

BOOK REVIEWS



Root-Cause Regulation: Protecting Work and Workers in the Twenty-First Century. By Michael J. Piore and Andrew Schrank. Cambridge, MA: Harvard University Press, 2018. 224 pp. ISBN 9780674979604, \$29.95 (Cloth).

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To be a worker today is to be constantly confronted with the threat that one's job will be lost or degraded through automation, outsourcing, offshoring, subcontracting, or other subterfuges typical of fissured supply chains. Labor regulations were supposed to temper these risks but globalization of production has recast them as obstacles to job creation rather than a safeguard against abuse. Under these circumstances, how can we protect workers without putting their jobs at risk?

In a groundbreaking book, Michael Piore and Andrew Schrank argue that, when properly enforced, labor regulations can ensure decent jobs even when employers are subjected to fierce market competition. To substantiate this argument, the first half of the book compares labor inspection in multiple countries to discover that the relevant government functions can be organized in two different ways. The United States adopts the Anglo-Saxon model of labor inspection. In this model, the different responsibilities pertaining to the protection of workers—for example, wage and hours, health and safety, and collective bargaining—are assigned to separate government agencies. In turn, each of these agencies employs specialists with limited discretion and narrow expertise.

As a result of these design choices, the Anglo-Saxon model is fully compatible with Fordism, the system of production in which large firms rely on specialized workers and macroeconomic stability to mass produce goods and services. Fordism propelled the United States to global economic dominance during the 20th century, so the country's embrace of the Anglo-Saxon model was well-founded. Today, however, Fordism is near extinct. As a result, the United States has been contending with an expensive and cumbersome inspection apparatus that cannot address the challenges that its workers and employers face.

France, Spain, and multiple countries in Latin America adopt the Franco-Latin model of inspection. In this model, a single government agency enforces the entire labor code. To fulfill their duties, these unified agencies employ mainly generalists who can examine multiple types of violations in a single visit. In comparative terms, the Franco-Latin model replaces economies of scale with economies of scope and the routinizing of inspection activities with discretion in the frontlines. Thanks to these design choices, its inspectors can remain productive even when they visit variously sized firms. Moreover, they can use their discretion to choose which firms to prioritize, which laws to enforce, and how to proceed depending on the circumstances. The Franco-Latin model's built-in flexibility makes it compatible with post-Fordism, the system of production in which firms of varying size employ multiskilled workers to produce small batches under volatile demand. Post-Fordism prevails in the world today, so the Franco-Latin model has a clear advantage over its Anglo-Saxon counterpart.

An even more consequential difference between the two models concerns their enforcement strategy, which is rooted in their embrace of distinct theories of labor violations. The Anglo-Saxon model espouses the theory that managers are mostly rational actors who decide whether to respect labor laws on a case-by-case basis and are informed by cost-benefit analyses. If this theory is correct, a labor inspector's job is fairly simple: Go from firm to firm imposing expected fines that are large enough to tilt managers' calculations toward compliance.

By contrast, the Franco-Latin model embraces the theory that labor violations are the symptoms of multidirectional causal chains that link a firm's attitude toward workers to its

choice of technology, production practices, and business strategy. The canonical example is the sweatshop: When equipment is relatively cheap and customers are undiscerning regarding quality, managers are tempted to pay workers a piece rate and cram them into a decrepit workplace, without regard for productivity, turnover, age, or working conditions. These linkages limit the effectiveness of a punitive approach. In some cases, fines might increase compliance, but they are likely to trigger layoffs as well. In other cases, fines might encourage managers to burrow their workers deeper into underground arrangements, for instance by encouraging them to produce from home. To achieve a superior outcome, inspectors must rely on their legal authority, discretion, and technical expertise to identify these linkages and to then induce managers to revamp their operations so the entire business can be made more compatible with better labor standards. The authors call this type of intervention "root-cause regulation."

From an organizational standpoint, root-cause regulation is an ambitious goal. After all, it requires government agencies to employ pro-active, creative, and resourceful problem-solvers while avoiding the pitfalls of corruption. The authors provide multiple examples to demonstrate that root-cause regulation is not a chimera, but how can this practice be disseminated further? To answer this question, the second half of the book draws from the literature on street-level bureaucracy, the professions, and business innovation to examine how discretion can be managed within a public-sector organization. These discussions are speculative and open-ended; rather than report on definite findings, the authors provide food for thought and raise important questions that have been inspiring new research on public management and public-sector reform.

The book raises important questions on the comparative advantage of governments and firms in driving economic development, and how their agents can interact to produce equitable gains. Two sets of questions stand out. First, a growing body of research has been identifying large and persistent variation in productivity and managerial expertise across firms. Whereas many analysts conclude that inefficient firms survive because regulations shelter them from competition, Piore and Schrank argue that regulations might provide an impetus for improvement. But if regulation is the solution, what is the problem? In other words, why do profit-seeking managers need so much help improving the performance of their firms?

And second, what is it that inspectors do to bring firms into compliance? Throughout the book, the authors provide vignettes of inspectors engaging in root-cause regulation, but the concept is never explicitly defined. In some cases, inspectors choose which firms to visit based on their belief that some firms or sectors are more remediable than others. In other instances, inspectors choose which laws to enforce and which violations to overlook depending on the ebb and flow of the business cycle. These inspectors are not searching for root-causes as much as they are providing firms with a tailored dosage of *de facto* flexibility. As a counterpoint, the book also reports that some inspectors connect managers to worker training and other public services. These agents are indeed helping firms revamp their operations, but their contribution seems quite modest. What else might inspectors be doing to bring firms into compliance?

To conclude, this is a remarkable book, with multiple strengths. It should be of interest not only to those interested in labor relations and labor standards but to anyone concerned with the role of the government in shaping economic activity. The book challenges many prevailing notions pertaining to the management of discretion within street-level organizations, the cause of uneven distribution of productivity across firms, and the potential pitfalls of a relentless fight against corruption. For these reasons, it should find its way into advanced courses and seminars in labor relations, economic sociology, corporate social responsibility, public management, and the rule of law. As an added bonus, the book's wide geographical coverage should appeal to readers outside the United States, where it is likely to fuel debates among scholars, labor activists, and policymakers who are grappling with the challenges of protecting workers in an uncertain and harsh marketplace.

Salo V. Coslovsky
Associate Professor of Urban Planning and Public Service
Robert F. Wagner Graduate School of Public Service
New York University