

Chapter xx

Labor market inequality, past and future: A perspective from the United States

Chris Tilly

Introduction

Social scientific analysis of labor market inequality has generated two main narratives: an efficiency-driven narrative and a socially driven narrative. The standard, *efficiency-driven* economic narrative of labor market inequality holds that such inequality results straightforwardly from the interplay of supply and demand in a market for individual skills. But much social science research points to a very different, *socially driven* account of labor market inequality. Norms and stereotypes channel action in labor markets. Power disparities and the imperatives of organizational maintenance decisively shape labor market outcomes. Labor markets are constructed not simply of striving individuals, but of pervasive networks.

I review four bodies of evidence about labor markets that offer a test of the relative validity of these two views of the labor market. First, I examine how racial inequality in the labor market in the United States has changed over time. Second, I look at differences across U.S. cities in class, gender, and racial gaps in earnings. Third, I consider the growth of part-time and temporary work in the United States. Finally, I broaden my scope to international evidence, addressing the link between gender segregation and the gender pay gap. Despite appealing features of the efficiency-driven theory—chiefly simplicity and explanatory parsimony—in both cases, the socially driven model offers more satisfactory explanations of the evidence about labor market inequality.

In closing, I turn to predictions for future trends in labor market inequality. The efficiency-driven approach contends that the labor market has largely shed, and will continue to shed, distinctions of race, ethnicity, gender, and caste, and that the future will be determined above all by the evolution of technology and of skill development systems. The socially driven view, to the contrary, holds that categorical distinctions reappear in new forms, and that technological choices are a result as much as a cause of social arrangements. I distinguish between the *ranking* of jobs and the *sorting* of people among jobs and employment statuses to explore the further implications of a socially driven perspective.

Specifying the two narratives

The efficiency-driven narrative regarding labor markets is grounded in neoclassical economics. According to economist Gary Becker, ‘The combined assumptions of maximizing behavior, market equilibrium, and stable preferences, used relentlessly and unflinchingly, form the heart of the economic approach as I see it’ (1976, p.5). This outlook sees the labor market as the meeting place of two optimization processes. Prices (wages) are determined by the supply of and demand for skills possessed by individuals. The supply of skills is determined by the optimization processes of individuals and families. This optimization, in turn, is shaped by innate abilities, individuals’ preferences (for example, the extent to which they are willing to forego consumption in order to invest in their own or their children’s skills), as well as the available education and training system. Firms seek to maximize profits by deciding (among other things) the quantity and mix of labor with different types of skills that they can most efficiently use to produce their desired output. They base these choices on the demand for products, and on available production technology. In making these optimizing choices, they set the demand for skills. While advocates of an efficiency-driven narrative will readily acknowledge that the world deviates from this ideal type, they generally argue that the differences are sufficiently small and unsystematic that the model is adequate for making predictions and guiding policy.

The efficiency-driven narrative’s key implication is that earnings inequality (as well as other types of labor market inequality, such as inequality in unemployment rates) is efficient, in the sense that it conveys information needed for households and firms to optimize. Market wages signal which skills are most scarce and therefore most productive, and which are less needed. If an industry expands or contracts, wage movements will tell workers to flock to the industry or flee it. The relative wages of laborers and engineers allow firms to figure out the most efficient combination of these two types of workers. Attempts to ‘artificially’ reduce earnings inequality corrupt this information, pushing the economy farther from efficiency. To the extent that society values equality, we should direct our efforts to helping increase the skills of the less-skilled.

To be sure, this simple efficiency-based account is not the only perspective emerging from standard economic theory. As George Akerlof (2002), Michael Spence (2002), and Joseph Stiglitz (2002) have pointed out, they and others have been constructing for more than 30 years an alternative economic paradigm built on departures from rationality and the unavailability or costliness of the information needed to optimize. However, as Stiglitz also noted, public policy in most of the world is still largely—indeed, increasingly—guided by the efficiency-based narrative. Moreover, as I have argued elsewhere (Tilly and Tilly, 1998), the ‘new information economics’ itself includes contrary efficiency-based and socially based ideas.

The socially driven narrative has a more eclectic pedigree than its efficiency-driven counterpart, drawing on sociology and on Marxist and institutionalist

Divisions of Gender and Work

approaches to economics. While these schools of thought disagree on much, they generally agree that skill has a large social component rather than consisting of cognitive ability and dexterity (Darrah, 1994, Vallas, 1990). That is, job performance depends greatly on social context. The nature of relationships with co-workers, supervisors, or customers, for example, can spell the difference between success and failure. More generally, the socially driven approach holds that the supply of and demand for labor are socially determined. As Tilly and Tilly put it, ‘Work does not issue from the efforts of isolated individuals who respond to market cues but from social relations among workers, employers, and consumers’ (1998, p.4). Worker and employer preferences are shaped by norms, pre-existing social networks, and discrimination—with segregation as one result. In particular, employers’ optimization deviates greatly from an objective calculation of how to maximize profits. It incorporates prejudices and beliefs, as well as managers’ individual goals.

