Copyright © 2021 by Jake Rosenfeld

YOU'RE PAID WHAT YOU'RE WORTH

Copyright © 2021 by Jake Rosenfeld

YOU'RE PAID WHAT YOU'RE WORTH

AND OTHER MYTHS OF THE MODERN ECONOMY

JAKE ROSENFELD

THE BELKNAP PRESS *of*
HARVARD UNIVERSITY PRESS
Cambridge, Massachusetts
London, England
2021

Copyright © 2021 by Jake Rosenfeld

Copyright © 2021 by Jake Rosenfeld
ALL RIGHTS RESERVED
Printed in the United States of America

First printing

Jacket design: Oliver Munday
Jacket illustration: Getty Images

9780674250833 (EPUB)
9780674250857 (PDF)

The Library of Congress has cataloged the printed edition as follows:

Names: Rosenfeld, Jake, 1978– author.
Title: You're paid what you're worth : and other myths of the modern economy / Jake Rosenfeld.
Description: Cambridge, Massachusetts : The Belknap Press of Harvard University Press, 2021. | Includes bibliographical references and index.
Identifiers: LCCN 2020022460 | ISBN 978-0-674-91659-3 (cloth)
Subjects: LCSH: Pay equity. | Equality. | Performance standards. | Wages and labor productivity. | Merit pay.
Classification: LCC HD6061 | DDC 331.2/153—dc23
LC record available at https://lccn.loc.gov/2020022460

Copyright © 2021 by Jake Rosenfeld

To Erin McGaughey
For making it all worth it

Copyright © 2021 by Jake Rosenfeld

CONTENTS

PART I: QUESTIONS ABOUT PAY

1 What Does Determine Our Pay? 3

2 What Do We Think Determines Our Pay? 26

PART II: PAYING FOR PERFORMANCE?

3 Employers Against the Free Market 57

4 Mismeasuring Performance and the Pitfalls of Paying for Merit 87

5 The Bosses' Boss 115

PART III: PAYING FOR THE JOB?

6 When Good Jobs Go Bad 147

7 Bad Jobs Can Be Good 185

PART IV: TOWARD A FAIRER WAGE

8 Rethinking Inequality 221

9 Toward a Fairer Wage 243

Epilogue: What Foot Soldiers Deserve 268

Notes *273* *Acknowledgments* *337* *Index* *341*

Copyright © 2021 by Jake Rosenfeld

YOU'RE PAID WHAT YOU'RE WORTH

Copyright © 2021 by Jake Rosenfeld

PART I

QUESTIONS ABOUT PAY

Copyright © 2021 by Jake Rosenfeld

1 WHAT DOES DETERMINE OUR PAY?

UNITED AIRLINES' EIGHTY THOUSAND EMPLOYEES earned extra pay when the company met certain performance targets, such as besting rivals in on-time departures and lost luggage rates. In March of 2018, the company decided to scrap its incentive plan and replace it with a lottery that awarded cash prizes, vacation packages, and fancy cars to lucky employees chosen at random. Reaction from the workforce was swift and unambiguous. An internal company forum exploded with comments blasting the change. One worker posted: "This is NOT a way to boost morale! It does quite the opposite. I wonder what kind of bonus was given to those in the big tower who came up with this nonsense."[1] Another summed up the dominant viewpoint: "Sometimes you guys get it right, sometimes you get [it] wrong. This . . . one wasn't even close." It didn't help that the total cash value of the lottery awards amounted to tens of millions of dollars less than the company had awarded in performance bonuses. Many workers saw the change as an underhanded way to cut their pay. Management backed away from the new system within days.[2]

Wells Fargo also had a long-standing incentive plan in place for its tellers and personal bankers. A portion of pay depended on performance goals, with "performance" defined largely by the number of accounts a worker persuaded customers to open with the colossal San Francisco-based bank. The incentive system worked extremely well: in 2013, Wells Fargo's retail customer households held an average of six of the bank's products (for example, IRAs, CDs, savings accounts, credit cards), far higher than the industry norm.[3] Branch

