Dual Labor Market and Its Work-Family Implications (2008)

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Basic Concepts & Definitions

In order to better understand the concept of the dual labor market, it is helpful to first consider the distinction between several related concepts. The term labor market refers to a set of particular jobs that are available to a particular group of workers. A job is a contract for employment between a particular worker and a particular employer. An occupation refers to the kind of work activity workers perform when they are employed in a specific job. For example, a worker who is a welder (her occupation) may have a specific employment contract to work for General Motors (her job). Industry refers to the type of product or service that is produced or provided by the worker or the business in which they are employed. In the example given above, the welder (her occupation) who works for General Motors (her job with a particular firm) is employed in the manufacture of automobiles (her industry). The distinction between industries and occupations is important. A single industry may employ workers in many different occupations and a particular occupation may be found in many different industries. Professions (e.g. law and medicine) represent a subset of occupations that tightly regulate and control who is able to do certain kinds of work and how it is performed. The admission to a particular profession is often regulated by the state (Abbott 1988; Hodson & Sullivan 2007).

Dual labor market theory is an explanation of the inequality that exists in the labor market. Labor market dualism represents the division of American jobs into more or less discrete segments based on the quality of the jobs. These segments include the primary labor market (jobs that are very good) and the secondary labor market (jobs that are very bad). In addition, there are also a large number of mediocre jobs that combine qualities that are good with others that are bad. This segment is referred to as the intermediary labor market. The terms dual labor market, labor market dualism, and labor market segmentation all refer to these divisions within the labor market.

The classic description of the dual labor market comes from Doeringer & Piore (1971; see also Piore 1970; 1975; Tomaskovic-Devey 1993a; 1993b). Primary jobs are those that provide:

- high wages, good working conditions, employment stability, chances of advancement, equity, and due process in work rules. Jobs in the secondary market, in contrast, tend to
have low wages and fringe benefits, poor working conditions, high labor turnover, little chance of advancement, and often arbitrary and capricious supervision (p.165).

Jobs in the intermediary labor market often have better wages than jobs in the secondary labor market but often lack either health insurance or retirement benefits or both (Hudson 2007).

Occupations play a large role in determining job quality and the ability of workers to obtain better jobs over the course of their careers. Jobs within occupations that are highly regulated and that require a great deal of specialized training or education are likely to be found in the primary labor market, while most secondary jobs are found within low-skill occupations that have few barriers to entry (Osterman 1975; Grusky & Sorensen 1998; Jacobs & Blair-Loy 2001). Union membership and collective bargaining can shift jobs from the secondary to the primary labor market by requiring employers to provide good wages and benefits to less skilled workers (Freeman & Medoff 1984; Freeman 1999; Reich 2000; 2002). Likewise, the use of temporary and contract workers can permit firms to downgrade jobs from the primary to the secondary labor market by reducing wages and by eliminating health and retirement benefits (Harrison 1997; Kalleberg et al 1997; Kalleberg, Reskin, & Hudson 2000; Kalleberg 2000; Hudson 2001; Theodore & Peck 2002).

Workers can experience upward economic mobility over the course of their careers by changing jobs within a given firm (i.e., within a firm internal labor market) or by moving from one firm to another while remaining within a given occupation (i.e., within an occupational internal labor market) (see Kalleberg & Berg 1987). A sequence of jobs in which workers start out at the bottom and work their way up over time is called a job ladder (DiPrete & Soule 1987). Because job ladders can affect a worker’s lifetime earnings, the existence of a job ladder in a firm or occupation may be more important than a worker’s starting wage. While young workers typically begin their careers in secondary jobs and move into primary jobs by their early thirties, many are never able to make this transition. Recent research suggests that about half of all American workers spend their careers in secondary or intermediary jobs (Hudson 2007).