Labor supply and demand also depend on pre-existing social networks—indeed, a large fraction of recruitment and hiring takes place through network processes (Granovetter, 1995). Institutions such as child care systems and seniority rules also mold supply and demand. Wage-setting itself results from a wide range of norms (such as notions of fairness) and institutions (such as unions or business associations), not just from economic supply and demand. Overcoming inequality, therefore, does not simply call for additional investment in technical skills. It requires social change.

Evidence about labor market inequality

I review four bodies of evidence about labor market inequality. The first examines how earnings gaps between blacks and whites in the United States have changed over time. Over the 20th century, the black-white pay gap narrowed markedly. James Smith and Finis Welch (1989) offered an efficiency-driven account of this change. They explained the narrowing trend via two related forms of optimizing behavior by African Americans: migration out of the South and acquisition of more education. But Martin Carnoy (1994) challenged this interpretation. He focused on blacks’ rate of progress decade by decade, and noted that it was highly uneven (Table 1).

Table 1 Black wage levels relative to whites, United States

1940s: Rapid advance
1950s: Stagnation
1960-75: Rapid advance
1975-95: Stagnation and by some measures regression
1995-2000: Advance

Source: Adapted and updated from Carnoy 1994

Labor market inequality, past and present

There is little question that migration and educational upgrading boosted African Americans' economic fortunes. But why the stop-start pattern? Two obvious factors to examine would be the availability of jobs (which drives many migrations) and the disposition of politics and public policy (which plays a key part in the quality of schools available to African Americans, among other issues). More broadly, we can look at macroeconomic and political conditions. Macroeconomic expansion, as manifested in lower unemployment rates, clearly aids African Americans (Cherry and Rodgers, 2000). But this generalization still does not offer a fully satisfactory explanation. How do we account for blacks' stagnant wage position relative to whites during the generally buoyant 1950s and late 1980s? Carnoy pointed to the federal level political stance toward African Americans, fluctuations in which followed this time pattern almost precisely. The broad political stance translated into a variety of specific policies over the decades in question: school desegregation and equalization of educational resources, passage and enforcement (or non-enforcement) of antidiscrimination laws, government employment of African Americans, and government purchasing from black-owned businesses. Moreover, he observed, federal governments favorable toward civil rights and affirmative action have also tended to place more emphasis on combating unemployment and less on reducing inflation, so that macroeconomic conditions were themselves mightily influenced by the political climate. Socially driven explanations appear to offer a superior explanation for these time patterns in racial inequality.

A second body of evidence assays U.S. regional variation in inequality. Leslie McCall (2001) studied the variation of several forms of wage inequality across 500 geographic regions in the United States. She looked at gender, race, and the average gap between people with different levels of education, such as high school graduates and four year college graduates (a distinction McCall labels 'class,' but which does not capture a broader conception of class). An efficiency-driven narrative would lead us to expect that skill differences are the key to all earnings differences (with some exceptions, such as compensating wage differentials for dangerous or unpleasant work) (Rosen, 1986, Willis, 1986). Therefore, racial and gender wage gaps should be wider where earnings disparities by education level yawn wider as well. In other words, all three dimensions of inequality should be positively correlated.

Table 2 shows how the gender wage gap is correlated with various other dimensions of inequality. Contrary to predictions based on the efficiency-driven account, the correlations are virtually all negative (and the one exception shows a negligible correlation). Can a socially driven narrative explain this result? McCall suggested that the explanations lie in regional 'configurations of inequality'—sets of relative wage positions grounded in institutional features of the labor market (see also Peck, 1996). Although she classified U.S. regions into a set of four main configurations, a comparison of the two polar extremes illustrates the logic of her analysis.

Table 2 Correlation of gender wage gap with other wage gaps, across 500 regions of the United States

<i>Wage gap</i>	<i>Correlation</i>
<i>Women: High school vs. college</i>	(-)
<i>Women: Less than high school vs. college</i>	--
<i>Men: High school vs. college</i>	(-)
<i>Men: Less than high school vs. college</i>	(-)
<i>Women: Black vs. white</i>	(-)
<i>Women: Latina vs. white</i>	(-)
<i>Men: Black vs. white</i>	(-)
<i>Men: Latino vs. white</i>	(-)

Source: McCall, 2001

The Detroit metropolitan area, capital of the U.S. auto industry and of the still powerful United Auto Workers union, exemplifies the ‘industrial’ configuration. Gender inequality looms large, reflecting the importance of well paid, largely male manual jobs in heavy industry. Although unions moderate wage differences by educational level among men, the educational wage gap among women is large, reflecting the relative bifurcation of women’s jobs between service and professional occupations. Unions and union-influenced politics (African-American Detroit mayor Coleman Young, who governed between 1973 and 1993, started out as a United Auto Workers activist) also mitigate racial wage differences.

