Jobs to Social Cohesion: Via Interests, Attitudes, and Identities

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Abstract

The remit of this paper is to examine the link from jobs to social cohesion, focusing particularly on what kinds of jobs are most likely to improve social cohesion, and how policymakers can support those impacts.

The paper suggests several qualitative mechanisms for a causal impact from particular aspects of jobs to social cohesion. In particular, jobs can help: (i) form diverse trust ties and friendships, (ii) diminish ignorance and prejudice towards other social groups, and (iii) create cross-cutting social identities based on occupation, firm or industry membership, which diminish the salience of other social cleavages. These mechanisms are subject to a number of scope conditions, as set out in the paper.

Why are these insights relevant for public policy? First, because they show how crucial jobs can be to building social cohesion in a society. Second, because they point the way to some opportunities for public interventions to facilitate those links: particularly in terms of catalyzing interpersonal interactions through events like trade fairs and networking events, and in terms of encouraging social minorities to enter occupations and industries that have more frequent and intimate interpersonal interactions.

The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the views of the World Development Report 2013 team, the World Bank and its affiliated organizations, or those of the Executive Directors of the World Bank or the governments they represent.
# Table of Contents

INTRODUCTION: WHAT THIS PAPER IS AND IS NOT 1

PRECONCEPTIONS: “I THOUGHT WE WERE TALKING ABOUT ECONOMICS?” 2

“WHAT DO YOU MEAN JOBS CAN HAVE A SOCIAL IMPACT?” 2
“THE PAPER WANTED TO TALK ABOUT ECONOMICS?” 3
“WHY BOTHER LOOKING AT THE PARTICULAR ROLE OF JOBS IN SOCIAL COHESION?” 4

MAIN SECTION: HOW CAN JOBS GENERATE SOCIAL COHESION? 7

1. RATIONAL INCENTIVES 8
What is trust, and how is it built? 8
Impacts of business-based trust on wider social cohesion? 8

2. ATTITUDINAL CHANGE 10
What is attitudinal change, and how does it happen through jobs? 10
Impacts of affective relationships on wider social cohesion? 12
Linking rational interests, friendships, and attitudinal change 15

3. SOCIAL IDENTITY CREATED BY OCCUPATIONS AND INDUSTRIES 16
Box: Jobs and Social Cohesion in Trinidad & Tobago 20

‘SO WHAT’: WHAT DOES THIS PAPER MEAN FOR POLICYMAKERS? 21

REFERENCES 24
Introduction: What this paper is and is not

**Audience & tone:** Where possible this paper focuses on policy-relevant insights rather than conceptual academic discourse. The key question that underpins this paper is: “What characteristics of jobs enable positive spillovers for social cohesion, and how can public policy facilitate and catalyze these spillovers?”

**Scope & what I will not be covering:**

- **‘Jobs’**. The WDR definition is “work activities that generate income (cash or inkind) that do not violate basic human rights”. This paper does not examine the human rights aspects of jobs, but reports on most types of work activities, including formal and informal jobs and self-employment. I will be focusing particularly on the interpersonal interactions that happen through jobs.

- **‘Social cohesion’**. The WDR definition of ‘social cohesion’ encompasses a relatively long list of constructs, many of which are beyond my expertise. In this paper I assume that ‘social cohesion’ means, at minimum, the existence of bridging ties between diverse social identity groups and, ideally, reduced salience of divisive social identities and the creation of cross-cutting social ties. I will focus on three constituent parts of ‘social cohesion’ (namely ‘trust’, ‘friendship’, and ‘social identities’), which I believe to be a crucial part of society’s ability to manage collective action problems. N.B. This means I examine social benefits of jobs at a socio-psychological scale (e.g. ‘trust’, ‘values’, ‘prejudice’), but not individual psychological impacts (e.g. ‘dignity’, ‘self-respect’, ‘happiness’). *Note also that I will be covering the qualitative aspects of jobs, rather than the presence or absence of jobs per se. That latter topic is already covered very thoroughly by political science literature dealing with political action and violence: particularly the James Chowning Davies reverse J-curve and model of frustrated expectations, together with literature on intergroup competition for scarce resources (as would be applicable, for example, to resentment of immigrants taking ‘our jobs’).*

- **‘Jobs’ → ‘Social cohesion’ (not ‘Social cohesion’ → ‘Jobs’)**. I focus this paper on causal mechanisms linking jobs—and the interpersonal interactions they involve—to social cohesion, not the other way around. In particular, I do not examine the role of social cohesion in creating successful firms that create jobs.

**Use of evidence:** Owing to my own area of knowledge, the paper draws most of its evidence from literature on *ethnic* identity groups, and applies this to questions of social cohesion more generally. This extrapolation could be questioned, but I believe it is defensible: there is a considerable amount of empirical research in psychology to show that *any* social group (even when formed according to the most trivial or superficial inter-group differences, or indeed even when assigned entirely at random) will quickly take on the territorial and confrontational characteristics we often associate with ethnic groups, if incentives are structured to foster

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1 See WDR Background Paper on Social Cohesion: a literature review, in which ‘social cohesion’ encompasses “trust, civic engagement, inequality, a sense of belonging, and voice and participation”. Another useful definition is from (World Bank 2012, 6), where it is defined as “the nature and quality of relationships across people and groups in society, including the state.”

2 Arguably a clean divide between these is rather arbitrary (e.g. if self-respect if partly contingent on other’s trust in you), but we cannot deal with all aspects at once.
Preconceptions: “I thought we were talking about Economics?”

