

**Strategic Compensation and Talent Management: Lessons for Managers, by Jed DeVaro.**

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Jed DeVaro takes on a big challenge in writing this book. He's very clear about his aim:

"My main goal in this book is to speak directly to managers about important general concepts and theories in compensation, without getting too bogged down in the details that make for tedious reading in standard compensation texts" (p. 303)

He has a point. Many books written in management and in personnel economics are replete with all sorts of technical jargon, much of which can be dispensed with by the practical manager. What is remarkable about this book is that the author is true to his word: he succeeds in writing a jargon-free book which does, indeed, reach out to practitioners and offers them insights which will help them to be better managers. This is a considerable achievement which is why, on the fly cover of the book, I say the book marks a coming of age for personnel economics.

The target audiences, as indicated in the preface, are MBAs and professional masters students; advanced business undergraduates; and experienced managers. DeVaro argues: "speaking to these audiences requires a new approach to teaching compensation .... Anything that fails to reach and be relevant for an audience of professional managers will also fail to reach an audience of business students." This is spot on. Indeed, it encapsulates the spirit of the recently departed and sadly missed Ed Lazear, the father of personnel economics, when he blazed the trail for personnel economics some years ago maintaining that business students were "disinterested" in standard labour economics which focused on topics that were "almost irrelevant to their future business careers" (Lazear, 2000: F611). This book is another step along the way to teaching those students what Lazear referred to as the 'black box' of what happens inside firms.

Not only is the book clear and engaging, with a narrative style which carries the reader who is unencumbered by the normally over-fastidious referencing and technical language one finds in other books of this type, it also extends the substantive focus in (at least) two directions. First it engages early on with the often overlooked issue of wage theft which many workers suffer every day, either through the intended or unintended actions of their managers. De Varo does a great service to managers and workers alike by reminding them of the importance of this issue.

Second, De Varo devotes two chapters to data analytics, emphasising the value of data analysis for business purposes. Chapter Six introduces readers to statistical modelling, while Chapter Seven follows up with clear, practical examples of how to deal with data to make sense of personnel issues. It includes a section on establishing causal relationships in data via experiments, and the practical problems one encounters in doing so. DeVaro makes a plea: “use your organization as an experimental laboratory for generating your own data and testing out various changes to the compensation system” (p. 168). This is music to my ears, since it’s an issue I’ve tried to push – largely unsuccessfully – for a number of years. The problem, I suspect, is that most managers don’t want to know whether what they are doing truly causally impacts business outcomes in a positive way: engaging in such activity runs the risk of finding out that what you are doing isn’t that useful.

Of course, given De Varo’s explicit orientation in writing the book it won’t be to everyone’s taste. Those who come from a background in employment relations or industrial relations, rather than straight management, will not be comfortable with the “manager as good guy” orientation adopted throughout the book. De Varo has little that is good to say about the role of trade unions, for example. He sees constraints on management such as trade unions or minimum wages as “generally undesirable” (p. 100) constraint on management’s ability to manage effectively. Managers tend to be treated as the ‘good guys’ and so those things that constrain them are potentially harmful to the profit maximising motive. It follows that managers should “do what you can to discourage” (p. 101) union organising. I doubt De Varo would have much truck with Wolfgang Streeck’s proposition that

such institutions can be a “beneficial constraint” on management which can operate for the benefit of workers and management alike. In De Varo’s world there seems to be little space for mutual gains arising from engagement with the representatives of labour. This is unfortunate given the theoretical and empirical literatures suggesting unions can, and often do, play a useful role as agents for management in partnership arrangements where they are an efficient mechanism for the aggregation of worker preferences.

Similarly, De Varo wonders, given the role of market competition in engineering efficient labour market solutions “do we really need a government regulation?” (p. 82). The question is raised at the end of a long section on minimum wage regulation, where De Varo appears to minimise the problems of labour market frictions endemic in many situations, and the potential value of government intervention in bringing about efficiency and fairness. I do hope the author revisits the sections of the book on unionization and minimum wages in the second edition which, I have no doubt, will come.

There is one other area I hope the author might think about further and, perhaps, develop in a second edition. This is the issue of whether it is efficient for managers to invest in worker wellbeing. It is an issue that is notable by its absence in the book. Much of the management literature is predicated on the idea that investments in Human Resource Management are profit maximising because they bring about productivity improvements due to their effects on worker job satisfaction and commitment. Issues of worker engagement, and management’s ability to procure this through job redesign, for example, are only really discussed fleetingly in the final chapter on non-profits, the public sector and small businesses.

I don’t want these quibbles to detract from my overall assessment of the book. It is an excellent example of how to write for a management audience, drawing on key concepts in economics, management, psychology and organizational behaviour whilst avoiding all the jargon and technical detail. For this Jed De Varo is to be highly commended.

## References

Lazear, E.P. (2000) "The future of personnel economics", *The Economic Journal*, 110: F611–F639