

236. "The Socio-Economics of Work," Frederick C. Gamst (Ed.), Meanings of Work, Considerations for the Twenty-First Century, SUNY Press, Albany, (1995). pp. 251-260.

Socio-economics is a discipline that combines the perspectives of neoclassical economics with those of sociology, anthropology, psychology and political science. The synthesis proceeds along three major axes: instead of assuming that people are maximizing one over-arching utility, their satisfaction, it is assumed that they respond to two or more irreducible sources of valuation: their satisfaction and their moral values. (Both are subject to cultural interpretations, socialization, peer pressures and leadership influences).

Second, instead of assuming that people choose their means rationally, it is assumed that much of their decision making is affected by emotions and values, and that their ability to deliberate and process information (to act rationally) is rather limited. Finally, instead of assuming that the individual is the center of the social universe, it assumes individuals act as members of groups and hence many variations in their behavior are to be explained on the collective level. Further details and the ethical implications of the change in perspectives are spelled out elsewhere. (Etzioni 1988; Etzioni and Lawrence 1990; Coughlin 1991; see also the new Journal of Socio-Economics).

As the preceding very terse statements suggest, socio-economics is concerned with evolving a constructive paradigm rather than adding to the voluminous literature critical of neoclassical economics. Indeed, it seems that one of the main reasons neoclassical economics continues to reign despite some very telling criticisms of its assumptions, findings and policy conclusions (Thurow 1983), is that one cannot replace a paradigm with nothing. Critics of neoclassical economics have been able to come up with numerous observations, case studies, and statistical findings, based on a rich variety of assumptions and premises but only recently have those begun to accumulate into one over-arching, explanatory and predictive paradigm, which we refer to as socio-economics. (It follows that socio-economists have not given up on the "science thing" and are reluctant to replace neoclassical economics only with narratives, interpretive writings and other humanistic but not "hard" scientific approaches.)

This essay seeks to launch a systematic overview of work applying the socio-economic perspective to explicate assumptions, and point to lacuna rather than present new findings or new theorems. First, it examines the nature of work, noting that the reasons people work derive from a multitude of rewards, which are psychic, social and cultural, as well as economic. Next it asks why neoclassical economists continue to advise organizations to offer money as the only work incentive. Socio-economics seeks to codify an alternative theory of incentives. In particular the value of work is often deeply rooted in one's culture. The final portions of this essay examine the normative and culturally based meanings of work and the division of work within the family.

Work Versus Labor

Arendt (1958) captured the difference between work that is sheer drudgery and work that contains intrinsic rewards, is enjoyable, and builds identity by using the term "labor" to refer to the first kinds, and "work" to the second. Most neoclassical economists view work implicitly or explicitly as labor. Because their paradigm is built around the pleasure principle, they typically assume that work is pain and that people must be provided with external rewards, in order for them to put up with the travail of labor. (The same narrow view of the psyche is reflected in most of the labor economics literature wherein only external rewards are

discussed, no other rewards are recognized, and, we shall see, pay-for-performance is preferred over salaries and wages.)

Socio-economics assumes that much work, albeit not all, contains an important (though varying) amount of intrinsic rewards. One need not travel far to meet such workers. Quite a few academicians, especially among those who already command tenure, could reduce their work hours significantly with no, or only little, loss of income. They work, often long and hard, because of social rewards (e.g. prestige), because they are part of a social group that appreciates dedicated and extensive work, and because academics build their self-identity around their work and find inherent pleasures in an essay well written, new findings, a table analyzed and so on. Many other professions and occupations provide, to varying degrees, similar rewards. Many "blue-collar" workers are motivated in part by intrinsic rewards of work. In the past, many locomotive engineers and conductors are reluctant to leave their positions when they reach the mandatory retirement age of 70. Today, some engineers enjoy their craft, and its tasks, and their responsibilities so much that aspects of their work is a constant topic of conversation, they seldom miss a run, and on days off, they operate, gratis, steam, and other locomotives for small "rail buff" carriers (Private communication with Gamst).

Juster (1986) finds that the average American worker prefers work with some leisure over full-time leisure (although most would like more leisure). He suggests that there are internal rewards (e.g. personal satisfaction) associated with all activities, as well as external rewards and cites data to suggest "that the intrinsic satisfaction from work, which represents an addition to the extrinsic reward in the form of income, is generally higher than the intrinsic satisfaction from leisure" (*ibid.* 16). As Juster points out, this finding is completely incompatible with the neoclassical approach that assumes not only that leisure is pleasurable and work painful, but that leisure is the reward a person obtains by working.

Gamst (1984: 58) shows the correlation between work and culture. Anglo-Saxons often view work as both a moral necessity and a curse. Other societies, such as the Amhara and Qemant of Ethiopia shun all manual labor. He also challenges the notion that work is limited to gainful toil. There is also what is called "volitional work," work which receives no payment, but is beneficial to society. He concludes,

Work gradates into activities marginal to or of no direct relation to earning a living. Work satisfies not just material need, but social aspiration for status and organization of community. It satisfies psychological maintenance of self-image and provides a label for easing interpersonal relations (59).

