

Do displaced workers lose occupational prestige? ☆

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Abstract

Worker displacement has become a common feature of employment in the “flexible economy.” While studies of income losses and the duration of unemployment after displacement abound, and popular accounts argue that workers often lose status, less empirical attention has been paid to the quality or prestige of employment displaced workers are able to secure after a downsizing event. This paper helps to fill this gap in the literature by focusing on changes in occupational prestige among a nationally representative sample of displaced workers who became reemployed from the January 2004 Displaced Workers and Employee Tenure Supplement of the Current Population Survey. Our findings show that displaced workers with higher levels of education, net of other factors, fared significantly better than others in job quality upon reemployment, highlighting the importance of education in retaining status and privilege in the new economy.

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1. Introduction

The nature of employment in the US has changed dramatically over the past three decades. Workers are now less likely to spend their entire careers with one employer than ever before. The standard employment relationship, based on a set of institutionalized understandings between employers and employees for full-time and long-term work, has been dismantled to the point where some commentators have declared the “end of employment as we knew it” (Reich, 2000).

Perhaps more than anything else, the onset of corporate “downsizing” in the 1980s marked the beginning of this shift in the employment relationship. A large body of work in the academic, business, and popular presses has debated the merits or detriments of downsizing for both individual workers and the economy at large. The popular stories that focus on the plight of displaced workers often assume that workers lose status after displacement. For instance, in the film *Roger and Me* (1990), Michael Moore shows displaced autoworkers

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taking counter jobs in fast food restaurants. Ehrenreich (2005) and Uchitelle (2006) both describe the difficulty that downsized middle class professionals have in finding work after displacement that retains their middle class status. The academic literature, for its part, focuses on abstract accounts of business strategy or case-based accounts of displaced workers, with some notable exceptions. For instance, economists have studied workers' transitions into and out of involuntary unemployment and wage losses associated with them (see Fallick, 1996; Carrington, 1993; Mazerolle and Singh, 2004). While Newman (1999) observed that many displaced workers lost a degree of social or occupational status, we lack a representative assessment of whether or not displaced workers lose occupational prestige, and the social status stemming from it, upon reemployment.

In this paper, we focus on displaced workers (those who have experienced a downsizing event) as we analyze the reemployment patterns of this increasingly large segment of the labor market. Using nationally representative data on displaced workers, we examine changes in occupational prestige that workers experience between their pre- and post-displacement jobs. Specifically, we pose two sets of questions. The first regard whether or not displaced workers are able to find jobs of comparable status to those from which they were displaced. The second regard which individual- and structural-level factors mediate the effects of displacement on the displaced workers' status upon reemployment. If displacement affects certain workers or groups differently than others, it may perpetuate labor market inequalities in ways that conform to or differ from other labor market processes. Before answering these questions, we will provide a brief portrait of the current working environment marked by flexibility and displacement and a discussion of influences on changes of occupational prestige post-displacement.

1.1. Employment flexibility and worker displacement

Post-World War II employment followed a "Fordist" model of stability based on large firms, growth in consumer markets, and long career ladders. Once employees gained entry into the bottom rung of a career ladder that combined with others to create the bureaucratic firm, they could expect long-term employment and predictable advancement in internal labor markets (ILMs) in exchange for their loyalty to the firm. The strength of unions and the relative isolation of the US economy from global competition helped to reinforce this system of production and employment to the benefit of many. This "standard" employment relationship became so widespread that many have theorized that an underlying social and psychological "contract" governed the exchange of stability for loyalty between employers and employees (Rousseau, 1995; Osterman et al., 2001).

During the past 25 years, however, a combination of social, political, and economic forces have led to organizational restructuring and an overall dismantling of the Fordist model that characterized the post-War economy (Rubin, 1996). Firms now strive for flexibility in the face of constantly changing market conditions hastened by increasing global competition, rapid technological advancement, the rise of the service sector and emergence of flatter organizational forms. Since the 1980s, a growing number of firms have utilized "numerical flexibility" by making use of temporary and contingent employees or downsizing their labor forces in order to adjust their labor requirements (Smith, 1997). As a result, employment has become increasingly unstable, and employees can rarely expect to develop an entire career in a single firm (Pollert, 1988; Harrison, 1994).

As downsizing became more widespread across occupations and industries, scholarly attention to it increased dramatically (Moore, 2003). An influential body of work examined the institutional changes that have accompanied employment flexibility, instability, and downsizing (see Cappelli, 1999; Osterman, 1999), and empirical research on post-displacement income and unemployment spells showed the social and structural conditions associated with downsizing (see Fallick, 1996; Moore, 2003). While these and many other studies have provided valuable information regarding post-displacement income and unemployment spells, they have focused primarily on economic rewards to the neglect of the non-economic reward of social status. We contribute to these studies by focusing on occupational prestige. In the case of displaced workers, we are interested in determining how displacement affects individuals' upward or downward movement in the occupational structure that, in tandem with other work structures, remains an important determinant of individuals' market positions, life-chances, access to valued goods, job autonomy, and social prestige in our market economy (Weeden and Grusky, 2005).

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