Copyright © 2021 by Jake Rosenfeld

managers received daily quotas from higher-ups, often accompanied by threatening language: "We were constantly told we would end up working for McDonald's," one Florida manager recalled.[4] Managers passed the pressure down the hierarchy, exhorting their tellers and personal bankers—whose take-home pay varied by how many products they sold—to meet the branches' targets. When not enough customers responded to their pitches, some employees found another way to hit their numbers by forging signatures, making up new email addresses, and collectively opening millions of accounts without customers' knowledge or approval.[5] To date, the bank has paid over $4 billion in settlements resulting from the workers' and other company malfeasance.[6] In 2017, the firm announced an overhaul in how it handles incentive pay to its hundreds of thousands of employees, measuring performance not by the sheer number of accounts opened but by how actively customers use their existing accounts. At the same time, a greater fraction of compensation was shifted to base salary, away from performance-based pay. Amidst the turmoil, the company's top executive quit, having made over $37 million during his short tenure in the role.[7]

"Who gets what and why?" has preoccupied workers, employers, and those of us who study them for centuries. Debates about increasing inequality, stratospheric executive pay, and minimum-wage legislation dominate contemporary economic discourse among experts and policymakers. A rising level of worker activism, from the Fight for $15 among fast-food and retail workers to the teacher strikes that roiled one state after another in the spring of 2018, demonstrate grassroots attention to the crucial issue of pay-setting in our economy. Yet traditional explanations of what determines our pay, both commonsense and academic, focus on impersonal market forces or intrinsic characteristics of our jobs. These answers to the question of who gets what and why are empirically inadequate and increasingly unhelpful as guideposts toward a fairer future.

Copyright © 2021 by Jake Rosenfeld

In 2013, President Obama proclaimed: "I believe this is the defining challenge of our time: Making sure our economy works for every working American."[8] As we enter the 2020s, the challenge remains urgent. A future in which the economy works for all requires an accurate understanding of how today's economy actually works. This book provides an important part of that by offering a perspective on pay-setting grounded in the day-to-day, routine actions of people in organizations.

In our organizations—whether large, multinational firms, government agencies, or tiny nonprofits—we negotiate over the appropriate distribution of organizational revenue. We stake claims, sometimes explicitly, often implicitly, on a slice of the organization's pie. We make these claims based on a set of available resources, and other actors within and beyond the organization validate certain sets of these claims over others.[9] These negotiations don't occur in a vacuum, and the resources that we bring to them aren't predetermined. They are dynamically shaped by four key elements: power, inertia, mimicry, and equity. Together, these channel our efforts to receive a greater share of our organization's revenue.

This account of pay-setting is rooted in organizations—with all their power dynamics and established habits, tendencies toward imitation, and equity concerns of people within them—and recognizes the many peculiarities and paradoxes we see in real-world wage disparities. Most important, it provides a pathway to a more equitable future. Why do construction workers today earn about $10,000 less per year than they did in the 1970s? Why does a Burger King worker in Denmark earn over twice as much as one in the United States? What happened to the so-called "good jobs" we have heard about in every campaign season? How have we ended up with levels of economic inequality at heights unscaled since the Gilded Age? How should a company define "performance," and how much of

Copyright © 2021 by Jake Rosenfeld

workers' pay should be tied to it? The account of pay-setting this book provides answers to these questions, and many more.

POWER, INERTIA, MIMICRY, AND EQUITY

Power is the ability to get one's way even in the face of opposition. All wage and salary determination involves the exercise of power and represents the outcome of past and sometimes ongoing power struggles. Power has the force to settle claims made in organizations over slices of the pie. We marshal our available resources to augment our power in wage and salary negotiations. The old Joe Hill song and labor rallying cry, "There is Power in a Union," gets at something fundamental about our workplaces: unequal power relationships. Cheery bromides about the boss's open-door policy or Walmart's "associate" label for every worker in the company can't mask a truth about the hierarchical bureaucracies in which most paycheck-drawing Americans work: some people in the building have a greater ability to get their way than others, including their way with the organization's revenue.

Power comes in various forms. Coercive power is at work when, despite a bone-deep belief that you're being underpaid, you don't openly question your salary because your boss is a vindictive tyrant who punishes any dissent. You may "consent" to your pay level by not explicitly challenging it, but you certainly don't believe it's legitimate. But when you accept your salary based on trust that your boss has your interests and those of the broader organization in mind—that's legitimate power. Power in workplaces becomes legitimated when those who are subject to it give it their consent. Lack of overt conflict does not imply, therefore, that power is absent. Indeed, the ability to instill in others a belief that the organization's pay structure "makes sense" is a core component of legitimate power.[10]

Copyright © 2021 by Jake Rosenfeld

Legitimate power is an essential feature of modern workplaces, at least healthy ones, allowing us to go about our working day without being consumed with frustration or spite, or planning reprisals against our supervisors.

