American borders, as new trade and tariff rules have altered the quota system. With out-sourcing, companies like Nike, Liz Claiborne, and the Gap moved production beyond the reach of even voluntary monitoring by the U.S. Department of Labor.

What lessons does the industry's experience within the borders of the United States hold for efforts to monitor the international apparel industry across borders? In the second half of *Monitoring Sweatshops*, Esbenshade—a leading activist in discussions of international monitoring as well as a careful scholar—offers a recent history of international labor monitoring. In the late 1990s, when corporations refused to publish their subcontractors' locations or to allow independent monitors access to their factories, Esbenshade worked with union and student groups to create the Workers' Rights Consortium, a non-governmental group that seeks to support workers and improve working conditions in apparel factories around the world.

Esbenshade is remarkably open about the difficulties involved in monitoring, recognizing that consumer-based pressures might undermine unionizing drives, and noting the dilemmas facing workers who feel they must choose between bad jobs or no jobs at all. While her workplace focus gives her little to say about the difficulties of sustaining consumer pressure on most apparel firms—especially firms that have no brand identity or that appeal to customers more concerned about price and quality than ethics—her account provides an outstanding introduction to the complex issues involved in this strategy. As Esbenshade acknowledges, independent monitoring cannot substitute for trade unions, democratic governments, and labor laws backed by real enforcement.

As the author also acknowledges, international monitoring is something of a moving target: transnational monitoring is still in its infancy, and new possibilities and new pitfalls seem to appear with each newspaper article. Since the book was published, for example, Cambodia's scheme using the International Labor Organization as its independent monitor has raised new questions and issues; similarly, the January 2005 end of the Multi-Fiber Agreement governing apparel quotas in the United States has created new tensions, as brands relocate the bulk of their production to China, where monitoring is barely visible.

But even as an ad hoc response to a regulatory vacuum, monitoring clearly matters, and Esbenshade offers the best account yet written of actual empirical experiences. As the first serious effort to gather and analyze evidence about new approaches to industrial regulation, *Monitoring Sweatshops* makes a significant contribution to our understanding of globalization, and to continuing efforts to shape globalization in ways that will benefit workers as well as consumers.

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Labor Economics

Downsizing in America: Reality, Causes, and Consequences. By William J. Baumol, Alan S. Blinder, and Edward N. Wolfe. New York: Russell Sage Foundation, 2003. 336 pp. ISBN 0-87154-094-0, $29.95 (cloth).

Just more than a decade ago, in the early 1990s recession, downsizing captured the business headlines. Corporate layoffs, restructuring, re-engineering, and job displacement dominated media coverage of the economy. Attention to downsizing dropped considerably during the long mid-to-late 1990s boom, and re-emerged during the 2001 recession. Today, offshoring, or global outsourcing, attracts similar attention, but not quite at the same level of intensity (at least so far). This book, written by three distinguished and prominent economists, sets out to provide a historical appraisal of downsizing. Three aspects of the phenomenon are explored: the extent to which firms actually did downsize; the economic factors associated with changes in firm size; and, in a more limited fashion, the consequences. The authors, laboring longer than they expected (as explained in the introduction), have produced a comprehensive, balanced, careful, fact-filled, non-ideological—and somewhat dry—analysis. Readers fond of numbers will be particularly rewarded.

The term "downsizing," while amenable to seemingly commonsense understanding, is not a precise term for economists. Its most important characteristic is clearly a shrinkage of employment, on a somewhat widespread basis. Individual firms change work force size frequently; it is only when many firms reduce employment at the same time that we label the activity downsizing. The authors are interested in individual firms' behavior, but more particularly in the patterns of their collective behavior

within and across industries**.** As they pursue the evidence, they further refine the definition of industry downsizing as a process that can be said to occur when a typical firm in the industry gets smaller, as measured by employment.

To explain the causes of downsizing, the authors consider six theoretical hypotheses, introduced in Chapter 1: downsizing occurs because (1) technological change favors smaller enterprises; (2) faster innovation leads to more labor market churning (another technological change hypothesis); (3) foreign competition forces domestic firms to become more efficient by becoming smaller; (4) firms get smaller when capital substitutes for labor; (5) the social contract between labor and capital breaks down; and (6) the relationship between high-level management and labor changes so as to result in a "blue-collarization" of white-collar labor, as the authors put it. These various hypotheses are all interesting to ponder and test (although numbers 5 and 6 are difficult to test empirically). Of the six, however, only hypothesis 3, on the role of foreign competition, is well supported by the data. As the authors state quite honestly, the most important determinant of changes in firm size, particularly in the short run, is a dynamic that is not even among their original hypotheses: change in industry employment. Although this conclusion at first glance seems uninformative—since, after all, it is equally true that industry employment changes when firms change size (and when the number of firms changes)—the change in industry employment is likely an indicator of product demand.

Downsizing prompts questions about perception versus reality. To get at the possible disparity between the two, the authors construct a database of downsizing announcements, as reported in two important newspapers of record, the *New York Times* and the *Wall Street Journal,* for the period 1993–97. This survey of newspaper articles produced a sample of 133 firms, with employment information obtained from Standard and Poor's Compustat database. Some of the results, as reported in Chapter 2, are fascinating. A sizeable share of announced "downsizers" turned out to be "upsizers," replacing their separated employees with even more new employees. Fifty-five percent of the sample ended up larger in 1998 than in 1990. The largest firms, which were concentrated in manufacturing, were the more frequent downsizers, and the smallest firms the more frequent "upsizers." This outcome is often labeled "regression toward the mean." That more firms announced reductions in force (RIFs) than actually reduced headcount suggests that firms use downsizing announcements to reconstitute and reconfigure their work forces under the cloak of necessity (reductions in product demand).