This section covers three aspects of this paper that many readers may find surprising. First, that jobs can have a social impact. Second, that jobs do not take place in the purely rational world of Economists, but are actually embedded in social relations. Third, that social cohesion has a strong impact on jobs, but that this impact might be turned on its head if the configuration of occupations and industry structures is favorable.

“What do you mean jobs can have a social impact?”

Here are some examples of the potential for jobs to generate social impact. I cite these right at the front of the paper in order to motivate readers to want to understand why such impacts might occur.

- “In Sadakhlo market in Georgia, next to the borders with Armenia and Azerbaijan, one does not hear the virulent expressions of mutual hatred one can hear a few miles away across the border. ‘They fight, we don’t,’ says Mukhta, a trader from Azerbaijan, while putting his arm round his Armenian colleague Ashot.” (Economist 2000)

- “According to one of the stallholders at Ergneti market, on the disputed border between South Ossetia and mainland Georgia: ‘There are no political questions here. The market has one language, economic. That is it.’ (VOA 2002)

- “In Guinea, members of the Malinke ethnic group are wholesalers in the groundnut market chain, while the primary producers of groundnuts tend to be Guerse. Malinke wholesalers and Guerse farmers are willing to trade with each other. This is helping overcome ethnic and religious tensions. … This willingness to trade is due to the mutually-recognized possibility of profit.” (Spilsbury and Byrne 2007).

- “In Burma, as in Java, probably the first thing that strikes the visitor is the medley of peoples—European, Chinese, Indians, and native. It is, in the strictest sense, a medley, for they mix but do not combine. Each group holds to its own religion, its own culture and language, its own ideas and ways. As individuals they meet...in the market place, in buying and selling.” (Furnivall 1948, 304–312).

- In ancient Cordoba, Spain, the marketplace represented “the place of encounter over and above the gender, tribal, and faith divides that constituted Islamic urbanization” (Mazariegos-Vicente-Eiriz, 1985: 763, cited in (Briggs 2004, 326).
“You don’t reconcile in a vacuum. There must be a practical program; there must be something that brings people together. As they work together, cleaning the coffee, they talk together so they start talking business but later they start talking family affairs. It fosters relationships and reconciliation.”—Fatuma Ngangiza, of Rwanda’s Unity & Reconciliation Commission (quoted in BBC 2006).

Inspired by such stories, some pioneering international development practitioners have started trying to harness business transactions to bridge ethnic divides (particularly International Alert 2006). For example, at a cross-ethnic business networking event in Sri Lanka: “There was a little friendship over tea, but we ate lunch separately. In those two days, we met many southerners. But soon after we became friends. It was a real experience for us and the first time we started moving with southerners.” (International Alert 2006, 115). And amidst tense relations between Kosovar-Albanians and Kosovo-Serbs in Kosovo, the NGO Mercy Corps initiated a project in 2000 to foster business relations between Kosovar-Albanian dairies and Kosovo-Serb milk farmers. Independent evaluations found not only that the dairy businesses and farmers wanted to continue economic cooperation after the project ended, but also that relationships between vendors and suppliers continued outside the auspices of the program (Chigas and Ganson 2003; Schlemmer 2005).

However, the evidence base for such policies remains anecdotal until we do know how or why positive outcomes and social spillovers were obtained. If social cohesion is indeed created by business, what were the relative roles of identity salience, trust relations, lower prejudice, or simply rational interests? And what aspects of the business transactions themselves were able to create such positive social spillovers? Such questions are of crucial relevance not only for academic curiosity, but also for the practical issue of designing external interventions in conflict settings, and indeed for public policy in ‘normal’ socially diverse cities and countries.

“I thought jobs, markets, commerce and trade were to do with rationality?”

One crucial revelation from the quotes above, and from much literature in economic sociology is that market transactions are embedded in social relations, not a function of rational incentives alone. In one direction, business transactions are established inside preexisting social ties; in the other direction, social ties grow up around business transactions. This fascinating phenomenon of socially-embedded economics has been well documented (see particularly Smelser & Swedberg 2005; Granovetter & Swedberg 2001; Piore & Sabel 1984; Sabel 1989, 1997). But it is controversial: it is contrary to the social atomization which early sociologists predicted would result from the division of labor into specialized occupations (Marx 1906, 708; e.g. Simmel 1950, 411; Tönnies 1887, 47), and indeed it contradicts almost all mainstream Microeconomics, which views market transactions as taking place inside an

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3 For example, Granovetter (1995, 94) notes: “I suggest that parallel to Coase’s 1937 question [i.e. ‘Why do firms exist?’—since competitive market suggests the price system can perfectly coordinate the provision of goods and services between isolated individuals] is another of at least equal significance, which asks about firms what Coase asked about individual economic actors: Why do they coalesce into identifiable social structures? That is, why is it that in every known capitalist economy, firms do not conduct business as isolated units, but rather form cooperative relations with other firms? In no case do we observe an economy made up of atomized firms doing business at arm’s length with other firms across a market boundary any more than we observe individuals trading with one another to the exclusion of firms. It is collections of cooperating firms that I refer to as ‘business groups’. In daring this analogy between the original and the second ‘Coasian’ question, I imply that ‘business group’ is to firm as firm is to individual economic agent.”
impersonal vacuum, and market participants as rational utility-maximizers. A richer investigation of market transactions, and of economic activity more generally, reveals that markets are “tangible social structures encompassing sets of producers that have evolved specific role behaviors toward one another and toward an accustomed set of buyers.” (White 1988, 231). This broader understanding of economic activity is a crucial foundation for the rest of this paper.