Over time, as power struggles play out, and especially as the outcomes are widely viewed as legitimate, inertia sets in—the second basic element underlying pay-setting. Organizational inertia is a well-documented general phenomenon.[11] Specifically with regard to pay, it is the tendency for a compensation rate associated with a given job to persist over time. For many of us, the overt, conflictual battles over pay occurred prior to our arrival at our workplace. Upon hire, we were either told exactly what we would be making or offered some small room to negotiate. This is inertia, a property of workplaces where claims made and validated in the past—before you ever started the job—determine what your job pays. Here, pay attached to particular jobs assumes a "taken-for-granted-ness," a sense that, say, the $22 per hour offered for a starting line mechanic is a legitimate wage for that particular job. You're paid what you're paid because your organization has decided that's what your job gets. Inertia doesn't mean that ongoing power dynamics are absent, just that the overt claims-making process has been temporarily settled. When workers start to believe pay levels for various jobs are just common sense, and make no explicit claims to change them, that's legitimated power helping to quell any calls for a greater share of organizational revenue. Inertia sets in, we go about our daily business, taking for granted that the numbers on our paycheck and a coworker's in the nearby cubicle make some sense.

Inertia at one organization often leads to mimicry by others. Mimicry, the third basic element influencing many of our paychecks, describes a common process through which your employer pays the going rate for your position in your industry. Many employers set

Copyright © 2021 by Jake Rosenfeld

their pay scales after surveying other organizations and copying their practices. Interviews with nearly five thousand employers in late 2019 and early 2020 found that three-quarters had surveyed other firms about pay within the past year; one in five reported referencing market data for one job title or another on a daily or weekly basis.[12] What this translates to is that firms in the same industry often offer similar pay for the same job titles. That $22 hourly wage for a line mechanic that has been the going rate at Ray's Best Equipment for years influences what startup Sally's Even Better Equipment offers its workers, too, because Sally commissions a market study of her competitors. In this way, a claims-making process that occurred at a workplace in the past settles into inertia and the wage level it yielded diffuses to other workplaces, thanks to imitative employers, and comes to be seen as the "natural" rate for line mechanics.

Wage surveys are one tried-and-true tactic employers use to mimic one another. For new hires, employers often use a less labor-intensive one: they simply ask you what you made in your last job. Nearly fifty percent of US workers report that their current employer used their past salary as a factor when negotiating a starting offer.[13] This constitutes another way in which inertia diffuses across workplaces. Pay rates spread across firms based on information provided by prospective employees without the employer having to conduct any further investigations into what her competitors pay. Asking about salary history is so commonplace that some states, of late, have enacted legislation to ban the practice.[14] The concern is that basing a new hire's pay on what she was paid in the past will only perpetuate a gender or racial pay gap, if the worker was discriminated against in her prior position.

Mimicry is what's going on when employers say they "pay the market rate." They may indeed do just that—but note how invoking the "market" conjures up images of implacable forces beyond human

Copyright © 2021 by Jake Rosenfeld

control, thereby shutting down any possible negotiation. Given that markets are unstable sites of ongoing power struggles (more on this later), a market rate, whatever it may be, can and often does change rapidly. How the market is defined, moreover, is rarely straightforward. What is determined to be part of the relevant market can make a big difference to your pay. This is certainly true for those lucky few who sit at the top of our organizational pyramids—the chief executive officers (CEOs).

One fact of our modern economy is astronomical CEO pay. We know that CEO pay is high—and we know which CEOs receive the most—because publicly traded firms and tax-exempt organizations are obligated to disclose that information. At these enterprises, boards of directors set executive compensation, and must justify the numbers they settle on to shareholders and other funders. This transparency around pay and the justifications for it have provided researchers with a wide-open arena to study market-making among our executive class. In one study, researchers from the University of Illinois and University of Wisconsin found that, in many cases, corporate boards base their pay recommendations on what CEOs in a company's core industry make—mimicry at work among our corporate titans. That's a reasonable approximation of the relevant market-based benchmarking standard. But that doesn't always happen. When boards (which are disproportionately composed of others from the executive class) feel their pay decisions are under particular legitimacy pressure—for example, when a company performs poorly or a CEO is especially highly paid, they are more likely to "selectively define peers in self-protective ways," constructing a relevant market that justifies their decisions.[15] They may do the same in situations where a company's whole industry is booming. A CEO overseeing a highly profitable company loses some of her luster—and justification for a huge raise—if the company's performance was just on par with the

Copyright © 2021 by Jake Rosenfeld

rest of the sector. Pulling more firms from other industries into the set used for salary comparisons can restore some of the sheen. So claiming you "pay the market rate" obscures more than it illuminates, and lends a gloss of technical wizardry to what is often a rather subjective process, and one that can involve a fair bit of creativity. Better simply to say the organization mimicked what its peers were doing.