At the other extreme lies the ‘post-industrial’ configuration, with the sunbelt metropolis of Dallas as its archetype. Dallas’s economy is centered on high technology and services, and its labor markets are ‘de-institutionalized,’ with low union density and high levels of contingent work. Although regional data on company policies are not available, we know from case study evidence that businesses in Dallas’s key industries tend to adopt compensation policies with a relatively loose connection between job classification and seniority (Cappelli et al, 1997). The result is greater inequality by educational level among men, greater racial inequality, but diminished gender inequality. A nation of Dallases and Detroits would generate the negative correlation coefficients seen in Table 2. The general point is that historically formed labor market structures and institutions—not the simply supply and demand of the efficiency-based account—differentially shape the various axes of inequality.

A third phenomenon that allows us to weigh the relative merits of the efficiency-driven and socially driven viewpoints is the growth of part-time and temporary employment in the United States. Part-time employment trended upward as a share of total employment from the mid-1950s, when the level of part-time employment was first measured, to the mid-1990s, before leveling off (Tilly, 1996). Temporary agencies, invented in the late 1950s, saw their share of the workforce trend upward up to the present (Rogers, 2000).

Labor market inequality, past and present

Efficiency theory leads us to look to two likely sources of this growth. One is a shift in preferences of the workforce. If more workers prefer shorter hours or the flexibility that comes with short-term assignments, employers will find ways to accommodate these desires. The second is a shift in the technology of work itself that makes it more discontinuous, so that staffing with long-term, full-time employees becomes less efficient. This shift in the technology of work could result from a change in the composition of employment: for example, fewer people producing durable goods on assembly lines that companies seek to keep running as many hours as possible, and more people serving lunches at peak times during the day and week. The change in the composition of employment, in turn, could be due to changes in the mix of demand (more people eating meals outside the home as women enter the workforce in larger numbers) or in production technology (productivity advances in durable goods production that reduce its employment share relative to food service). Alternatively, work technology could shift simply because, within each industry, businesses have only now discovered efficient ways to match staff to workload that could have improved efficiency all along. One possible socially driven account would give the same pattern a different interpretation: the diffusion of part-time and temporary employment does not represent the spread of an innovation, but the breakdown of norms and institutions that historically barred the use of more exploitative forms of employment.

Analysis of the patterns of growth of part-time and temporary work in the United States suggests that a combination of efficiency-based and socially based factors are at work. In my own research (Tilly, 1996), I found that growing numbers of women and teen-agers in the U.S. labor market propelled the growth of part-time employment from the 1950s to the early 1970s. But the contribution of this demographic shift to part-time growth diminished. By the 1980s, the number of women and teens seeking part-time work was no longer increasing as a proportion of the workforce: women increasingly sought part-time work, and the exit of the 'baby boom' generation from their teen-age years decreased the flow of teens. Indeed, the continuing trend toward a higher share of part-time employment was driven exclusively by growing 'involuntary' part-time employment—part-time workers who would prefer full-time work.

What about changes in the technology of work? Part of the rise in part-time employment resulted from growing employment shares claimed by retail trade and services, sectors which historically had high levels of part-time employment. But another portion arose from a growing proportion of part-time jobs *within* almost every industry. In-depth interviews with managers supported both interpretations of this within-industry trend suggested above. Managers most often cited two advantages of a part-time workforce: the ability to match staffing levels with peaks of work volume (an efficiency-based explanation), and savings due to the ability to offer lower wages and fringe benefits to part-time workers (suggesting new opportunities for exploitation resulting from weakened norms and institutions).

Particularly interesting was the evidence that I found that the retail industry had expanded part-time employment to a point that it led to diminished efficiency. Retail managers complained about the low commitment level and high turnover of

Divisions of Gender and Work

part-time workers. In a fascinating pairing of comments, the human resource director of a supermarket chain described trying to convert as many jobs to part-time as possible because part-time compensation was half as much per hour, while a store manager estimated that a full-time produce clerk was three times as productive per hour as a part-timer! The scope of management miscalculation is suggested by the fact that as part-time employment grew, U.S. grocery store productivity fell 23 per cent in real terms between 1973 and 1992 (Tilly, 1996, p.26). It is difficult to square these facts with a pure efficiency story.

Nonetheless, U.S. businesses did not persist endlessly down the path of increasing part-time employment. During the long expansion of the 1990s, part-time employment declined significantly, snapping thirty-plus year growth trend. As labor shortages heightened quit rates and lack of job commitment among low-paid workers including many part-timers, employers finally shifted to a more full-time workforce. As predicted by efficiency-based theories, employers responded to shifts in labor supply. But it is difficult to explain why they took so long to respond without drawing on socially driven theories.

In the case of temporary work, a socially based explanation is even more compelling. Whereas two-thirds to three-quarters of part-time workers in the United States are willingly working short hours (Tilly, 1996), 60 per cent of temporary help employees would prefer a non-temporary job (Hudson, 1999). George Gonos (1997) demonstrated that at the dawn of the temporary help industry, agencies such as Manpower fought a concerted political and legal battle to avoid regulatory requirements, so that they could offer businesses a way to hire workers unencumbered by labor regulations. Thus, it appears to be the opening of a loophole in protective institutions that explains the rapid expansion of temporary jobs.

