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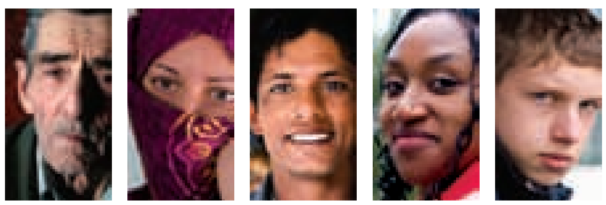
Economy and Work

AMERICANS SPEND AN AVERAGE OF 1,804 HOURS per year working. That's 200 hours more than in France or Sweden, over 300 more than in Germany, but 550 hours less than Korea (OECD, 2007a). An American who works full-time from age 18 to age 65, with 3 weeks off for vacations and holidays each year, will spend about 91,000 hours doing things that are more likely to be boring, degrading, and physically exhausting than they are fun, interesting, and exciting. Why do we do it? It depends on whom you ask.

Ask a janitor or a sales clerk, and you are likely to hear: *for the money*. No one gets a free ride: Food, clothing, and shelter all come with price tags. Work is, well, *work*, not play. Unless you win the lottery, you just have to find some way to get through each day. Maybe you can think about your real life after hours, with family, friends, and leisure.

Ask a photojournalist or a trial lawyer, and you are likely to hear: *for the satisfaction*. A job is a "calling," the fulfillment of talent, skill, training, and ambition, not something you *do* but something you *are*. Even when



the work day is supposedly over, you are constantly getting new ideas or thinking about problems. There is no "after hours." This *is* your life.

Clearly, our motivations for working are not either/or, but both. For most of us, it's a combination of the two. The janitor and the sales clerk probably find some degree of worth, meaning, and satisfaction in their jobs in addition to paychecks, and the photojournalist and the trial lawyer would be far less likely to consider their jobs a "calling" if they weren't paid.

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Theories of the Economy

We all need material resources. On the most basic level, physical survival requires the big three: food, shelter, and clothing. But an adequate quality of life requires much more, including transportation, communication, education, medical care, and entertainment. A vast array of goods and services is available to meet these needs: cars, cell phones, college classes, day care, diapers, DVD players, magazine subscriptions, microwave ovens, postage stamps, and psychiatric appointments. One person or household could never produce everything, so we must organize collectively to produce and distribute resources. The result is an economy.

An **economy** is a set of institutions and relationships that manages natural resources, manufactured goods, and professional services. These resources, goods, and services are called **capital.** The major economic theories of the world diverge on the question of whether the people serve the economy or the economy serves the people. British empiricists like John Locke (1676) and Thomas Hobbes (1658) pointed out in the seventeenth century that resources are limited, and no economy has yet been able to ensure that every member of the society has food, shelter, and clothing, let alone everything necessary for an adequate quality of life. Therefore people must compete with each other. We are motivated by rational self-interest, a desire to meet our own material needs even though we see others going without. Economies form when individuals band together to protect their common resources from outsiders or to make their competition more congenial and predictable. If asked why they work, they will answer, like the janitor and sales clerk: *for the money*.

Locke and Hobbes stressed separation, competition, and individual isolation as results of rational self-interest. But other theorists, like Adam Smith (1776), argued that social life involves much more than individuals striving for social gain: People cooperate as often as they compete. There are many Good Samaritans, many altruistic acts, many collective struggles over fairness and justice. If you ask them why they work, they will answer, like the photojournalist and the trial lawyer: *for the satisfaction*.

Karl Marx (1848) believed that both answers were true—and therein lay the problem. Marx believed that an economic system based on private property divided people into two unequal and competing classes: The upper class worked because they achieved satisfaction by owning all the goods and services and controlling politics and social life. The working class worked because they had to—because they were, in effect, slaves to the upper classes. Eventually, he believed, if the workers controlled and owned everything, everyone would work for the pleasure of it.

Max Weber ([1904] 2001) believed that capitalism originated in a desire for personal spiritual fulfillment and to "make the world a better place," while Émile Durkheim ([1897] 1997) argued that in modern societies, we are all interdependent: Every person must depend on hundreds or thousands of others for goods and services. Thus, economies are not an isolating, divisive force at all, but a unifying force. They foster strong social ties and create social cohesion, or *organic solidarity*.

There is some truth to all these theories. Every economic system requires some degree of competition and some degree of cooperation. An economy is essential to the common good, but it also serves to emphasize or exacerbate the gap between rich and poor, middle class and working class, having a house and having an apartment, driving a car and taking the bus. It produces both identity and inequality.

Economic Development

The first human societies, tens of thousands of years ago, were nomadic hunter-gatherer groups of 20 to 40 people. They had few rules about the production and distribution of capital. Sometimes a particularly talented or interested person might specialize in a task, like making pottery or spears, but otherwise everyone worked together to provide food, shelter, and clothing, and there were few other material resources available (nomads can't own a lot) (Panter-Brick, Layton, and Rowley-Conwy, 2001). Then came the Agricultural Revolution.

The Agricultural Economy

Around 10,000 years ago, people living along the great rivers in Mesopotamia, Egypt, and China learned how to plow the land and grow regular, predictable crops of rice, wheat, or corn. No longer nomadic, they could acquire more goods. And because agriculture is far more productive (more food produced per hour of work) than hunting and gathering, not everyone had to be involved in providing food, shelter, and clothing for the group. Farmers could use their surplus crops to pay professional potters, builders, or priests. A division of labor began.

Sometimes a village might have a surplus of pottery makers and start exchanging its pottery with a village downstream, which had a surplus of spear makers. **Markets,** regular exchanges of goods and services, began, and with them the economy became a social institution. The agricultural economy, with its characteristics of permanent settlements, job specialization, and intergroup trade, lasted for thousands of years, through the great empires of Greece, Rome, China, and Mesoamerica (Cameron and Neal, 2002; Cipolla, 1994; North and Thomas, 1976).

The Industrial Economy

Before 1765, all work was done by human or animal muscle, except for an occasional windmill or waterwheel. Then James Watt marketed the first reliable, high-functioning steam engine, and the era of the machine began. Within a century, hundreds of new machines powered by steam or electricity appeared, including lithographs, telegraphs, steam locomotives, sewing machines, slot machines, lawn mowers, and refrigerators. By 1900, there were typewriters, phonographs, electric stoves, and automobiles. The **Industrial Revolution,** or the era of the machine, transformed economics, politics, and social life, first in Europe and North America and eventually in the rest of the world. **Industrial economies,** economies based on factory production, differed from agricultural economies in five ways (Hobsbawm, 2000; Oshima, 1986; Stearns, 2001):

1. *Power*. Machines were powerful: They could do 100 times the work of human or animal muscles. And they were production oriented. Before the Industrial Revolution, most work had been about growing or hunting food. Now natural resources were less important than the products that could be manufactured from them.

2. *Centralization*. Manufacturing required bulky, expensive machines unfeasible for home use, so most jobs moved away from family farms to centralized offices and factories. For the first time, people had leave home in the morning and *go to work,* juggling two distinct worlds.

▲ **Industrialization ushered in large-scale factories, assembly-line production, and more routinized labor, and thus transformed the experience of work itself. Assembly line at a generator factory of the Ford Motor Company.**

3. *Specialization.* In the influential *Principles of Scientific Management* (1911), Frederick Taylor proposed that production would be more efficient if it were broken up into a series of single tasks, with each worker responsible for performing one task in the most efficient manner possible. Instead of a toy maker hammering, sewing, and painting every toy from start to finish, perhaps taking two entire days to complete one doll, it would be more efficient for one person do nothing but affix arms. Where 20 start-to-finish toy makers could produce 10 dolls in a day, 20 specialized toy makers could produce 600.

   In 1910, Henry Ford's Model T automobiles were selling for $780 each. Automobiles have many more parts than dolls, and they must be connected with minute precision. But when Ford put Taylorism to work in his plant in Highland Park, Michigan, in 1914 with an assembly line, productivity increased tenfold, and the price dropped to $360. Without **mass production,** or *Fordism,* the goods and services of the Industrial Revolution would be out of reach for the vast majority of the population.

4. *Wage labor.* Instead of being paid for the end result of their labor, workers got a regular paycheck in exchange for performing a specific task. Usually they never saw the end result. They received the same pay, no matter how successful their product was, while the handful of people who owned the factories kept all of the profits. The owners were able to manipulate the political system for their own purposes, setting the stage for many conflicts, some deadly, as workers fought to improve their working conditions.

5. *Separation of work and home.* The family farm was both home and workplace. But the coming of the industrial factory meant that home and work were separate, with enormous consequences for both realms.

Consumption and the Modern Economy

As more efficient machines and factory assembly lines made manufacturing increasingly simply, the emphasis of industrial economies shifted from **production** (how to get more goods out there) to **consumption** (how to decide from among the goods available). Advertising became an essential part of business rather than an afterthought. Products received brand names, trademarks, slogans, and spokespeople. General stores were replaced by department stores like Harrod's in London and Wanamaker's in the United States. In 1904, Macy's, on Herald Square in New York City, was advertised as "the largest store on Earth," with nine stories, 33 elevators, four escalators, and a system of pneumatic tubes. "Window shopping," looking through shop windows for items that one would like to possess, became a common pastime (Lancaster, 1995).

In 1912, Thorstein Veblen coined the term **conspicuous consumption** to mark the shift from the Protestant ethic described by Max Weber, where prestige came from savings and thrift, to a new form of prestige based on accumulating as many possessions as possible and showing them off. Veblen argued that the real symbols of wealth were those that made it look as though you didn't have to work: Fashions like long fingernails, high heels, and tight skirts for women were a sign that they were pampered

Did *you* know?

In 1916, cartoonist "Pop" Momand introduced a strip in the *New York World* called "Keeping Up with the Joneses," about Aloysius and Clarice McGinnis, their daughter Julie, and their maid Belladonna, all hatching wild schemes to convince everyone that they had bigger and better possessions than the neighbors. The phrase is still common today.

and didn't need to work; and wealthy men were shown sailing, skiing, and otherwise experiencing the leisure that only true wealth can bring.

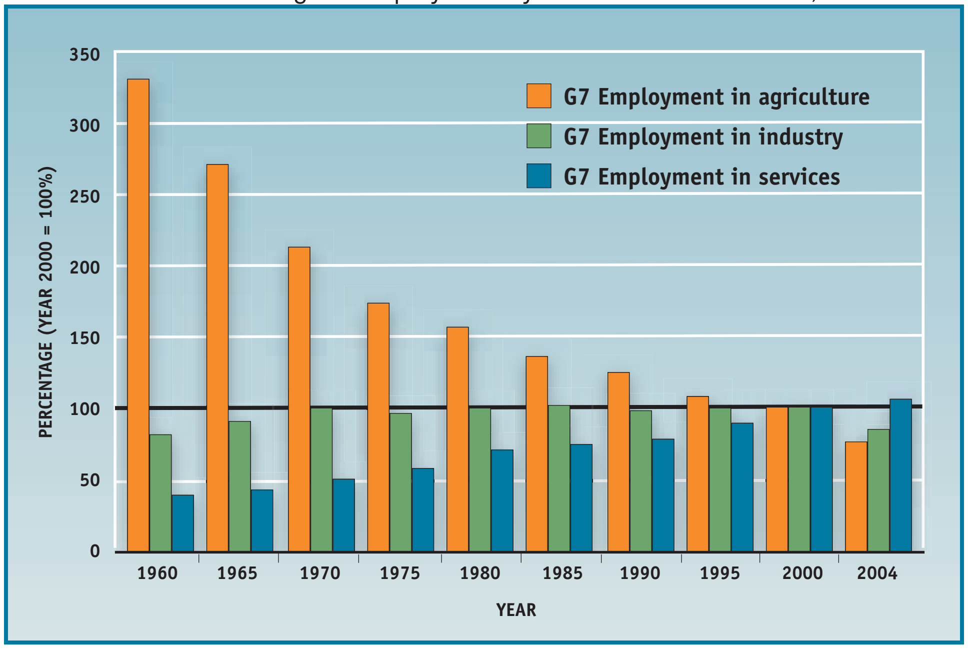
With industrialization came the decline of agriculture as a livelihood. In 1700, before the Industrial Revolution, 60 percent of all workers in the United States were involved in agriculture or the three Fs (farming, fishing, and forestry). As late as 1900, it was 30 percent. Today, the three Fs occupy less than 1 percent of the American workforce. Of course, there is little need for more workers. In 1880, a typical farmer could grow enough food to sustain five people (about the size of the typical farm family). Today's high-tech agribusiness specialists can feed about 80 people apiece.

The Postindustrial Economy

Industrial economies flourished for over 200 years (Mathias and Pollard, 1989). Industrialized—or "developed"—nations remain the world's economic leaders. Perhaps the simplest way to determine how rich or poor a country is would be to compare the percentage of its labor force involved in agriculture to the percentage in industry. In Switzerland, it's 5 percent agriculture, 26 percent industry. In Bangladesh, it's 63 percent agriculture, 11 percent industry.

