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Labor Relations in Changing Capitalist Economies: The Meaning of Gifts in Social Relations

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Impurity and Social Order

Geoffrey Hodgson [1995] has proposed that capitalist economies can be distinguished by how the "impurity principle" works and by the extent to which a capitalist economic system is "impure." He argues that "every socioeconomic system must rely on at least one structurally dissimilar subsystem to function" [Hodgson 1995, 577]. I will discuss a concrete phenomenon of "impurity"—gifts—that plays a role in many different social settings. Gifts "contaminate" or "dilute" the pure, ideal-type capitalism that many have in mind. The institutional forms that gift giving takes in a society, as well as their relative importance, can be used as a means to distinguish capitalist economies.

J. R. Stanfield and J. B. Stanfield [1997] take a similar position to Hodgson, arguing that "an orderly free society" needs to recognize and nurture "fundamental human needs." Complex selves are involved in "multifaceted social relations" where "alternative sources of satisfaction" are faced. In these relations, the self-interest of anonymous exchange relations exists along with the reciprocity of the social context. Stanfield and Stanfield see a growing nurturance gap in American society, especially as self-interest takes a more important place and reciprocal relations are hollowed out. Such a development has economic costs as well, they observe. Reciprocity,

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trust, and altruism can thus deteriorate, but nurturance and investment in human relations would allow it to grow.

The issue that Hodgson and Stanfield and Stanfield, among many others, take a stand on is a central one in economics and the social sciences: How does social order exist? What does it take for an economy or a society to be sustainable? The classical and neoclassical economic position on this issue draws on, among others, Adam Smith and Bernard Mandeville. Smith's "invisible hand" is said to make sure that private vices turn into public benefits, creating the ideal-type of capitalism [Heilbroner 1987]. Both Smith's and Mandeville's analyses of social order have more nuance, however, than many scholars understand them to have.[1]

Ambiguity about people's motives surrounds gift giving [Dolfsma 1998; Komter 1996]. On the one hand, people often expect counter-gifts of equal worth, but the counter-gift should never be immediate or of *exactly* equal worth, which would make the exchange a *quid pro quo*, much like a market relation. What is considered of equal worth depends on the community within which gifts are exchanged. Notions of fairness are clearly important here, since they can prescribe when people are equals, obliging them to give equal counter-gifts. People develop institutional solutions to retain the idea that gifts are not the same as exchanges, thus retaining the ambiguity of people's motivation. Examples of how ambiguity is retained abound. Gifts, especially money, should be wrapped. Counter-gifts should not be given immediately. A counter-gift should not be of *exactly* equal worth, bringing the scales of debt in balance as is the case in market transaction. The ambiguity of gifts introduces (some of the) impurities into an economy that it needs to be sustainable. Gifts are one "impure" element in society, but gift giving can take different institutional forms.

G. A. Akerlof [1982] discusses gifts in the context of incomplete labor contracts. His point—and others have followed it—is that contracts can never be complete, and gifts play a role to bridge the gap. Akerlof is not clear as to whether or not he thinks such gifts are necessary for the community of a firm to persist: if people were omniscient, would people in firms still give gifts? It seems to me he would answer in the negative and is thus (merely) making an cognitive point. If he is, his representation of the literature on gifts is biased. There is an epistemological aspect to gift giving, of course, but it is only one aspect.

Purifying Capitalism

D. M. Gordon [1996] and J. B. Schor [1992] present figures—and an interpretation—on the purification of the American economy. Starting in the 1970s, Americans began working longer hours and more days for lower pay. What Gordon calls the "stick strategy" of increasingly relying on monetary incentives has placed an emphasis on efficiency, crowding out other, non-market motivations. Contrary to popular belief, it has necessitated a substantial increase in both the relative and absolute number of "bosses to wield the stick," which has further led to a wage squeeze. American firms did not downsize. Americans have to work longer, sometimes on more than one job, to earn only a little more in real terms now than in 1973. Schor talks about the ensuing "time poverty." Both Schor and Gordon document an increase in the time spent at work and general dissatisfaction about that.

Data for European countries that would indicate the purification process present do not warrant firm judgments [see, for instance, ILO 1996; Eurostat 1993, 1996]. Developments in absolute or relative figures on the significance of part-time contracts; temporary (non-tenured) employment; weekend, night, or evening work; fringe benefits; overtime; number of days for vacation; absence from work due to sickness; strikes, etc., would be necessary. There is some (scattered) data, but it does not allow for comparison over any length of years.[2] Furthermore, if there is data, as on the increase of part-time and temporary work, it is not clear how to interprete it. People may "voluntarily" choose to take such jobs.[3] Although the pressure to "purify" the economy is there in Europe, the effects are not as clear in terms of data. Formal laws have long protected employees but are now being changed gradually under the pressure to purify, making the legal position of employees vis-à-vis their bosses more vulnerable. The opportunities created to optimize personnel ("human resource") management from a firm's financial point of view have not been fully seized, however, because informal rules preclude them and labor unions are generally stronger in Europe than in the United States. While the lack of data is unsatisfactory, I think it is not far off the mark to assume that a process of purification has been under way for some time now in Europe as well.

