

What is social class?

An empirical test of the EGP / ESeC model
and other major theoretical conceptions

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Inequality and the market

- The theory underlying the EGP / ESeC model belongs to a particular family of theories.
- This theoretical family sees inequality as a consequence of deviations from market mechanisms, rather than as emanating from the market itself. In particular, constraints on market competition – rather than competition itself – is assumed to explain "structural" or "durable" inequality.
- While this theoretical family does not see the "pure" market as a place with perfect equality, it is assumed that simple market inequality is a kind of primitive state of nature, a war of all against all, that is not sufficiently ordered to shape the structural pattern of inequality in society.
- Therefore, theoretical efforts are directed at analysis not of the market itself, but on deviations from the market.

Inequality and the market, cont'd

- Other members of the same family: Rent theory (Sorensen), Varieties of capitalism (VoC) theory (Hall, Soskice, Iversen), Micro-class theory (Grusky).
- The family roots go back to Marx' and Coase's distinction between the market (anarchy) and the firm (order), with Williamson's distinction between markets and hierarchies as a more recent equivalent.
- Perhaps sociologists feel that their specific competence and mission lies in analysing the non-market – the social order – rather than in analysing the market itself. Market analysis is left to economists.

Inequality and the market, cont'd

- In ESeC theory, the contrast between the market and the non-market is reflected in the contrast between two fundamental types of employment relation: the labor contract and the service relation.
- The distinction is based on a contrast between two types of dependence between employer and worker: reciprocal independence (the labor contract = the market) and reciprocal dependence (the service relation = the non-market).
- This family of theories, based on the contrast between market and non-market relations, is empirically weak as an explanation of inequality, for two reasons.

Inequality and the market, cont'd

- First, symmetrical dependence is less important than asymmetrical dependence as a cause of inequality: asymmetrical dependence is an expression of a difference in power between unequal parties, while symmetrical dependence indicates equality in power.
- Second, although asymmetrical dependence is a state of inequality (between supply and demand), it is not the main driver of inequality.
- The main driver of inequality is productivity, and can be measured (imperfectly!) as skills.

The contribution of sociology

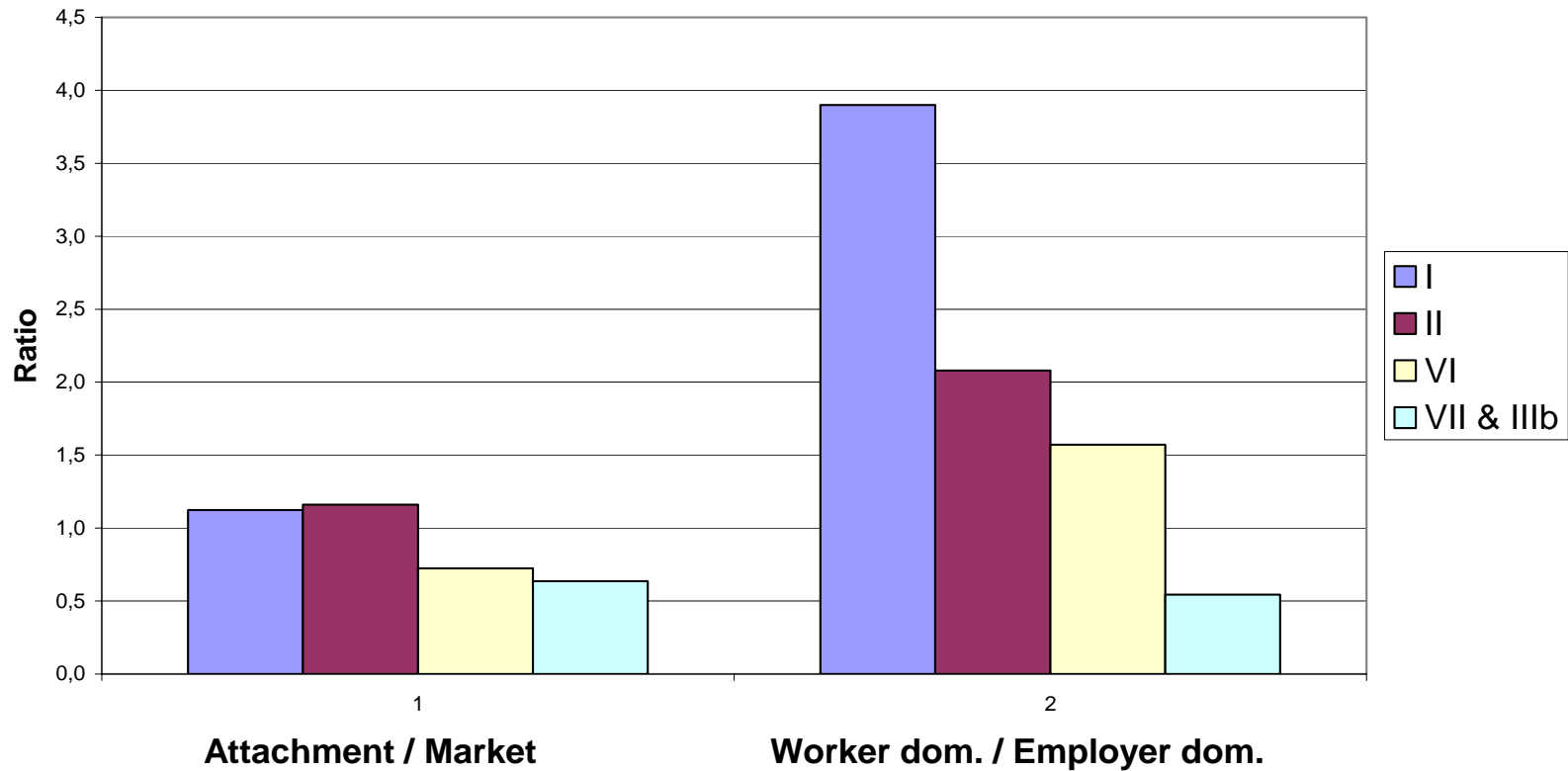
- The sociology of inequality should therefore focus its attention on how the market works, not on deviations from the market. In particular, it should focus on productivity differences in the market.
- The specific contribution of sociology to research on markets is to analyze the distinction between individuals and positions (jobs) and the matching between these.
- Economics typically sees productivity as a characteristic of individuals. Sociology can add considerations of how productivity is also a characteristic of positions, and – not least – of the match between individuals and positions.