Employers don't only mimic what other companies are doing in pay-setting because it's an easy shortcut through an otherwise winding, thorny pathway to determining who deserves what (as we'll see in Chapter 4). They also mimic to maintain a notion of equity among their workers. Equity—the notion of paying fairly—is the final basic element underlying pay-setting. As the organizational psychologist J. Stacy Adams wrote over a half-century ago, "The fairness of an exchange between employer and employee is not usually perceived by the former purely and simply as an economic matter. There is an element of relative justice involved that supervenes economics and underlies perceptions of equity or inequity."[16] Offering new employees a starting annual salary $10,000 less than what your competitors pay for the same position may make business sense from a pure accounting standpoint: your payroll costs will no doubt be lower than your peers'. But good luck luring applicants to accept your offer. Many won't, feeling that your pay is unfair.

Equity concerns affect pay determination in a range of ways. The workers at United Airlines were enraged that the company would make a portion of pay a matter of sheer luck, challenging norms of deservedness. As one United employee vented on the company's internal discussion forum: "Imagine your dismay when a colleague of yours wins through the lottery system and you know they are one of the laziest unmotivated people."[17] We think it's unfair when an undeserving colleague receives a bonus—or a shiny new Mercedes—

Copyright © 2021 by Jake Rosenfeld

despite lackluster effort on the job. The old adage, "A fair day's pay for a fair day's work" gets at this notion that rewards should be tied to actual effort.

We also think it's unfair when our pay goes down. In 2017, the Missouri state legislature voted to override a decision by St. Louis's Board of Aldermen to increase that city's minimum wage, which had already been effect for three months. When the new wage law was struck down, a curious thing happened—or rather, didn't happen: many employers, now free to go back from $10 to $7.70 per hour for their lowest-paid employees, chose not to. One would think that a profit-maximizing firm faced with such a gift would jump at the opportunity to slash its operating expenses, yet over a hundred businesses didn't budge. An owner of a diner explained his decision to keep wages where they were: "It makes business sense for retention and morale."[18] Other employers did accept the gift from the state legislature to reduce their payroll costs. Predictably, the pay cut left their workers feeling (literally) shortchanged. A local McDonald's franchisee was one business owner that reverted back to the prior minimum wage. Bettie Douglas, who had worked there for ten years, had quickly grown used to her $10 per hour wage, and didn't hold back about her employer's decision: "It's horrible. It's ridiculous. It's just ridiculous." Her perspective was that "I'm not asking them for anything I haven't earned. I've earned $10 after 10 years."[19]

The feeling of unfairness we have when asked to take a pay cut is what makes wages "sticky," in economists' colorful phrasing. Wage stickiness challenges textbook formulations of pay determination, which predict that, as demand falls for your firm's goods or services, your pay should as well. In reality, cutting pay erodes morale—it takes away something we believe we've rightfully earned, as Bettie Douglas asserted—and so employers are reluctant to do it. In fact, when the economic climate turns sour, many employers choose layoffs over

Copyright © 2021 by Jake Rosenfeld

pay cuts. As one employer told Truman Bewley, a Yale University economist, in Bewley's investigation into wage rigidity: "I know something real. Never cut wages. If you do, you make enemies."[20] Better instead to make friends of the remaining employees thankful they're still working, and working without any reduction in pay.