Today, jobs are shifting to the services sector, although unevenly, with developed economies seeing far greater increases in employment in services (Figure 12.1; OECD, 2007a). Figure 12.1 takes the year 2000 as its base and calculates all the shifts in the three sectors relative to their employment rate in 2000. The drop in agriculture is steep, while the rise in services is modest and industry is relatively flat. Overall, the year 2007 marked the first time the world's biggest source of employment was the service sector, rather than agriculture or industry (International Labour Organisation, 2007b). Some 40 percent of the world's workers are employed in the services sector, compared

FIGURE 12.1 Change in Employment by Broad Economic Sector, 1960–2004



Note: G7 = The world's seven most developed countries: United States, United Kingdom, Japan, France, Germany, Italy, and Canada.

Source: "Employment by Broad Economic Sectors, ISIC Rev. 3, 1960–2004" from *OECD Labour Force Statistics Online,* Updated March 2006. Copyright © OECD, 2006. Reprinted with permission.

with 38.7 percent in agriculture and 21.3 percent in industry. Ten years ago, 43.1 percent of employees worked in agriculture, and only 35.5 percent worked in services (International Labour Organisation, 2007b).

This trend began in the 1960s, as automated machinery substantially reduced and sometimes eliminated the need for human labor in production, resulting in **postindustrial economies.** Three social changes characterize "postindustrial" economies: knowledge work, rootlessness, and globalization (Bell, 1976; Kumar, 1995; Vallas, 1999).

Knowledge Work. Postindustrial economies shift from production of goods to production of ideas. In 1940, during the peak of the industrial economy, roughly half of all U.S. workers were working in factories. Today, with automation, outsourcing, and the decline of production, it is about 7 percent. Blue-collar jobs (production of various types) now comprise about a quarter of the American workforce, while 33 percent are white collar (management and the professions) and 43 percent are pink collar (predominantly female) service and office/clerical jobs (Bureau of Labor Statistics, 2004a). This shift has affected more than work—it has had an impact on attitudes, lifestyles, and worldviews.

Often postindustrial economies are called knowledge economies. A **knowledge economy** is less oriented around the actual production of a commodity and more concerned with the idea of the commodity, its marketing, its distribution, and its relationship to different groups of consumers. For example, a toy company may require very few people to attach doll arms on the assembly line, but it requires many people to conduct market research, direct TV commercials, design tie-in websites, negotiate with government and parental groups, and acquire global distribution rights. Postindustrial workers work not in factories, but in R&D (research and development), finance, investment, advertising, education, and training. They manipulate words and numbers rather than tools. Ideas, information, and knowledge have become the new forms of capital (Adler, 2001).

Because knowledge-based workers now design, develop, market, sell, and service, they need classes in public speaking, technical writing, global business management, and Java programming. That is, they need to go to college—at least. The proportion of American workers doing jobs that call for complex skills has grown three times as fast as employment in general, and other economies are moving in the same direction, raising global demand for educated workers (*Economist,* October 5, 2006). But the United States is losing ground compared to other countries' high school graduation rates: The high school graduation rate for U.S. 35- to 44-year-olds is fifth in the world and for 25- to 34-year-olds is tenth in the world (*U.S. News and World Report,* 2005).

What happens to people with limited education in a postindustrial economy? Fifty years ago, they would have become blue-collar workers. Assembly-line work did not require a lot of education, and it paid nearly as much as white-collar jobs. But now instead of assembly-line work, they are stuck in low-paying service jobs. They cannot afford houses in the same neighborhoods as the white-collar workers. Often, they cannot afford houses at all. The gap between "comfortable" and "barely getting by" shrank during the industrial economy, but now it is growing again (Krugman, 2002).

Rootlessness. Industrial economies moved workers from home to factories, and postindustrial economies move them out into the wide, wide world. The production of ideas does not require all of the workers to be in the same building or even on the same continent. A decade ago, they could phone in their ideas and fax their presentations; now they can transmit entire volumes by IM, e-mail, Internet, and other digital media.

"Rush-hour traffic" is quickly becoming a meaningless term because many white-collar workers don't have to be in some physical location called "work" every day between 9 a.m. and 5 p.m. They are on the road constantly, en route between home, office, meetings, and the airport. Service workers *are* stuck in some physical location, but their day might begin at 11 a.m., 4 p.m., or midnight, or they could work a "split shift," with four hours in the morning and four in the evening. So the streets are always crowded.

Even time becomes meaningless to the postindustrial worker. Clients and co-workers live in every part of the globe, so there is no "quitting time": Work can happen any time of the day or night. As a result, the 200-year-old distinction between home and work, livelihood and leisure, is fading away.

Globalization. In addition to knowledge economies, postindustrial economies are often called *global economies* (Hirst, 1997). They have produced a global division of labor, interconnecting workers but also dividing them along socioeconomic lines. As we saw in Chapter 1, globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical well-being in societies around the world.

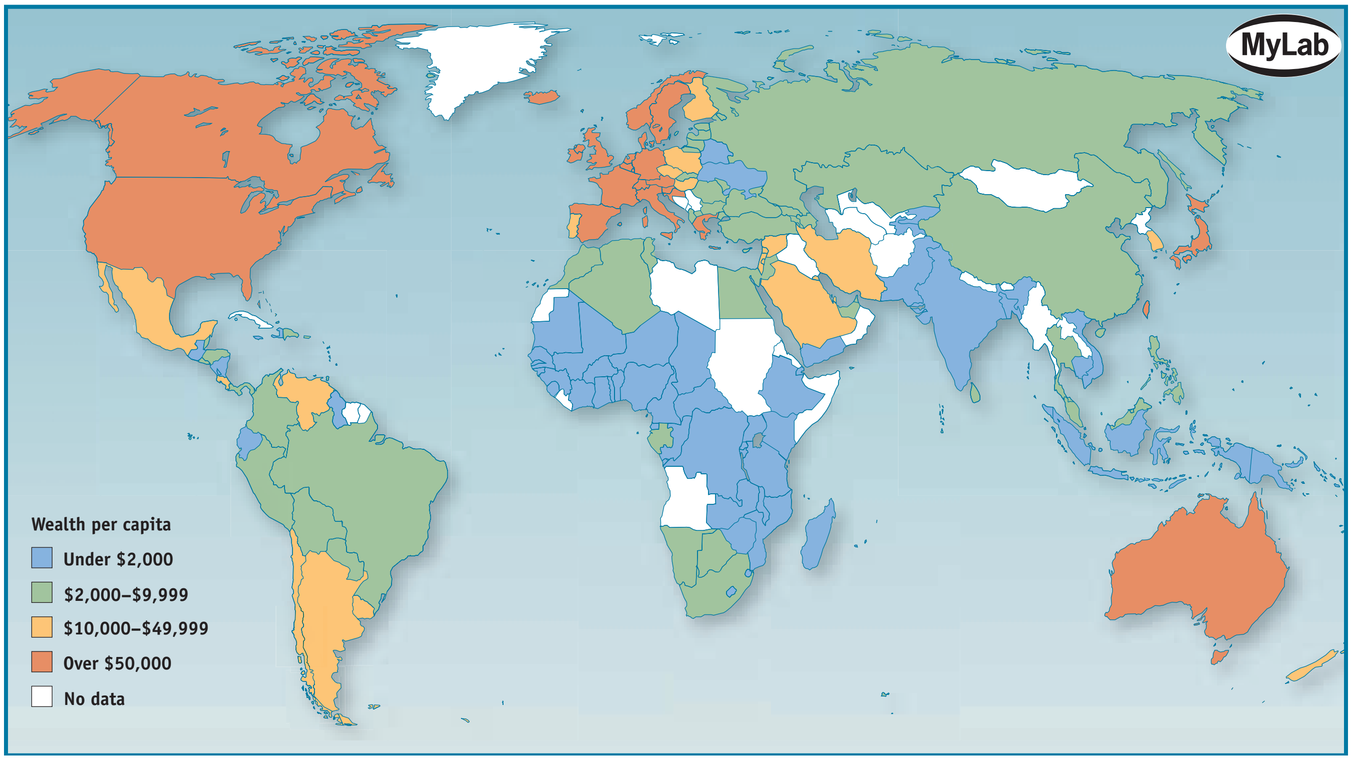
Globalized production refers to the fact that corporations derive raw materials from all over the world and use manufacturing and assembly plants in many different countries, using international labor forces. Global distribution insures that these products are marketed and distributed all over the world as well. The products we buy are likely made of materials from several countries, assembled in another country, packaged and distributed from yet another, with advertising campaigns and marketing schemes drawn from yet another.

During the Industrial Revolution, the raw materials may have been drawn from other countries, but the entire manufacturing and marketing processes were located in the industrial country. Now, however, the process is fragmented, and each economic function may be located in another country, or several countries. This has also led to **outsourcing,** the contracting out to another company of work that had once been done internally by your company. Initially, technology and IT were outsourced to cheaper call centers in developing nations like India and China. Then, production line jobs began to move overseas where labor was cheaper and factories could be built without bowing to environmental regulations. Now even white-collar jobs like sales and service have also been outsourced.

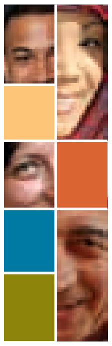
Although research, development, production, and distribution occur in many different countries, the "knowledge labor" tends to occur in the wealthy countries of the United States, Europe, or Japan, while the unskilled and semiskilled factory work takes place in poor countries like Mexico, Sri Lanka, or Tanzania. Even on the global level, the gap between rich and poor is increasing as globalization reinforces or even increases the stark inequalities of income and wealth around the world (Figure 12.2).

Globalization links owners and managers into an interlocking system of a managerial elite; often managers from Sri Lanka and Belgium will have more in common with each other (consumption patterns, tastes in art and music, and so on) than either will with the working class in his or her own country. However, while the elite at the top become more integrated and cohesive, the working classes will remain fractured and distant from each other, asserting local, regional, and cultural differences as a way to resist integration. In this way, also, the globalizing rich become richer and the globalized poor become poorer.

FIGURE 12.2 World Wealth Levels



Source: From *World Distribution of Household Wealth,* World Institute for Development Economics Research, United Nations University, December 2006. Reprinted with permission.



Sociology and our World

Jihad versus McWorld

Globalization is bringing the world together and pulling it apart at one in the same moment—and that may make the world unsafe for democracy. In *Jihad vs. McWorld* (1996), Benjamin Barber argues there are two possible futures arising out of globalization: "jihad," or holy wars, and "McWorld," his coinage for the complex sociopolitical outcomes of globalization.

Jihad involves a "retribalization" of many of the world's people by violence and bloodshed. These holy wars, waged in the name of numerous narrowly defined faiths, splinter societies. They pit tribe against tribe, people against people, culture against culture, and reject the idea of civic cooperation or interdependence.

The other tide is "McWorld"—the "onrush of economic and ecological forces that demand integration and uniformity and that mesmerize the world with fast music, fast computers, and fast food—with MTV, Macintosh, and McDonalds" (Barber, 1996, p. 1). McWorld forces nations into a single, homogeneous unit that is bound together by technology and global commerce.

Jihad and McWorld work with equal force but in opposite directions, according to Barber. Jihad is driven by sectarian hatreds and McWorld by all-encompassing markets; the one reinstates ethnic divisions from inside and the other neutralizes national borders from outside. But Barber argues they have one thing in common: Neither offers much hope that democracy is on the march in the world today or will have many legs to stand on in the globalized future.

Economic Systems

All societies must deal with three fundamental economic questions: (1) production, (2) distribution, and (3) consumption. An **economic system** is a mechanism that deals with the production, distribution, and consumption of goods and services in a particular society.

Capitalism

The economic system called **capitalism**—a profit-oriented system based on the private or corporate ownership of the means of production and distribution—arose in the Netherlands and Britain during the Protestant Reformation of the seventeenth century, when private investors began to fund the wealth-accumulating journeys of traders, explorers, and eventually colonists. Individual companies competed with each other for customers and profits with no government interference.

When the Industrial Revolution began, economists gave these practices an ideological basis. In opposition to the prevailing mercantilism, which argued that a nation's wealth was best measured by the amount of gold it could accumulate, capitalists argued that a nation's wealth should be measured by the amount of goods and services that it produced. The best way to produce a lot of goods and services was to create markets through private trade (Heilbroner, 1986). Classical capitalism has three components:

- *Private ownership* of the means of production (natural resources and production machinery).
- *An open market,* with no government interference. Kings and queens (and later prime ministers and presidents) should "*laissez-faire,*" or keep their hands off.
- *Profit* (receiving more than the goods cost to produce) as a valuable goal of human enterprise.

In the United States, most people believe that the *political system* of democracy would be impossible without the *economic system* of capitalism. In fact, democracy and capitalism often contradict each other. Capitalism, after all, frees individuals to pursue their own private interests in the marketplace; it promotes unconstrained liberty. Democracy, on the other hand, constrains individual liberty in the name of the common good. For instance, in capitalism, it makes sense for a factory to toss its toxic waste into the nearest river: The money saved on proper waste disposal can go into the stockholders' pockets, maximizing profits. But in democracy, concern for the common good (unpolluted rivers) requires the factory to dispose of its toxic waste properly, limiting its individual liberty and reducing its profits.

As a result of the tension, capitalism in democratic countries has developed in different ways, in an attempt to balance individual liberty and the common good, or as it is sometimes framed, freedom and responsibility.