“Why bother looking at the particular role of jobs in social cohesion?”

Given the myriad types of public policy deliberately designed to improve social cohesion—for example: educating diverse social groups in the same schools, creating incentives for mixed-income families to locate in the same district or even the same building, or devising ‘community building’ programs and initiatives—one may ask what utility there is in focusing on jobs as yet another route to improving social cohesion. I argue there are two main reasons to focus particularly on the role of jobs in improving social cohesion:

1. **First, because the workplace may actually provide better opportunities than socializing, schooling or community activities, to improve social cohesion.** This is for reasons of quantity (i.e. the long hours most of us spend at work, and the diverse interactions that work involves) and of quality (i.e. the purposeful transactions and collaboration that happen in those interactions):

   a. With respect to **quantity**, most of us spend most of our waking hours at work; and indeed workplaces often bring us more frequently into contact with members of diverse social groups than do our social lives. From the time we wake up in the morning, through our journey to work, our relationships in the workplace, and shopping or dining in the evening, we are dealing with many people each day in a work setting—and often from more diverse social identities than the people we choose only to socialize with. For example, in the United States, it has been found that as many as 70% of White Americans have no Black friends whatsoever, and that those who do have such friends generally have “only a few” (Sigelman et al. 1996). A similar trend might be recognized in other countries too. By contrast, in our workplaces we often do not get to choose who we work with or trade with, and thus have a greater diversity of interactions. During my own PhD research in Trinidad & Tobago, I asked interviewees: “If you compare your work life with your social life, would you say that your work life or your social life brings you into contact with people of a wider range of races?” 81 percent of my interviewees (employees in managerial and sales professions) and 41 percent of survey respondents (other types of employees) reported that their work life brings them into contact with people of a wider range of races than does their social life (Kilroy 2011). Similarly Mutz & Mondak (2006) find in the United States that “workplaces involve greater exposure to people of dissimilar perspectives than does…the family, the neighborhood, or the voluntary association”. **I interpret this evidence to show that jobs provide a key forum—and in many cases the key forum—for social mixing.**

Indeed it appears the rational incentives involved in doing well at work mean that people are more willing to work with diverse groups than they are to be
schooled with, or socialize with, the same groups. For example, a survey by the UN Development Programme in Bosnia (UNDP 2003b, 48–49) indicated that 63 to 85 per cent of Bosnians were willing to work together with a colleague of another ethnicity while only 50 to 59 per cent of Bosnians were in favor of interethnic cooperation in schools or the neighborhood. A similar survey in Macedonia (UNDP 2003a, 71) found that more Macedonians and Albanians are willing to do business (56 and 65 percent respectively) or share a workplace (65 and 75 percent respectively) with a person of the other ethnicity, than were willing to share a neighborhood (51 and 57 percent respectively). A series of focus groups in Bosnia found that “the area in which there is the greatest support for ethnic cooperation is in the workplace” (Dani et al. 1999, 24)—more so than as neighbors or in social settings. (And furthermore, “those with products and services to sell are eager to re-establish business and market linkages across ethnic and entity boundaries” (Ibid)). We will explore these dynamics further in the section of this paper on ‘rational incentives.’

b. With respect to quality, workplaces create opportunities for repeated interaction focused on tasks that promote interdependent relationships (some good references from 1952 to 2001 are provided in Pickering 2006, 84). Within firms, multiethnic work teams are increasing in frequency, and will continue to increase (Kozlowski and Ilgen 2006, 114) given trends of global trade and virtual (i.e. non face-to-face) collaboration. And between firms, transactions and trade often involve relationships that go much further than ‘one-shot’ deals, in fostering long-term negotiation and collaboration. But even if jobs create tremendous opportunities for building social cohesion, the key question remains how and when they can best achieve that objective (which is the main concern of this paper).

2. Second, because social cohesion (including work-based social cohesion) appears to give a significant boost to economic development.

a. At the micro-scale, within firms, it has been found that friendships at work increase employees’ productivity (Song and Olshfski 2008, 148 provide a useful overview of evidence)\(^4\), as long as the friendships are not close enough to distort decision-making and distract employees from work (Morrison and Nolan 2007)—and subject to friends having compatible ideas about what the friendship means in a work context (Ingram and Zou 2008). Therefore we might infer that broader friendships across identity categories are economically beneficial too.

b. At the macro-scale, in the larger economy, it has been found that trust is linked to economic growth. This is because “virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time. It can plausibly be argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence,” (Arrow 1972, 357). In other words, trust is a mechanism that overcomes market failures that arise between individuals.

\(^4\) For a parallel study in a slightly different setting, see also Leana and Pil 2006 who find that better relations among teachers actually improve their students’ achievement levels in mathematics and reading.
because of uncertainty (Ostrom 1990); it can reduce transaction costs such as search and information costs, policing and enforcement costs, and bargaining and decision costs (Nooteboom 1999); and it can be the basis for the transmission and exchange of knowledge, and for coordination and cooperation between firms (overview in Boschma 2005, 151–152). If trust is not present, economic actors will want to shorten the time-horizons of their deals, and will probably treat business transactions as one-shot games, where they “inspect the goods on the spot, pay cash, and walk away with it,” (M Fafchamps 1996, 444). These types of transactions are less conducive to economic development than are trusting ones.