For so many of us, what we get paid is bound up in our sense of self. Cutting our pay is a form of moral injury, as another employer Bewley interviewed made clear: "A pay cut is like a criticism or an insult. Pay is so closely associated with self-worth that a cut is taken personally."[21] When setting pay, then, employers must grapple with whether the worker will find the offered wage equitable—whether she will think it's fair. Recent surveys suggest many employers are failing at this task. In one survey from late 2016, approximately half of employers reported that their workers felt they were paid fairly. One problem: only twenty percent of the workers surveyed agreed.[22]

Our sense of equity—of what's right and wrong when it comes to compensation levels—goes beyond our feelings about our own pay. Equity concerns extend to what our peers are making. Leaving my pay the same while offering raises to all my coworkers is likely to instill the same sense of unfairness as a pay cut. Minimum wage increases reverberate upward as employers scramble to adjust not only the lowest-paid employees' earnings, but also the pay of employees who were earning a bit more than the previous minimum. Maintaining relative differentials is important to satisfying many workers' equity concerns and, conversely, when these differentials are upset, some workers get upset. This is exactly what happened at Walmart after its widely praised move to raise minimum pay in 2015. Following an initial honeymoon period in the press, further reporting revealed that the retail behemoth hadn't accounted for equity concerns, and some long-standing workers were frustrated. "It took me four years to get to $10.80," one Walmart associate complained. "When

Copyright © 2021 by Jake Rosenfeld

minimum wage goes up we don't receive a pay increase unless we are under the minimum. . . . Apparently experience doesn't get rewarded."[23]

Equity concerns illuminate the seeming paradox that arises when firms face backlash for making what are ostensibly worker-friendly moves. Mud Bay is an employee-owned company that operates a chain of pet-supply stores in the Pacific Northwest. After Seattle increased its hourly minimum wage to $12 per hour, Mud Bay duly raised its starting pay to meet the new requirement. With new workers now starting out at a pay level that veteran workers had only recently achieved, some veteran employees called the move unfair. As the district manager summed things up, "As you're raising that bottom, it's affecting everybody."[24]

Dan Price, founder of Seattle-based credit card processor Gravity Payments, had little reason to worry about his city's minimum wage rate. Most of Gravity's employees easily cleared the old wage floor. Nonetheless, hearing from an angry employee who was struggling to keep up with Seattle's rising cost of living led Price to come up with a novel idea: instituting a minimum salary within his own company. He knew that, for someone to live in the vicinity and have a decent life, they would need more than the median household income of the rest of the United States, so he set the floor at $70,000 a year. While he was at it, he cut his own salary to that same amount. The free publicity came quickly. For his audacity, talk shows booked him, newspapers ran profiles of him, Rush Limbaugh insulted him. And many employees were thrilled—especially those whose prior salaries were far below the new minimum. For them, Price was validating an equity norm: the idea that a full-time worker should be paid enough to live comfortably, even in a high-cost city.

But not all of Price's workers were pleased. A different set of fairness concerns motivated two top employees to leave the firm,

Copyright © 2021 by Jake Rosenfeld

illustrating how our notions of equity can vary even within the same organization. Why? As one departing employee said, "He gave raises to people who have the least skills and are the least equipped to do the job, and the ones who were taking on the most didn't get much of a bump."[25] His perspective, that those benefiting the most from the policy change deserved it the least, was similar to the worries that United Airlines' rank-and-file employees expressed about its lottery system. A web developer quit, too, complaining that "Now the people who were just clocking in and out were making the same as me."[26]

Price's workers were making horizontal comparisons: workers levying moral judgments about the pay of their peers. While research finds that workers vary in terms of whom they compare themselves to, many of us pay particular attention to peers within our same organizations—using what scholars refer to as internal referents.[27] Discovering that Kathy in the adjacent cubicle makes more than we do can quickly lower our satisfaction with our pay, and may lead us to ask for a raise.[28] And we are more likely to quit when Kathy's raise exceeds our own.[29] Sometimes these lateral comparisons extend beyond the walls of our own workplace. Other research finds that comparisons with similar workers in different organizations also drive levels of pay satisfaction.[30]

We make vertical comparisons, too. In a recent experimental study on attitudes toward CEO pay, Esra Burak Ho finds that Americans tend to think of high CEO pay as fair only when CEOs have delivered exceptional returns for their firms.[31] Participants indicated that annual salaries above $1 million were unfairly high for average-performing CEOs. What is average CEO pay for the largest US firms today? Approximately $15.6 million, or over fifteen times what Americans think of as fair.[32] Evidently, power can trump pay equity norms, at least for those at the top of our economic pyramid. This discrepancy between what we think CEOs should make and their

Copyright © 2021 by Jake Rosenfeld

actual earnings shows up in other recent surveys of Americans' attitudes toward CEO pay. One from 2015 found that three-quarters of respondents felt that CEO pay was too high.[33]

