effective information and ensure its trustworthiness. It encourages research to examine the spe-

cific ways in which employers, teachers, and students receive useful information from each other and what qualities make information trusted; the incentives to encourage these parties to respond to each other's needs; and the social conditions of a relationship that allow each actor to trust that others will respond to his needs. Do employers use the information they receive about applicants, and do they send usable information to them? Do teachers know what attributes employers value, and do they provide candid information, even if it hurts a likable student? Although teachers may give candid evaluations, how do employers know they are candid and trustworthy? Do students see incentives for school effort, and do they know how to get jobs? This book examines these issues.

Besides suggesting neglected issues in signaling and network theories, Japan's system suggests a practical way to escape the downward spiral and youths' labor market problems. Japan's system gives employers trustworthy information about job applicants, it tells teachers what information employers need and gives them authority to influence hiring decisions, and consequently, it creates strong incentives to encourage work-bound youths to be motivated and improve their achievement. Moreover, Japan's system creates incentives that allow each party to trust that the others will respond to his needs. This encourages and maintains these favorable outcomes in what might be termed an "upward spiral" of continued improvement.

While Americans generally blame youths' labor market difficulties on poor school preparation or poor employer practices and focus on reforms inside schools or workplaces, a look at the Japanese work-entry systems suggests that these problems may arise, not in schools or in employers, but in their interaction. Specifically, the Japanese system shows that institutional transition mechanisms can create positive incentives and mutual responsiveness. It suggests the possibility that in the United States the lack of relationships between employers, teachers, and students deprives them of both dependable information about each other and incentives to respond to each other. This leads to a downward spiral of unresponsiveness that is inefficient and goes against the best interests of employers, teachers, and students. While the United States cannot and should not simply imitate Japan's system, we must ask whether Japan's procedures for helping youths enter work offer any lessons for reducing work-entry problems for American students and for encouraging employers, teachers, and students to interact differently.

The Japanese system also inspires us to look at American practices in a new way, and it raises new questions that we might not have considered otherwise. Japan's system provides explicit selection crite-

ria, which students can use to assess realistic career plans and to decide what efforts will help them achieve their career plans. For employers, Japan's system provides explicit hiring criteria. Although employers are not compelled to use these criteria, most choose to do so, and they are pleased with the workers they get. Teachers in Japan's system have great influence over students' future jobs, and employers largely defer to teachers' evaluations.

We may also wonder what actions American schools take to help work-bound students, if any, and how these actions compare with those in Japan. Do the grades that teachers assign to students have any relevance to employers' needs? Could the teachers who prepare work-bound students have relationships with employers, and if so, how would these relationships affect hiring? Are these relationships meritocratic, as they are in Japan, or are they based on petty academic trivia, favoritism, or bias?

This book presents new studies that examine these questions about American practices. These questions are of fundamental importance to the operation of schools and the labor market, but until now no one has asked some of them. The radically different way in which Japan handles the school-to-work transition points to the need to investigate these issues in the United States. These studies reveal new processes in the United States that we did not realize existed, and they give us new insights about how American practices operate and how they could work more effectively.

The Purpose of This Book

This book seeks to understand how American students and employers act, the reasons they act as they do, and the variations and alternatives that may sometimes help them escape the downward spiral in which they are caught. All of these studies are about the United States, not Japan, but we use the lessons from our studies of Japan to see U.S. practices in a new way. The Japanese model prompts us to ask new questions about the United States, and we discover new aspects of American practices that have not been noticed before. These findings suggest a new approach to dealing with youth motivation and work-entry problems.

Chapter 2 puts these issues in the context of four competing theories of the school-to-work problem, and it identifies some crucial issues that have been ignored by these theories and by research. Human capital theory and structural theory are the two most common ways in which work-entry problems have been viewed. Human capital theory sees students as the primary cause of these problems, and

structural theory sees employers as the cause. However, two other theories offer different explanations and suggest other remedies that have rarely been considered. Signaling theory points to poor information as a cause of the downward spiral, and network theory points to the lack of social contacts as a cause of poor information. Our review notes several sources of poor information that lead students and employers into inappropriate and self-defeating actions. A review of practices in Japan, Germany, and the United Kingdom indicates that the quality of information and the context in which it is communicated are important features that the four theories have overlooked. We examine whether social linkages that convey signals of youths' value to employers are a potential solution to these problems.

Chapter 3 examines American students' perceptions, plans, and disappointments. Unlike employers, who repeatedly encounter hiring problems and develop ways of responding, students face career decisions as novices and may be confused. They may not know whether they are college-bound or work-bound, or what actions will prepare them for their goals. Indeed, in an era when open-admissions policies allow anyone to enter college, today's students may see high school's role in career preparation differently, old notions about how and when students decide between college and work may no longer be correct, and researchers may not know how to identify which students are work-bound.

This chapter examines several issues. We look first at students' beliefs about how high school is related to their future career plans, and how these beliefs affect their school efforts. Second, we examine the relation between students' stated college plans and their actual outcomes, and whether students who think they are college-bound are really work-bound—that is, likely to drop out of college and enter the labor market with a high school diploma as their highest degree. We examine whether discrepancies between students' plans and their actual long-term outcomes are predictable from information that students and their counselors already know. We find that American high schools systematically fail to help some kinds of students to anticipate their predictable outcomes, and that students' mistaken beliefs undercut their school efforts and their preparation. Administrators are encouraging college enrollment so they can brag about students' "high expectations," but they are not trying to find out how many of their students drop out of college—perhaps without earning any college credits and in worse shape for entering jobs than if their high schools had offered better information.