Unfortunately, it appears that social diversity itself is not conducive to economic performance: most evidence indicates that truly heterogeneous teams do not perform as well as more homogeneous teams (Mannix and Neale 2005)\(^5\), and heterogeneous societies do not grow as fast as more homogeneous ones (Easterly, Ritzen, and Woolcock 2006). So the key question is how to build social cohesion even in diverse societies. Jobs may themselves play a key role in this process.

\(^5\) See also Horwitz & Horwitz 2007, who also conduct a meta-analytic study and find mixed results, leading to no significant relationship between bio-demographic diversity and team performance. They find that team size, depth of heterogeneity, and task complexity may be important intermediating variables.
Main Section: How can Jobs generate Social Cohesion?

In this main section of the paper, I examine three pathways from jobs to social cohesion: (i) rational incentives, (ii) attitudinal change, and (iii) cross-cutting social identities. All of these are externalities or spillovers of jobs: they are accidental consequences of the process of economic activity and transactions that take place while people are working in jobs. Such transactions can occur between people inside the same firm, or between people in different firms as part of the process of commerce, trade, or other market or non-market based transactions.

These three channels are summarized in the figure below. The following three sections of this paper explain these channels in depth. Each row shows the strand of mechanisms we examine in the three sections—(1) rational incentives, (2) attitudinal change, (3) social identities—and summarizes the most relevant explanatory variables (left side) and the expected impact on social cohesion (right side).
1. Rational incentives

Where rational incentives are responsible for creating social bonds, we can call this relationship ‘calculative trust’. This section briefly reviews how such trust is built, and the power of its impacts on social cohesion.

What is trust, and how is it built?

‘Trust’ exists when parties to a relationship can be expected to deliver on expectations in a situation where the other party is potentially vulnerable. ‘Trust’ of this sort can be an expectation about one person as a bilateral relationship (called ‘specific trust’), or can be an expectation about a social group to which several people belong (called ‘general trust’—and sometimes termed ‘social capital’ (Putnam 2007).6

The clearest account of ‘calculative trust’ is given by literature on repeated games, of which Axelrod’s (1984) model of reciprocity and the construction of trust between opposing sides in Second World War trenches is perhaps the seminal text. That phenomenon is a clear demonstration of how trust can arise even in the most unlikely of circumstances, even between hostile groups: as long as my interest in current and future interactions is encapsulated in yours, then I can trust you to do what I expect you to do (Hardin 2001; Hardin and Cook 2001). Note however that mutually interdependent interests are not sufficient to generate trust unless participants become aware of that interdependence, probably after it has been demonstrated through repeated interactions7.

Impacts of business-based trust on wider social cohesion?

Calculative trust has a powerful potential to bond diverse social groups together through rational interests and economic activity. That hypothesis is conventionally termed the ‘liberal thesis’ and has appeared in various versions since it was proposed by Montesquieu in the 18th century:

“The natural effect of commerce is to bring peace. Two nations that negotiate between themselves become reciprocally dependent, if one has an interest in buying and the other in selling.” (Montesquieu [1951], bk. XX, ch.2) (See Mansfield and Pollins 2003 for an authoritative overview of the liberal thesis). In short, when economic transactions between members of different social groups lead to mutual gain, participants will have a rational interest in continuing the relationship and will actively work to mitigate threats to that relationship8. In concrete terms, the extent of interdependence will depend on the availability of substitute goods and buyers of goods, as well as adaptation costs associated with commencing transactions with new parties (Crescenzi 2005, 20, 45). Conversely, intergroup relations would be expected to

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6 N.B. The term ‘social capital’ is notorious for having multiple inconsistent definitions and for often being ‘measured’ by questions which are so vague and poorly defined that they verge on being conceptually invalid (Glaeser et al. 2000).
7 Such literature also reminds us that interdependence need not exist in dyadic links alone: if reputational information can pass along network links then individuals face additional disincentives to violating expectations—they risk losing the trust not only of those whom they transgress, but also of others who receive information on their transgressions (Fearon and Laitin 1996; Greif 1993). Thus it has been argued that “the network design is an effective and efficient social structure in a particular situation where collective investment in mutual trust is called for. ... In short, networks generate trust and consequently reduce the transaction costs of interaction,” (Linders, Groot, and Nijkamp 2005, 119–120).
8 (Panaite 1998) provides a particularly nice description of this phenomenon as it took place in the 16th and 17th centuries, where commerce was one of the main reasons persuading the Ottoman Empire to carry on a peaceful policy towards Poland.
worsen if groups are in market competition with each other. Customarily the ‘liberal thesis’ is posited at the scale of inter-state trade, but logically it can be transposed to a micro-economic scale, i.e. between individuals or between firms, as Durkheim did in formulating his idea of ‘organic solidarity’, where the division of labor in modern societies makes individuals more interdependent and thus binds them together (Shin and Schwartz 2005).

One of the most compelling empirical investigations of the power of trust and mutual interdependence was carried out in Indian cities, where it was found that the economic interdependence of Muslims and Hindus in some cities causes them to work together to avert ethnic violence, while in other non-interdependent cities ethnic riots are more frequent (Varshney 2002). Business contacts and trade links provide the instruments and the motivations for Hindu and Muslim businessmen to work together to avert violence. Such research has subsequently been supported by a statistical analysis of a large number of cities in medieval India, which finds that port cities—where Muslims and Hindus were segmented by comparative advantage into mutually interdependent industries, with Muslims as traders, and Hindus as producers and financiers—were significantly more peaceful than others (Jha 2007, 2008).