All said and done, it seems productive to assume that: (a) people work for a variety of motives; (b) profiles of job motivations differ among individuals (some are more pecuniarily oriented and some are more attracted by opportunities to express themselves, etc.); (c) jobs differ in the satisfaction they can provide (some provide more opportunities for developing social relations on the jobs than others); and (d) it is unproductive, costly and unappealing from a humanitarian viewpoint, to treat all people in all jobs as if they are laborers rather than workers. (This approach is of course in line with the multi-utility idea, a core principle of socio-economics.) It is in this paradigm, ideas such as providing opportunities for workers to self-actualize, to identify with their work and so on, find their systematic theoretical home.

Once one begins building from the preceding paradigm, one recognizes the special significance of matching people to jobs, rather than trying either to change people--in order to make them more responsive to the preexisting rewards jobs offer, or to change jobs--to

enhance the rewards jobs offer to particular profiles of motivations. Improved matching requires neither changing personalities nor jobs, and hence is much more efficient. Baker, Etzioni, Hansen and Sontag (1973: 777-8) showed that "either because of some basic needs, or because they are formed early in life and are not easily altered, personalities cannot easily adjust to fulfill any and all organizational role requirements without substantial strain." The authors then develop a measure of personality dimensions that influence peoples' responses to key aspects of work; these, in turn, allow for better matching of persons and roles, hence making more of labor into work. It may be argued, quite appropriately, that such a procedure would lead to discrimination because of various disadvantages suffered by many minority groups. This may be corrected, at least in part, by changing the job specs so they become race and gender, etc., neutral. As a result, the suggested approach will cease to be a pure matching operation.

Incentives

Neoclassical economists advocate performance-based pay over promotion or other compensation systems and express surprise that virtually no organizations use pay-on-performance systems, such as paying people for each yard of fabric they weave or ton of coal they dig. "The potential benefits of tying pay to performance are obvious, and it is surprising to economists that firms apparently resist introducing bonus-based compensation plans with enough financial action' to have a major motivational effect." (Baker, Jensen, and Murphy 1988) The evidence they cite from research by Medoff and Abraham "indicates that explicit financial rewards in the form of transitory performance-based bonuses seldom account for an important part of a worker's compensation" (ibid. 595). Lawler also finds that "pay is not very closely related to performance in many organizations that claim to have merit increase salary systems" (ibid.). For neoclassical economists, top management in particular "is an occupation where incentive pay is expected to play an important role, but Baker, Jensen and Murphy point out that actual executive-compensation contracts look very different from those predicted by economic theory" (ibid. 610). The data shows that there is little pay difference within firms between those with low or high performance ratings (ibid. 595), and most organizations use promotion incentive systems rather than pay-for-performance (ibid. 600). While neoclassical economists suppose that promotion systems lack incentives for those who have been passed over, and fail to provide optimum job matching by moving good people up to higher managerial levels, merit-pay critics note that "while financial incentive schemes improve productivity in principle, in practice they induce significant adverse side effects that are costly to employee morale and productivity" (ibid.).

Baker, Jensen and Murphy conclude that, "there may be more efficient ways to increase the level of pay, such as introducing bonuses based on individual performance, but managers and personnel executives [particularly because they are not principals and do not directly bear the cost of unwarranted salary increases-A.E.] have little incentive to adopt these economically efficient alternatives" (ibid. 614).

During a faculty seminar I conducted on socio-economics at the Harvard Business School, Jensen presented the findings summed up above. At that point I turned to the more than a dozen other non-neoclassical social scientists present to ask if we had any other systematic explanation of the amounts of incentives people are given for their work.

Several interesting observations were offered. Some suggested that old fashioned workers largely sought monetary compensation while the new ones were more preoccupied with self-expression. Some suggested that we pay more for power (hence the system of greater pay for higher rank, for more control). One colleague proposed that we pay people to reduce their anxiety so they can focus on their work (hence the benefit of working mostly for fixed

incomes rather than pay-for-performance. Among the studies cited in the seminar discussion was that by Herzberg, Mausner and Snyderman (1959). However all said and done it seems fair to say that a systematic socio-economic explanation of compensation for work remains to be worked out. There are findings, insights, suggestions but so far no cumulative, predictive account.

Work and Society: A Matter of Moral Evaluations

Socio-economics does not hesitate to recognize the moral issues raised by social analysis, a pivotal issue in the study of work. That is, moral issues are not a segregated matter, another division like a Sunday religion. They are an integral part of social life and hence central to the study of human conduct and institutions.

The point was first driven home to me when, as a poor 15 year-old kid, I worked as a part time plumber's assistant. The work was hard (largely carrying metal pipes) and the plumber's demeanor was not loving, to put it mildly. At the time I had read The Razor's Edge by Somerset Maugham, about Larry, the son of an affluent family and a World War I pilot. Shocked by the war, he lingered somewhere between a nervous breakdown and psychosis, finding himself lost in peace time. His family was increasingly dismayed that he did not go out and find a job. I had a hard time understanding why the rich were so anxious for him to go to work.