Empirical evidence, part 1

- Dependence: How easy for employer and worker to replace each other if match is broken
- Four states: Market (reciprocal independence), Attachment (reciprocal dependence), Employer Dominates (worker more dependent than employer), Worker Dominates (employer more dependent than worker)
- Data: Swedish Level of Living Survey (LNU), 2000.

Class and dependence

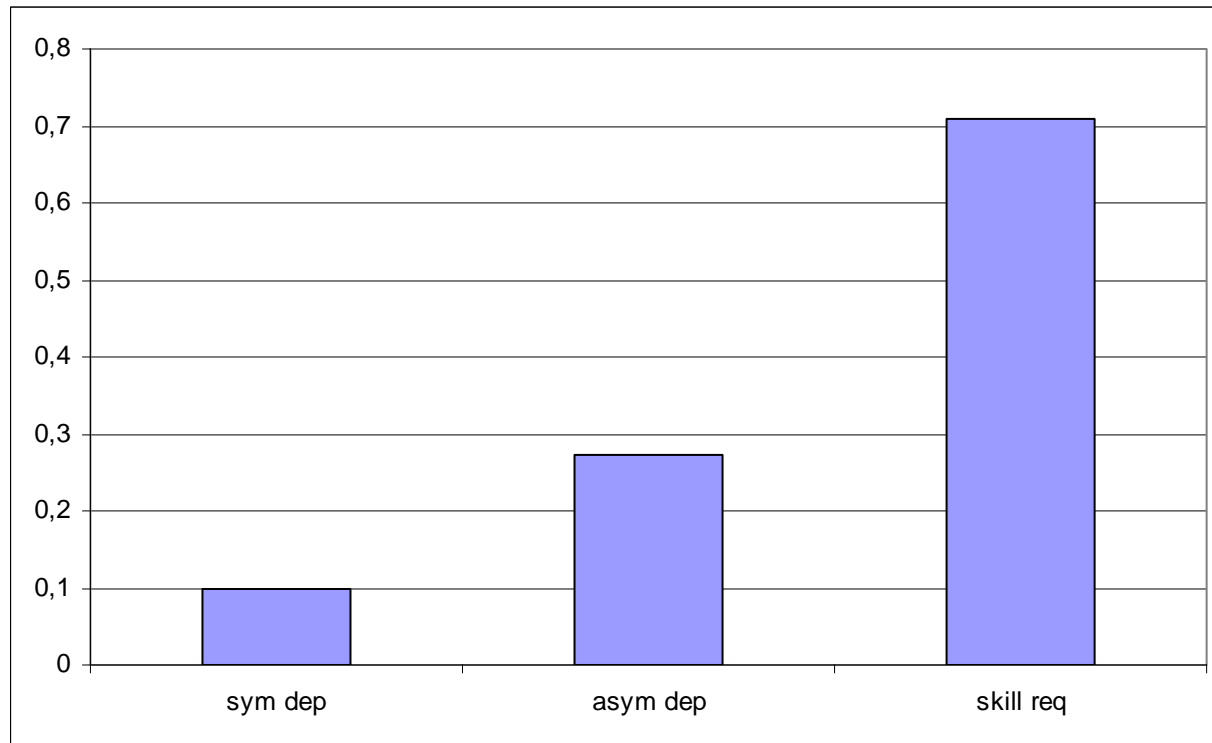
Dependence relations by class



Skill requirements

- Number of years of education required in the worker's current job.
- Positional trait: Not based on the worker's schooling but on requirements of the job.
- In practice, large overlap between individual schooling and job requirements, but there is a fair degree of mismatch (over- or under-education).
- Wages depend strongly on the match: excess education (and requirements) pays of much less than matched education (with requirements).