A final source of evidence is international comparisons of occupational segregation and pay inequality by gender. Occupational segregation by gender is virtually universal, as is gender-based pay inequality: women work in different jobs than men, and earn less than men, on average, all over the world. As Barbara Reskin and Heidi Hartmann (1986) described it,

There is some division of labor by sex in most societies. Across all societies, moreover, there is a pattern to this division of labor. Women generally do those tasks that are compatible with child care—tasks that are not dangerous, do not take them far from the home, do not require close attention, and are readily interrupted.... Within the limits of female-assigned child care and sexual dimorphism in strength and energy, there is a great deal of variability across societies as to which gender is expected to do what job, even in the West. (p.7, citations omitted)

Efficiency-based analysts attribute gender pay differences to productivity differences. According to these analysts, women may choose to work in different jobs from men for a variety of reasons, including individual preferences or a need for flexibility due to child care responsibilities—but if they are getting paid less on average, it is because they are less productive. After all, if women were being paid less than their productivity, alert employers would start hiring women into ‘men’s’

jobs in order to save on wage payments, starting a bidding-up process that would only end when women's pay reflected their productive abilities. Women's lower average productivity could result from less work experience due to child-bearing and rearing, or to attention divided between duties in the workplace and home (England, 1992, Hersch and Stratton, 1997, 2002, Stratton, 1995).

The socially driven analysis, on the other hand, reasons that gender pay gaps are largely created by segregation between differently valued occupations. Such segregation, in turn, is reinforced by a set of institutions (England 1992, Kilbourne, England, and Beron, 1994). In some countries the institutions still include explicit legal barriers to women (or to subgroups of women, such as those who are married). But in richer countries, the main forces channeling women are strongly held norms about who is appropriate for a job and how a job must be performed (for example, how many hours a week a worker must put in to do the job adequately). Norms also reward work typically done by men more than work typically done by women; for instance, in the United States there is a wage penalty for jobs that include 'nurturing' activities (Kilbourne, England, and Beron, 1994).

The socially driven narrative about gender in the labor market would predict that where occupational segregation is greater, the wage gap between men and women will be wider as well. However, this turns out not to be true. David Anker (2001) summarized the research on the relationship between occupational differences and pay differences by gender, in international comparison. Estimates generally find a relationship that is not statistically significant and in some instances is unexpectedly negative. McCall, similarly, finds only a small correlation between these two measures of gender difference across U.S. regions.

Does the missing correlation disprove the socially driven narrative, at least as it relates to gender differences in the labor market? Before giving up on the socially driven account, it makes sense to take a closer look at patterns of occupational segregation and gender pay disparities. As Table 3 shows, the potential for a negative correlation arises because of the position of the Scandinavian countries—with high segregation but a small pay gap—and Asian countries, with low segregation but a large wage differential.

Table 3 The cross-national pattern of levels of occupational segregation and wage gap by gender

		Occupational segregation		
		<i>Low</i>	<i>Medium</i>	<i>High</i>
Wage gap	<i>Small</i>			Nordic countries
	<i>Medium</i>		Rest of Europe	
	<i>Large</i>	Asia		

Source: Based on Anker, 2001.

To understand why these countries fall at the extremes of the grid, it is necessary to examine individual national cases. Consider Sweden and Japan (Anker, 2001, Hashimoto, 1990, Western, 1997). Sweden's labor market features

centralized wage-setting by union federations and employer associations. The unions have pursued solidarity-oriented bargaining that has compressed wage differences. At the same time, Sweden has subsidized child care, and has created large numbers of part-time jobs concentrated in the public sector. The result is working women who are funneled into particular jobs, but who receive wages not far below those of men. Japan's system of enterprise unionism, on the other hand, decentralizes wage-setting. Women work in the secondary fringe—in small firms, in part-time for short-term jobs—in almost every sector. In short, the unexpected cross-national pattern does not refute the importance of social institutions in the labor market, but rather reflects institutional patterns that are more complex than anticipated.

In summary, a variety of evidence about labor market inequality points to the importance of social factors. This does not deny the value of the efficiency-based notion that employers and workers respond to forces of supply and demand, at least if those forces loom large enough. As I noted in the discussion of part-time employment in the United States, businesses facing a labor shortage eventually backed off from excessive (by efficiency criteria) use of part-time workers. Similarly, David Card and Alan Krueger (1995) argued that although moderate increases in the U.S. federally mandated minimum wage have not and will not lead to diminished employment, very large increases would likely lead to disemployment. The point is that much of the actual historical and cross-sectional variation we observe has little to do with efficiency-driven mechanisms, and instead reflects social forces and institutions.