Chapter 3 presents a theoretical model that focuses on the state of market demand as the important determinant of firm size in the short run, and technical change as the important longer-run determinant. As an account of the determinants of firm size, the approach is fitting and appropriate. For the technically trained audience, the presentation may seem a bit shallow; the broader audience, less interested in modeling the behavior of a cost-minimizing firm, will be able to skim the chapter and continue with the empirical analysis.

Chapters 4–8 are the real heart of the book and contain many kernels of insight. Numerous important data issues are well discussed.

Importantly, the authors thoroughly validate the frequently made claim that downsizing is chiefly a feature of the manufacturing sector, and that firms in retail trade and services were *upsizing* during the late 1990s. This observation does lead to the somewhat tautological conclusion that shrinking sectors (manufacturing) tend to be comprised of firms reducing headcount while expanding sectors have firms that are growing in employment. This pattern produces strong correlations between changes in industry employment and changes in average firm size. Obviously, the change in the number of firms in an industry is also a variable, but it appears more weakly correlated with changes in industry employment than is the change in firm size. Bridging to the literature on gross job flows, this evidence supports the notion that employment changes more with job creation and job destruction than with firm births and deaths.

The wealth of data for manufacturing allows a focused examination of the consequences of downsizing. The results of this analysis, reported in Chapter 7, are consistent with the prior literature: productivity declines in firms that permanently downsize, and it results in wage compression (reduced labor costs per employee). Downsizing is associated with increased profitability at the firm level; at the same time, consistent with recent work using event history analysis, downsizing is found to be associated with a fall in stock values.

The concerns raised by the downsizing of the 1990s remain. Many, if not most, labor market observers agree that increasing turbulence is

likely to characterize future labor markets. Given the importance of these issues in the future and the range of evidence discussed, more than two paragraphs on public policy implications, particularly for workers, would have been welcome. But the authors are to be congratulated for providing a comprehensive, data-driven analysis of a complex phenomenon. The book should find a broad audience.

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Human Resources, Management, and Personnel

Workplace Education for Low-Wage Workers. By Amanda L. Ahlstrand, Laurie J. Bassi, and Daniel P. McMurrer. Kalamazoo, Mich.: W.E. Upjohn, 2003. 175 pp. ISBN 0-88099-266-2, $40.00 (cloth); 0-88099-265-4, $18.00 (paper).

This book reports on the training programs of seven organizations, with an emphasis on the training of low-wage workers, and considers this experience in the context of Gary Becker's theory of training and human capital. Recall that Becker defined perfectly general training as that which increases the worker's marginal product by exactly the same amount in many firms, and completely specific training as that which increases the worker's productivity only in the firm providing the training. It makes no economic sense, then, to train low-wage employees if they have high turnover rates, as they then become more marketable, demanding market wages or leaving; either way, the firm does not recover the training costs. The book supports the claim of recent literature that less than perfect markets prevail and, as a result, the Beckerian dichotomy is more a way of understanding the additions of human capital at the limits than it is a description of what can be observed in practice.

The authors provide many details as to how they selected the seven organizations, summaries of a larger group of employers' practices, and details on the seven cases themselves. As a series of case studies, the book makes no pretense to be a formal study of the education of low-wage workers; it offers neither new theory nor more than a brief review of recent literature, nor does it present a statistical analysis of the practices of organizations.

The authors use Becker's theory as a starting point and discuss the necessary assumptions leading to its prediction that employers will "provide less general education than they otherwise would." They then quickly survey some of the more recent work showing that the theoretical distinctions between types of training are blurred, that employers who train reap more benefits than theory suggests, and that employees' gains in wages due to their training are often deferred to their next job.

Ahlstrand and her coauthors next examine firms that make substantial investments in education and training of low-wage workers, using ASTD data to identify employers whom they term "lower-wage training intensive" (LWTI). (ASTD, the American Society for Training and Development, is a private association whose purpose is to provide professional development for managers and others who administer workplace training. As a voluntary group, it is not a statistically random sample, and this self-selection problem carries over to the data the ASTD provided to the authors.) The data are taken from the ASTD 1997 and 1998 databases, which cover 1,300 organizations.

The authors identified 192 of these organizations that "provided an unusual amount of education and training to their lower wage workers" using two measures: training time and expenditures. They then conducted telephone interviews with forty of these organizations and subsequently selected eight of these forty to interview on site. The seven case studies report the results of the site interviews, and are selected as those with the best practices rather than as representative of the population even of ASTD members. (There is no explanation of why one of the eight organizations originally selected for study was apparently dropped.)

Work force size varies greatly across the reported cases. CVS, with 100,000 workers, is the largest; the next largest employs 1,800, of which only 1,400 are wage workers; four others employ between 850 and 1,500 wage workers; and the smallest employs only 46 wage workers. (It could be argued that while CVS does employ 100,000, most of these low-wage workers are employed at individual stores and, hence, they too are employed by small employers.) Five of the organizations are non-profit and two are for-profit. Thus the case studies are heavily weighted to the experience of modest-sized, non-manufacturing, non-profit organizations.

Only one manufacturing firm, Lacks Enter-