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Book Review

Thomas Janoski, David Luke and Christopher Oliver, *The Causes of Structural Unemployment*. Cambridge: Polity Press, 2014, 224 pp.

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Since the economic crisis of 2008 the unemployment has been one of the main concerns and troubles affecting the economy of the advanced industrialised countries, although there are differences among them not only about the level of unemployment, but also about the recovery from the downturn. The unemployment has usually been considered cyclical: the crisis translated from the financial sector to the real economy, affecting the employment. Moreover the debate on the political economy to overcome the crisis and to foster the growth has been focused mainly on two approaches: to act on the demand versus the austerity and labour market deregulation.

The book of Janoski, Luke and Oliver presents a different view. As the title makes clear, it provides an in-depth analysis of the structural unemployment. It is one of the main forms of unemployment (the others are the frictional and the already mentioned cyclical unemployment). It is a permanent or long-term type of unemployment (notwithstanding the word long term, as known, after Keynes is rather controversial in economics).

The analysis refers mainly to the US. The explanation of structural unemployment in the economic debate focuses on aspects like the rigidities in the labour market and in the wages (examples are the efficiency-wage theory and the insider-outsider theory) and on the skill mismatch, that is the skills possessed by the unemployed and those demanded in the labour market.

The starting point of Janoski, Luke and Oliver is a critic, rather common among sociologists, of the parsimony of the economic models. The studies on unemployment look at variables as the job vacancies, the inflation, the wage and the economic growth. Instead the authors provide a wider analysis of the causes of the structural unemployment and the key factors are the skill mismatch, the corporate off-shoring, the technology, the financialization and the global trade. In this way they provide an explanation of the structural unemployment as related to the changes in contemporary capitalism. They follow a macro perspective that looks at the trends in the division of labour in a global economy. As stated in the introduction, Janoski, Luke and Oliver combines a neo-Marxist theory that looks at how the off-shoring helps the profits to increase with a Weberian analysis of the struggle of the national states to maintain control on the corporations. The winners of the conflict between capital and labour are the transnational corporations and the upper classes with their high profits and incomes, and the losers are the workers and the middle class that is facing both unemployment and wage squeeze.

In the introduction the authors provide an overview of their theoretical perspective. They focus on the definition of the different forms of unemployment and on the evidences for structural unemployment. The latter are five and deserve a mention because they allow to distinguish among the different types of unemployment especially between the structural and the cyclical one. According to Janoski, Luke and Oliver the

unemployment can be considered structural when there are (p.9): 1) a long-term increase of unemployment for more than ten years; 2) the slowdown in the speed that jobs are filled; 3) the lengthening of the time spent in unemployment; 4) the declining participation rate in the labour market; 5) the increasing financial instability that makes cyclical crises more frequent.

This definition is different from the more common in economics where structural unemployment is usually related to the natural rate of unemployment and to non-accelerating inflation rate of unemployment (NAIRU).

After the development of the theoretical framework in the introduction, each of the four factors causing structural unemployment is analysed in a chapter. Chapter 6 is about the policies to fix structural unemployment.

Chapter 2 focuses on the shift, since the '70s, of employment from manufacturing to services and on the skill mismatch. The former can be viewed as a consequence of the changes in the international division of labour. The production has been moved from the US to countries with lower labour costs. Moreover also in the US the corporations have outsourced some activities, in many cases services. The changes in the structure of occupation explain also the skill mismatch and the structural unemployment that affects former blue collar workers. Janoski, Luke and Oliver mention the results of researches that show that, in order to exit from unemployment, former blue collar workers redefine their aspirations and accept low skilled jobs in the service sector. If the trend is spread, it might reduce the structural unemployment. However the workers are affected by a downgrading of their position and the inequalities increases.

The process has intensified since 2000s when, according to some researches, the demand for skilled workers has declined. The skill mismatch concerns also the relation between education and labour market. The authors of the book criticize the low focus of the US education system on the training and make a comparison with the well-known German system. However the firms have a responsibility too: they prefer to have a large reserve army of unemployed in order to keep the wage low instead of heavily invest on training.

In the US, especially after the crisis of 2008, the poor conditions of the housing market have strengthened the skill mismatch, lowering the spatial mobility of the workers.

According to Janoski, Luke and Oliver the skill mismatch, however, is not the main cause of the structural unemployment. Other factors are more important. One is the process of outsourcing and off-shoring (chapter 3). The focus of the analysis changes from the labour market to the organizational choices of the corporations. The authors provide a critical analysis of the lean production, showing as it has been implemented from different companies. Only Toyota has carried out the main aspects of lean production. Different is the case of Nike, Apple and General Electric (lean production 2) and Walmart (lean production 3). Lean production 2 follows the original principle only in some areas (R&D, product development, marketing). The companies off-shore the production mainly in other countries in order to take advantage of low labour cost. Moreover the corporations maintain a strong control over the supply chains. Lean production 3 is still different because a company does not produce anything and just resells products of others suppliers above all from low labour cost countries. The key point is the management of the supply-chain and the strong bargaining power of the corpora-

tions. The suppliers, however, in this way have the chance to access around the world markets.

In terms of employment, a consequence of off-shoring is the reduction of employment in the US, although it is not easy to measure its impact. Moreover a new form of inequality is produced in the labour market between the off-shorable and the safe jobs.

Chapter 4 analyses how the technological change has contributed to generate structural unemployment. The authors mention the open debate on the impact of the technologies on the employment stating that, at least in the short term, they raise the unemployment for three main reasons: the direct replacement of work, the indirect replacement and the off-shoring displacement. Furthermore, even if new technologies can create new jobs, they are not necessarily occupied by the workers that have lost their jobs.

The last causes of structural unemployment are the financialization and the global trade [chapter 5]. The former has pushed the corporations to seek higher profits, fostering the short-termism and cutting the costs (the labour costs too). Moreover, the frequent financial crises have an impact also on the real economy and on the employment. The global trade has promoted the research of comparative advantage in a biased way: for instance, through a reduction of the labour standards. As a consequence the research of high profits in a global economy generates unemployment.

Following their analysis of the structural unemployment, in the chapter 6 Janoski, Luke and Oliver provide their recipes to fix it. They focus on many policies: education and job training programmes, active labour market policies, innovation and entrepreneurship, fair trade policies that offer protection to national industries, tax policies and regulation in order to restrain the financialization and the speculative investments.

As this review tried to show, the book of Janoski, Luke and Oliver provides a wide-ranging and well documented analysis of the structural unemployment. In my opinion, more than the criticism of the corporations, the most interesting point of the book is the definition of the actual unemployment as structural, a rather controversial point especially if one looks at the debate on this issue. Moreover, according to Janoski, Luke and Oliver the causes of structural unemployment are manifold: as said, the changes in the contemporary capitalism and in the international division of labour and the strategic choices of the corporations. In a time when the recent events have shown the limits of the mainstream economic theories to understand economic phenomena, the book shows that sociology can provide analysis that deserve greater consideration.

Finally the book offers some good hints for further researches. To mention a few: is the skill mismatch exaggerated as Janoski, Oliver and Luke sustain? How to estimate the jobs loss as a consequence of off-shoring due to the shortage of data? Another point is that, as said, their analysis is focused on the US. A question is if it can be applied to other countries that have a different form of capitalism: where the transnational corporations are less important players, trends toward the off-shoring and the financialization can occur in a different magnitude.

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