The future of labor market inequality

The efficiency-driven narrative and the socially driven narrative forecast rather different futures for labor market inequality. In the efficiency-driven account, two main factors drive change. The first is the continuing decline of non-efficiency factors in shaping the labor market. Economies have and will continue to shed discriminatory distinctions and social democratic protections alike, as societies realize that these market distortions reduce economic well-being. As these other influences are stripped away, employment rates and wages will more and more reflect true differences in skill and productivity. Richard Herrnstein and Charles Murray (1994) put forward a particularly extreme version of this hypothesis, holding that labor market success increasingly reflects genetically grounded ability—though many other researchers have refuted this particular analysis of recent changes (see, for example, Devlin *et al.*, 1997, Levine, 1999).

In any case, the supposed growing importance of skill points to the second factor driving the evolution of inequality: changes in the supply and demand for skill. Growing wage inequality within countries, on this account, results from 'skill-biased technological change'—technological shifts, notably computerization, that favor more highly skilled workers. As of 1999, two leading economists in the field declared that 'The [economics] profession seems to be near consensus' that skill-biased technological change is driving increased demand for skilled labor

Labor market inequality, past and present

(Berman and Machin, 1999, p.3). On the other hand, most efficiency-focused analysts attribute changes in earnings inequality *between* countries—such as the falling relative earnings of much of sub-Saharan Africa, or the surge in wages in some newly industrializing economies such as Korea—to the degree to which each nation has shed efficiency-hampering institutions. But to the extent that most countries *are* indeed dispensing with such fetters (Friedman, 2000), the efficiency framework would predict that cross-national differences should increasingly reflect differential success in imparting skills. In short, in the future, patterns of earnings inequality among individuals and nations alike will flow ever more directly from skill differences.

There are a variety of reasons for questioning the description of the recent past that underlies these predictions for the future. While institutional change has been unmistakable, it is debatable whether the changes have taken—and will continue to take—the form of widespread liberalization. As Stiglitz (2002) observed, post-communist marketization has generally lead to either highly regulated markets (as in China) or privatized plunder (as in Russia)—neither one a model of efficient, laissez-faire capitalism (see also Hohnen, 2003). The countries of Latin America, many of which liberalized their economies over the past two decades, are now turning the other way (Forero, 2002, Moffett, 2002, Semple, 2002). Bruce Western and Joshua Guetzkow (2002) posited that the emerging economic regime in the United States itself can be better characterized as ‘punitive’ than as ‘neoliberal,’ given the huge prison population and the escalating controls imposed on recipients of social welfare payments.

Doubts also arise about the technologically driven story of growing earnings inequality (Moss, 2002, Moss and Tilly, 2001 Ch.3). Robert Gordon (2000) noted that contrary to ‘new economy’ claims about computers’ impact on every sector of the economy, surging productivity in the United States has been confined almost entirely to the durable goods sector, with much of the measured gain coming from productivity improvements in the manufacturing of computers themselves. The timing of growing U.S. earnings inequality does not match up with the timing of the technological shifts alleged to have fueled that growth (Howell, Duncan, and Harrison, 1998). And the much more rapid widening of disparities in the United States compared to other rich countries, despite similar technological changes sweeping all countries, suggests that technology can be at most one part of the cause.

What alternative explanation does a social driven perspective offer? The socially based view is by its nature less deterministic. In fact, this viewpoint starts from the premise that technological choices, far from being exogenous, are themselves socially determined. Persistent managerial attempts to take control of the labor process away from workers testify as much (Braverman, 1974, Noble, 1984). Skill development systems are *a fortiori* social outcomes, as evidenced by the very different skill systems found in different countries (Dertouzos, Lester, and Solow, 1989). But beyond this social context for technological and skill change itself, a socially driven narrative would focus on factors other than skill in explaining the persistence and evolution of inequality.

Divisions of Gender and Work

One critical change, in this view, is the weakening of ‘pure’ categorical distinctions such as gender, race, and ethnicity—primarily as a result of social movements for equality and expanded democracy. In the United States, gender and ethnicity have come to matter less. Conversely, as overall inequality widens, class matters more. Inequality is growing *within* groups, such as women and African Americans, who were once largely confined to a narrow band of low earnings. To be sure, the impact of ethnicity and gender are not declining everywhere. The eruption of ethnically based conflicts and even civil wars in many parts of the world, and the resurgence of religious fundamentalism incorporating male supremacy, demonstrate that these ascriptive categories exert a growing grip in some settings. But their economic import in most wealthy countries had diminished.

Even so, research informed by a socially driven paradigm tells us that categorical distinctions are tenacious, and often reappear in new forms. Moss and Tilly (2001) found that U.S. employers no longer feel comfortable saying that they do not like African-Americans; instead, many employers state that African-Americans lack necessary skills. Whereas blacks do indeed, on average, have lower levels of education than whites, these employer attitudes are widespread in low-level jobs that require little, if any, education—and for which the alternative workforce consists largely of immigrants with limited education themselves (Waldinger and Lichter, 2003). Instead of education, managers focus primarily on the ‘soft skills’ involved in social interaction—‘skills’ that are assessed subjectively and that depend greatly on the friendliness of a work environment toward workers from a particular group. Racial (and gender) stereotypes have also become more likely to stigmatize particular subgroups: for instance, managers have particularly negative perceptions of less educated black men from the inner city (Kirschenman and Neckerman 1991).