Class, dependence and skill



Empirical evidence, part 2:

Generalizing class clues

- From EGP / ESeC to all class theories, esp. Wright's model
- From Sweden to Europe: 11 countries (incl. France, Germany, UK, Spain, Denmark, Norway, Finland, Austria, Switzerland, the Netherlands)
- Data: European Social Survey (ESS), 2004

Skill requirements and authority

- The two fundamental job-level correlates of labor market inequality among employees
- Cf. professionals (skill) and managers (authority)
- Skill and authority are central operational dimensions in all main theoretical perspectives:
 - * liberal functionalist (Parsons, Treiman)
 - * class theory (Wright, Goldthorpe)

Two explanations

- But WHY are skill requirements and authority tied to inequality?
- Two main types of explanation:
 - (a) Efficiency
 - (b) Power

The efficiency argument

- Workers are rewarded in proportion to their productivity (as in economic theory)
- Jobs with high skill requirements (and individuals with high skills) are more productive than others (cf. human capital theory)
- Therefore, high-skill jobs (and individuals) are more highly rewarded than others
- Rewards to authority may also be explained by this kind of mechanism (either direct link authority-productivity or via managerial skills)

The power argument

- The link between skill / authority and rewards is spurious (rather than causal)
- The causal factors are based on power (rather than efficiency)
- Two main power-based mechanisms:
 - (a) scarcity
 - (b) control

The scarcity argument

- In some positions, workers are difficult to replace due to scarcity of external labor supply with suitable characteristics.
- These positions will be highly rewarded by the employer as an incentive for the incumbent workers to stay with the firm.
- External labor supply to high-skill jobs and managerial jobs tends to be relatively scarce.
- Therefore, high-skill jobs and managerial jobs tend to be highly rewarded.

The control argument

- In order to stimulate employee work effort, the employer uses control devices of two basic forms: the stick (supervision) and the carrot (incentives).
- For jobs with work tasks that are easy to monitor, the employer tends to use the stick (direct control).
- For jobs with work tasks that are difficult to monitor, the employer tends to use the carrot (a high reward level).
- High-skill jobs and managerial jobs tend to contain tasks that are relatively difficult to monitor.
- Therefore, high-skill jobs and managerial jobs tend to be highly rewarded.

Conceptual critique: Efficiency

- Functionalist argument
- But: Market competition provides causal feedback mechanism

Conceptual critique: Power

(a) Scarcity

- Academics: school-based skill formation
Skilled workers: job-based skill formation
- Schools: firm-general, standardized skills
Jobs: firm-specific, unstandardized skills
- Skilled workers' skills should thus be more firm-specific than academics' skills.
- Skilled workers should thus be more difficult than academics for the employer to replace.
- Hence, asset specificity relative to firms is not a useful mechanism in explaining class inequality.

Conceptual critique: Power

(a) Scarcity, cont.