Laissez-Faire Capitalism. This is the original form of capitalism, theorized by Adam Smith, who argued that societies prosper best through individual self-interest ([1776] 1937). Though it seems selfish on the surface, an entire nation full of people pursuing their own narrowly defined self-interests actually would produce "the greatest good for the greatest number of people." Thus, in laissez-faire capitalism, property and the means of production should all be privately owned. Expansion and accumulation are expected forms of "progress." Markets should be able to compete freely to sell goods, acquire raw materials, and hire labor. No government interference is necessary: The "invisible hand" of supply and demand creates a self-regulating economy.

Laissez-faire dominated in Europe and North America through the nineteenth century, but it fell into dispute during the worldwide economic crisis and depression of the 1930s, when the "invisible hand" proved ineffective at staving off disaster. As a result, the government had to step in to stabilize the market and stimulate the economy. Today, the relationship between the government and economy is no longer a question of whether or not the government should be involved in economic life: Today the questions are how much should the government be involved? In what sectors? In what ways?

State Capitalism. State capitalism requires that the government use a heavy hand in regulating and constraining the marketplace. Companies may still be privately owned, but they must also meet government-set standards of product quality, worker compensation, and truth in advertising. In turn, the government provides some economic security to companies to avoid catastrophic losses and controls foreign imports to help local companies compete in world markets. This system is still common in the rapidly developing countries of the Pacific Rim, such as Japan, South Korea, and Singapore.

Welfare Capitalism. Most contemporary capitalist countries, including the United States, give the government even more control over private investors than state capitalism. While there is a market-based economy for most goods and services, there are also extensive social welfare programs, and the government regulates some of the most essential services, such as transportation, health care, and the mass media (Barr, 2004; Esping-Anderson, 1990; Stephens and Huber, 2001). This is called welfare capitalism.

The relationship between corporations and government is complex and depends on the industry. Some companies are less regulated than others. In Europe, all utilities are government controlled, but the trend in the United States is toward privatization. Some public utilities are either heavily regulated or are actually part of a partnership between government and private interests. ▼

The U.S. economy incorporates elements of all three forms of capitalism. Many companies seek to operate with as little government regulation as possible and set up corporate headquarters so they do not have to pay taxes in the United States (laissez-faire). Companies like Wal-Mart resist the unionization of their workers and undermine minimum wage regulations. Other industries, like the airlines and automobile manufacturers, agree to fare regulation or automotive emission controls in return for a more stable economic environment (state capitalism) and the promise that if they go bankrupt, as Chrysler did in 1979, the government will bail them out. And the massive public sector—federal, state, and local bureaucracies and political systems—work as a kind of welfare capitalism, attempting to ensure that everyone obtains at least a minimum standard of living.

Socialism

Although capitalism became the dominant economic system in the West by end of the eighteenth century, it was not without its detractors. Utopians argued that it would be more equitable to cooperate instead of compete, so that everyone could share the goods and services. In the nineteenth century, many socialist communes were founded in the United States, where all property was commonly owned and all decisions made as a body. However, no one tried it on a national level.

Later, Karl Marx argued that the pursuit of rational self-interest was inhumane and oppressive. The *bourgeoisie* (owners) kept most of the goods and services for themselves, while the *proletariat* (workers) had no choice but to work for them at wages barely high enough to ensure survival, with no share of the profits. Marx hypothesized that the huge economic gap between the groups would cause increasing hostility and resentment and would eventually result in violent revolution.

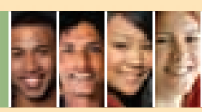
Marx proposed to adapt socialism to national governments by ensuring that workers rather than owners controlled the means of production and that everyone would be treated fairly. Strong government controls would be put into place to ensure equitable distribution of resources.

Socialism as an economic system is the exact opposite of laissez-faire capitalism, offering:

- *Collective ownership*. Private property is limited, especially property used to generate income. Goods and services are available equally to all, regardless of individual wealth.
- *Collective goals*. Capitalism celebrates profit as the entrepreneurial spirit, but socialism condemns profit as greed. Individuals should not attempt to make profits for themselves; they should concentrate on the common good.
- *Central planning*. Socialism operates through a "command economy." The government controls all production and distribution.

On the national level, many countries, both rich and poor, have socialist economies, but they allow for a degree of entrepreneurship, some profit, and differences in individual wealth, resulting in a democratic socialism that looks and feels much like welfare

What do *you* think?



MyLab

The Rich and Taxes

Taxation has always been a central concern to Americans. In fact, one of the more famous rallying cries for the American Revolution was "no taxation without representation." One contemporary area of debate around taxation is concerned with how we should distribute the tax burden. Some think the rich should pay more taxes than they do, while others maintain that the rich contribute to society in other ways, such as providing jobs and revenue for middle- and working-class Americans. Various solutions to the tax problem have been considered, including implementing a flat tax that would be proportional to one's income. So, what do you think?

Do you think that people with high incomes should pay a larger share of their income in taxes than those with low incomes, the same share, or a smaller share?

❍ Much larger share
❍ Larger
❍ Same share
❍ Smaller share
❍ Much lower share

See the back of the chapter to compare your answers to national survey data.

Source: General Social Survey, 2002.

capitalism (Lichtheim, 1982; Rose and Ross, 1994). In Sweden, for instance, about 12 percent of economic production is "nationalized" (state controlled), and the rest is in private hands. High taxation, aimed especially at the rich, funds a wide range of social welfare programs for everyone, including universal health and child care. Scholars differ on whether this economy should be classified as socialist or capitalist.

Communism

Many people confuse the two economic systems, but communism is *not* socialism. Marx believed that socialism was a necessary transition from the oppression of capitalism to the ideal economic system of communism. **Communism** is an economic system based on collective ownership of the means of production and is administered collectively, without a political apparatus to ensure equal distribution. It's utopian, and Marx believed that communism could be achieved only after many years of socialism.

Socialism requires strong government intervention, but in a communist state, government is abolished. Socialism retains a difference between high-status and low-status work, so the janitor receives a lower salary than the physician, but in the communist paradise, the principle of distribution will become "from each according to his or her ability, to each according to his or her need." Thus, the janitor and the physician will receive the same stipend for personal expenses. Neither will lack anything, so both will be happy and content. Social inequalities will disappear, along with crime, hunger, and political strife.

Strangely, communist ideas did not take hold in industrialized, capitalist countries where the gap between owners and workers was most evident, but in agricultural countries, usually after revolutions or civil wars, such as in Russia (1917), China (1949), Vietnam (1954), Cuba (1959), and Yemen (1969). These countries usually called themselves socialist rather than communist because the government had not yet "withered away."

But as time passed, the government never withered away. Bureaucracy and regulation actually expanded, until the governments were stronger and more centralized than in capitalist countries. And social and class divisions remained strong (Muravchik, 2002; Pipes, 2001). What happened?

Sociologists explain that social stratification isn't simply a matter of economics. It involves power and status as well as wealth, so eliminating income disparities will not result in paradise. In fact, the communist governments created a new class of political elite. In the Soviet Union, about 10 percent of the population in 1984 belonged to the Communist Party. Called the *nomenklatura,* they got to shop in the best stores, send their children to the best schools, vacation at exclusive resorts, and travel abroad (Taylor, 1987; Voslensky, 1984).

The worker's paradise that Marx envisioned never happened and probably never could. After half a century of trying, most of the communist governments of the world have shifted to some form of capitalism. Today there are only five communist countries left (China, Cuba, Laos, North Korea, and Vietnam), and all except North Korea are busily decentralizing government controls and encouraging entrepreneurship (Hall, 1994; Oh and Hassig, 2000; Schopflin, 1993).

The American Economy

What is the American "economic system"? While it is surely not socialist, it's also not a pure capitalist system either. How did the American economy develop?

The Impact of Industrialization: Displacement and Consolidation

The United States was formed at the start of the Industrial Revolution, as the agricultural economy was gradually superseded by the new industrial economy and new institutions were developing to match industrial complexity (Atack, 1994). By 1860, 16 percent of the U.S. population lived in urban areas, and a third of the nation's income came from manufacturing. But most industries were located in the Northeast, while the South remained rural and agricultural, dependent on unpaid slaves rather than wage-labor employees, exporting raw materials and importing manufactured goods. The gap between North and South is reminiscent of the gap between rich, industrialized countries and poor, agricultural countries today.

The Civil War (1861–1865) was, in the economic sense, a clash between the two economic systems, and the Northern victory and the abolition of slavery sealed the industrial future of the United States. Industry surged ahead. Industrialization has also meant the gradual displacement of small shopkeepers and artisanal craft workers. Colonial America was a nation of small businessmen—whether farmers in the countryside or shopkeepers in the towns. Industrialization means consolidation, as big supersized stores undercut small shops and agribusinesses gobble up small farms.

Today, the opening of a Wal-Mart, the world's largest employer, usually means the closing of several dozen small shops nearby. Pushed down from the lower middle class into the working class, or impoverished, these small shopkeepers and farmers lose more than their stores; they lose their sense of independence and economic autonomy, which often makes them politically resentful and potentially a force for reaction.

Consolidation. This impulse towards consolidation began in earnest in the late nineteenth century, often referred to as the Gilded Age. A handful of so-called robber barons—Rockefeller, Ford, Carnegie, Vanderbilt, Gould, and Morgan—lived the opulent lives of royalty and exercised almost total control over the American economy (Chernow, 1998, 1990; Schmitz and Kirby, 1995). They managed to accumulate huge fortunes almost overnight because there were no federal regulations to limit price fixing, false advertising, underpaying and overworking employees, or establishing monopolies: At one point Rockefeller controlled 90 percent of the oil reserves in America, and Carnegie controlled 25 percent of the steel (Conte and Karr, 2001). Nor was there any shame in admitting an interest in money for its own sake: In contrast to the ideas of European intellectuals of the day, Americans embraced money making as a virtue.

During the first decades of the twentieth century, progressive politics created many regulatory agencies, including the FDA (Food and Drug Administration), the FTC (Federal Trade Commission), and the ICC (Interstate Commerce Commission), designed to give consumers and employees an even break. But robber barons still amassed, spent, consumed, and speculated with abandon, resulting in an unstable stock market and a series of short-lived crashes and depressions. Then came the catastrophic stock market crash of 1929, which forced hundreds of banks to close, bankrupted thousands of businesses, and increased the unemployment rate to 25 percent.

It seemed obvious that the federal policy of hands-off or laissez-faire economics hadn't worked, so President Franklin Roosevelt launched the New Deal, a huge amount of government intervention into state and local economies. Many of the most important laws and institutions that we take for granted in contemporary America started with the New Deal (Gilbert and Howe, 1991; Quadagno, 1984), including:

- Minimum wage, providing a floor below which wages cannot go
- Social Security, which provides pensions to the elderly and disabled based on payments they made when part of the workforce

- Regulation of the stock market by the government (the Securities and Exchange Commission, or SEC)
- Insurance of bank deposits by the government (the Federal Deposit Insurance Corporation, or FDIC)

After World War II, the economy was booming. Because the war never made it to U.S. soil (except for Pearl Harbor), factories could continue production without costly reconstruction efforts, and industries that had produced supplies for the war could change, with little effort, to companies producing consumer goods. At the same time, millions of returning GIs, furnished with low-cost GI loans, were buying cars, houses, and television sets and marrying and starting families, creating a new generation of consumers. The GDP more than tripled between 1950 and 1970 (U.S. Department of Commerce, 2007).

Farmers fared poorly: Small farms simply could not compete with big business. But blue-collar workers found themselves in demand, with salaries as high as what most white-collar workers earned, and labor unions were able to negotiate long-term contracts and benefits (Conte and Karr, 2001).

The Postindustrial Economy: Technology and Globalization

The returning GIs also took advantage of low-cost college loans and acquired college diplomas and technical degrees, feeding the Cold War obsession with maintaining technical superiority over the Soviet Union. The results were a technological revolution, increased automation, and a postindustrial economy. By 1956, the number of white-collar workers in the United States was greater than the number of blue-collar workers. The postindustrial economy had begun. But it was not until the 1980s, when high-tech industries made microprocessing technology cheap enough for everyday use, that the production of knowledge surpassed the production of goods (Conte and Karr, 2001).

Today, in the advanced nations, information technologies have enabled companies to race down the "information superhighway." But still, in many countries, the majority of the population does not yet have a paved road, let alone a superhighway, and few on the superhighway stop to pick up hitchhikers.

Corporations

Industrial and postindustrial economies would be impossible without corporations. The **corporation** is a business that is treated legally as an individual. It can make contracts, incur debts, sue, and be sued, but its obligations and liabilities are legally distinct from those of the owners: If you sue a corporation and are awarded $1,000,000 in damages, none of the money comes from the personal bank account of the CEO. Incorporating (that is, creating a corporation) thus separates individual investors from the profits or losses of their business and gives them the freedom to take more risks than they would otherwise.

Corporations have become so common in the American workplace that when new college graduates are said to have "gone corporate," it means the same thing as "getting a job." Corporations affect the experience of employment, patterns of consumption, American and global politics, and almost every aspect of everyday life.

Corporate capitalism has developed in four stages: family, managerial, institutional corporations, and multinational (Micklethwait and Woodridge, 2003).

Family Corporations. Even in agricultural economies, farmers, merchants, and artisans usually passed their tools and workshops on to their children, and in the early days of capitalism, entrepreneurs followed their lead by sharing their investments, customers, production, and profits with relatives. By the nineteenth century, entrepreneurs were putting their relatives into most of the managerial positions in their companies. John D. Rockefeller (1839–1937) got his start in the oil business in partnership with two nonrelatives, but eventually he bought them out and handed the reigns of Standard Oil over to his son and grandsons. When they distributed stock only to family members as well, they could create huge entrepreneurial dynasties but still keep it all in the family.