Managers have to be appointed in an environment where monetary instruments are the major means to incite people, and trust disappears. The relation between bosses and workers changes if no room is left for personal, non-instrumental interaction. If people then feel they are not rewarded enough for their efforts, they are likely to seek other ways to increase their relative incomes. An overt way of trying to achieve this is either by threatening to strike or actually doing so, but if circumstances make it unattractive to do this, covert ways can be found. An increase in the number of sick days people take could be observed for some time,[4] for instance, as would an increase in things "borrowed" from the firm. There is some evidence for such trends, but it is difficult to quantify and to relate to change in the nature of the economy.

The Paradox of Productivity

The reasons for the "stick strategy" are evident from the perspective of firms: there is a need to increase productivity in order to lower costs of production and be better able to compete in the market.[5] Economic literature on principals and agents seems to have had some influence here, since the assumption is that everybody is a utility maximizer, and working is conceived of as a disutility. Workers will, in this view, take every possible opportunity to be idle and to do things that they do gain utility from.

This approach to increase productivity may work up to a point. There is slack in organizations that can be removed without many problems. Overdoing it may communicate to laborers that they are not trusted to do their work. Purification has a limit, and the balance is difficult to strike. Going beyond the limit destroys trust between people within a firm or a community in general. Trust between principal and agent may not be very important when output and input can easily be measured, but it is where one or both are difficult to measure. Within complex economies and organizations where knowledge is an increasingly important resource, the stick strategy will not work because it destroys the trust necessary to accomplish the tasks at hand.

Too much control from managers will also crowd out any "intrinsic" motives that people have to do the work they do. For many people, work constitutes identity. People do not like to think of themselves, and be thought of by others, as only being in it for the money. M. Burawoy [1979] has shown that there is or can be an element of play or game in working; others studies indicate that people often find working pleasurable and derive a sense of pride from it—it is constitutive of their identity [see Du Gay 1996 and Lane 1991]. Even in relatively straightforward, manual labor, "the labour process is organized into a game" [Burawoy 1979, 84]. Goals of the game are defined in and by the game itself. For instance, somebody is praised by his or her colleagues for doing more work than some standard set by the group itself.[6] How exactly the game develops, how praise is expressed, and what constitutes "playing the game well" depend on the circumstances.[7]

Much of the literature on trust in human relations seems to say that trust cannot be built on purpose and, when lost, does not return. Such a defeatist view is not warranted [c.f. Sabel 1993]. Sabel studied a case where the nurturing of trust between managers of firms was a deliberate and successful effort by a local government to create trusting relationships and stimulate the local economy.

Labor Relations, Gifts, and Trust

Purifying the economy—placing an increasing weight on monetary remuneration and accumulation—turns labor relations increasingly into the instrumental relations of the perfect markets in neoclassical economics. *Quid pro quo* becomes the standard, crowding out gift giving and other ways in which "real" relations are established and maintained. Here, I will focus on gifts as a means by which relations are established and maintained, although we could also have elaborated on jokes as a means of overcoming the boundaries of competition and exclusion on the shop floor.[8]

Sabel [1993] argued that trust requires a common interpretation of the past and the present. It requires that all people involved know what certain signs mean and what to expect from others. Gifts both establish and rely on such a common understanding; the same is true of jokes. Gifts convey a message, because they can have a meaning. Gifts take many forms, and each contains a number of different meanings. Overtime, for example, which is often not valued in monetary terms (not to the "full" extent, at least), thus constitutes a gift from laborer to boss and can mean different things. What constitutes a proper counter-gift from boss to laborer in return for overtime depends on the circumstances. It might be that a promotion at some point in the future is appropriate, or that some sort of job security is warranted. Giving gifts needs to balance over time, though this too depends on circumstances. Some of these circumstances depend on the state of the economy more generally; another relies on the situation of the labor market or on the economic fate of an industry or firm. In the case of an economic recession, for instance, job security might be an appropriate counter-gift, especially when labor laws make it easy to hire and fire people.

When laborers are well protected by labor laws, the situation is different. Job security as a counter-gift for overtime is not considered to be something extraordinary and is thus not appropriate. Here, other solutions need to be found. Fringe benefits or Christmas presents are options, but after some time they can be considered "normal" or an (acquired) "right"; Christmas presents from employer to employees become routine. In the Netherlands, this means that if a boss does *not* give Christmas presents ("kerstpaketten" consisting of luxury consumption goods) to employees it is a sign of not appreciating the work they have done.[9] Here again, moral considerations interfere. Large firms that (also) have high profits are generally "required" to give relatively more in return for gifts from employees than smaller firms. In contrast to other forms of gift giving during Christmas [see Caplow 1984; Burgoyne and Routh 1991], formal institutions impinge too: Dutch tax laws exempt Christmas gifts worth less than 100 guilders. Increasingly, firms are giving money to their employees as a bonus for Christmas. It may be a bank transfer, but usually it is cash in an envelope. This could still be considered a gift, but the meaning is different because the social relation is different.

