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Existing theories of work and labor markets, whether neoclassical, institutionalist, or Marxist, generally err in one of two ways. Some theories opt for individualism, building their models on the analysis of the confrontation between a single employer and a single worker; this strategy is intellectually tidy but inhibits serious consideration of networks, organizations, culture, history, and collective action. Other theories that offer dense social analysis usually narrow their focus to small areas of inquiry, failing to match or challenge the broad theorizing offered by the individualist models.

This chapter, from a forthcoming historical and economic analysis of work under capitalism, seeks to establish the framework for a more adequate theory of work. Much of it is necessarily schematic, identifying the often-overlooked categories that should be central to a new understanding of the labor process and the labor market. It is a collaborative effort of an economist and historian.[1]

WHAT'S THE PROBLEM?

A theory of work should begin by defining a set of key concepts that are needed to understand the role of social interactions. The transaction is the fundamental relationship that links the producer and recipient of use value; transactions are organized through contracts, which may be formal or informal. Contracts, in turn, are bundled into roles, notably jobs but also including the roles involved in family membership.

Work contracts also compound into networks, such as markets and hierarchies. Organizations are bounded networks in which some agents have the power to act for the whole; industries are connected networks and organizations maintaining similar relations to upstream and downstream markets.

What happens within these categories? Producers and recipients of work-created value pursue objectives of quality, efficiency, and power. Contracts and networks embody various mechanisms to achieve these objectives. Among the most important of these mechanisms is the provision of incentives -- coercion, compensation, and/or commitment -- which play a central part in motivating work. These allow us to address the basic question: how does one person get useful effort from another?

TRANSACTIONS, CONTRACTS AND NETWORKS

Every work transaction involves costs. In fact, "transaction costs constitute a major expense of doing business, challenge any suggestion that workers and employers strike Walrasian bargains based on perfect information, and largely explain why people settle so regularly for second-best solutions that happen to be ready at hand." (74) Every transaction involves some or all of the three types of incentives: the threat of harm (coercion), the offer of contingent payment (compensation), and the invocation of solidarity (commitment) are all means of ensuring that a transaction is carried out.

The question of incentives arises not only in capitalist labor markets, but also in the home, in the underground economy, and in pre-capitalist work settings. While capitalist labor markets superficially appear to rely solely on compensation, the real story is more complex. Whole departments of business schools are built on the premise that it takes more than a job description and a wage offer to motivate workers.

Like the transactions they incorporate, contracts have costs. Continuous surveillance of an employee is usually unaffordable, so employers rely on indirect controls and incentives, giving rise to intricate patterns of trust, implicit and explicit bargains, threats, espionage, and other responses. Contracts specify many but not all possible contingencies; trust is an essential part of most contracts, though to greatly varying extents. Contracts often link more than two individuals, and may place a single individual in differing roles -- a teacher relates to the school principal and to the pupils in the classroom in opposite ways.

Economic activity is embedded in extensive networks of many types. Most modern production processes depend on extensive networks of suppliers, distributors, and customers. Less obvious, but also of central importance, are the non-production networks of friendship, kinship, religion, ethnicity, class, education, etc., which organize social interactions. These social networks often define what is possible in the realm of economic organization. For example, it is extremely common for people to learn about job openings from friends and associates; ethnic groups and close-knit families often mobilize the capital needed to start small enterprises; more generally, non-work networks often define or constrain people's choices about whom to contract with, and what kinds of contracts to form.

Social networks tend to be segregated by gender, race, ethnicity, age, schooling, and neighborhood. Thus recruitment of employees through such networks tends to perpetuate job segregation, especially when high-status and low-status jobs are filled through different networks. Recruitment following conventional boundaries comes to seem natural, to people on both sides of the boundary, giving rise to myths about innate differences among categories of people, and reproducing traditional prejudices.

OBJECTIVES, INCENTIVES, AND MECHANISMS

The recipients of value in work transactions (often, but not always, employers) have three main objectives, or standards for judging the performance of producers: quality, efficiency, and power. The weight of these objectives varies according to the job being performed. A symphony musician is judged almost entirely on quality of output; a fast-food worker is evaluated almost entirely on efficiency. For a domestic servant, power -- the employer's ability to elicit work in responsive to relatively small incentives -- typically matters most. Existing theories of work often go wrong in assuming that one of these objectives has absolute priority in production. Neoclassical economics accords priority to static efficiency, while Marxist theories often make power the predominant factor.

The incentives of commitment, compensation, and coercion are, as noted above, used to achieve the objectives of work contracts. To some extent, the choice of incentives mirrors the choice of objectives: commitment is particularly used to elicit quality, compensation to supr efficiency, and coercion to buttress power. However, many jobs combine two or three objectives, and likewise many contracts rely on two or three incentives.

Even if each of the three incentives is reduced to a dichotomy of present or absent (rather than a more realistically complex, continuous variable), there are eight possible incentive systems. Examples range from military command, combining commitment, compensation, and coercion, to scavenging, which involves none of the three. Work in (civilian) bureaucratic organizations involves a combination of commitment and compensation, though not usually coercion. "Capitalism stands out from other economic systems for its stress not only on compensation relative to commitment and coercion, but also on fungible forms of compensation: money and similar rewards that easily convert into other goods." (87)

While incentives are central to the design of work contracts, other mechanisms also shape the work process. Work is embedded in cultural and institutional contexts, which may limit, for example, what can be paid and what can be asked of workers. Any particular job is characterized by a pattern of contracting, a level of autonomy, and a degree of time discipline which constrain the nature of work to be performed. Over time, the systems of matching workers to particular jobs, allowing mobility of workers between jobs, and providing training for more advanced or desirable skills, will determine the "laws of motion" of the employment system.

Although the choices and dimensions of variation may seem endless, there are in fact strict limits on the sets of mechanisms that are functionally compatible with each other; only a few of the countless imaginable arrangements actually occur. Given the conflicting objectives of the parties to work contracts, some form of bargaining over the outcomes is common. Employers generally have more power than workers, but do not wield anything like absolute power. Thus systems of work often rest on compromises established through a process of conflict and contention.

The remainder of the book spells out these themes in greater detail and specificity, in historical case studies of the evolution of the cotton textile, coal mining, and health care industries in the United States and Britain.

Notes

1. In addition to many relevant works written by each of the authors individually, there is one other joint publication that presents some of the themes covered here, with far more historical detail: Chris Tilly and Charles Tilly, "Capitalist Work and Labor Markets," in Neil J. Smelser and Richard Swedberg, editors, *The Handbook of Economic Sociology* (Princeton University Press and Russell Sage Foundation, 1995), 283-312.