These calculative bonds of cooperation can exist even if there is no affection between the parties. Witness, for example, the view of Vera, a Croat in Sarajevo, who cooperates with her Bosnian neighbors simply because she has a large enough stake in future interactions to continue doing so: “I help them and they help me. I’m forced to do this; I have no other choice” (Pickering 2006, 89). Trade and commerce for mutual benefit can arise even between the most hostile of parties, driven by the profit motive: witness, for example, trade networks between Turkish and Greek Cypriots even in the context of strong political hostility (Constantinou and Papadakis 2001, 143–144), smuggling links between Kosovar-Albanians and Kosovo-Serbs (e.g. Carvajal 2011), or the long-standing trade in weapons between Russian soldiers and Chechen rebels, even if the Chechens would then fire the weapons against the Russian soldiers’ colleagues (e.g. Babchenko 2008).

However, some other well-known situations provide countervailing evidence about the power of mutual interdependence to generate ‘rational’ social cohesion. In particular, it appears that situations of ‘middleman minorities’—i.e. where local populations are heavily dependent on minority elites for staple foods and housing—are highly volatile (Bonacich 1973), often because the gains to this relationship are distributed very unevenly (see also Light and Bonacich 1988). We might, for example, think about the social dynamics of Chinese businesspeople in Malaysia, Indian businesspeople in Uganda, Jewish bankers and businessmen in early 20th-century Germany, or Korean shopkeepers in African-American areas of Los

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9 Varshney places most emphasis on the interethnic associations of ‘civic engagement’—such as social clubs, festival organizations, political parties, labor unions, or business associations—which act as the instruments of violence prevention; but implicit in his analysis is a premise that such associations would not become activated for such purposes were it not for the motivations to prevent violence provided by their members’ rational interests in continued interethnic engagement. In Varshney’s work it is the business dimensions which provide the best explanation of why some cities remained peaceful while others did not (Chandra 2001, 115–118).

10 Varshney’s research has been strongly critiqued by Steven Wilkinson among others, who argue that differences in policing accounts for much of the difference in riots between various cities. Paul Brass has disputed Varshney’s explanation, and argues that “the creation of institutionalized riot systems [i.e. a political and business coalition] overrides and displaces whatever forms of civic engagement and interethnic cooperation exist” (Brass 2003, 27). However, Brass bases his conclusions on a case study of one of the cities Varshney believed did not have strong forms of civic engagement in any case; and indeed even Brass’s own case study shows how Hindus and Muslims in the city’s main industries are not interdependent, since substitutes exist for each of the inter-ethnic trade relationships (Brass 2003, 215–216). Thus, despite Brass’s own claims, a closer reading of his evidence reveals that Brass’s findings do not contradict Varshney’s argument.
Angeles. In other words, mutually dependent interests are not sufficient to improve ethnic relations if there is great inequity in the gains to that relationship (e.g. Østby 2007; Stewart 2008). The same argument would presumably apply more broadly to any economic transaction that is deemed to be ‘unfair’ by one or more of its participants. The response of most scholars of ‘middleman minorities’ has been to supplement interdependence with other explanatory variables such as resentment and future expectations (Horowitz 1985, 117), though these variables have not been so well formalized.

So, in summary, what are the economic circumstances in which job-based mutual interdependence can improve social cohesion? We can discern a number of scope constraints:

(i) **Commercial transactions**: the theory is posited for economies involving economic transactions, rather than for subsistence households (Humphreys 2005, 513) or where a large firm has integrated its supply chain (Marcel Fafchamps 2001, 115);

(ii) **Intergroup trading**, between firms which are constituted mainly or exclusively by members of one social group, in order for members of those groups to become mutually interdependent;

(iii) Broadly comparable gains to trade for each party to the transaction, in order to avoid generating resentment through perceptions of unfairness;

(iv) **No principal-agent problems.** This issue is neglected by much literature to a surprising extent: presumably the mutual interdependence hypothesis can function only if the firm behaves as a rational actor. Otherwise the link between rational interests and firm action is broken, and employees may choose business partners simply because of their own preferences for dealing with in-groups (thus diminishing the occurrence of cross-group transactions). In practice, this condition probably requires that employees deciding on business partners must have a financial stake in the firm—perhaps as shareholders, stakeholders, or joint-owners—or that there are other social incentives to act in the firm’s interest, such as through shared organizational identities or because of strict performance monitoring.

2. Attitudinal change

A **second channel from jobs to social cohesion is through attitudinal change.** Insights about the workings of this channel are provided by research literature on ‘affective trust’, on ‘friendship’, and on the ‘contact hypothesis’, which I review briefly in this section.

What is attitudinal change, and how does it happen through jobs?

To understand three concepts, we need to consider the social relationships that arise through work and jobs.