Gifts, Trust, and Labor Relations

Gifts, then, can create and sustain human relations, in firms as much as elsewhere. The Dutch Christmas gifts to employees are also a means of creating a bond with the family of the employee; they benefit as well.

Gifts can create a shared frame of interpretation. When something out of the ordinary needs to be done, something that is not explicitly a part of anyone's job description, the frame of reference can be—often implicitly and unconsciously—referred to in order to "determine" who should do it and how. It is also likely to ensure that the task is done without a grudge. For cooperation within firms or between people generally, the common frame of reference gift giving creates is important. When writing a paper together to present at a conference, one needs to "know" how the labor will be divided to prevent free-riding, or simply misunderstandings. Often this "knowing" is not explicit; it is *tacit* knowledge, in Michael Polanyi's [1966] sense, gathered partly from often unconsciously interpreting gifts to each other and to others in the direct environment (firm, university, household, neighborhood).

What people, particularly inadvertently, say to accompany gifts is an important source of such information contributing to this tacit knowledge of the relationship(s). Gift giving and conversation about gifts account to a large degree for the fact that groups of human beings that voluntarily stay together increasingly begin to like and understand one another [c.f. Homans 1951]. He was one of the first to study this phenomenon. The group or corporate culture that emerges needs "thick description" [Geertz 1973]—the "structures of significance," "established codes," or "interworked systems of construable signs" that can be understood in terms of interrelated institutions. To institutional economists, interrelated institutions that make human behavior regular and predictable—that make it "good" behavior in these circumstances—*is* culture [Mayhew 1980; 1987].[10]

Concluding Remarks

Changes in capitalist economies in recent times have been part of a purification of the economy. I have argued that one important instance of such purification is that labor relations have increasingly become *quid pro quos*, leaving less room for non-egoistic motivations as manifested in, for example, gift giving. While this may at first have had the effect of ridding some *unnecessary* slack, in time the basis for trust in organizations/communities disappeared. To explain the effects of these developments on firms in Western countries, an institutional and cultural economic analysis is necessary. Such an analysis looks at the way in which human relations are established and at the substantive role of gifts in that. It is a perspective that seems to become more relevant as production increasingly relies on knowledge, where an essential "ingredient" is trust.

Notes

1. "Das Adam Smith Problem"—how to reconcile Smith's (seemingly?) opposing views in the *Wealth of Nations* and the *Theory of Moral Sentiments*—has been discussed for a long time in economics without reconciliation. What remains of Mandeville's ingenious, institutionalist thinking in the minds of today's economists is also much more unidimensional than his own thinking had been [Bianchi 1993].
2. A recent report based on an extensive survey in all current member states of the European Union [European Foundation for the Improvement of Living and Working Conditions, 1996], however, does signal an increase in the pace of work and the exposure to physical hazards over the years 1991-1996.
3. Many people who work part-time or have non-tenured jobs would prefer a tenured, full-time job [Eurostat 1996]. Those who say they are content with a part-time, non-tenured job may say so to protect themselves from cognitive dissonance. If the jobs people would prefer are not available, it would make sense to adjust one's goals/preferences so as not to be disappointed all the time. It is a typical phenomenon that people who are employed on a part-time basis, and women especially, aspire to a full-time, tenured job as soon as the economy grows and jobs are more available, while earlier they would not report to have such aspirations.
4. In the Netherlands, absence due to sickness rose markedly in the late 1970s and early 1980s both as a result of increased pressure to work more and as a sign of protest against that pressure. When laws, and their enforcement, made it more difficult to stay home sick, the trend reversed.
5. Gordon [1996] adds a cynical argument: the increasing number of graduates from business schools needed employment as managers.
6. It is, of course, Burawoy's objective—inspired by Marxist thought—to argue that these games are to the benefit of the entrepreneurs/capitalists; they can accumulate capital and profits at a higher pace. Here, however, I want to emphasize another implication of Burawoy's research: the game aspect that people experience in working.
7. The notion of "game" is different from the one used in economic literature of game theory. "Play," in the sense that the economist Hutter [1996] uses the term, seems a more appropriate—and less contaminated—concept for economics.
8. My account here is, I believe, complementary to the arguments presented by Gordon [1996], Hodgson [1995], Schor [1992], and Stanfield and Stanfield [1997] discussed earlier.
9. General uproars are not uncommon in the Netherlands when the suggestion is made that Christmas gifts might no longer be given, even when a firm or department is being reorganized and a number of colleagues have the prospect of being laid off. In this situation of clashing socio-cultural values, the need to feel appreciated as a person and employee often prevailes over the imperatives of showing solidarity—otherwise an important value in Dutch society.
10. Institutionalist critique of the way in which humans are perceived in mainstream economic theory is mirrored in feminist (economic) thought. P. England's [1993] discussion of the impossibility of "separate selves" is a case in point.

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