Lawrence Bobo, James Kluegel, and Ryan Smith (1997) characterized new white prejudices toward blacks in the United States as ‘laissez-faire racism.’ The tenor of these beliefs is that civil rights laws have removed the obstacles to black advancement, so if African-Americans have failed to gain economically it is because they lack ability or are not exerting sufficient effort. A similar spirit motivated the 1996 welfare law placing strict work requirements, time limits, and other restrictions on single mothers receiving government assistance. Although the conservatives who drafted the bill justified it in terms of supporting marriage, the message that resonated most with the general public could be described as ‘laissez-faire sexism’: female welfare recipients should be subject to the same market discipline as the rest of the population. Much like laissez-faire racism, this ideology overlooks the multiple burdens and problems that hamper single mothers in the labor market (Albelda and Tilly, 1997). Thus, there seems little prospect that gender and race distinctions in the labor market will fade away.

So far, this discussion of socially driven narrative’s insights about the future has examined *sorting* processes: how are people sorted among jobs, and who gets the good jobs? But labor market inequality also depends on *ranking* (Granovetter and Tilly, 1988): which jobs are the good jobs, and how different are pay and

Labor market inequality, past and present

working conditions for good and bad jobs? As the late reggae musician Peter Tosh (1977) queried, 'Everybody's trying to reach the top / Tell me, how far is it from the bottom?'

Clearly, the top of the labor market has moved farther from the bottom. An efficiency-driven response would hold that the same mechanism determines both ranking and sorting: jobs are ranked based on productivity, and people are sorted among jobs based on their skill and consequent productivity. But a socially driven analysis of ranking changes directs attention to changes in institutions, norms, and rules (Tilly, 1997, 2000). In the United States, the most obvious changes are the declines of union density and of the real value of the mandated minimum wage. Processes that shift employment outside large organizations—such as subcontracting and temporary employment—have also contributed. Most fundamentally, basic norms that limited wage disparities have been weakened by the same resurgent laissez-faire ideology that rationalizes continued race and gender inequalities. Similar processes have stretched apart wages in other nations, though not to the same extent as in the United States.

The policy implications of the efficiency-driven framework and the socially driven one are quite different. If earnings inequalities result from efficiency-maximizing economic activity, then at best we can trade off efficiency for equity, sacrificing some economic output in order to distribute goods and services more equally (Okun, 1975). At worst, attempts to redistribute resources warp incentives to the point where they harm those they are intended to help (Murray 1984). Active policy instruments for reducing inequality are limited to skill development systems, and in the United States the dominant reform proposals for such systems propose marketization through school vouchers and the like.

The socially driven narrative, on the other hand, describes a far more contingent relationship between efficiency and equity—one that I can only summarize very briefly here. Under many circumstances, redistribution boosts growth rather than dragging it down (Tilly, 2004, Tilly and Albelda, 1995). Varied institutional arrangements are all compatible with economic competitiveness (Christopherson, 2002, Ortmann and Salzman, 1998, Tilly and Tilly, 1998). The implication is that within limits, *we choose the amount of inequality* by the institutions, policies, and norms we adopt. This does not mean that it is easy to reduce inequality. But it does mean that current patterns of inequality are neither efficient nor inevitable, and that a variety of policy instruments can productively be used to attack inequality. The evidence presented in this paper suggests that a socially driven narrative does a better job than an efficiency-driven one in explaining many current patterns and recent changes in labor market inequality. If so, the future of inequality will depend crucially on how we use this knowledge to guide the choices we make as societies.

References

- Akerlof, George A. (2002), 'Behavioral Macroeconomics And Macroeconomic Behavior,' *American Economic Review* Vol 92, pp. 411-433.