Managerial Corporations. As companies grew, there were not enough qualified family members available to fill all of the necessary positions, or children and grandchildren didn't want to participate in the family business, so entrepreneurs began to hire outside managers. Eventually outsiders displaced family members in almost all managerial positions. The owners sold shares in the company's assets (stocks) to strangers who sought to share also in the company's profits, and the company became an entity separate from the family, just as work separated from home early in the Industrial Revolution.

Through most of the twentieth century, the corporate world was the domain of a new relationship, different from family and friends. Co-workers came together not because of kinship ties, nor because they liked each other (they may, or they may not), but solely in the interest of personal and corporate profit. Corporations developed their own culture, distinct from social worlds of family and friends, with their own procedures and practices, stated and unstated norms, values, goals, and vocabulary.

Managerial corporations were larger, more versatile and stronger than family-run businesses, and more stable as well—as anyone who has ever tried to work with a family member can tell you. On the other hand, the larger and more impersonal forces of the corporation spelled the end of the workplace as an extension of family life.

Institutional Corporations. During the last half of the twentieth century, corporations began to hold shares in *other* corporations. The same people would serve on boards of directors of several companies at once, until many corporations were interconnected through a small network of power players. Their decision-making practices changed because they were concerned not only with their own company but with all of the companies in which they had a stake. Competition changed to cooperation in the pursuit of profits. The result was a maze of major, minor, and subsidiary corporations, connected not through legal documents but through boardroom small talk, golf games, and handshakes.

The networks of corporations began acting less like businesses and more like enterprise webs—central cores that link an array of business interests and continuously contract with similar webs all over the world (Chandler and Mazlish, 2005).

Did *you* know?

Among the largest of the megacorporations, Time Warner has 96,000 employees worldwide and received revenue of $12.6 billion in the first quarter of 2007 alone. Chances are that you conduct some business with one of its companies several times a day, including HBO, New Line Cinema, DC Comics, CNN, Castle Rock Productions, Warner Brothers Records, the WB TV station, *Sports Illustrated*, the Atlanta Braves, Cartoon Network, and *People*.

Multinational Corporations

Some corporations remain centered in the United States, with overseas offices and production plants clearly dependent parts of the central operation. But most, especially the largest, operate globally; they are called transnational or **multinational corporations,** because they are no longer clearly located anywhere. Instead of a "home office," they operate through a network of offices all over the world. Even employees who are officially assigned to an office in one location may live in a dozen cities, or even a dozen countries, working together through e-mail, Web conferencing, and cell phones.

Gone are the days when a group of local artisans created children's toys—or anything else. Even the simple "Made in Japan" label of the 1960s is obsolete. Today, toys designed in the United States are likely to be assembled in China from parts produced in Thailand and India.

The products of multinational corporations do not really "come from" anywhere, in spite of the "Made in America" or "Made in China" labels. A toy may be designed by engineers living in Belgium, Switzerland, and South Africa through teleconferencing at an office in Brazil, while the parts are outsourced to a manufacturer based in Japan but with the factories located in India and Thailand; assembly occurs in a factory in Mexico, and the marketing campaigns are devised in the United States. The toy is sold in 128 countries, and the television commercials appear in 32 languages. Where is it made? Notice that my hypothetical toy is not assembled in factories in Germany, France, or Japan, and the engineers are not from Mexico or Thailand. "Outsourcing" and "offshoring" are not random: They are based on a clear economic division between First World and Third World, or between core and periphery in world-system theory. Core countries do the high-profit "tertiary economic activity," the knowledge-based design and marketing, and relegate the primary and secondary economic activity (agriculture and manufacturing) to cheap labor in peripheral countries. Every episode of *The Simpsons* is written and storyboarded in the United States, then outsourced to Korea for the tedious work of animation.

To sociologists, like Bonacich and Appelbaum (2000), the multinational corporation illustrates how modern corporations are both national and international, global and local, at the same time. They studied the global production of clothing sold in America. They found that two-thirds of it was "outsourced," produced in peripheral countries, where factory workers could be paid a small percentage of U.S. wages (in China, workers are thrilled to get $40 per month). They note a **race to the bottom:** Manufacturers and retailers like Wal-Mart and Kmart will go wherever on Earth they need to, to maximize profits by paying the lowest possible wages.

It used to be said that "what's good for General Motors is good for America." It meant that the success of companies led to prosperity for people in their home countries. But today, that old adage is ringing false. In Europe, as well as Japan, the United States, and elsewhere, people are witnessing record corporate profits while workers' wages are stagnant or even dropping. In the United States, median incomes have been flat since 2000, while corporate profits have nearly doubled (Gross, 2006). What's going on?

Globalization. It has "decoupled" the old win-win relationship between corporate and national interests. Corporate interests making profits may no longer benefit the entire society. In fact, those profits may actually hurt most people. In the past, fatter profits led companies to hire more workers and offer higher wages. This is no longer true. In today's global economy, multinational companies are not really attached to a home country any more, so they don't put their profits back into it in the form of more hiring or better benefits. Increased profits are just as likely to result in cutbacks and layoffs as they are to increase hiring. They are not "sharing the wealth," so to speak—at least not at home.

The world's 40 biggest multinationals now employ 55 percent of their workforces in foreign countries and earn 59 percent of their revenues abroad (*Economist*, February 23, 2006). In Europe, the trend is quite pronounced. Only 43 percent of all jobs at companies in France's CAC 40 (France's stock market index) are actually based in France. In Germany, just over half (53 percent) of employees of companies listed in its DAX 30 are based in Germany. But this is also happening more and more in the United States. Already, more than one-third of General Motors' employees don't work in America (*Economist*, February 23, 2006).

Because the big multinational corporations are maximizing profits abroad, they are not spending in home countries on jobs and wages. What's more, the threat of further outsourcing continues to keep wages down at home. Even in countries with very strong unions, such as France or Germany, workers have been pressed to accept pay and benefit cuts—if they want to keep jobs at all (Gross, 2006).

What are companies doing with the profit gains? Some are investing in foreign operations—because that's increasingly where their markets are and profits are coming from. For now, in the United States, a bigger slice of the increase in national income has gone to corporate profits than in any economic recovery since 1945 (*Economist*, 2006).

Did *you* know?

A small number of transnational corporations, operating globally, now control a vast share of the world's economic activity. Their wealth outstrips that of most nations: More than half of the world's top 100 economies are corporations (*U.S. News & World Report*, 2004). Wal-Mart outsells Saudi Arabia. The Bank of America outsells Hungary. General Motors has a higher GDP than all but 22 countries and twice that of Singapore, Ireland, and the Philippines.

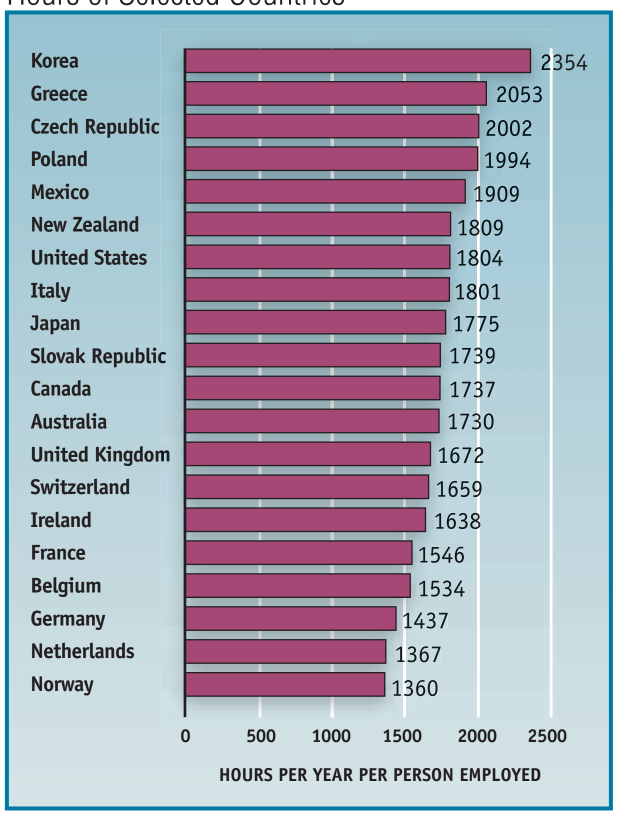
Work, Identity, and Inequality

Since the beginning of human society, our working lives have occupied the majority of our waking hours. From sunup to sundown, people in nonindustrial cultures have hunted and gathered, planted and sown, fished and farmed to provide for their society's members. This is still true today for most of the world's population. In contemporary industrial societies, it was only in the early twentieth century that we have cut the working day to eight hours. And political movements in Europe are suggesting cutting the work week from 40 to 35 hours and the work day to seven or even six hours a day. In that sense, we work fewer hours today than ever before.

At the same time, we constantly hear how we are working longer and harder than ever before. Top-level managers in corporations and young lawyers in large firms often log 100-hour work weeks. Countless CEOs boast about virtually living in their offices. Americans are working harder and longer than residents of all but six other countries (Figure 12.3).

Sociologists understand that both these phenomena are true: The organization of our economies makes it possible for us to work fewer hours and also often makes it necessary for us to worker longer hours.

FIGURE 12.3 Average Annual Working Hours of Selected Countries



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How We Work

In the early days of mass production, the assembly line basically imagined workers as machines. People were simply trained to do a task with scientific precision and then asked to do it repeatedly. No one really cared whether the workers felt challenged, bored, intimidated, or humiliated. As industrialization progressed, social scientists, management scientists, and even kinesiologists began to research how we respond to the workplace, to co-workers, to bosses, and to labor itself. Happier workers, who felt less bored and more valued, it turned out, were more productive—and that spelled higher profits.

The Hawthorne Effect. The earliest experimental study of work productivity was conducted between 1927 and 1932 at the Western Electric Hawthorne factory in Chicago. Researcher Elton Mayo chose six female assembly-line workers and assigned an observer to watch them, ask for their input, and listen to their complaints. Then he made a variety of environmental changes, including breaks of various lengths, different quitting times, different quotas, a day off, and a free lunch. To his surprise, almost every change increased productivity. And when he changed things back to the default, productivity increased again (Mayo, 1933)!

Mayo concluded that the changes themselves weren't responsible for the increase in productivity. It was that the workers had some input. The workers chosen for the experiment had no boss telling them the "proper" procedure. They were allowed to work in their own way; in fact, the observer displayed a keen interest in their individual work styles. They were treated as intelligent, creative individuals rather than as mindless machines.

The "Hawthorne Effect" or the "Somebody Upstairs Cares Syndrome" soon became a standard in management textbooks: People work better and faster when they feel valued.

Theory X and Theory Y. In 1960 Douglas McGregor published *The Human Side of Enterprise*, about two theories of work (McGregor, [1960] 2005). Theory X assumes that people naturally dislike work, so they will slack off unless they are coerced and threatened. On the assembly line, a line supervisor must be watching them at all times. In white-collar jobs, they must fill out time sheets, goals statements, and allocation lists. While they must have a little more freedom, supervisors should still monitor their activities closely.

Theory Y is based on the assumption that people naturally like work, so they will do it if they feel they are a valued part of a team (as in the Hawthorne Effect). The job of the supervisor is to create team spirit, solve problems, and offer advice, not monitor productivity. On the assembly line, there should be suggestion boxes and team meetings. White-collar workers might go on retreats where they fall backwards into each other's arms to learn trust.

McGregor argued that both theories are valid and can increase productivity, depending on the task and the maturity and responsibility of the workers. The biggest mistake of management is to implement Theory X all the time and never consider the possibility of Theory Y.

Manufacturing Consent. Sociologist Michael Burawoy (1980) wondered why so many people work so hard, making only their managers rich. It's not a desire for promotion because people work just as hard at dead-end jobs. It's not fear of being fired. Why don't they slack off or rebel against the oppressive system? Why do they care? To find out, he took a blue-collar job at "Allied Corporation," and carefully observed both management and workers. He found that management engaged in three strategies designed to **manufacture consent,** by which workers came to embrace a system that also exploited them. Manufacturing consent is the production of values and emotions (in addition to the actual things they produce) that bind workers to their company:

- *Piece-rate pay system.* The workers competed with each other to produce the highest quotas. Though the "prizes" were only minor pay raises, workers devoted a lot of time to "making out," strategizing new ways to increase their production. Even Burawoy found himself working harder.
- *Internal labor market.* Increasing job mobility within the company gave the workers the illusion that their dead-end jobs had potential.

- *Collective bargaining*. Unions gave workers the illusion that they, as individual workers, held power.

The ideas in *Manufacturing Consent* have been applied to many jobs, white collar as well as blue collar. For instance, in academia, promotion and tenure are based to a great extent on publications, but often tenure committees look only at the number of publications, not the quality. So professors find their own way of "making out." They publish a lot of short articles that do not involve extensive research rather than working on a big, meaningful project.

Types of Jobs

There are several different types of jobs, often categorized by the color of the collar you are thought to wear. Of course, these color codings are not always followed, but the job categories remain relatively stable.