The feelings of unfairness that arise from these vertical comparisons can be consequential. Lower-level managers are more likely to quit their jobs if the distance between their pay and that of the CEO grows too large.[34] Bewley's interviews with over one hundred employers suggest that, if you absolutely have to cut your workers' pay, you had better plan to cut yours, as well: "It was accepted that the pay of ordinary workers could not be cut without cutting the pay of managers proportionately by as much or more."[35] Donald J. Carty, former CEO of American Airlines, learned this lesson the hard way. When the company's unions spread the news that he had granted large executive pay increases after workers agreed to significant concessions, the resulting uproar forced the company to retract the bonuses—Carty's own would have exceeded $1.5 million—and renegotiate the concession package. Carty's resignation soon followed.[36]

Horizontal and vertical comparisons—and the norms of equity we bring to them—are an integral feature of the pay-setting process. As Carty discovered, employers ignore them at their peril. This can be tricky since, as the case of Gravity Payments shows, different people hold different ideas about what's equitable. But certain norms are pretty consistent, rooted in deep-seated psychological tendencies such as loss aversion—the idea that "losses loom larger than gains."[37] Because workers are more likely to react negatively to pay cuts than positively to increases, most employers are reluctant to cut worker pay even in the most adverse business environment.

Other notions of fairness can be quite widespread but vary across place and time. Japanese manufacturing employees who earn significantly more than their coworkers in the same plant report feelings of discomfort; workers with similar advantages in US factories don't.[38]

Copyright © 2021 by Jake Rosenfeld

As we'll explore in detail in Chapter 5, when George Romney was chairman and president of American Motors Corporation, he rejected salary increases that his board approved for him, believing that out-earning his workers by a huge margin was unprincipled. Perhaps other business leaders of his era felt similarly, as the typical ratio of top to average salaries in organizations back then pales in comparison to what we see today. The subsequent explosion of executive compensation has plenty of causes, but one is a rather dramatic shift in our corporate elite's "pay norms."[39] Thanks to changing notions of what's equitable, a level of compensation once regarded as offensively high is now considered the CEO's just desserts.

POWER, INERTIA, MIMICRY, AND EQUITY are the four basic elements shaping our pay. Of the four, power drives decisions most, since a change in power relations can upend existing inertial practices, reshaping what gets mimicked and what's considered equitable. Yet, as we'll see, all four elements are central to understanding who gets what in our modern economy. Their dynamic forces play out in organizations, as workers, employers, and other actors stake claims to portions of the organizational revenue. Often, organizational inertia prevails: our room to negotiate is limited by past power struggles that, over time, legitimize a salary or wage for a particular job. Organizational inertia is evident when we think of a job as "naturally" paying a certain amount. Mimicry, meanwhile, simplifies the pay-setting process for employers while simultaneously assuaging core equity concerns. Paying the going rate in a particular labor market helps stave off workers' claims that the salary on offer is unfair. But pay norms change and vary among workers, meaning that no employer can expect to be wholly free of disgruntled workers who believe they're not receiving their fair share.[40]

Copyright © 2021 by Jake Rosenfeld

Plenty of people in the world have devoted serious thought to pay. What can a new approach add to the prominent academic and lay understandings of the topic? Quite a lot. Chapter 2 explores how this four-element model diverges from other explanations of pay-setting. Dominant understandings fall into two broad camps. One suggests that earnings stem from individual performance—that, broadly speaking, our paychecks reflect the value we add to our organizations. The academic anchor for this understanding is the human capital theory of wages and salaries. From the classic human capital model we are taught that workers' pay is commensurate with their productivity—their contributions to their workplace.[41] From this influential perspective, individual contributions—potential and realized—to our workplace's revenue constitute *the* key factor determining what we take home at the end of the day. I challenge this model of pay. My account, by foregrounding the importance of organizations and relations within them, relegates human capital—our job-relevant skills and experience—to a lesser role, just one factor among many influencing our share of the pie.

