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Analyzing the Labor Force: Concepts, Measures, and Trends

the OECD pretty much fits the profile of country B. The challenging question is to establish causality. Blau and Kahn wisely employ both macroeconomic and microeconomic evidence to make their case. They convincingly rule out the arguments that unemployment outside the United States increased because of more severe macroeconomic shocks or changes in work force demographics such as a younger labor force. Instead, the key difference between the United States and other OECD countries is in how unemployment responds to a macro or demographic shock. The impact of a change in labor demand or real interest rates on unemployment is much greater in countries with generous unemployment benefits, extensive employment protection, and highly coordinated systems of wage bargaining. Between 1970 and 1995, unemployment benefits became much more generous and employment protection became more extensive outside the United States, whereas collective bargaining coverage fell much more in the United States than elsewhere. So, voila, there is a link at the macro level between changes in labor market institutions and unemployment.

The micro analysis focuses mainly on the impact of institutions on wage inequality. Cross-section evidence shows a strong, negative correlation across countries between wage inequality and collective bargaining coverage in the 1990s. More convincingly, Blau and Kahn examine what happened in countries where there were significant changes in either the framework or extent of collective bargaining. For instance, wage inequality plummeted in Sweden in the 1960s and 1970s as unions gave equal pay increases to all classes of workers, whereas it increased in the United Kingdom in the 1980s after Thatcher abolished the closed shop. The micro evidence on institutions and employment is less conclusive.

The argument of the book is mostly focused on differences between the United States and other OECD countries, which is natural given the long-standing interest of economists and policy analysts in that subject. Looking over the past 30 years, one might argue that there really were two puzzles on the macro-labor front: (1) why did unemployment fall so much in the United States, and (2) why did it rise so much elsewhere? The first question really is not a puzzle anymore. Changes in demographics and income maintenance programs, along with greater wage flexibility and sustained economic growth, have been largely responsible for lower unemployment in the United States. To answer

the second question, we need to learn more from the OECD countries that experienced double-digit unemployment during the 1980s or early 1990s but have since been able to get unemployment back down to near-U.S. levels, such as the Netherlands, Sweden, and the United Kingdom. Do we need to know more about what policies and institutions lead to lower unemployment, or is the real question how to build a coalition that can implement such policies successfully?

At Home and Abroad should be a "must read" for anyone with an interest in understanding the impact of labor market institutions. Researchers will find it valuable because of the massive volume of evidence that is reported and synthesized. It is accessible to anyone with an understanding of economic fundamentals, including advanced undergraduates.

No one who reads this book will be able to seriously argue that the differences in labor market outcomes between the United States and the rest of the OECD countries can be explained in terms of demographics, educational systems, or macroeconomic shocks. Blau and Kahn make a convincing case that collective bargaining and government regulation of the labor market are not just two important factors; they are the two most important factors.

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Research Methods and Information Sources

Analyzing the Labor Force: Concepts, Measures, and Trends. By Clifford C. Clogg, Scott R. Eliason, and Kevin T. Leicht. New York: Kluwer Academic, 2001. xv/266 pp. ISBN 0-306-46536-1, \$95.00 (cloth); 0-306-46537-X, \$37.50 (paper).

This book brings together a number of techniques for analyzing the labor force developed by the late Clifford C. Clogg. Clogg's contributions to social statistics have been celebrated in a number of festschrifts since his untimely death in 1995. In order to commemorate a substantive aspect of Clogg's work that has received less attention, Scott R. Eliason and Kevin T. Leicht

edited, streamlined, and combined earlier publications by Clogg and his associates on themes involving inequality in labor force status, labor market experiences, and occupations. In addition to those reconstituted works, which comprise five chapters, the book contains an introduction, a conclusion, and two original chapters that update Clogg's analyses using data from the United States spanning 1982–96.

The authors' main objectives are to show that labor force status is an important variable in analyses of inequality and social stratification, and, moreover, must not be reduced to the standard trichotomy, employed/unemployed/economically inactive. They initially prefer a classification based on Hauser's "labor utilization framework" (LUF), which includes six statuses apart from inactivity: sub-unemployment (discouraged workers), unemployment, part-time employment, low-income underemployment, (educational) mismatch, and adequate employment. Four of the first five of these categories are forms of underemployment that are concealed by the trichotomous classification.