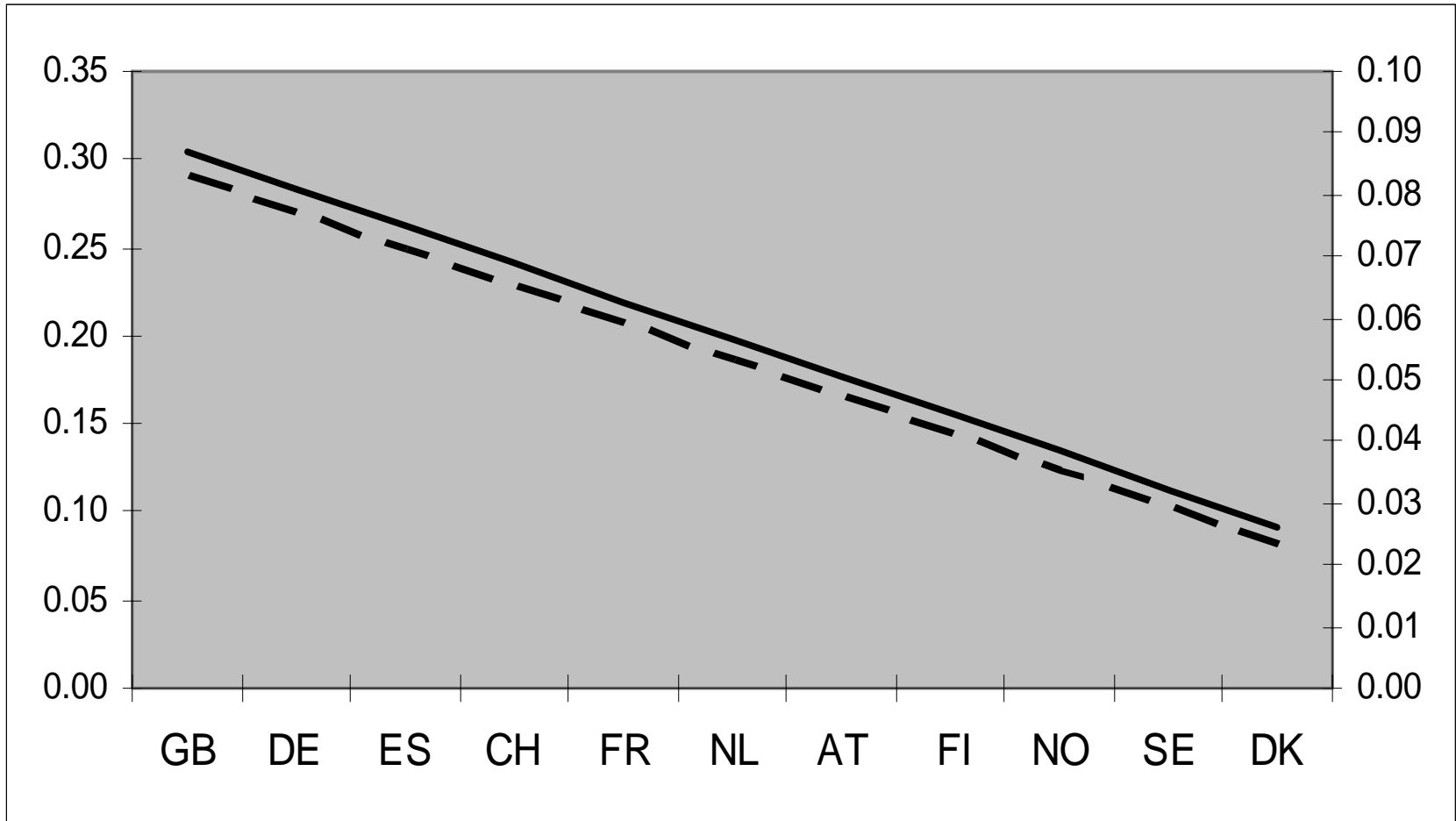
- What about occupation-specific skills?
- Basis of closure argument (Wright): structural scarcity due to strategically maintained low supply of occupation-specific skills.
- In principle, better argument than asset specificity in the context of class analysis, since it can potentially explain academics' high reward level.
- But: low supply is often not maintained, as shown by high rates of over-education in many countries.
- Also: large variation in supply (relative to demand) across occupational categories, across countries, and across time, that is difficult to square with highly constant rates of class inequality in rewards.