Divisions of Gender and Work

- Albelda, Randy and Chris Tilly (1997), *Glass Ceilings and Bottomless Pits: Women's Work, Women's Poverty*, South End Press, Boston.
- Anker, David (2001), 'Theories of Occupational Segregation by Sex: An Overview,' in Martha Fetherolf Loutfi (ed), *Women, Gender, and Work: What Is Equality and How Do We Get There?* International Labour Office, Geneva, pp.129-156
- Becker, Gary S. (1976), *the Economic Approach To Human Behavior*. University of Chicago Press, Chicago.
- Berman, Eli and Stephen Machin (1999), 'SBTC Happens: Evidence on the Factor Bias of Technological Change in Developing and Developed Countries,' paper presented at the National Bureau of Economic Research Summer Conference, Labor Studies, July 1999.
- Bobo, Lawrence, James R. Kluegel, and Ryan A. Smith (1997), 'Laissez-Faire Racism: The Crystallization of a "Kinder, Gentler" Anti-Black Ideology' in Steven A. Tuch and Jack K. Martin (eds), *Racial Attitudes in the 1990s: Continuity and Change*, Prager, Greenwood, CT
- Braverman, Harry (1974), *Labor and Monopoly Capital. The Degradation of Work in the Twentieth Century*, Monthly Review Press, New York.
- Cappelli, Peter, Laurie Bassi, Harry Katz, David Knoke, Paul Osterman, and Michael Useem (1997), *Change at Work*, Oxford University Press, New York.
- Card, David and Alan Krueger (1995), *Myth and Measurement: the New Economics of the Minimum Wage*, Princeton University Press, Princeton, NJ.
- Carnoy, Martin (1994), *Faded Dreams: the Politics and Economics of Race in America*, Cambridge University Press, Cambridge.
- Cherry, Robert and William Rodgers (eds) (2000) *Prosperity For All? Tthe Economic Boom and African Americans*, Russell Sage Foundation, New York.
- Christopherson, Susan, (2002), 'Why Do National Labor Market Practices Continue to Diverge in the Global Economy? The 'Missing Link' of Investment Rules.' *Economic Geography*, Vol. 78, pp. 1-20.
- Darrah, Charles (1994), 'Skill Requirements at Work: Rhetoric Vs. Reality' *Work and Occupations*, Vol. 21, pp. 64-84.
- Dertouzos, Michael, Richard Lester, Robert Solow, and the M.I.T. Commission on Industrial Productivity (1989), *Made in America: Regaining the Competitive Edge*, M.I.T. Press, Cambridge, MA.
- Bernie Devlin et al (1997), *Intelligence, Genes, and Success: Scientists Respond to the Bell Curve*, Copernicus, New York.
- England, Paula (1992), *Comparable Worth: Theories and Evidence*, Aldine, New York.
- Forero, Juan (2002), 'Still Poor, Latin Americans Protest Push for Open Markets,' *New York Times*, July 19, p.A1.
- Friedman, Thomas L. (2000), *The Lexus and the Olive Tree: Understanding Globalization*, Updated and Expanded Edition, Anchor Books, New York.
- Gonos, George (1997), 'The Contest over "Employer" Status in the Postwar U.S.: The Case of Temporary Help Firms,' *Law & Society Review* Vol. 31, pp. 81-110.
- Gordon, Robert (2000), 'Does the "New Economy" Measure up to the Great Inventions of the Past?' *Journal of Economic Perspectives* Vol. 14, No.4, pp. 49-74.
- Granovetter, Mark (1995), *Getting a Job: A Study of Contacts and Careers*, 2nd Edition. University of Chicago Press, Chicago (first Published in 1974).
- Granovetter, Mark & Charles Tilly (1988) 'Inequality and Labor Processes,' in Neil J. Smelser (ed), *Handbook of Sociology*. Sage Publications, Newbury Park, CA.
- Hashimoto, Masanori (1990), *The Japanese Labor Market in a Comparative Perspective with the United States: A Transaction-Cost Interpretation*, W.E. Upjohn Institute for Employment Research, Kalamazoo, MI.

Labor market inequality, past and present

- Herrnstein, Richard and Charles Murray (1994), *The Bell Curve: Intelligence and Class Structure in American Life*, Free Press, Kalamazoo, MI .
- Hersch, Joni and Leslie Stratton (2002), 'Housework and Wages,' *Journal of Human Resources* Vol. 37, pp.217-29.
- Hersch, Joni and Leslie Stratton (1997), 'Housework, Fixed Effects, and Wages of Married Workers,' *Journal of Human Resources* Vol. 32, pp.285-307.
- Hohnen, Pernille (2003), *A Market Out of Place? Remaking Economic, Social, and Symbolic Boundaries in Post-Communist Lithuania*. Oxford University Press, Oxford.
- Howell, David R., Margaret Duncan, and Bennett Harrison (1998), 'Low Wages in the U.S. and High Unemployment in Europe: A Critical Assessment of the Conventional Wisdom,' Working Paper No.5, Center for Economic Policy Analysis, New School For Social Research, New York, NY.
- Hudson, Ken (1999), 'No Shortage of "Nonstandard" Jobs,' Briefing Paper, Economic Policy Institute, Washington, DC, <http://www.epinet.org/briefingpapers/hudson/hudson.pdf>
- Kilbourne, Barbara S., Paula England, and Katherine Beron (1994), 'Effects of Changing Individual, Occupational, and Industrial Characteristics on Changes in Earnings: Intersections of Race and Gender,' *Social Forces*, Vol. 72, pp.1149-1176.
- Kirschenman, Joleen and Kathryn M. Neckerman (1991), "'We'd Love to Hire Them, But...": The Meaning of Race For Employers,' in Christopher Jencks and Paul E. Peterson (eds), *The Urban Underclass*, Brookings Institution, Washington, DC, pp. 203-232
- Levine, David I. (ed) (1999), 'Symposium: (Attempts At) Replication of *The Bell Curve*,' *Industrial Relations*, Vol.38, pp. 245-406.
- McCall, Leslie (2001), *Complex Inequality: Gender, Class, and Race in the New Economy*. New York: Routledge.
- Moss, Philip (2002), 'Earnings Inequality and the Quality of Jobs: What We Know, What We Don't Know, and How We Should Look,' in William Lazonick and Mary O'Sullivan (eds), *Corporate Governance and Sustainable Prosperity* Palgrave, New York.
- Moss, Philip and Chris Tilly (2001), *Stories Employers Tell: Race, Skill, and Hiring in America*, Russell Sage Foundation, New York.
- Moffett, Matt (2002), 'Going South: Old Demons Sap Signs of Progress in Latin America,' *Wall Street Journal*, July 25, p.A1.
- Murray, Charles (1984), *Losing Ground: American Social Policy, 1950-1980*, Basic Books, New York.
- Noble, David (1984), *Forces of Production: A Social History of Industrial Automation*. Knopf, New York:
- Arthur Okun (1975), *Equality and Efficiency: The Big Trade-Off*, The Brookings Institution, Washington, DC.
- Ortmann, Günther and Harold Salzman (1998), 'Changing Corporate Structures in the Global Economy: Maximizing, Satisficing, and Viability,' Working Paper, University of Hamburg.
- Peck, Jamie (1996), *Work/Place: the Social Regulation of Labor Markets*, Guilford Press, New York.
- Reskin, Barbara and Heidi Hartmann (eds) (1986), *Women's Work, Men's Work: Sex Segregation on the Job*, National Academy Press, Washington, DC.
- Rogers, Jackie Krasas (2000), *Temps: the Many Faces of the Changing Workforce*, Cornell University Press, Ithaca, NY.