White-Collar Jobs. White-collar work is knowledge-based work, with the day spent manipulating symbols: talking, speaking, reading, writing, and calculating, but not lifting boxes, assembling products, or welding parts together. Most white-collar jobs require considerable education, usually a bachelor's degree and often today a master's degree. In 1900, only about 16 percent of American workers had white-collar jobs, but today the figure is nearing half (Bureau of Labor Statistics, 2007).

Because white-collar jobs offer the highest salaries and the most opportunity for advancement, many sociologists, including C. Wright Mills (1951), have argued that white-collar workers are more in agreement with capitalism than blue- or pink-collar workers. However, contemporary scholars note that, in the postindustrial economy, most white-collar jobs are becoming more regimented and bureaucratic, and white-collar workers are experiencing a decay in autonomy, creativity, and advancement potential similar to that of the blue-collar workers as they shift downward to service (Fraser, 2001).

Perhaps the first type of white-collar job you think of is a "professional." The term initially, before the Industrial Revolution, referred to the clergy—universities like Harvard, Yale, and Princeton were founded to train future ministers. Law and medicine were considered skilled trades, like carpentry, entered through an apprenticeship rather than a college degree, and the only requirement for becoming a teacher was knowing how to read. (In the Middle Ages, the barber was often the village doctor.)

In the twentieth century, doctors, lawyers, and teachers became professionals, followed later by scientists, engineers, librarians, architects, artists, journalists, and entertainers. Professions can generally be distinguished from other jobs by four characteristics:

1. *Theoretical knowledge*. You must have not only technical training in a skill, but a theoretical understanding of a field. Architecture became a profession only when it became less about constructing buildings and more about understanding the dynamics of inhabited space.
2. *Self-regulating practices*. Other jobs have procedures, but professions observe a code of ethics.
3. *Authority over clients*. Based on their extensive training, professionals are qualified to advise their clients and expect them to obey directions. You expect that your doctor knows more than you do about your rash.

Did *you* know?

Real white collars were invented by a woman named Hannah Montague in 1827. They were detachable, so they could be washed separately from the shirts to save laundry time. By the end of the century, 25 million white collars were being manufactured in the United States every year. Too expensive for manual laborers, they became a status symbol for the new middle class.

4. *Community orientation*. Rather than merely seeking personal income, the professional has a duty to the community.

Alongside the professionals are the white-collar workers in business. Perhaps, as President Calvin Coolidge said, "the business of America is business." Business administration remains the most popular college major, comprising nearly a quarter of all bachelor's degrees awarded in 2005 (U.S. Department of Education, 2006). Yet less than 14 percent of American workers are actually employed in management, business, and financial occupations. Of these, 57 percent are men and 43 percent women; 87 percent are White, 7 percent Black, 6 percent Hispanic, and 4 percent Asian (the percentage adds up to more than 100 percent because Hispanic persons can be of any race) (U.S. Census Bureau, 2004b).

Sales is usually considered white collar because it is knowledge work, persuading people to buy things, but sometimes it is categorized with service jobs because of its low salary and low prestige. Seventeen percent of American workers are in sales, about equally divided between men and women. Most are White, with 10 percent Hispanic, 9 percent Black, and 4 percent Asian (Bureau of Labor Statistics, 2007).

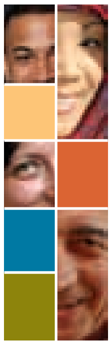
Blue-Collar Jobs. The term *blue collar* was first coined in 1951 for jobs involved with production rather than knowledge, because factory workers traditionally wore blue jumpsuits. In 1900, 60 percent of American workers were blue collar. Today it is less than a quarter (Blinder, 2006). There are several types of blue-collar jobs—like natural resource and construction, factory work, and skilled crafts work.

Natural resource and construction work includes farming, fishing, and forestry, plus the construction trades (electricians, bricklayers, plumbers), and also auto and airplane repair, heating, air conditioning, and refrigeration. About 10 percent of American workers are involved. Of these, 95 percent are men, and only 5 percent are women. Eighty-eight percent are White, 21 percent Hispanic, 7 percent Black, and 2 percent Asian (Bureau of Labor Statistics, 2006).

About 13 percent of American workers have jobs in production, which includes not only traditional factory jobs but driving buses, trucks, taxis, and cars and piloting trains and airplanes. Like natural resources and construction, these jobs are heavily male oriented (76 percent men, 24 percent women). Of production workers, 88 percent are White, 19 percent Hispanic, 14 percent Black, and 2 percent Asian (Bureau of Labor Statistics, 2006b).

Pink-Collar Jobs. The term *pink collar* was coined by Louise Kay Howe in 1977, in her book *Pink Collar Workers: Inside the World of Woman's Work*. Howe found that jobs in offices, restaurants, and stores—such as secretary, waitstaff, or sales clerk—were often held by women. Today these jobs are still stigmatized as "women's work," and therefore most are low paying and low prestige. Some highly experienced and lucky pink-collar workers can work their way up to the salary of a white-collar job, but most barely make a living wage, like the factory workers of the nineteenth century.

Many of the most dominant pink-collar jobs are in clerical and sales work. These are jobs in office production: typists, file clerks, data entry clerks, receptionists, secretaries, administrative assistants, and office managers, plus cashiers, insurance agents, and real estate agents. In 1900, clerical and office work occupied only 7.5 percent of the U.S. working population. Today it is 26 percent, though the percentage is declining as more and more white-collar workers are asked to do their own administrative tasks. These jobs are heavily female oriented (75 percent women, 25 percent men). Eighty-one percent of workers are White, 13 percent Black, 11 percent Hispanic, and 3 percent Asian (Bureau of Labor Statistics, 2006b).



Sociology and our World

Labor Unions

A hallmark of blue-collar employment has been the labor union. In the early days of industrialized economies, owners spent as little as they could on workers. The work day lasted 12 hours or more, often under horrible conditions, with no days off, no benefits, and poverty-level wages. Workers had no rights and no political influence, so if they were injured on the job or if they complained, they were fired.

Soon workers discovered that if they banded together in **labor unions** modeled on the medieval guilds, they could redress the balance of power through collective bargaining, appealing to owners as a group. Only a few labor unions appeared during the eighteenth and nineteenth centuries, and because they were local or limited to a single occupation, they were not successful at creating large-scale change. Then the American Federation of Labor (AFL) was founded to coordinate the activities of many different occupational unions, so that, for instance, steelworkers could assist railroad conductors. Later the AFL merged with the Committee for Industrial Organization and became the extremely influential AFL-CIO.

During the first decades of the twentieth century, organized labor used work slowdowns, work stoppages, and strikes to fight for many of the benefits that we take for granted today: the 40-hour work week, overtime pay, a minimum wage, unemployment insurance, worker's compensation for on-the-job injuries, child labor laws, and worker safety and health codes. All of these were opposed by the companies and granted only grudgingly after the government intervened (Fernie and Metcalf, 2005; Hannan and Freeman, 1987; Lichtenstein, 2002).

Union membership increased rapidly during the 1930s and 1940s, until by 1950 more than a third of all nonfarm workers in the United States belonged to unions. Membership declined after 1970, sometimes sharply, both because blue-collar employment was declining and because federal regulations to protect workers made a great deal of union negotiation obsolete. In 2004, only 12.5 percent of American nonfarm workers belonged to unions. The largest unionized segment of the population is government employees (36 percent). For nongovernment, private-sector employees, the percentage is 8 percent, the lowest in a century (Hirsch and Macpherson, 1997).

Globally, unionization varies tremendously, from 2 percent (Gabon) to 70 percent (Iceland). Overall, rich countries tend to be more heavily unionized, at 30 percent or more. But union membership is in decline almost everywhere (International Labour Organisation, 2008).

Service Work. Service work wears both pink and blue collars. This category includes food preparation and service, personal services (hair stylists, launderers, child care workers), and maintenance workers (janitors, garbage collectors), plus police officers and firefighters. Of American workers, 17 percent have service jobs; of these, 57 percent are women, and 43 percent men; 77 percent are White, 18 percent Hispanic, 16 percent Black, and 4 percent Asian (Bureau of Labor Statistics, 2006b). Service work is also age oriented: It includes the oldest and the youngest workers, like the retirees who greet you at Wal-Mart and the local teenagers who are flipping your burgers at a fast food restaurant.

Service jobs are the lowest paid, the least prestigious, and the ones with fewest—if any—health and retirement benefits. Many service jobs sit at the minimum wage.

As of July 2008, the minimum wage in the United States is $6.55 per hour. (That's the federal mandate; some states may have higher rates.) That's about $52 a day. Maybe that could barely sustain a teenager living at home, with only entertainment expenses to worry about, but a person living alone, without parental support, could never acquire adequate food, clothing, and shelter for that amount (and don't even think about children!). Yet today nearly two million adults (aged 16 and over) earn minimum wage or less (Bureau of Labor Statistics, 2005), including 9 percent of service workers and 8 percent of office workers. Nearly 40 percent of minimum wage workers are working full-time.

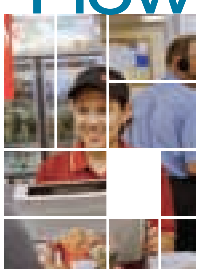
Nearly one in seven workers (especially Black and women workers) spend at least half of the their work lives stuck at or near minimum wage (Carrington and Fallick, 2001.) These workers, plus the 25 million more who earn a dollar or two an hour above the minimum wage (Sklar et al., 2001), are called the working poor.

The real value of the minimum wage (that is, its equivalent in the contemporary workplace) rose through the 1960s to a high of $7.18 (in 1968). It fell steadily during the Reagan and Bush presidencies, to a low point of $4.80 (in 1989). Under President Clinton it rose again to $5.89. But under George W. Bush it fell to a low of $5.85 (Economic Policy Institute, 2005).

All the while, worker productivity, corporate profits, and CEO pay have all surged. If the minimum wage had kept pace with productivity increases, it would now be $13.80 per hour. If it had kept pace with the domestic profits of corporations, it would be $13.02 per hour. If it had kept pace with the profits of the retail industry (which employs over half of minimum wage workers), it would be $20.46 per hour (Sklar et al., 2001).

An obvious solution would be to raise the minimum wage—to at least $8.00 per hour, the minimum necessary for a single full-time worker to acquire adequate food, clothing, shelter, and transportation (but not health insurance, which most low-income jobs don't offer anyway). Opponents argue that raising the minimum wage will hurt businesses, thereby fueling inflation, increasing unemployment, and ultimately harming low-skill workers. But several studies reveal that the costs to businesses, even small businesses, would be minimal. Retail businesses with fewer than 20 employees would stand to lose 1.0 percent of their current net receipts. Large social service agencies (with 500 or more employees) would lose the most, 10.1 percent of net receipts. But they

How do we know what we know?



The Poor Work Harder Than the Rich

One of the most enduring myths in Western culture is the myth that people are poor because they don't work hard enough. Consistently, sociologists have debunked this myth by surveys of hours worked, comparisons that show the minimum wage doesn't even come close to helping people live above the poverty line, and other methods. Recently, though, sociologists and journalists have gone deeper into the working lives of working people and found something somewhat startling: Poor people work much harder than rich people.

Sociologist Katherine Newman (1999) sent teams of her graduate students into minimum-wage jobs, like flipping burgers in a fast food restaurant she called "Burger Barn." The researchers were surprised to see just how honest and hard-working the workers were, but what's more, they noted how workers had to scramble frantically to try and put a few dollars aside for the future because they had neither health benefits nor retirement plans. The workers were proud to work, in fact, preferring to make it on their own than rely on public assistance.

And journalist Barbara Ehrenreich (2001) went even further: She took six months and worked in a variety of entry-level jobs that define low-wage service work in the global economy. She worked as a cleaning woman in Maine, as a waitress in Key West, and as an "associate" in a Wal-Mart in Minneapolis. At Wal-Mart, she had to stay late (and off the books) to clean up and arrive early (off the books) to set up. Working two jobs, she could not afford rent on an apartment and ended up, as did the other women she worked with, living out of a car or in a run-down weekly rate motel, eating soup out of cans she cooked on a hot plate and wearing an adult diaper because she was not permitted to take bathroom breaks during her shift. She often relied on the kindness of strangers, as her co-workers were always offering to share what little they had. Only the working poor, she sadly concluded, actually believe in the Protestant work ethic—that if you work hard enough, you can make it in America. The middle class has long since abandoned such illusions.

"Most civilized nations," Ehrenreich concludes, "compensate for the inadequacy of wages by providing relatively generous public services such as health insurance, free or subsidized child care, subsidized housing and effective public transportation." What, she wonders at the end of the book, does that say about us?

would save on recruitment, training, and retention costs; reduce turnover and absenteeism; and improve quality of work, all positively affecting profits (Sklar et al., 2001).

About 70 towns and universities around the country have recently legislated "living wage" ordinances, and they are in the works in another 80. The highest of the minimum "living wages" are $11.00 per hour with health insurance (Santa Cruz, CA) and $12.25 per hour without health insurance (Santa Monica, CA) (Sklar et al., 2001, pp. 70–72). But a number of states, including Arizona, Colorado, Louisiana, Missouri, Oregon, and Utah have banned local living wage ordinances (Murray, 2001).

Alternatives to Wage Labor

Working for wages is not the only way that people work. In fact, much of our labor is not for wages at all. Economists have identified several "alternatives" to the wage-labor system.