The second camp emphasizes the importance of occupations in structuring pay distributions. The occupation itself, meaning the type of job we do, and the training, education, and licensing required to obtain and perform that job—that's what determines our pay. Engineers get paid a lot, comparatively speaking, while fast-food workers get paid a little. This camp's emphasis is not incompatible with the focus of the first dominant camp. The second would point out that engineers, on average, earn more than fast-food employees, perhaps because of the greater training and skills required to become an engineer, but adherents of the human capital model could still emphasize that some engineers earn a lot more than others, perhaps because they contribute more to their workplaces than engineers earning less. A common shorthand to capture both these presumptions is to say we're

Copyright © 2021 by Jake Rosenfeld

INDEX

Aaronson, Daniel, 189
Abowd, John, 255
Academic-Industry Research Network, 141
Academics. *See* Education; Scholarship; Universities
Activism, worker, 4
Activist investors, 122–123, 124, 128
Adams, Amy, 57, 58
Adams, J. Stacy, 10
Adobe, 80
Aeppel, Timothy, 155
African Americans: in factory jobs, 150. *See also* Discrimination; Racial/ethnic pay gap
Agency theory, 122, 126, 129. *See also* Shareholder capitalism
Airlines: American Airlines, 15, 118, 141, 142, 302n78; deregulation of, 138; United Airlines, 3, 10, 14
Akerlof, George, 69
Akkerboom, Broer, 224
Alabama, 157–158
Alemeda County, California, 199
Alexander, Lamar, 27, 244, 249
Alienation, worker, 150
Allen, Reco, 157
Alternative work jobs, 239. *See also* Independent contractors; Temp workers/staffing agencies
Amalgamated Meat Cutters (AMC), 211
Amazon, 27, 72, 85
AMC (American Motors Corporation), 16, 131, 140
American Airlines, 15, 118, 141, 142, 302n78
American Board of Cosmetic Surgery, 36
American Board of Ophthalmology, 35–36
American Board of Plastic Surgery, 36
American Motors Corporation (AMC), 16, 131, 140
American Tobacco Company, 82–83
Ampad (American Pad & Paper), 132, 134
Anderson, Howard, 133
Ann Taylor, 110
Anticompetitive arrangements. *See* No-poaching agreements

Copyright © 2021 by Jake Rosenfeld

Appelbaum, Eileen, 132, 239
Apple, 80
Ashenfelter, Orley, 81
Atchison, Jim, 203
Australia, 253
Auto industry: automation and, 153; auto parts suppliers, 157–158; concentration and, 140; global competition and, 151; labor cost in, 192; piece work in, 156; power shifts in, 176; Tesla Motors, 161–165; unions in, 140, 156, 165. *See also* "Good jobs"; Manufacturing
Automation. *See* Technology / automation
Avent-Holt, Dustin, 110
Azar, José, 240

"Bad jobs," 185–217; conditions in, 186; improving, 22, 186, 188, 190, 191, 196–197, 199, 204–206, 216–217, 270; minimum wage and, 247; number of, 185–186, 191; power in, 217. *See also* Fast food industry; Home healthcare; Meatpacking; Retail; Sanitation industry
Bain Capital, 132
Baldwin, Tammy, 263
Bank tellers, 225
Barenberg, Mark, 168
Barger, David, 123–124
Barriers to entry, 33–36, 179
Base salary, focus on, 4
Batt, Rosemary, 132
Baugh, Monica, 78
Benefits: decline in, 165; in fast food industry, 197; in "good jobs," 165; lack of, 197; temp work and, 170, 172. *See also* Healthcare
Berger, Suzanne, 126
Bernanke, Ben, 226–227, 231
Bewley, Truman, 12, 15, 47, 48
Big is Beautiful (Atkinson and Lind), 195
Blackstone Group, 26
Blair, Tony, 101
Blanchflower, David, 30
Bloom, Barrett, 75
Bloomberg, 31, 153
BLS (Bureau of Labor Statistics), 182, 201, 208, 225, 233
Blue-collar occupations. *See* Auto industry; Construction work; "Good jobs"; Manual labor; Manufacturing; Mining work
Boards. *See* Corporate boards
Bonuses, 48, 96, 141, 261, 302n78. *See also* Performance pay
Brin, Sergey, 80
Brooks, David, 24
Brown, Cliff, 210
Brueggemann, John, 210
Buffer, 72
Burak Ho, Esra, 14
Bureau of Labor Statistics (BLS), 181, 201, 208, 225, 233
Bush, George W., 226, 227
G. W. Bush administration, 98
Business Roundtable, 128
Buybacks, 141–142, 143, 260, 263