Conceptual critique: Power

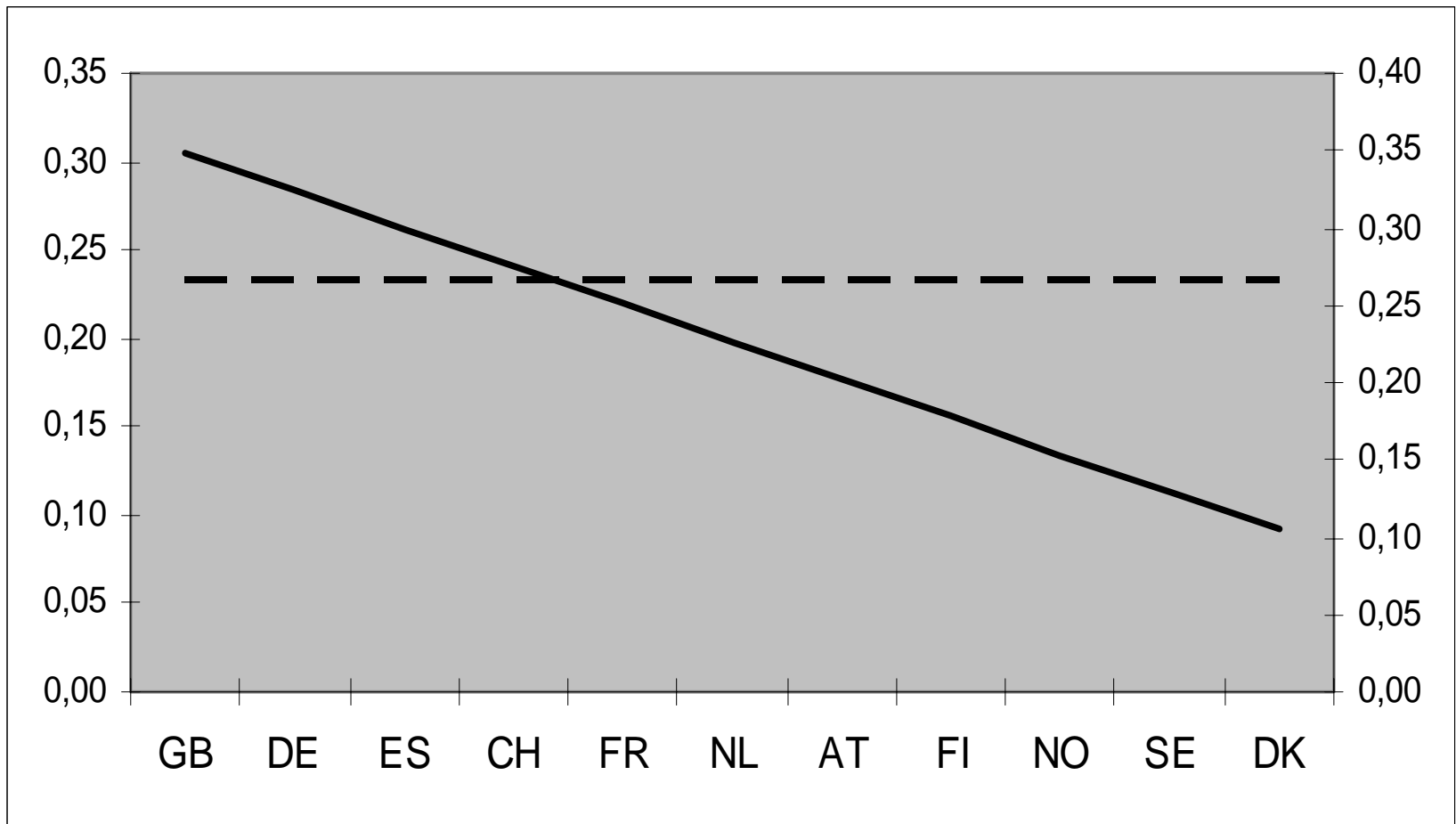
(b) Control

- Let effort (E) vary from 0 to 1.
- $E = 1$ in jobs that are easy to monitor (low-skill jobs), and cannot exceed 1 for jobs that are difficult to monitor (high-skill jobs).
- Thus, levels of effort do not vary across skill (S) groups, only the price (wage) of effort .
- Why would a rational employer pay more for the effort of high-skill workers than for the effort of low-skill workers?