Working off the Books. Many people depend on informal, under-the-table, off-the-books work for a substantial part of their income. The informal economy—also called the "underground economy" and the "gray market"—includes several types of activities. Although some people are uncomfortable thinking of crimes as drug dealing, prostitution, shoplifting, gambling, car theft, and burglary as part of the underground economy rather than individual aberrations, studies of arrests have found that most perpetrators think of themselves as "taking care of business." They "go to work" as deliberately as someone with an office job. They follow rules, procedures, protocols, and a code of ethics; they take occupational risks (such as being injured or going to prison).

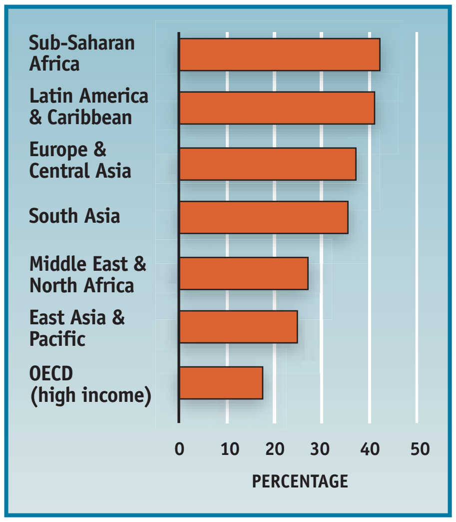
"Informal" does not mean "unorganized." Nationally and globally, billions of dollars of goods, services, and money change hands through complex networks of crime families, gangs, corrupt officials, smugglers, and money-laundering specialists (Portes, Castells, and Benton, 1989).

Another type of underground economy comes into play when the workers are foreign nationals with no work visas, so they cannot work legally in their host country. They therefore arrive at an off-the-books arrangement with their employers. Illegal immigrants, who are not permitted to be in the United States at all, are particularly vulnerable to unscrupulous entrepreneurs who offer sweatshop working conditions at well below minimum wage. Although some manage to find white-collar jobs or are self-employed, the majority of illegal immigrants take service jobs, including house cleaning, gardening, and food preparation. The average household income of illegal immigrant families is less than $24,000 per year, considerably less than the $46,000 of legal residents (Wasow, 2006).

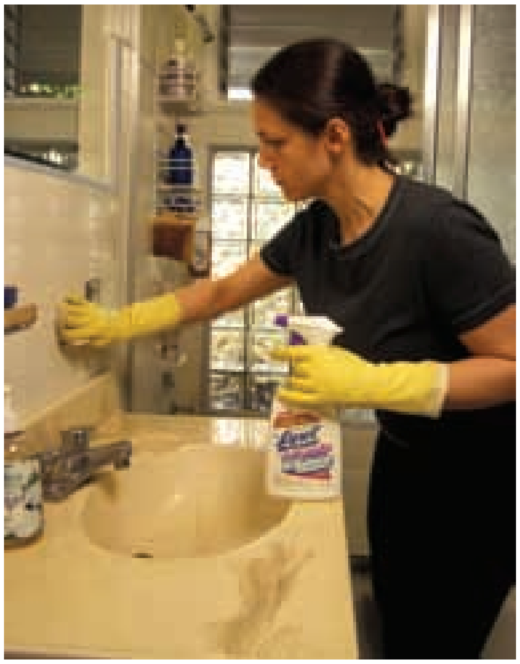
Most often, however, neither the work nor the worker is illegal; the underground economy comes into play only because the money is undeclared and therefore untaxed. A waiter receives an average of $30 in tips every night, but at income tax time, he reports only his official salary, not the extra $7,500. A collector buys a vase at a garage sale for $5 and sells it on eBay for $100, pocketing the money but forgetting about it at tax time. People fix cars, do laundry, mow lawns, babysit informally for friends and neighbors, adding perhaps $60 to their pocketbooks this week and $80 next week, resulting in an extra $4,000 at the end of the year that the IRS doesn't know about.

The size of the informal economy varies among countries and regions (Figure 12.4). In sub-Saharan Africa, the informal economy accounts for

FIGURE 12.4 Informal Economy as Percentage of GDP



Source: IFC, 2005; From "The Flicker of a Brighter Future" by Luanda and Lusaka. © *The Economist* Newspaper Limited, London, September 7, 2006. Reprinted with permission.



▲ **The informal economy includes work most often paid in cash or services with no benefits and often includes workers in restaurants and bars, housecleaners, and child care workers.**

more than 40 percent of the region's gross domestic product; in the high-income countries of the OECD, it is about 18 percent. Pennar and Farrel (1993) estimated that undocumented income alone (excluding crime and the work of illegal aliens) constitutes 10 to 15 percent of the regular economy. That's more than $1 trillion per year, and $100 billion in lost taxes (*Economist,* September 7, 2006).

All socioeconomic classes participate in the informal economy, but the $95 profit that the collector made on the eBay vase is a negligible contribution to a middle-class income (and the IRS is unlikely to be terribly concerned about it). But money earned off the books and under the table may easily double a $6.55 per hour minimum wage income. The working poor are likely to depend on the informal economy for their everyday survival (Newman, 1999).

Unpaid Work. For most of human history, all work was unpaid. People provided their own food, clothing, housing, and entertainment. For jobs that were too big for one person or household, favors could be called in from friends and family. Sometimes people bartered something they had for something they needed. With the advent of capitalism, most of the goods and services that families or groups used to provide for themselves, from clothing to entertainment to police protection, increasingly became someone's job and required pay.

But we still do a tremendous amount of unpaid work. The line between labor and leisure blurs around the edges: Somebody, somewhere is getting paid to do most of the activities that we do for free. Yet economics ignores this unpaid work.

The best example is taking care of our own household, doing the dusting, vacuuming, dishwashing, food preparation, and so on. It is denigrated as "women's work," assumed to be the domain of full-time "housewives," even though husbands, unmarried partners, relatives, and friends all sometimes stay home to take care of the household, while someone else "goes to work" to provide the financial support. Before capitalism, there was no division between work and home: Everything took place at or near home. Men and women had different tasks to perform in most cultures, but nobody theorized that one group was doing the "real" work, while the other enjoyed a life of sleeping-in and watching soap operas. But as the division between home and work grew, and men began to work in the public arena for wages, they began to perceive themselves as "breadwinners," solely responsible for the economic vitality of the household, for "putting food on the table."

The idea that unpaid household labor had nothing to do with "real" economy was set in stone as early as the 1920s, when official decisions were handed down that only transactions in which money changes hands should be included in measures of U.S. productivity. When the first estimates of gross domestic product were developed in the 1930s, calculations were limited to the total monetary value of goods and services that were sold (Crittendon, 2002).

Domestic labor lost the status of "work" and became a part of the heterosexual marital bond. Presumably women found household maintenance similar to wrapping a present—a joyful "labor of love," technically work, but worth it to please their husbands. The image still persists today, but it is counterbalanced by another image: the housewife as Stepford Wife, brainwashed by a patriarchal system that considers her worthless, sad, lonely, unfulfilled, tragically "wasting her life" (Friedan, 1963).

Near the end of the twentieth century, some economists began to realize that household labor, or **human capital,** does make a significant impact on the economy.

In 1995, the World Bank found that 59 percent of the wealth in developed countries consists of human capital, 25 percent of natural resources (land, minerals, and water), and 16 percent of manufactured goods (World Bank, 1995).

In the wealthiest countries, human capital accounts for 75 percent of the producible forms of wealth (World Bank, 1995). The value of unpaid work (not only household labor, but home repair, auto repair, and other informal work) was estimated to be the equivalent of 35 percent of the monetary GDP in Germany, 40 percent in Canada, 46 percent in Finland, and 48 to 64 percent in Australia (Ironmonger, 1996).

Did *you* know?

In the 1980s, the National Center on Women and Family Law found that the skills housewives use every day are comparable to those of the highly qualified and highly paid managers in the corporate world. If they were paid according to their skill level, they would have earned more than $60,000 per year in the 1980s (Crittendon, 2002) or between $110,000 and $150,000 today.

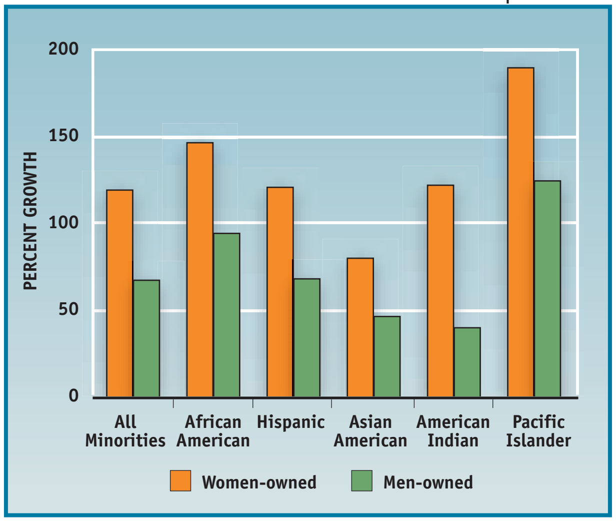
Self-Employment. Entrepreneurship has always been the hallmark of the American dream. In some socioeconomic classes, parents send their children off to sell seeds or magazine subscriptions to their neighbors nearly as soon as they can walk, to put them on the road to self-made fame and fortune. Even today, in the age of corporate dominance, 7.5 percent of the working American population listed self-employment as their primary source of income (Bureau of Labor Statistics, 2004b). Their jobs range from blue-collar carpet and floor installing to white-collar management analysis and professional photography. Men are more likely to be self-employed than women (8.8 percent versus 6.0 percent) and Whites (8.8 percent) more likely than African Americans (4.1 percent) or Hispanics (5.5 percent) (Bureau of Labor Statistics, 2004b). Differences in education, access to credit and capital, and intergenerational links, such as family wealth and history of entrepreneurship, largely account for the lower rates of self-employment among Blacks and Hispanics as compared with Whites (Dunn and Holtz-Eakin, 2000; Fairlie and Woodruff, 2005; Lofstrom, 2002).

Often self-employed people start small businesses and become employers of their own: More than 19 million Americans work for companies employing fewer than 20 employees, and another 18.4 work for companies with more than 20 but fewer than 100 employees. These small businesses are a continued source of energy for the American economy. They produced 75 percent of the new jobs that appeared between 1990 and 1995 (Bureau of Labor Statistics, 2004b). They tend to hire more older workers and part-timers, so they tend to be points of entry into the economy for new groups.

During the past decade or so, women have been leading the way in small businesses (perhaps due to their frustration with corporate culture). Between 1997 and 2006, the estimated growth rate in the number of women-owned firms was nearly twice the growth rate of male-owned firms, and their employment and revenues grew faster than male-owned firms. Today nearly half of all privately held businesses in the United States, 10.4 million, are women owned. They employ over 12.8 million people and generate $1.9 trillion in annual sales (Center for Women's Business Research, 2007).

The trend is even more pronounced for women of color (Figure 12.5). Between 1997 and 2006, the number of firms they owned grew by nearly 120 percent, while employment grew by nearly 62 percent, and sales by nearly 74 percent. In 2006, they owned 1.4 million U.S. firms—over 20 percent of all women-owned firms. They employed nearly 1.1 million people and generated nearly $161 billion in sales (Center for Women's Business Research, 2007).

FIGURE 12.5 Women-of-Color Entrepreneurs



Source: From *Center for Women's Business Research,* 2007. Reprinted with permission.

Part-Time Work. In 2005, about 25 percent of the American workforce was employed part-time (fewer than 35 hours per week) (Bureau of Labor Statistics, 2006). The percentage has remained fairly stable for the past 40 years, ranging between 14 percent (in 1968) and 19 percent (in 1994). Women are more than twice as likely as men to work part-time (OECD, 2006; Economic Policy Institute, 2007). Globally, part-time workers are becoming increasingly common, ranging from 6 percent of the workforce in Greece to 36 percent in the Netherlands. However, women remain the primary part-time workers: They account for 73 percent of part-time employment in wealthy nations (OECD, 2007b).

Many people work part-time by choice, because they want to attend to other commitments (part-time jobs have been traditional for high school and college students for years). However, over a quarter want full-time work but are prevented by the lack of suitable jobs or transportation or child care problems or by employers who keep them just below the 35-hour-per-week limit to avoid paying full-time salaries and benefits. Two-thirds of people working at or below minimum wage are part-time (Tilly, 1996). Often, to make ends meet, they must take a part-time job in addition to a full-time job, or two or three part-time jobs.

Contingent and "On Call" Work. Many employers have discovered the economic benefit of replacing permanent employees with employees hired to do a specific project or for a specific time period, or to be "on call," working only when their services are needed. According to the U.S. Department of Labor (2001), about 4 percent of the American workforce are contingent, nearly 2 percent work "on call," and 1.5 percent are contract workers or "temps" (Bureau of Labor Statistics, 2005a).

Because there is no presumption of permanent employment, employers need not offer retirement pensions, cost-of-living raises, or paid holidays, vacations, sick leave, or health insurance (55 percent of traditional employees receive health insurance from their employees, but only 30 percent of on-call workers, 20 percent of contingency workers, and 10 percent of temporary workers do). They need not find more work for employees who have finished their duties early or pay overtime if their duties take longer than expected. They can lay off employees at any time without investing in expensive severance packages.