The distribution of workers into good, bad, and mediocre jobs is not random. Female, minority, and immigrant workers are much more likely than native born white male workers to end up in bad or mediocre jobs. The mechanisms that disadvantage these workers range from simple discrimination (e.g., firms that will not hire blacks or women for certain jobs) to more institutional and structural barriers, such as a lack of access to training and education, inflexible work hours, or a lack of ties to social networks that can link them to primary jobs (Granovetter 1973; 1983). Immigrant workers often face legal restrictions on where they can live and work.

Dual labor market theory has long provided an alternative to functionalist explanations of social stratification (Davis & Moore 1945; Tumin 1953; Gordon 1972). Functionalism is the theory that workers sort into different jobs based on personal preference, ability, and work effort. Income inequality exists because some jobs serve a more important social “function” than others. A corollary of this theory is that
some individuals have greater earnings because they choose to delay gratification and invest in training
and education (Becker 1964). Viewed from the functionalist perspective, poverty is an individual problem
resulting from limited talent or work effort. If individuals are poor, it is because they lack the motivation
and discipline to work hard or, because they have failed to stay in school and acquire the skills needed to
get a better job. Occupational and income inequality reflect a natural sorting of individuals based on their
personal choices. In contrast, dual labor market theory focuses attention on social structures that endure
irrespective of changes in human capital or worker effort. It also focuses on missing rungs on career
ladders, gaps that prevent upward mobility and sticky floors that hold some workers to lives spent toiling
in unrewarding, insecure, low-wage work.

Concepts and ideas from segmentation and dual labor market theory are evident in much of the
contemporary research on labor markets and social stratification. Examples include recent research on
nonstandard and temporary work (Kalleberg 2000; Kalleberg, Reskin, & Hudson 2000, Amuedo-Dorantes
2000; Hudson 2001; 2007), immigration and migration (Curran & Rivero-Fuentes 2003; Quinn & Rubb
2005; Parrado, Flippin, & McQuiston 2005; Kandel & Parrado 2005), crime and delinquency (Wadsworth
2000; Bellair & Roscigno 2000), race and sex differences in earnings and employment (Browne 2000;
Grodsky & Pager 2001; McCaill 2001; Kaufman 2002), job quality in nursing homes (Hunter 2000), social
stratification in China (Bian 2002), and labor market segmentation in the academy (McBrier 2003;
Jacobs 2004).

Importance of the Topic to Work Family Studies

According to dual labor market theory, the primary cause of poverty in the United States is the inability of
workers to obtain primary jobs that will provide them with the pay and benefits needed by them and their
families. The traditional family structure assumes the presence of a male breadwinner employed in a
primary labor market job. Earnings from other family members are considered a “secondary” source of
family income. This arrangement may work well for the male breadwinner, but typically constrains the
earnings and career attainment of women (Freidan 2001 [1963]; Hirshman 2007). Women in traditional
families who become divorced or widowed can also end up in poverty at midlife or in old age (Grall 2000).

Tilly (1996) has argued that some employers retain highly skilled female employees by offering them part-
time jobs. However, data from the Current Population Survey (U. S. Census Bureau 2005a; 2005b) show
most female workers with children working in part-time jobs are in employed in the secondary labor
market; less than 7% of working mothers employed part-time have primary jobs. Consequently, women
usually have to choose between good full-time jobs that make it difficult for them to spend time with their
children, or bad part-time jobs that allow them more flexibility in their work schedules, but that truncate
their careers and reduce their family’s income.
In situations where no one has a primary labor market job, the entire family usually suffers (see Low Level Jobs and Work-Family Studies). Families often depend on having at least one member with health insurance that will also cover the other members of the family. About 20% of all workers do not have health care coverage from any source (Kalleberg et. al 1997). When all members of the family are employed in secondary or intermediary jobs, it often becomes necessary for parents to work in more than one job to make ends meet. Jobs in the secondary labor market are notoriously unstable and accrued work experience in these jobs usually does little to facilitate transition to a primary job. Families that derive all of their income from the secondary and intermediary labor markets find it difficult to buy a home and provide their children with an adequate education. The comparatively lower rate of home ownership and home equity among minority families (Oliver & Shapiro 2006 [1995]) is directly related to their long running lack of access to the primary labor market. Labor market dualism also affects the structure of the family itself. In poor neighborhoods, the inability of young men to obtain jobs in the primary labor market can inhibit the formation of stable, two-parent families. Women living in conditions of economic hardship will be unlikely to form stable unions with men who cannot consistently provide support to their families (Wilson 1987; Lichter, LeClere, & McLaughlin 1991; Lichter, McLaughlin, Kephart & Landry 1992; Lichter, McLaughlin, & Ribar 1997; Lichter, Graefe & Brown 2003).