In the first substantive chapter, these statuses, which are not mutually exclusive over the course of a year, are examined using latent class analysis, a data reduction method akin to factor analysis for nominal manifest and latent variables. Applied to Current Population Survey (CPS) data from 1969 to 1973, this technique yields two distinct latent classes of labor force status. A "marginal class," roughly 25% of the economically active CPS samples for each of these years, has relatively high exposure to unemployment, part-time employment, and low income. The other, "non-marginal" class has a much higher probability of adequate employment.

The authors then examine changes in unemployment and underemployment rates from 1968 to 1980, variations by cohort, gender, and race, and interactions between these variables and time using log-linear association models for contingency tables. The results reveal fairly predictable differences across demographic groups (for example, rates of part-time employment are higher among women than among men), and a 10 percentage point increase in the rate of underemployment during the 1970s. Changes in the rates of different forms of underemployment are shown *not* to stem from the changes in the demographic composition of the labor force: the latter cancel out one another's effects.

After an out-of-place chapter analyzing

intergenerational occupational mobility tables using latent class analysis—which mobility researchers have not adopted, because the technique seems inappropriate where one manifest variable is causally prior to the other—the authors return to their main agenda. They expand the LUF by postulating three distinct subcategories of both unemployment and part-time employment. They then introduce the concept of "prior labor market experiences," a 16-category variable reflecting the frequency and stability of employment during the prior year. They show that prior labor market experiences are associated with current labor force position, and they scale the two variables using two-dimensional "Row and Column Effects" (RC) association models. Readers unfamiliar with such models will find these results somewhat difficult to follow. However, the two latent dimensions of current position and prior experience are later put to good use: entered into occupational status and earnings models, they prove to exert interpretable effects that mediate the influence of education and social background on these outcomes.

A three-category measure of prior labor market experiences provides more intuitively appealing results. Strikingly, 31.5% of the 1982 CPS sample is classified as "unstable active" for the prior year—they were unemployed or worked only intermittently, part-time, or both. Only slightly more—37.8% of the sample, 54.5% of the labor force—fall into the "stable active" category (year-round, full-time employment). The remaining 30.6% were "stable inactive." Distributions across these three categories vary by gender, race, cohort, occupation, and industry. The patterns of variation are again largely predictable—for example, stable full-time employment is most common among white men, 35–49-year-olds, managers and professionals, and workers in core industries.

The final two chapters cover the years 1982–96. The impact of gender and racial differences in work experiences on the distributions across and trends in LUF categories is examined using counterfactual simulation techniques. One noteworthy conclusion: the effect of prior experience on current status is practically invariant over time and by race and gender. This implies that the clear segmentation of labor force status along gender and racial lines stems not from differential assessment by employers of the work experience of women and minorities, but from the persistence of gender and race differences in prior labor market experiences. Policies to rectify inequalities in labor

force status should aim to improve the labor market experiences of marginalized groups.

Overall, the book is an uneven success. The statistical modeling is often elegant. Methodological appendices to each chapter present the details to interested readers without distracting the less methodologically inclined. The book successfully draws attention to several previously neglected aspects of inequality in the work force: labor force status and labor market experiences.

However, the book's substantive messages often get lost in the prodigious volume of data and statistics presented, often without adequate guidelines as to which results merit the most attention. Despite the authors' best efforts, the flow between and within chapters is not always smooth; nor is the over-arching organization always evident. A sharper focus on the key empirical findings might have enhanced the accessibility of the book, particularly for non-specialists in log-linear modeling. A defter editing hand might have reduced the infelicities that inevitably result from the compilation of previously published works.

Most important, the book does not sufficiently engage the substantial body of recent work by sociologists and labor economists examining trends in labor force status, labor market experiences, and their relationship to the bases of inequality, earnings, and occupation. For several decades, various sophisticated conceptualizations of labor force statuses and labor market experiences have figured centrally in discussions of how globalization, restructuring, politics, and technological change have affected the labor force. Readers familiar with these discussions—particularly those with a more technical bent—may find some of the specific methods and concepts presented in the present volume appealing. But by explicitly situating their findings in relation to the existing literature, the authors could have made it easier to identify their distinctive contributions.

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