The characteristics of these workers vary widely. Independent contractors tend to be middle aged, White, and male, while temporary workers tend to be young, ethnic minority, and female. Of independent contractors, 83 percent state that they prefer their arrangements, while 44 percent of temporary workers would prefer permanent jobs (Bureau of Labor Statistics, 2005a).

A large percentage of independent contractors, on-call workers, and contingency workers have white-collar jobs in management, the professions, or sales, but temporary workers are overrepresented in low-skill, low-paying jobs (37 percent are in offices or service jobs). Their average weekly full-time pay was $414, but most do not work full time (Bureau of Labor Statistics, 2005a).

Unemployment

Even when the economy is functioning as smoothly as possible, there are always some people out of work, looking for work, or unable to work. Some people work only during some times of the year and not others; others are in between jobs, looking for a new position; others cannot find work in their field or are somehow disqualified from some jobs.

Social scientists typically distinguish among three different types of unemployment; the first two tend to be more temporary than the last:

▲ **Globalization has shifted much industrial production to the developing world, and many manufacturing plants in the United States and Europe have closed.**

1. *Seasonal unemployment* refers to the changes in demand for workers based on climate or seasonal criteria. For example, demand for agricultural labor drops dramatically after the harvest, and demand for workers in the tourist industry peaks only during "high season" for tourists.
2. *Cyclical unemployment* is a response to normal business cycles of expansion and contraction. During periods of economic expansion, demand for labor increases, and the unemployment rate goes down. But during recessions and economic downturns, demand for labor goes down, people are laid off or downsized, and unemployment rates increase.
3. *Structural unemployment* refers to more permanent conditions of the economy. In some cases, it may be caused by a mismatch—say, between the skills needed by employers and the skills possessed by workers or between the geographic locations of employment and the location of potential workers. Structural unemployment can benefit corporations, who can hold labor costs down in a "buyer's market." In the 1980s and 1990s, more than 10 million American workers lost their jobs due to structural shifts in the economy, including the transformation of the auto and steel industries, the rise of high-technology jobs, and the offshore movement of many jobs.

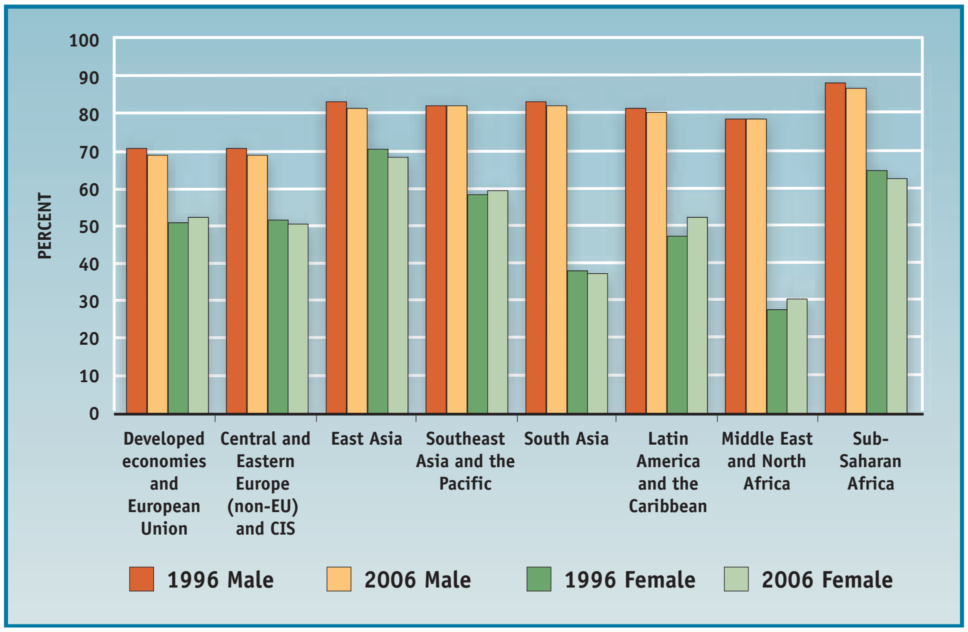
Countries measure unemployment by counting people who are actively looking for jobs. The unemployment rate takes that number as a percentage of all employable workers. In 2007, the unemployment rate in the United States was 4.4 percent.

Globally, while more people are working than ever before, so, too, are more people unemployed than ever before. The International Labour Organisation (ILO) estimates that 6.3 percent of the workforce is unemployed, or more than 195 million people at the end of 2006, an all-time high (International Labour Organisation, 2007). The Middle East and North Africa have the highest unemployment rate in the world (12.2 percent), while the unemployment rate decreased slightly in Latin America and the Caribbean, to 8 percent in 2006. The developed economies and the EU saw rates decline, from 7.1 percent in 2004 to 6.2 percent in 2006 (International Labour Organisation, 2006). Almost half of the unemployed are the world's young people aged 15 to 24, who are more than three times as likely as adults to be out of work (International Labour Organisation, 2007).

Diversity in the Workplace

Domestic comedy movies from the 1950s often begin at a suburban train station, where a crowd of White middle-class men, all dressed in identical gray suits, prepare for their work day in the big city. And, in fact, the middle-class work world in 1950 was nearly that homogeneous. In 1950, White men occupied over 90 percent

FIGURE 12.6 Labor Force Participation Rates by Sex and Region, 1996 and 2006



Source: From ILO Global Employment Trends Model. Copyright © International Labour Organization, 2006. Reprinted with permission.

of white-collar jobs in the United States. Today they occupy 50 percent of managerial, 42 percent of sales, and 41 percent of professional jobs (Bureau of Labor Statistics, 2006b). Women and ethnic minorities are catching up (Figure 12.6).

During the next 50 years, the number of Hispanics and Asian Americans in the United States will triple, while the White non-Hispanic population will increase a mere 7 percent. The United States will be a "majority minority" country, with more than half the population belonging to ethnic minority groups (Friedman, 2006; U.S. Census Bureau, 2004b). The upward trends in minority population predict a corresponding increase in racial diversity in the workforce (Table 12.1). Coupled with increases in women's workforce participation, this means that White men may soon become a minority in the workplace.

Racial Diversity

Higher representation does not mean equality in the workplace. The salaries of people of color consistently lag behind those of White men. For every dollar that White men earn, Black and Hispanic men earn 65 cents, Black women 58 cents, and Hispanic women 48 cents. In 2004, 34.9 percent of all of the discrimination cases filed with the U.S. Equal Employment Opportunity Commission were about race—the proportion has barely budged over the past decade. Two problems are becoming increasingly common in the racially diverse workforce—tokenism and the glass ceiling.

When only a few members of a minority group occupy a job, they often believe (and are treated as if) they were hired as **tokens,** as representatives of their group rather than individuals. They are hypervisible: Everything they say or do is taken as what group members *always* say or do. If they get angry, for instance, their co-workers will conclude that everyone in the group gets angry easily. Their failures will be taken as evidence that the group as a whole is incompetent. Under constant pressure to reflect well upon their group, tokens must be on guard at all times. They must consistently outperform their co-workers just to be perceived as equal (Catalyst, 1999; Moss-Kanter, 1977; Yoder, 1991).

Think about a time when you were the only member of some group in a larger group. You could have been the only woman or man, White person or person of color, straight or gay or bisexual, old or young, Christian, Muslim, or Jew—whatever set you apart. Let's say you were the only Latino. At some point, someone turns to you, innocently enough, and asks, "Well, how do Latinos feel about this?" At that moment, you become invisible as an individual, but you are hypervisible only as a member of the group. Of course, the only sensible answer is, "How should I know? I'm just an individual. I can only answer for myself. But I bet there are sociologists who have surveyed Latinos, and we can find out what most of them think about the question."

TABLE 12.1

Increasing Racial Diversity in the U.S. Labor Force

	1995	2005	2020
White, non-Hispanic	76%	73%	68%
Hispanic	9%	11%	14%
African American	11%	11%	11%
Asian American	4%	5%	6%

Source: Workforce 2020: Work and Workers in the 21st Century by Richard Judy and Carol D'Amico, 1997. Reprinted with permission of the Hudson Institute.

Gender Diversity

In 1900, less than 20 percent of American women (aged 15 and over) worked outside the home. Today over half do, and the percentage is increasing worldwide.

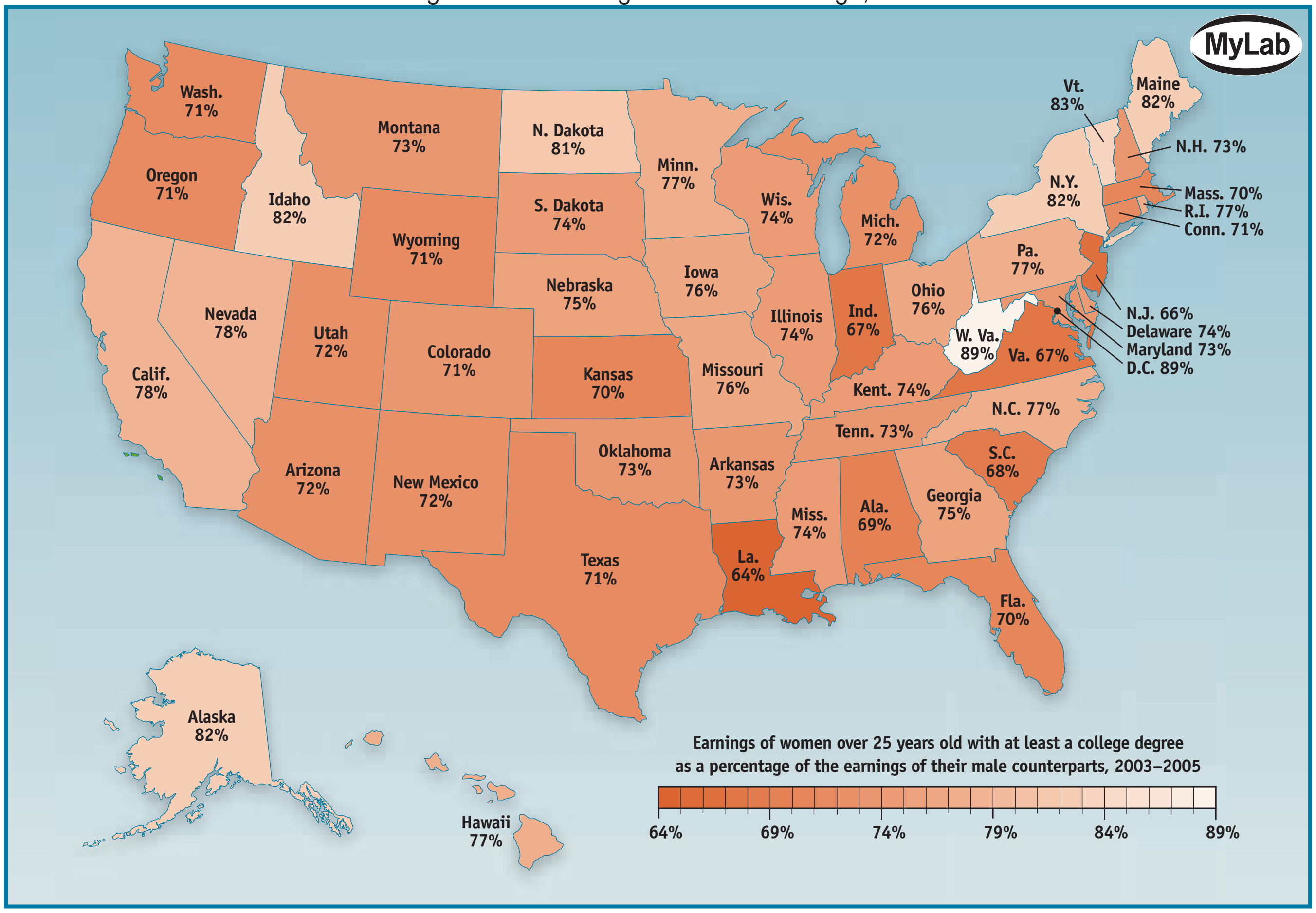
Surprisingly, women's employment is highest in poor countries, where everyone who can work does: 82.8 percent of women in Mozambique, 80.4 percent in Cambodia, and 74.7 percent in Kenya work outside the home. In wealthy OECD countries, where women in male–female households have the option of staying home, workforce participation of women (aged 20 to 64) ranges from 76 percent (Denmark) to 71 percent (United States) to 60 percent (Japan). However, for college-educated women, the percentages are much higher: 89 percent in Denmark, 82 percent in the United States, and 63 percent in Japan.

The increase in the number of women in the workforce during the past 50 years has been called the "quiet revolution," because its consequences have been gradual but wide-sweeping—a transformation of consumer patterns, workplace policies, dating and relationships, parenting, household maintenance, and self-concepts for both men and women. But that transformation is incomplete. Men and women are still not equal, either in the workplace or at home.

As we saw in Chapter 9, inequality in the workplace has several distinctive characteristics, whether by gender or any other factor. Sex segregation concentrates women and men in different jobs and then explains those differences in terms of individual preferences (women and men simply want different jobs) rather than in terms of structural opportunities and barriers. About half the world's workers are in sex-segregated occupations. In the United States, men comprise 98 percent of construction workers and 97 percent of airline pilots, for instance, while women comprise 76 percent of cashiers and 75 percent of clerical workers. While the overall sex segregation declined significantly in the 1970s, there is evidence of a recent slowdown and resegregation of jobs within broad occupations (Charles and Grusky, 2004; Padavic and Reskin, 2002), including banking and financial services (Skuratowicz and Hunter, 2004).