Poor women in single parent families have long combined income from welfare and work to “make ends meet” (Edin & Lein 1997; Clampet-Lundquest et. al 2004). Welfare reform legislation that was passed in 1996 has made balancing the demands of work and family even more difficult. It requires parents to spend more time outside the home in paid employment and thus means they have less time to spend with their children. The lack of affordable child care can also mean their kids spend more time without adult supervision (Menaghan & Parcel 1995; Perry-Jenkins, Repetti, & Crouter 2000). When women forgo welfare for work, they usually find employment in the secondary labor market and continue to live in poverty (Korteweg 2003; Gonazales, Hudson, & Acker 2007). Thus reducing the number of people on the “welfare roles” does necessarily mean a reduction in the number of families living in poverty.

State of the Body of Knowledge

The polarization of the American labor market into good and bad job segments is now greater than at any time since the 1960s (Hudson 2007). This rise in labor market dualism has paralleled a dramatic increase in income inequality during the same period (Morris, Bernhardt, & Handcock 1994; Reid & Rubin 2002; Bernstein 2004; and Reich 2000; 2002). Especially noteworthy is the increasing number of workers without health insurance. A number of factors have contributed to this trend, including deindustrialization (Bluestone & Harrison 1982; Harrison & Bluestone 1988; Tilly 1996; Harrison 1997 [1994]), declining union membership (Freeman 1999; Reich 2000; 2002; Bernstein 2004), immigration (Catanzarite 1998; 2000; 2002; Phillips & Massey 1999; Catanzarite & Aguilera 2002), and the rise of nonstandard work arrangements (Harrison 1997 [1994]; Kalleberg, Reskin, & Hudson 2000; Hudson 2007). It is also
important to note that many of the occupations and professions that used to be positioned in the primary labor market are now taking on characteristics of secondary labor market jobs. For example, many professionals now work in jobs that lack security. This indicates that any leveling of opportunity divides is most likely accounted for by some primary sector jobs moving downward, rather than secondary sector jobs moving upward (Sweet & Meiskins, 2008).

In the middle of the twentieth century more than a third of American workers were employed in union jobs (Reich 2002). Most of these jobs were concentrated in the manufacturing sector (Bluestone & Harrison 1982). Most jobs are now found in the service industry sector, which is bifurcated between low-wage, low skill jobs on the one hand and knowledge intensive jobs requiring specialized skills and education. The loss of manufacturing jobs has also resulted in declining union membership. Today, less than one out of ten private sector workers is a member of a labor union (Reich 2002).

Historically, the bottom of the American labor queue has been occupied by African-Americans and women. While these groups continue to be overrepresented in the secondary and intermediary labor markets, many of the worst jobs in the American economy are now held by immigrant workers. Because of their citizenship status, many of these workers are vulnerable to exploitation and deportation. Their lack of job skills and education also limits their ability to find better jobs elsewhere. Recent efforts that restrict the flow of immigrant workers into the United States have resulted in many of these workers being separated from their families. In spite of these limitations and hardships, the remunerations they send back to their home countries are helping to keep many of their families out of poverty (Open Up, 2008). Ironically, bad jobs in America are often providing the margin of survival for children in the less developed world (Ehrenreich 2002).