12 Thank you to Varun Gauri for this point, who observes that the East India Company didn’t develop much calculative trust for Indians, despite trading with them a lot. Likewise the emergence of new jobs in early 19th century England was accompanied by a lot of social conflict because class formations emerged.
1. **Affective trust.** ‘Affective trust’ is, like ‘calculative trust’, deemed to exist when parties can rely on each other to deliver on expectations; but in this alternative conception of ‘trust’, the motivation for delivering on expectations is not mutual interdependence but instead is social norms and personal sentiment. ‘Trust’ according to this view is a type of social norm rather than a description of the configuration of interests, since it means parties can be expected to deliver on an agreement—regardless of their rational interests in doing so, but where “ordinary ethical rules” specify for that type of situation that they ought to do so, or where there exists a behavioral regularity which generates social expectations about what actions are obligatory, permitted, or forbidden (M. Hechter and K. D. Opp 2001; Ostrom 2000, 117). Several models have been developed to explain how affective trust (and the social attitudes and norms that constitute it) are formed: one of the most basic principles is that conventions or norms are built up over time; in this context, affective trust can be built by repeated interactions that permit people to increase their mutual knowledge. Secondly, in some cases parties to a business transaction may attempt to expedite the norm-building and attitude-changing processes through consciously attempting to move their transactions into the realm of social norms rather than relying on rational interests alone—that means deliberately embedding business transactions in personal contact and ‘friendships’. Third, affective trust can be ascribed to an individual simply by virtue of their social identity: they will be expected to conform to particular social norms because that is a quality of belonging to group X.

2. **Friendship.** Relatively less prior research has been done on the links between business transactions and ‘friendship’ than on ‘trust’. In my own research on business in Trinidad (Kilroy 2011, 169 onwards), I proposed four distinct ‘friendship models’ according to which people do or do not mix their business and personal lives: 1) ‘No Personal Friendships’: individuals do not to mix their personal and business lives, and consciously ‘draw the line’ before business contacts become too familiar as friends. 2) ‘Strategic Acquaintances’: relationships are pursued with the ostensible qualities of friendship (e.g. socializing together, meeting each others’ families), but founded either on obligation or on rational interests. And, crucially, such qualities never eclipse the

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13 Indeed, according to this view of trust, individuals are recognized to receive a psychological, nonpecuniary benefit from fulfilling their commitments (multiple sources, as reviewed by Francois and Zabojnik 2005, 61). Once again, it is more usual to specify particularly tasks with which trustees would be trusted (“I trust Mr. A to perform task X but not task Y”), but under conditions of affective trust we might expect the scope of such tasks to be somewhat wider: the trustee is acting because of sentiment rather than interest and thus would be expected to try hard to fulfill expectations even on tasks which are outside her normal range of competences or experience.

14 Often this will entail volunteering some service or favor above and beyond what is expected; if this favor is reciprocally returned, it may begin to be the foundation for affective trust. Elinor Ostrom’s version of this phenomenon is that humans are ‘fallible cognizers’ rather than strictly rational actors, who “learn norms, heuristics, and full analytical strategies from one another, from feedback from the world, and from their own capacity to engage in self-reflection and imagine a differently structured world. ... Over the course of frequently encountered, repetitive situations, individuals learn heuristics that are better tailored to the particular situation,” (Ostrom 2003, 25, 40).

15 Friendships can be something which participants actively pursue during business transactions, with deliberate intent to benefit from the attitudinal changes that friendship entails. Thus market participants may wittingly seek to personalize their business transactions, in order to bond each other into a trusting relationship (e.g. Shapiro 1987, 631). It is worth noting that these socially-reflexive intentions do not need to be shared by both parties: it would be possible for only one party wittingly to embed the transaction in social relations, while the other unwittingly succumbs to such social seduction into trust.

16 This phenomenon moves us closer to a notion of ‘generalized trust’ rather than the ‘specific trust’ implicit in our earlier descriptions of calculative and affective trust, since it is ascribed to parties even in the absence of personalized information about them (M. B. Brewer 1981). Such trust relies instead on a ‘best guess’ about others’ likely behavior according to certain characteristics (Aguilar 1984, 3; Messick and Kramer 2001; Weber and Carter 2003) (for example: “I trust my fellow Brits, but I do not trust these impulsive Americans”).
business nature of the relationship: friendships will vanish rapidly if business trust is broken. 3) ‘**Familiarity**’: friendship ‘happens if it happens’: there is neither a deliberate effort to foster it, nor a deliberate effort to prevent it. 4) ‘**Affection**’: individuals in business casually and organically become friends if they get on particularly well and/or have other social interests in common. Over 70 percent of interview respondents—and an even higher proportion of managers and owners—formed friends in business within one of the latter two models. And there are notable patterns across industries: using multivariate regression, I find that people working in the consumer retail and food & beverages industries are 22 to 26 percent less likely to form friendships in business than those in printing and construction industries. This result holds after controlling for occupation. I postulate—building on interviewee testimonies—this is because printing and construction industries involve more negotiated transactions (like for example, the mutual problem-solving which customarily pervades the path of a contract in either of those two industries). Such negotiated transactions involve a greater intimacy of contact and thus are more likely to lead to friendships. From my qualitative interviews, I got the impression, however, that this is conditioned also by how specialized the business is. Greater specialization may prompt closer relationships with specialist suppliers and customers.