- The employer doesn't pay for skill or effort as such, but for their product ($P = S * E$).
- Since S varies across skill groups while E doesn't, skill – not effort – drives the skill-wage gradient (i.e., skill explains the price of effort).

Variance of log hourly wage: Total (solid) and by class (dashed), by country (linear)



Variance of log hourly wage: Total (solid) and R^2 for class (dashed), by country (linear)



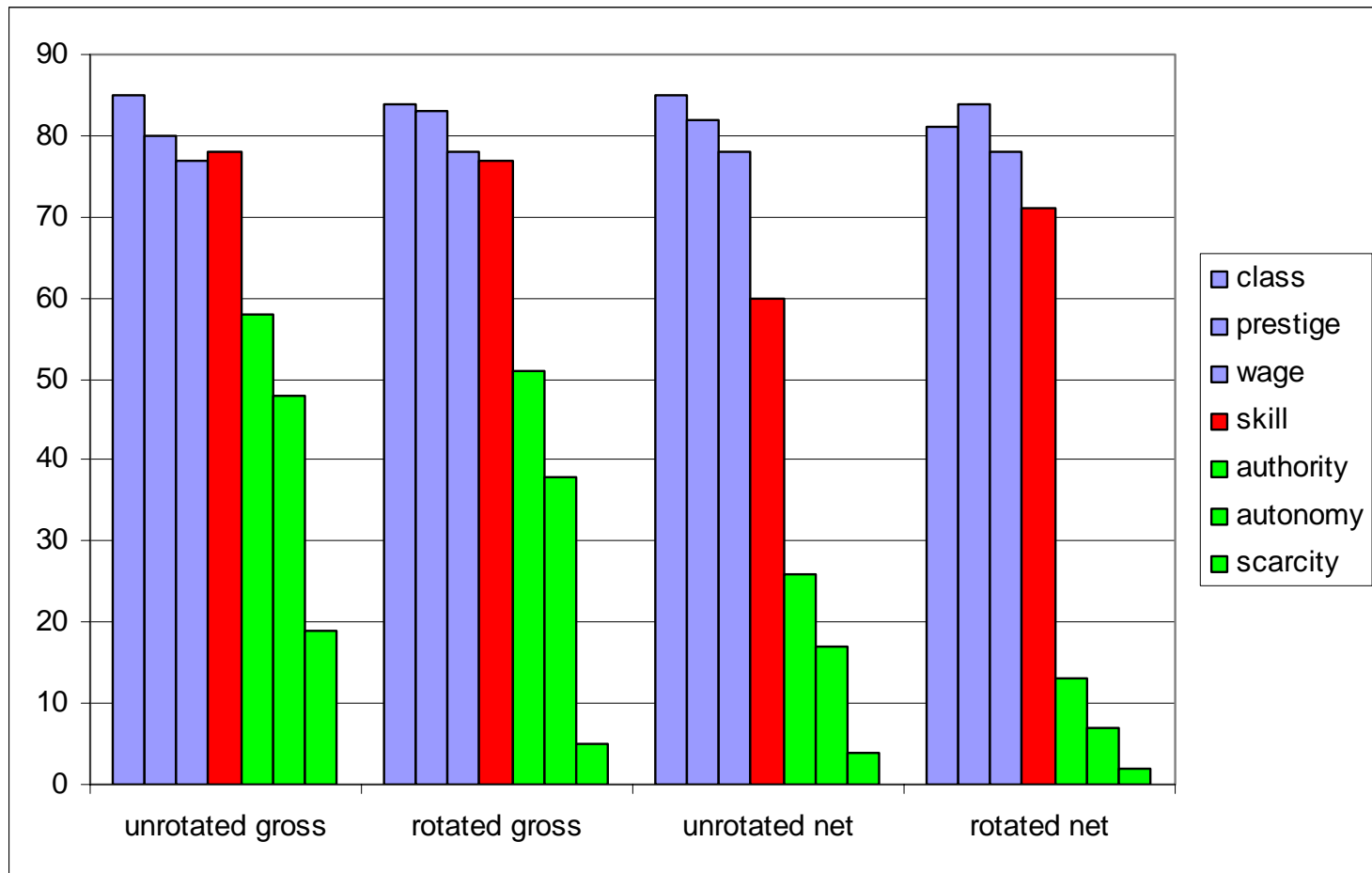
Analyses of determinants of class inequality