Since the 1980s employers have increasingly turned to nonstandard work arrangements (Kalleberg, Reskin, & Hudson 2000) as a way to reduce cost and increase profit margins. Through the use of temporary and contract workers, firms are able to shift part of their labor cost to the worker. While these arrangements offer some workers more flexibility than traditional employment, nonstandard jobs typically pay less and provide fewer benefits to workers and their families. Good and bad jobs often exist within the same firm and even the same workplace. The rise of nonstandard work has exacerbated this disparity, as more and more firms separate their core workforce from a periphery of temporary and contract labors. The contrast between these groups embodies in microcosm the dualism that exists in the American labor market more generally.

**Implications for Research and Practice**

The scholarship on dual labor market theory contends that much of the poverty in America is attributed to a divided opportunity structure. People stay poor because barriers prevent them from getting good jobs that will lift them and their families out of poverty. Government policy should be directed toward
eliminating these barriers and creating real opportunities for workers to experience occupational and labor market mobility. This brings us to an important question, “What do working parents need to meet the needs of their families and the demands of a job that provides them with an adequate income and career satisfaction?” There are no easy or obvious answers to this question. Many of the current strategies used by families to meet the competing demands of work and family are either less than optimal for children (too little time with parents) or seriously disadvantage women (too much work with too few rewards). This problem is especially pronounced for working-class and poor families. Alternative solutions can best be understood as a series of choices affecting public policy and practice.

Eliminating Bad Jobs versus Insuring Labor Market Mobility

The first choice involves our understanding of labor market segmentation and what we should do about it. Should all workers be employed in the primary job market, thereby eliminating the secondary and intermediary labor markets? Increasing the minimum wage and tying it to the rate of inflation will greatly help workers at the bottom of the earnings distribution (Reich 2002). But it is unlikely that minimum wage jobs will ever provide the income needed to lift families out of poverty and sustain them in a middle class life style. Increasing the minimum wage also does not address the need for health care and retirement security. A more realistic, and arguably more appropriate, goal is to ensure that all workers have a meaningful and realistic opportunity to transition from secondary and intermediary jobs to the primary labor market over their life course. Ideally, this transition should occur before workers assume the responsibility of caring for children or other dependent family members.

Standard versus Nonstandard Jobs

The increasing use of nonstandard work arrangements has created a real possibility that the workplace of the future will be comprised of a two-tiered workforce: A small core of primary workers surrounded by a permanent periphery of temporary and contract workers occupying secondary and intermediary jobs. Firms that utilize employment intermediaries (i.e., temporary help agencies, contract companies, and independent contractors) should be required to offer the same wage and benefit packages provided to core workers in comparable occupations. They should also be required to transition employees to permanent jobs within a reasonable length of time. The European Union now places a limit on the number of successive fixed term contracts firms can impose on temporary workers before granting them the status of permanent employees (Houseman & Osawa 2004). Organized labor must also resist the temptation of agreeing to contracts that protect their members at the expense of peripheral workers in substandard jobs.

Government Subsidies versus Better Wages and Benefits

Another set of choices concerns the best way to ensure that workers have access to primary jobs. One approach to the problem of low-wage employment is to redistribute income from workers with high
earnings to individuals who are unemployed or those who are employed in secondary or intermediary jobs. The guaranteed annual income proposals debated in the 1960's embody this solution, which is reflected to some extent in the Earned Income Tax Credit (Steensland 2008). It is doubtful however, that income subsidies will ever lift families above the poverty threshold. This approach also fails to address the issue of health care and retirement income. A different strategy involves getting firms to share their profits with the workers who produce them. Enacting legislation that will facilitate collective bargaining and the unionization of workers in large retail firms is arguably a better option than having the government subsidize low-wage employers. Many of the changes resulting from union advocacy, such as the 40 hour work week, the abolition of child labor, and the minimum wage have now been institutionalized into the legal structure of the workplace. The result is that both union and non-union workers now benefit from these changes.