Divisions of Gender and Work

- Rosen, Sherwin (1986), 'The Theory of Equalizing Differences,' in Orley Ashenfelter and Richard Layard (eds), *Handbook of Labor Economics* I, North-Holland, Amsterdam, pp. 641-692.
- Semple, Kirk (2002), 'Turmoil in Latin America Threatens Decades of Reform,' *Boston Globe*, August 18, p. A12.
- Smith, James P. and Finis R. Welch (1989), 'Black Economic Progress after Myrdal,' *Journal of Economic Literature*, Vol.27, pp. 519-64.
- Spence, Michael (2002), 'Signaling in Retrospect and the Informational Structure of Markets,' *American Economic Review*, Vol. 92, pp. 434-459.
- Stiglitz, Joseph (2002), 'Information and Change in the Paradigm in Economics,' *American Economic Review*, Vol. 92, pp. 4460-501.
- Stratton, Leslie (1995), 'The Effect Interruptions in Work Experience Have on Wages,' *Southern Economic Journal*, Vol. 61, pp.955-70.
- Tilly, Chris (2004), 'Geese, Golden Eggs, and Traps: Why Inequality Is Bad for the Economy,' in Dollars and Sense and United For a Fair Economy (eds), *The Wealth Inequality Reader*, Economic Affairs Bureau, Cambridge, MA, pp.78-84.
- Tilly, Chris (2000), 'Falling Wages, Widening Gaps: U.S. Income Distribution at the Millennium,' in Ron Baiman, Heather Boushey, and Dawn Saunders, Eds., *Political Economy and Contemporary Capitalism: Radical Perspectives on Economy Theory and Policy*, M.E. Sharpe, Armonk, NY.
- Tilly, Chris (1997), 'Arresting the Decline of Good Jobs in the U.S.A.?' *Industrial Relations Journal*, December.
- Tilly, Chris (1996), *Half a Job: Bad and Good Part-Time Jobs in a Changing Labor Market*, Temple University Press, Philadelphia.
- Tilly, Chris and Randy Albelda (1995), 'Not Markets Alone: Enriching the Discussion of Income Distribution,' in Robert Heilbroner and Charles Whalen, Eds., *Political Economy For the Next Century*, M.E. Sharpe, Armonk, NY.
- Tilly, Chris and Tilly, Charles (1998). *Work Under Capitalism*, Boulder, CO: Westview Press.
- Tosh, Peter (1977, 'Equal Rights,' *Equal Rights*, Columbia Records, New York.
- Vallas, Stephen (1990), 'The Concept of Skill: A Critical Review,' *Work and Occupations*, Vol. 17, pp. 379-398.
- Waldinger, Roger and Michael I. Lichter (2003), *How the Other Half Works: Immigration and the Social Organization of Labor*, University of California Press, Berkeley, CA.
- Western, Bruce (1997), *Between Class and Market: Postwar Unionization in the Capitalist Democracies*, Princeton University Press, Princeton, NJ.
- Western, Bruce and Joshua Guetzkow (2002), 'Punitive Policy and Neoliberalism in the U.S. Labor Market,' paper presented at the Annual Meetings of the American Sociological Association, Chicago, August 16-18.
- Willis, Robert J. (1986), 'Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings Functions,' in Orley Ashenfelter & Richard Layard (eds), *Handbook of Labor Economics* I, North-Holland, Amsterdam, pp. 525-602.