- Three outcomes: class, prestige, wage
- Four determinants: skill, authority, autonomy, scarcity
- These seven variables are analyzed in a joint setting via factor analysis
- The four determinants are included both in a gross version (zero-order correlations) and in a net version (partial correlations)

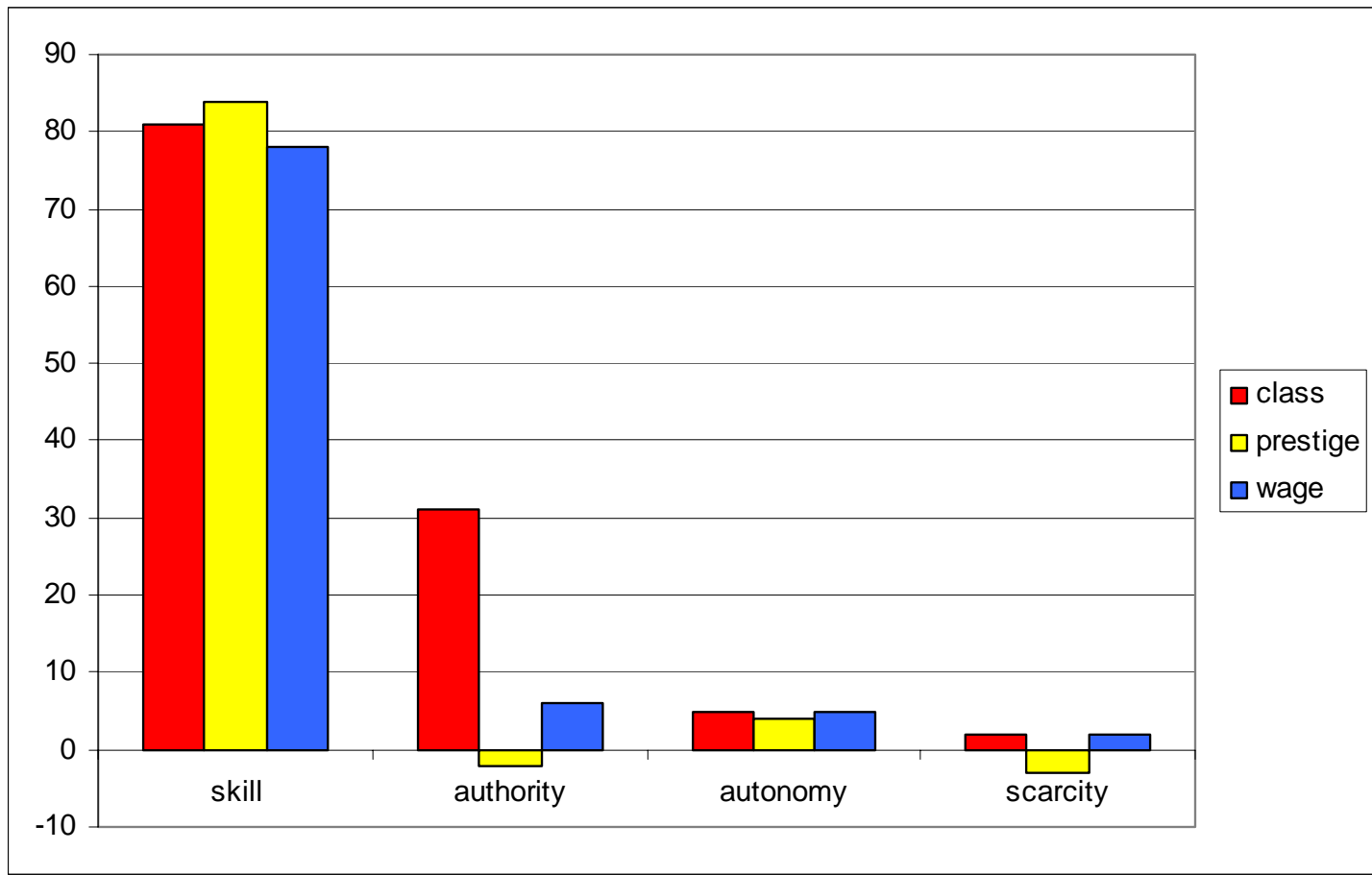
Empirical findings, Europe

- The pattern of empirical findings is almost identical in all 11 countries!
- Standardized class inequality thus seems to be context-free.
- Therefore, only average pattern shown.

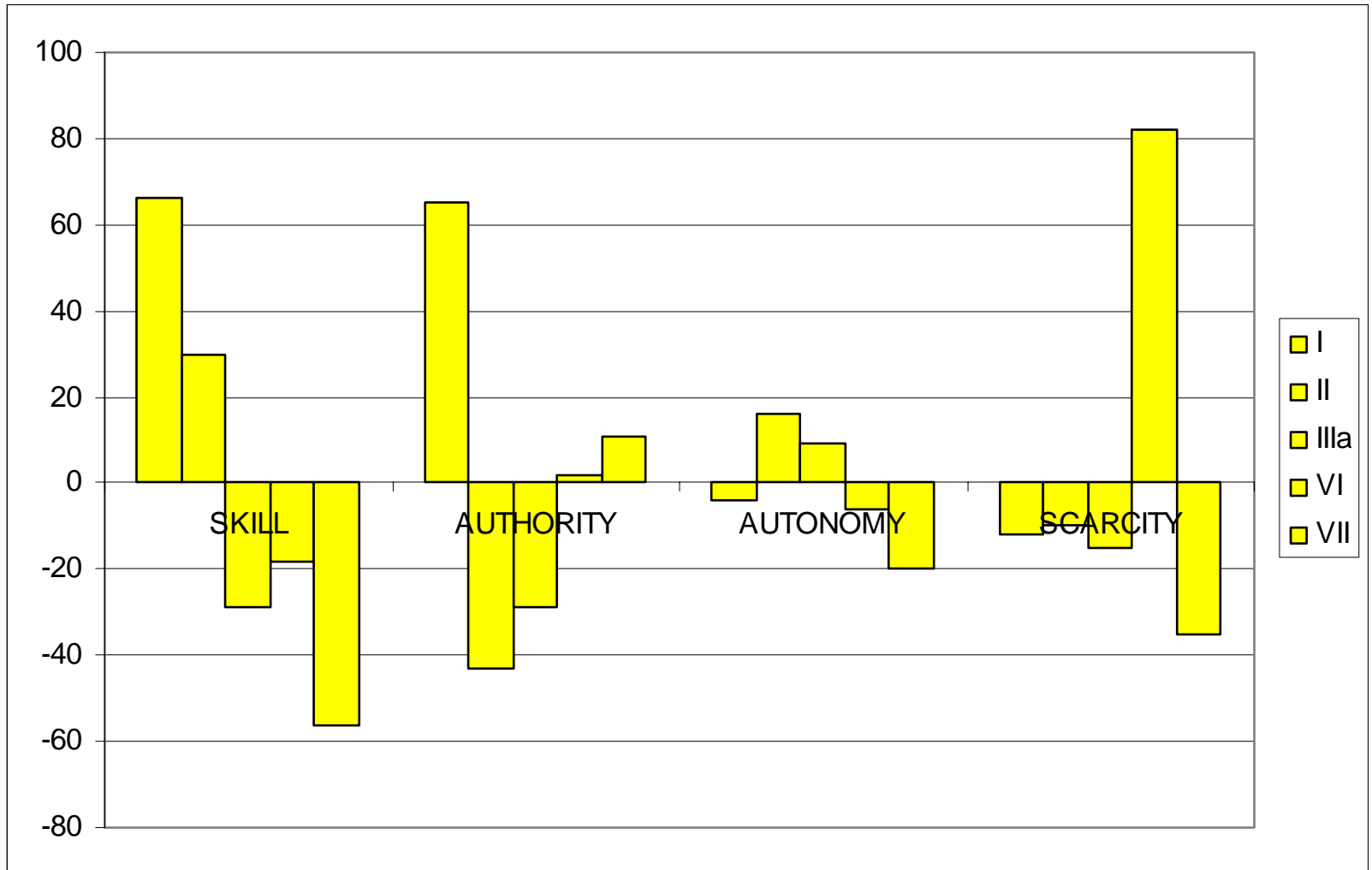
Hierarchical outcomes and determinants: First factor, four versions (factor loadings)