**Impacts of affective relationships on wider social cohesion?**

Affective trust and friendships can improve social cohesion by creating relationships that bridge social groups. But their potential is broader and deeper than calculative trust, since they concern attitudes and norms rather than merely utilitarian calculations. Such attitudes and norms are usually formed in a social realm rather than only a bilateral relationship; thus it seems reasonable to ask: **can a trusting relationship or friendship with a specific person cause one to modify attitudes towards the whole group to which they belong?** Trust literature does not carry us very far towards answering this question, since the relationship between specific trust and generalized trust has not been examined with much rigor (see K. S. Cook and R. M. Cooper 2002, 214–215 for a fuller discussion)\(^\text{17}\). **Better answers to this question are provided by literature on prejudice, to which we now turn.**

‘Prejudice’ exists when an individual has a preconceived attitude, belief, or mode of behavior towards another individual by virtue of the other’s membership of a social group. The impact of interpersonal contact on prejudice is complicated, since—as Yinger and Simpson observe—“prejudice is sometimes explained as a result of the lack of contact with members of a minority group and sometimes explained as the result of the presence of such contact,” (1973, 117--my emphasis). **The ‘Contact Hypothesis’ is a coherent and commonly-adopted formulation of**

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\(^\text{17}\) Moreover, on my interpretation of these theories, the implications of calculative and affective models of trust actually contradict each other. According to models of calculative trust, individuals would not extrapolate their trust relationships with some individuals to other members of the same ethnic group, unless there exist additional interdependencies to oblige those other members to act in the interest of those whom are trusted. In other words, if Mr. A trusts Mr. B to do task X, he will not automatically extrapolate that same trust to Ms. C just because she belongs to the same ethnic group as Mr. B—unless there exists some interdependency between Mr. B and Ms. C that obliges Ms. C to avoid violating Mr. A’s trust because it would reflect badly on Mr. B. Meanwhile, according to models of affective trust, an increased number and strength of specific trust ties could increase generalized trust by socializing individuals into trusting norms and building a local climate of mutual trust (Maskell 2000, 114). If trustworthy behavior is experienced from individuals belonging to an ethnic group who are usually distrusted—and thus specific trust ties are built amidst general distrust—individuals are likely to experience ‘cognitive dissonance’, which describes the unease felt by an individual who experiences trustworthy reciprocity when they did not expect it. It is not clear a priori whether individuals will attempt to reduce that cognitive dissonance by mollifying their existing distrust, or alternatively by bolstering their existing distrust and ignoring the foundations of trust (cf. Sherman and Gorkin 1980).
the conditions under which prejudice is reduced by contact between members of different groups. It has been proposed in a variety of formulations, both before and after the writings of its chief proponent, Gordon Allport (Allport 1954). Allport proposed that contact between members of different identity groups will reduce prejudice if four conditions are met: (i) ‘perceived equal status of groups’, (ii) ‘common and superordinate goals’, (iii) ‘acquaintance potential rather than simply superficial contact’, and (iv) ‘support of authorities, law or custom for intergroup interaction’. Empirical studies have shown this hypothesis does not always function as expected (for an annotated bibliography, see Forbes 1997); but a meta-review of 515 empirical studies found that it does in general—and indeed that prejudice is reduced even by contact which does not satisfy the four criteria (Pettigrew and Tropp 2006).

However, this empirical evidence is not conclusive:

(i) First, the external validity of these studies is in doubt, since so many of them have used undergraduate students as subjects, in contrived experiments that are divorced from real-world situations of contact and prejudice.

(ii) Second, Allport’s hypothesis—and many other versions of the Contact Hypothesis—is premised on the idea that prejudice results from ignorance of outgroups; but what if the groups have actually been living in the same city for some time and think they know each other rather well? Perhaps prejudice results from a well-founded suspicion based on a lack of prior trustworthy behavior. In this case the Contact Hypothesis could still function, but the effect of contact on attitudes might be more because contact provides the medium for trust-building through proven trustworthiness, rather than simply because it reduces ignorance.

(iii) Third, the Contact Hypothesis is challenged by a large amount of literature that shows how attitudes are formed through social processes (not just individual contact): “contact is not enough” to change such social norms (Hewstone and Brown 1986). For example, according to ‘cascade theories’ of ethnic polarization, if individuals believe hostility to be widely shared by others in their group, they will seek to conform to group norms by falsifying their own hostility upwards, even if they do not actually hold hostile views (Kuran 1995; Somer 2001). In sum, attitude change is likely to be conditioned by four qualities of an entire social network (not just individual ties): (i) the frequency of interaction (i.e. strangers are less likely to influence attitudes), (ii) the multiplexity of interaction (i.e. the more varied types of relationships a dyad includes, the more relevant it is to different kinds of attitudes), (iii) the strength of ties (i.e. strong ties lead to more agreement), and (iv) the social position of the attitude-influencer and attitude-recipient (Erickson 1988, 101).

(iv) Fourth, most studies of the effects of contact on prejudice have taken place in social settings (such as in schools, cultural exchanges, or community meetings);

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18 These theories make a distinction between publicly-declared and privately-held attitudes; private changes in attitude can occur through cognitive dissonance in individuals provoked by experiences which do not conform to their prior prejudices; but these attitudes will only be manifested publicly if they are perceived to be similar to the attitudes of other ingroup members (Moscovici 1976). A key point here is that a change in publicly-declared attitudes may not be a function of majority preferences alone: it can depend on a few special individuals if they have particular leverage over the rest of the group (see literature summarized most engagingly by Gladwell 2000). Thus there can be a ‘tipping point’ in ethnic attitudes if intergroup contact occurs between people who are powerful drivers of attitudinal change.
they have rarely examined the effects of inter-ethnic contact in the setting most people spend the majority of their waking hours: at work, doing business. Indeed in Forbes’s (1997, 63–84) exhaustive literature review of observational, experimental and quasi-experimental studies of contact—in a book subtitled ‘Commerce, Culture, and the Contact Hypothesis’ [my emphasis]—he can find only a single study of contact in a commercial setting (of anti-Semitism amongst the customers, tenants, or employees of Jews in Los Angeles: Tsukashima and Montero 1976), and even that one deals with household-to-firm and within-firm transactions, rather than firm-to-firm transactions.