Socio-economics provides answers to this question--work is in part a moral undertaking. Different societies and cultures put different moral valuations on work. To draw on well known examples, in ancient Greece, Rome and during the Middle Ages, Larry would not have been troubled. Work, especially manual work, was a matter for slaves and serfs and peasants. Free persons, not to mention privileged citizens, were engaged in different pursuits, at least if they sought the moral acceptance of their peers and community. These pursuits ranged from an active civic life to cultural activities, from making war to courtship.

With the onset of modernity in the West, the moral standing of work has changed, though unevenly. Not all classes, ethnic groups and sub-cultures evaluate work in the same way. As Max Weber already established, some cultures accord work a much higher moral value than others. Weber attributed the differences in secular moral evaluations of work and with it achievement, self-discipline, saving and wealth to differences in religion. This conclusion generated an enormous debate that remains unsettled. The most recent version of it is found in efforts to explain differences among various immigrant groups and minorities, especially black Americans, regarding work (and welfare) (Steele 1990, Williams 1990, Applebome 1990, Nicholson 1990). Progress in socio-economics will require clearer answers to these questions; what causes differences in work orientation and achievements--sub-culture, a psychology of victimization, or lack of opportunities, and what are the effects of past and present discrimination on work habits and attitudes?

The Division of Work Within the Family Neoclassical economists long treated the family as a unitary structure, as making decisions unanimously (e.g. what to purchase) and in effect reflecting the decisions of the bread winner, who was historically in the modern West simply assumed to be the male. As a result male preferences and family choices were often treated as one and the same.

To the extent that neoclassical economics turned to study the family internally, under the influence of Becker (1974) and others, it has treated the family as a marketplace in which two autonomous individuals exchanged income for services (typically, the husband's income for the wife's services). Becker writes that "the time of different family members is their primary scarce resource", (317) and the sexual division of the labor force can therefore be

described as the efficient allocation of each family member's time. Men, particularly white married men, earn more than married women in the labor force and "through the usual substitution effects, [this would] induce a family to use less of the first member's [the husband's] time in home production and more of the second member's [the wife's] time." (318). According to Becker, married people would not seek to trade roles because as each accumulates "human capital" in his or her respective sector, he or she becomes increasingly productive in that sector and it is in the family's interest to maximize productivity.

In recent years a significant body of literature on this topic arose under the influence of the feminist movement and women studies. No attempt is being made here to review this literature, but I wish to flag the importance of some of its conclusions for the issues at hand. First, the literature highlighted a major general socio-economic thesis: there are no transactions among equals (Etzioni 1988: 82). Husbands did not simply trade some of their income for their wives services, but did so in terms that reflected the husbands' superior power, as established in law and the marketplace well into the 1950s and 1960s, and in some ways still today. Husbands had more control of the use of assets, credits and ownership than did their wives. The exchange was on terms highly favorable to the husbands (as indicated by the costs of the same services outside the household). Virginia Woolf wrote in 1938, which remained true for years, that the wife's "spiritual right to a share of half her husband's income peters out in practice to an actual right to board, lodging and a small annual allowance for pocket money and dress" (56). Today feminist theorists claim that the concept of "the family" masks inequities and antagonistic interests including the relative poverty of the wives (since they still are often dependant on their husbands wages), the contribution of domestic labor in maintaining the work force, and the unequal distribution of occupations and goods within the family (Hartmann 1981, Hochschild 1989). And, when the family broke up, the husbands used to--and still do, although to a lesser extent--receive a disproportional share of the family assets. Finally, to the extent that work outside the household provided more power, prestige and opportunities for self-expression than in the household, husbands did, and to some extent still do, have a strong advantage. This picture of structured exchange among the powerful and the weak, rather than unstructured, open and among equals, should be kept in mind because it is found in all other parts of the economy. Whether it is in the relations among oil companies and the owners of gas stations, auto manufacturers and car dealers, large versus small manufacturers and supermarkets (which are forced to keep shelf space for the larger producers) and so on.

Second, studies of the family hint at the merit of recognizing "I" and "We" zones. That is, families are not well conceived as bundles of individuals transacting, as equals or not. Families are best viewed as having a zone of shared identities, commitments and interests, "We" zones, as well as those of two or more individuals. Thus, while some purchases are clearly designated for the husband (say, his ties) and for the wife (say, her makeup), others are shared (purchases for infants). Families differ significantly in the extent of the We vs. I zones. If the We zone is meager, the family may be on the verge of disintegrating. If the We-ness zone is very extensive, the needs of the weaker members are likely to be neglected. It is here that the two ideas combine: the We zone as well as the relations among the I zones is structured, reflecting the relative power of the members as well as the values they hold and share.

To reiterate: the preceding discussion provides only an outline of ideas and agents for a socio-economics of work; most of the work in this area remains to be done.

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