Another effect of inequality is the **pay gap** between men and women. Typically, we think of the pay gap in terms of the percentage of men's wages that women earn—

FIGURE 12.7 Women's Earnings as a Percentage of Men's Earnings, 2003–2005



Source: From "For Women, Equal Pay? No Way," *Time,* April 27, 2007.

that is, we read about women earning 81 cents for every man's dollar (Figure 12.7). Yet we could also turn that around and say that men earn $1.23 for every woman's dollar—that is, men get a bonus, a "masculinity dividend" just for being men (Connell, 1995). In 2005, the median weekly earnings for full-time workers was $722 for men and $585 for women. The gap is noticeable across all racial divisions (Table 12.2). The gap varies considerably by geographic location and by age—it is much smaller among young workers (25 to 34) than middle-aged and older ones (Bureau of Labor Statistics, 2006b).

TABLE 12.2

The "Masculinity Dividend": Median Weekly Pay Gap between Men and Women, 2005

	MEN	WOMEN
White	$743	$596
Black	$599	$499
Hispanic	$489	$429

Source: Bureau of Labor Statistics, 2006.

The gender wage gap is a global phenomenon. In most economies around the world, women still earn 90 percent or less of what their male co-workers earn (International Labour Organisation, 2007). Even in typically "female professions" worldwide—jobs such as teaching and nursing—wage inequality persists for women (International Labour Organisation, 2007).

A third dynamic of gender inequality is the "glass ceiling." While women have been making small gains consistently for half a century, White men still control nearly all of the top jobs in corporate America. Women comprise more than half of all managers and professionals but less than 15 percent of the Fortune 500 corporate officers, only 5.2 percent of the top earners, and only 1.2 percent of the CEOs (Catalyst, 2003). Women of color fare worse: They comprise only one corporate officer of every 100 (Catalyst, 2003). The Glass Ceiling Commission observes: "The world at the top of the corporate hierarchy does not yet look anything like America." (Compare this to the "glass escalator" effect that men in gender-nontraditional positions experience [see Williams, 1995].)

Work–Family Dynamics. Our family lives also reinforce workplace gender inequality. In 2002, for the first time, the majority (51 percent) of married male–female couples in America were dual income (perhaps not surprisingly because the middle-class lifestyle that used to be feasible on one income now takes two). As women break into the ranks of the top earners, salary differences sometimes upset the traditional designation of the male partner as the "breadwinner": More than 25% of all women in dual-wage households earn more than their husbands (Bureau of Labor Statistics, 2005b). Women make up 39 percent of America's top wealth holders (Konig, 2005).

However, household maintenance is still widely assumed to be a woman's job. A Western woman spends an average of 10 hours per week on household maintenance and a man about five hours. Sociologists have found that living arrangements don't change the average much: Two women living together will still spend about the same amount of time, as will two men. When men and women marry, the woman will perform 50 percent more housework than the man, even if they are both working full-time outside the home (Couprie, 2007). Once children arrive, the gap actually grows. American mothers do three times as much housework as men, spending 17 hours a week on average, while fathers spend just six (Seward et al., 2006).

Sexual Diversity

The workplace originated in a heterosexual division of labor: the male husband/father/breadwinner and the female wife/mother/domestic worker. Early decisions about wages and benefits assumed a single breadwinner for the entire family—and assumed that he was not only male but heterosexual. Many companies continue to assume that all of their employees, stockholders, and customers are heterosexual. There are no federal regulations barring discrimination on the basis of sexual orientation, so employers can refuse to hire gay men and lesbians or fire them at any time. As a result, most gay or lesbian employees must pretend that they are heterosexual, but even those who are out tend to bump up against what they call a "lavender ceiling."

How do we know what we know?

Workplace Discrimination

As recently as the 1970s, help wanted ads in newspapers were coded for "Male" and "Female." Interviewers would routinely ask women about their marital status and family lives—whether they had children or were planning to have them any time soon. Today, those questions are out of bounds. And yet working mothers still experience more workplace prejudice than working fathers. In one study, 196 undergraduates were asked to judge a fictitious résumé for an entry-level job as an immigration lawyer. Different groups got résumés from male and female applicants, some with children, some without. The respondents were just as likely to recommend hiring men with and without children, but they were more likely to recommend childless women than women with children. They were also less likely to consider women with children to be good candidates for promotion (Biernat and Fuegen, 2001).

Corporate culture is built around the assumption of heterosexuality, with conversations and jokes from the boardroom down to the loading dock focused on husbands and wives, boyfriends and girlfriends, and the attractiveness of various movie stars. Employees who refuse to participate are perceived as cool, distant, and snobbish, not "team players." Employees who mention same-sex partners, interests, and experiences are perceived as "problems." As a result, they are passed over at promotion time. In spite of the stereotype that all gay men are sophisticated interior designers living in Manhattan high-rise apartments, for example, gay and lesbian salaries lag far behind those of heterosexual workers (Raeburn, 2004).

Some changes have occurred recently, mostly through the efforts of gay and lesbian workplace activists. Of the Fortune 500 companies, 253 now offer benefits for same-sex partners, and 410 include sexual orientation in their nondiscrimination policies. However, nondiscrimination policies have been mandated for women and ethnic minorities for decades, and glass ceilings are still intact. Not one of the Fortune 500 CEOs is openly gay or lesbian (Human Rights Campaign, 2006).

Working Parents

The United States ranks number eight among wealthy nations in the percentage of mothers in the labor force, with more than 60 percent of all mothers and more than 53 percent of mothers with children under 1 year old in the workforce (Cohany and Sock, 2007). In other nations, the percentage ranges from 76 percent (Sweden) to 32 percent (Czech Republic). Sixty-four percent of American working mothers are White and 36 percent are women of color (OECD, 2006).

For many years, working mothers have been struggling to make corporate culture see children not as "problems" or distractions but as part of "business as usual." As parents, they want more flexibility in their hours and in their career paths, more options, updated criteria for success.

Recently some men have joined them, reframing the issue from "women's right to work" to "parenting and the workplace." A 1998 study by the AFL-CIO found that balancing work and family commitments was the top concern for both sexes, nearly 50 percent of women and 45 percent of men. A study of generation Xers by the Radcliffe Public Policy Center (2001) found that more men than women would trade some of the prestige and salary of a potential job for more free time to spend with their families.

On the other hand, employers could probably benefit significantly from accommodating working parents of either sex. The skills one learns from parenting, including communication, emotional availability, multitasking, efficient organization, and patience, are valuable in the twenty-first-century workplace (Crittenden, 2005). Levine (1997) found that "working fathers," or fathers heavily invested in their children's daily lives, perform better and are more comfortable in a diverse workplace than the traditional "breadwinners."

Work and Economy in the 21st Century

The workplace as we know it today was created by the needs of an industrial economy. But now we are moving into a postindustrial, knowledge-based economy. The stereotypic office workplace, 9 to 5 workday, and single-field career are all becoming obsolete. What sorts of new arrangements will arise to take their place?

In the future, only a small percentage of workers will do a single job throughout their lives, changing only to move up to positions of greater authority (such as teachers becoming principals). Instead, they will develop a portfolio of skills and credentials that they will use to move horizontally, between jobs in many different career fields. Sometimes they will even occupy different jobs simultaneously.

The increased flexibility means that workers will have more control over their work and more creativity. However, they will have no job security because employers will be able to hire and fire them at will. And productivity will suffer because training and recruitment will be never ending: Workers will devote more time and energy to learning new skills and finding work than actually *doing* work.

In the future, we'll be more mobile. At present, such mobility is an option only for white-collar workers; the blue and pink collars are left behind. Also, it is unclear what benefits the white-collar employees will receive as mobility becomes more common. Greater flexibility, perhaps? More creativity? Greater autonomy? They are working and playing at playing at the same moment, answering personal and professional e-mails, watching movies while checking figures, surfing the Web while videoconferencing. Does this blurred boundary between work and leisure increase the quality of either? Or does it eat into private lives, cause higher stress, and create an army of slaves to e-mail?

In the future, will we be working more and enjoying it less, or working less and enjoying it more? To the sociologist, the answer is both. It depends on whom you talk to, where they live, and what they do for a living.

Chapter Review

1. ***What is the economy?*** The economy is a set of institutions and relationships that manages natural resources, manufactured goods, and professional services.

2. ***How do economies develop?*** Before the Agricultural Revolution, societies had few rules, and everyone worked together. Later, people grew predictable crops with permanent settlements and surplus that led to a division of labor and the development of markets. The invention of the steam engine ushered in the industrial economy, centralizing jobs, specializing workers, and moving to a model of paid labor. This in turn leads to increased production which brings increased consumption. Postindustrial economies are characterized by knowledge work, rootlessness, and globalization and occur when jobs shift from production to service orientation.

3. ***What economic systems are there?*** Economic systems deal with production, distribution, and consumption. Capitalism is based on profit, competition, and ownership of private property. Socialism is characterized by collective ownership, collective goals, and central planning. Communism is collective ownership with little government intervention. There are very few real communist economies.

4. ***How did the U.S. economy develop?*** The American economy moved from agricultural to industrial to postindustrial. After the Industrial Revolution, shopkeepers and artisans were displaced as mass production provided cheaper goods. After the stock market crash of 1929, government intervened in local economies, which led to minimum wage laws, Social Security, and regulation of the stock market. A technological revolution began after World War II, which led to a postindustrial economy where the production of knowledge surpassed the production of goods.

5. ***What are corporations?*** Corporations are businesses that are legally treated as individuals. Thus, individual investors and managers are separated from the profit or loss of the business. Corporate capitalism developed in four stages. Initially, investments, customers, and profits were shared with relatives in family corporations. When the family was unable to meet the needs of the company, entrepreneurs began to hire outside managers in managerial corporations that were larger and more

stable. Companies began to hold shares in other companies, and institutional corporations developed that were interconnected through a small network of powerful individuals. Now, the most common type of corporation is multinational.

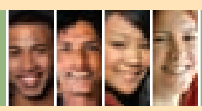
6. ***How are work, identity, and inequality interrelated?*** Work is a central activity of human life, and sociologists argue whether we work because we have to or because we want to. The Hawthorne effect studies state that when workers feel more control over their work, they are more satisfied with their jobs. This is similar to theory Y, which is based on the assumption that people naturally like work and will do it if they feel they are valued. Theory X is the opposite; it assumes that people naturally dislike work and will work well only if they are coerced. Buroway's theory of manufacturing consent holds that management engages in strategies to make workers embrace the system that exploits them.

7. ***How does diversity manifest in the workplace?*** White-collar work used to be dominated by White men, but this is no longer the case, as women and ethnic minorities are gaining. As the ethnic composition of the United States changes, so will the workplace composition. However, higher representation does not mean equality. Pay for women and minorities still lags. More American women work outside the home than ever before; globally, women's employment is highest in the poor countries where work is not a choice. Women's increased participation in the workplace has led to the "quiet revolution," which is changing consumer, home, and work patterns.

Key Terms

Capital (p. 362)
Capitalism (p. 369)
Communism (p. 372)
Conspicuous consumption (p. 364)
Consumption (p. 364)
Corporation (p. 374)
Economic system (p. 369)
Economy (p. 362)
Human capital (p. 384)
Industrial economy (p. 363)
Industrial Revolution (p. 363)
Knowledge economy (p. 366)
Labor union (p. 381)
Manufacture consent (p. 378)
Market (p. 363)
Mass production (p. 364)
Multinational corporations (p. 375)
Outsourcing (p. 367)
Pay gap (p. 389)
Postindustrial economy (p. 366)
Production (p. 364)
Race to the bottom (p. 376)
Socialism (p. 371)
Token (p. 389)
Wage labor (p. 364)

What does *America* think?



The Rich and Taxes

These are actual survey data from the General Social Survey, 2002.

Do you think that people with high incomes should pay a larger share of their income in taxes than those with low incomes, the same share, or a smaller share?
In the 2002 General Social Survey, 23 percent of respondents said the rich should pay a much larger share of their income in taxes. Almost 44 percent said the rich should pay a larger share. Thirty-one percent thought the current share paid was adequate. When broken down by race, there was a significant difference between Black and White respondents, with Black respondents being much more likely (32 percent) to think that the rich should pay a much larger share of their income in taxes.

CRITICAL THINKING | DISCUSSION QUESTIONS

1. Why do you think the survey responses broke down by race the way they did?
2. How do you think responses might differ if they were broken down by social class? Go to the website and check for yourself. How did your prediction compare to the data?

▶ Go to this website to look further at the data. You can run your own statistics and crosstabs here: **http://sda.berkeley.edu/cgi-bin/hsda?harcsda+gss04**

REFERENCES: Davis, James A., Tom W. Smith, and Peter V. Marsden. General Social Surveys 1972–2004: [Cumulative file] [Computer file]. 2nd ICPSR version. Chicago, IL: National Opinion Research Center [producer], 2005; Storrs, CT: Roper Center for Public Opinion Research, University of Connecticut; Ann Arbor, MI: Inter-University Consortium for Political and Social Research; Berkeley, CA: Computer-Assisted Survey Methods Program, University of California [distributors], 2005.