Chapter 4 examines how counselors advise students who hold unrealistic plans. Although most people think of guidance counselors as

“gatekeepers,” and this view is supported by old studies (compare, Cicourel and Kitsuse 1963; Rosenbaum 1976), our recent interviews with guidance counselors find that they take a new hands-off approach in advising students about their plans. We explore the reasons for their actions. As a result of counselors’ well-intentioned “college-for-all” advice, students have higher plans, but many students with little chance of completing college are prevented from making realistic backup plans and from using high school to help them prepare for an alternative career.

We also find that high school counselors do not give labor market advice. Of course, high school counselors may be right to avoid giving labor market advice if employers do not value the skills that high schools teach and the evaluations they give. The next two chapters look at these issues.

Chapter 5 examines whether employers really need academic skills from high school graduates. Employers do not use academic grades or test scores to determine which high school graduates they hire or what they pay them, so there is reason to doubt employers’ speeches about their need for academic skills from high school graduates. However, analyzing detailed interviews with fifty-one employers, we discover other hard-to-see employer actions that indicate that employers really do need academic skills. We also discover that they hire and retain youths with these skills through special efforts, including informal social contacts with high schools, which have been unnoticed in previous research.

Chapter 6 explores the question of why employers use invalid and biased information for their hiring decisions. While sociologists have criticized employers for using biased and invalid information and economists have denied that employers would be so irrational as to do so, no one has asked employers why they use some kinds of information and not others, or how they view the information they use. Surprisingly, we discover that many employers concur with critics that their most commonly used procedure, the employment interview, is seriously flawed, but they have a variety of reasons for believing that the alternatives are even worse. Moreover, we discover that employers avoid some of these problems by using two forms of social networks, and we consider whether such networks raise concerns of cronyism.

Why are school-employer linkages so rarely made? Although chapter 6 finds that school contacts provide benefits to employers, employers rarely use such contacts. Following the suggestions of the new institutional economics (Granovetter 1974/1995), chapter 7 looks at why many employers do not hire through school contacts. Our

interviews with fifty-one employers find several social elements that prevent school-employer contacts from occurring and thus impede youths' entry into the labor market. These results, which suggest the sociological foundations of economic transactions, have policy implications for improving the school-to-work transition.

The final five chapters focus on high schools: how can they meet employers' needs and help students get jobs? Chapter 8 asks whether students' noncognitive behaviors in high school are related to their later life attainments. Teachers, colleges, and employers give mixed messages about the importance of the noncognitive behaviors that students exhibit in school. This study uses the ten-year follow-up of the High School and Beyond (HSB) national survey to determine whether students' attendance, discipline, effort, and participation are related to their grades, their later college attainments, and their earnings many years after high school. Using multivariate analyses on a national sample of more than six thousand students, we find that some noncognitive behaviors in senior year of high school strongly predict later educational and earnings outcomes at age twenty-eight, and that these relationships are partially signaled by high school grades, even though employers and students may not realize it.

Chapter 9 reports a new discovery. Although Americans assume that high schools do not help youths get jobs, we discover that the United States has a hidden school-to-work system that helps about 8 percent of high school graduates get jobs, helps females and minorities more than white males, and leads to jobs with better advancement, even better than the jobs that students get through relatives. We also find evidence for this system in other studies, although the researchers did not remark on their findings.

Chapter 10 finds one source for the job help that students receive from high schools. Some vocational teachers help students get jobs through socially constructed linkages with employers. Interviewing 110 vocational teachers in twelve diverse high schools, we discover that some teachers take informal actions to foster trusted linkages with employers, and that they use these linkages to learn employers' needs and to place their students in jobs. Their actions are not required by their jobs, nor are they recognized by administrators or policymakers, but the informal linkages these teachers make have some similarities to the formal job-placement linkages in Japan and Germany, and they raise doubts about our stereotyped notion that social contacts are always unmeritocratic.

Chapter 11 considers implications for theory. Recent social theory has noted that individuals' capabilities are affected not only by their own human capital but also by societal contexts—their social capital

(Coleman 1994). Just as eyeglasses transform one's capabilities, so can social capital. However, social capital has usually been noted in static traditional settings, such as ethnic social networks, and there has been little indication that institutional practices might create social capital. This chapter examines how linkage practices increase students' capabilities—by helping them to see incentives that they otherwise would not see, motivating them to work more fully to their potential, informing them about the actions they can take to improve their value, and conveying trusted signals of their value—so that employers will give them jobs that reflect their potential.

Finally, chapter 12 considers policy implications. Contrary to *laissez-faire* social policies, the “invisible hand” needs a helping hand. The invisible hand of the market is not sufficient to make the youth labor market operate. It provides incentives, but an infrastructure is also needed to convey information so that students and employers will see their incentives. Thus, we have seen that, without an infrastructure, many perverse outcomes arise because incentives are not seen. In contrast, we have discovered that some employers and teachers take steps to create informal linkages that help market processes to work. The linkage model indicates that students' motivation and work-entry problems arise because the labor market fails to give many of them clear information about incentives, about the actions they can take, and about signals of their productive value that employers will trust and value. Informal linkages can provide this kind of information.

This model leads to a new policy agenda. The United States may not need Japanese employment agencies or German-style apprenticeships, which are expensive and hard to implement. Rather, the practices of some American schools already incorporate the basic prerequisites of what is needed, but these practices have been informal and unrecognized. By identifying the networks that already exist, and by encouraging them and making them explicit, society can give students incentives for school effort and give employers ways to identify the valuable skills and work habits in high school graduates. After an infrastructure is in place and formally recognized, the market can operate, and students and employers will see incentives to be mutually responsive to each other's needs.