Copyright © 2021 by Jake Rosenfeld

Caban, Alex, 200, 204
Calamuci, Daniel, 208
California, 70, 78, 79, 161, 198–199, 216–217
California State Teachers' Retirement System (CalSTRS), 126
Calvinism, 129
Campbell, Carl III, 47–48
Campbell, Donald, 105
Care workers. *See* Home healthcare
Carl's Jr., 201
Carrabis, Ron, 176
Carré, Françoise, 187, 188, 190
Carried interest loophole, 26
Carter, Jimmy, 179
Carty, Donald J., 15
Castilla, Emilio, 258
Ceiling, lowering, 243, 262–265. *See also* Executive compensation; Shareholder capitalism; Shareholders
CEO pay. *See* Executive compensation
Certifications, 34–36
Chamber of Commerce, US, 86
Chauhan, Pradeep, 237–238
Chief executive officers (CEOs). *See* Executive compensation; Executives
China: manufacturing in, 154–155; wages in, 156
Choice. *See* Competition; Job options; Labor markets
Claims-making, 18. *See also* Pay; Pay-setting
"Clickbait" approach, 94–95
Clinton, Hillary, 193
Closure theory, 33–36
Coca-Cola Company, 128, 137
Collective action, 33–34. *See also* Unions
Collective bargaining agreements, 253. *See also* Unions
College education, 227, 228. *See also* Education; Skill-biased technological change theory; Universities
Collusion, 80–81, 82, 139, 240
Commissions, 87–89, 91. *See also* Performance pay
Commons, John, 210
Company towns, 240
Compensating differentials, theory of, 200, 206, 208, 317n59
Compensation. *See* Pay; Pay-setting
Competition: in airline industry, 138; assumption of, 28; global, 151, 174; in labor market, 20, 57, 58, 80, 89–90 (*see also* Noncompetes; No-poaching agreements); licensing and, 33–34, 232–233; in manufacturing, 176; relation with pay, 18, 205; restoring, 90; restricting, 20–21, 58, 86, 89–90 (*see also* Concentration; Noncompetes; No-poaching agreements; Secrecy, pay); in sanitation industry, 200; Sherman Antitrust Act, 83; taking wages out of, 255; within workplace, 92, 109, 112. *See also* Job options; Labor markets
Computerization, 225. *See also* Technology / automation
Concentration, 82–85, 138, 139–140, 240. *See also* Mergers; Monopoly; Monopsony

Copyright © 2021 by Jake Rosenfeld

Congress, 244–245, 263. *See also* Government; Labor laws; Minimum-wage legislation
Conroy, Samantha, 37
Consolidation. *See* Concentration
Construction work, 166, 181–183, 231. *See also* "Good jobs"
Contingent employees, 237–239. *See also* Fissuring; Independent contractors; Temp workers / staffing agencies
Cooperation: importance of to pay-setters, 53; performance pay and, 92, 109, 112
Core workers, 52
Coronavirus, 268–271
Corporate boards, 224, 263–264. *See also* Shareholder capitalism
Costco, 119–120, 188, 190, 191, 270
Cost of living, 43, 48
Countrywide Financial Corporation, 87–88, 91, 290n8
Covid-19, 268–271
Cowen, Tyler, 26, 27, 32
Craggs, Tommy, 95
Creative destruction, 135
Credentialism, 229
Criminal record, 204, 246
Custodial work, 234, 238, 326n48. *See also* Fissuring

Danger: injury data, 212; job options and, 206–207; in meatpacking, 207, 208–209; OSHA and, 201–203, 212; pay and, 200, 206; reducing cost and, 212; in sanitation industry, 199–200, 203, 206
Davies, Cassidy, 156
Dayen, David, 139, 164
Dayforce, 111
Death, workplace, 206. *See also* Danger
Deaton, Angus, 231
Defense Department, US, 98–99
DeLauro, Rosa, 190
Delery, John, 37
Denice, Patrick, 68
Denmark, 196–197
Denton, Nick, 95
Denver, Colorado, 197
Deregulation, 138, 179, 180, 270
Desmond, Matthew, 198
Detroit, Michigan, 157
Differentials, relative, 12–15. *See also* Fairness
Disclosure, 68–69. *See also* Secrecy, pay; Transparency
Discrimination, 62, 64, 242, 258. *See also* Equity; Fairness; Gender pay gaps; Inequality / inequity; Pay disparities; Racial / ethnic pay gap; Secrecy, pay
Disparities, 7. *See also* Equity; Fairness; Gender pay gaps; Inequality / inequity; Pay disparities; Racial / ethnic pay gap; Secrecy, pay
Disruption, 103. *See also* Power shifts
Dodd-Frank Act, 223
Domestic workers, 215, 250–252. *See also* Home healthcare
Donohue, Thomas, 86
Double-breasted firms, 182