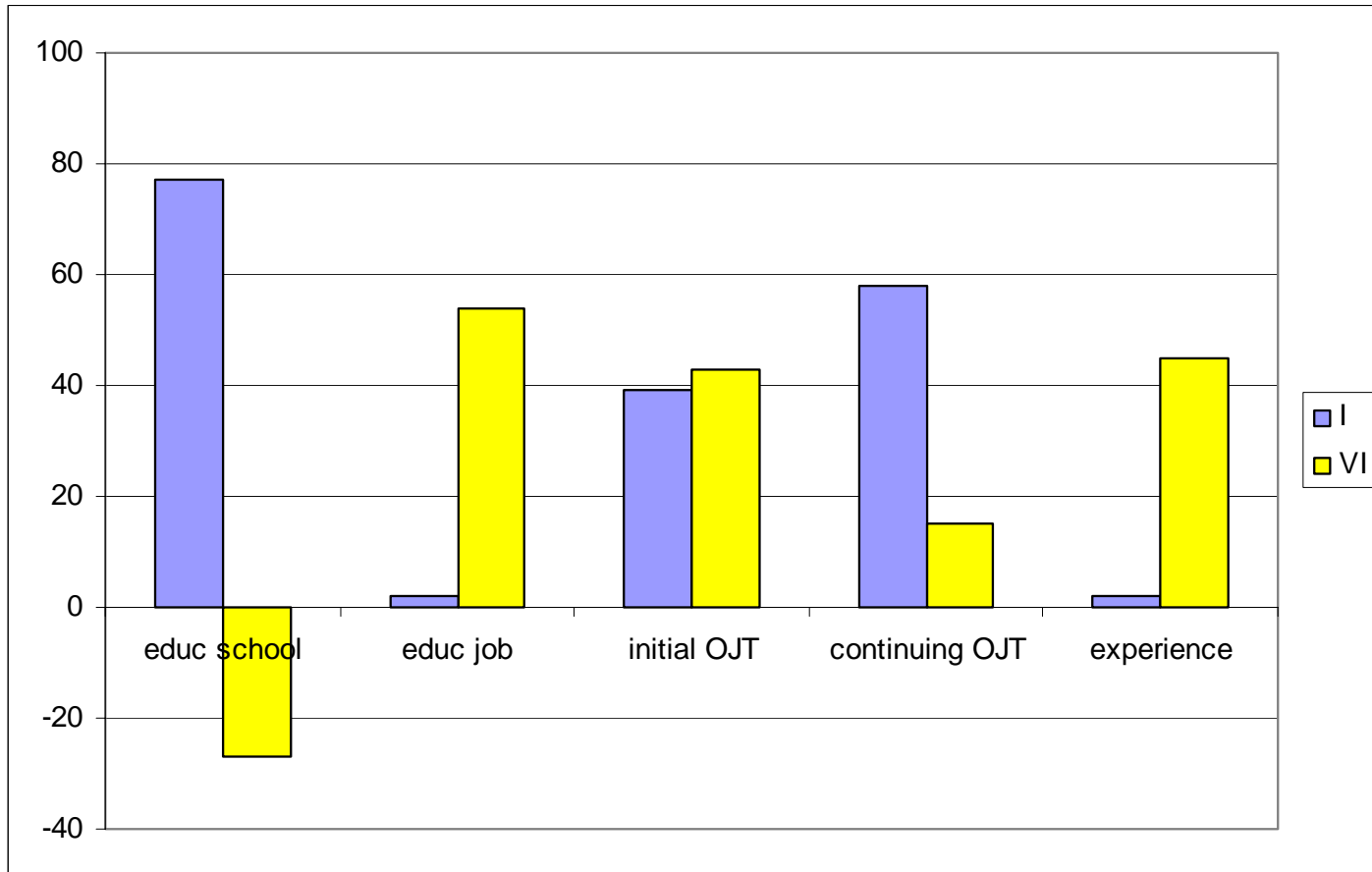
Hierarchical outcomes and determinants: Factors 1 - 4, by class / prestige / wage



Hierarchical outcomes and determinants: Factors 1 - 4, by class categories



Skill components by class



Conclusions

- The power-based explanation of micro-level inequality should be abandoned.
- Instead, an efficiency based approach appears much more promising.
- But power is likely to be of central importance at the macro level, i.e., in explaining international and temporal variations in the amount of inequality.
- Bottom line: class theory should be based on productivity-based skill-reward gradients at the micro level and on institutionally based regulation of skill-reward gradients at the macro level
- The theoretical basis for all current class models (Wright, EGP, ESeC) is wrong!