Universal versus Employer Provided Health Care

Millions of American workers do not have employer provided health insurance. Small businesses and firms in the retail or food service industries are the most likely to employ young workers. They are also the least likely to provide health insurance. All workers need access to health care, regardless of their age, level of skill or experience, or their full-time/part-time status. Access to health care is also a necessity for individuals who are unemployed or unable to work. The creation of a national universal health care program would benefit employers, workers, and their families. Great Britain, Japan, Germany, and France all have systems that provide universal coverage to their citizens. Many developed countries now spend less per capita on health care and rank higher on health related measures than the United States. For example, U.S. citizens spend more per capita on health care than any other OECD country. Yet there are 18 OECD countries that have a lower rate of infant mortality and 15 OECD countries with longer life expectancy. Any meaningful solution to the health care crisis must do two things: it must impose reasonable limits on the cost of health care and, it must include universal coverage (World Health Organization, 2008)

Child Care Options

Workers with children often struggle to meet the competing demands of their jobs and the needs of their children. Because women still bear primary responsibility for child care, they feel this conflict most acutely. The cost of child care now poses an immense burden on middle class families, even when one or both parents are employed in the primary labor market. Child care for families that rely on secondary and intermediary jobs may not exist, forcing parents to leave children unsupervised during part of the work day. Many parents are forced to choose between out-sourcing the care of their children to low-wage day care workers or in-sourcing child care to a nanny or au pair. In the past, in-home child care was sometimes provided to some affluent white American families by African-American domestics. Today’s nannies are more likely to be female immigrants from developing countries who provide care to American
children in order to support their own children and families that they have left behind (Ehrenreich & Hochschild 2002). Still, other parents opt to forgo good jobs and wages altogether and choose to resign themselves to the secondary or intermediary labor market as the price they must pay for being a good parent. Working parents must be able to earn sufficient income to pay for the cost child care or publicly financed child care must be increased. While the first option prevents the public from subsidizing low-wage employers, the second option recognizes that there is likely to always be some significant portion of the workforce that will not have sufficient earnings to purchase adequate child care.

**Strategies for Change**

Significant changes are needed to protect workers and their families from the vicissitudes of workplace dualism and the increasing demands of the new economy on workers in all segments of the labor market. The way we attempt to bring about these choices presents us with an array of options (Sweet & Meiksins 2008). One approach is for each of us “to do the right thing,” individually or collectively with others. The recognition of individual responsibility for societal problems is an important step in bringing about social change. But when it comes to the big problems of poverty, housing, education, health care, and the management of our national resources, the power of individuals and activist groups is limited. One way for individuals to increase their power is to work together through national organizations and coalitions. By exposing worker exploitation and advocating for legislative reforms, these groups can affect important social changes. Such organizations and coalitions, however, tend to be limited in the scope of their concerns and in their ability to bring about large scale structural changes in our economy.

In the past, such changes have been accomplished through the efforts of organized labor. But now less than one in ten American workers belongs to a labor union. Most workers in secondary and intermediary labor markets are employed in low-level service industries. Enacting new legislation that will facilitate union formation and collective bargaining in this sector of the economy might accomplish for these workers what industrial unions accomplished for manufacturing workers a half century ago. We need new laws that permit workers to organize more effectively across different establishments and jobs sites. The legislation should also encompass temporary and contract workers. The presence of millions of immigrant workers, noted above, also presents a profound challenge to the American labor movement. How unions choose to respond will very likely play a large role in determining their future. If unions choose to protect the jobs of native workers by excluding immigrant workers from the workplace, their moral credibility and their viability will suffer. While the alternative of including immigrant workers into the union ranks poses a significant challenge, it is a choice that is historically consistent with core values of the labor movement.

In the past, unions have been able to change the rules that govern the workplace. But the burden placed on unions to organize workers as “one firm” or “one establishment” at a time is a tremendous obstacle to the union movement. One alternative is to enact laws that will require all firms in a given firm, industry, or occupation to engage in collective bargaining with its employees. Incorporating union membership into
institutional practice and law in all work organizations will go a long way in shifting power from employers to workers. Finally, if workers are to reap greater rewards and benefits from their labor they will also have to assume more responsibility for the governance and management of the firms in which they work. The time has come to reexamine the classic divisions between owners, managers, and labor as well as to consider new power sharing arrangements.

References