So, how might the Contact Hypothesis be reflected in real-world workplace settings? I make a rough theoretical transposition to business contexts here:

(i) Allport’s first criterion is ‘perceived equal status of groups’: this will depend on relative market power, as described in the preceding section. For example, a landholding group will clearly not have equal status with their laborers.

(ii) The second criterion is ‘common and superordinate goals’: superficially any participants in a market have common goals in doing business and making a profit, but conversely the negotiation of a market price means one party must gain at the other’s expense—i.e. market transactions entail both cooperative and conflicting goals.

(iii) The third criterion is ‘perceived similarity of group members’: on one hand, marketplaces have been places of encounter over and above gender, tribal and faith divides (Mazariegos-Vicente-Eiriz, in Briggs 2004, 326); on the other hand, they may simply involve holding prejudice in temporary suspension while market transactions are carried out (without any genuinely perceived similarity).

(iv) The fourth criterion is ‘support of authorities, law or custom for intergroup interaction’: this is context specific, and cannot be considered a priori.

In summary, interethnic business contact may or may not fulfill the four criteria of the Contact Hypothesis; and we do not yet know whether prejudice is reduced by interethnic business contact even if those criteria are fulfilled. There are, however, a few pointers. A meta-analysis of intergroup contact findings noted that the workplace is likely to be the social context most conducive to beneficial intergroup contact (Pettigrew and Tropp 2000). And specific studies like Mutz & Mondak (2006) are beginning to find that “cross-cutting interactions at work…lead to greater awareness of the rationales for views other than one’s own…and for exposing people to political dialogue across lines of political difference”. This means not only that prejudices against groups might be reduced, but moreover that workplace discussions may be an important component in social institutions that help manage political differences.

One caveat, however: while research on prejudice has conventionally focused on how it is reduced, we may also be interested in how it can be increased. In particular, there is good reason to suspect the violation of trust will have a big impact on increasing prejudice. For example, Dore (1983, 163) reports that a corollary of strong trust relations between Japanese firms is that the breaking of trust ties is painful and involves recrimination: firms cannot simply accept the opportunistic nature of business and move on (as perhaps they might do in the US).
Likewise, when a cooperative endeavor between groups who have previously been in conflict ends in failure, the groups may begin looking for a scapegoat on which to blame the failure (Worchel et al. 1978), and this may involve the attribution of negative characteristics to an individual in connection with their ethnic identity (i.e. an increase in prejudice). Given that business ventures will—by their very entrepreneurial nature—not always succeed, an increase in prejudice is surely a potentially large hazard for socially diverse businesses and commerce. Thus there are high potential hazards to intergroup collaboration.

Linking rational interests, friendships, and attitudinal change

To summarize the preceding sections: there are several routes by which jobs-based interpersonal contact can impact on trust at the individual and general levels, and impact more widely on prejudice. These channels are not mutually exclusive: interpersonal relationships in the real world are most accurately characterized as having multiple layers. This view is perhaps best embodied by research on guanxi in China, which is deemed to combine rational obligation (yi) with affective sentiment (qing) (see Bian 2005). It also emerges in research on multi-ethnic business partnerships and joint ventures, such as a study of Malaysian firms which found that joint Chinese-Bumiputera holdings engender mutual interdependence (since they are mandated by Malaysia’s New Economic Policy from 1971 onwards, and also better afford access to government contracts), but also lead to affective trust and respect (as long as the partnership is active rather than merely ‘sleeping’) (Whah 2010). Indeed, the two strands may interact by reinforcing each other’s effect: one piece of prior research on apparel firms in New York City found that ‘trust’ is increased particularly strongly by business transactions involving both interdependence and social contact (Uzzi 1997, 43).

One of the weak-points of prior research is in investigating how these trust ties and friendships operate across social boundaries (such as between diverse ethnic groups). Literature on the ‘Contact Hypothesis’ provides some pointers, but has several limitations in the way it has been investigated in the past. In my own research in Trinidad, I sought to fill some of these gaps. I observed a complex interplay between rational and affective trust manifested particularly vividly in the treatment of sales reps: sales reps belonging to ethnic outgroups might be at an initial disadvantage, might have a harder time building affective trust, but would set about building calculative trust and eventually affective trust, facilitated particularly by adhering to a bright, professional manner in their jobs (Kilroy 2011, 165).

However, to put this discourse in a broader social context, there are some limitations to our optimism: many businesspeople seem to make a cognitive distinction between their work

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19 See Zucker (1986, 53) for a similar conception of three modes of trust production: process-based trust that is tied to a history of past or expected exchange; characteristic-based trust that is tied to family background, ethnicity, etc.; and institution-based trust which is tied to formal societal structures.

20 One open question here is whether these strands of trust may differ over time with, for example, rational obligation preceding the development of affective sentiments and then common identities—do these components of trust become manifested sequentially? [I am very grateful to Roger Petersen for raising this idea.] A further question concerns the outcome of frictions between rational interests and affective norms and attitudes: behavior may sometimes be guided spontaneously or automatically by attitudes regardless of rational interests, while under other conditions behavior is guided by rational deliberation, even if the outcome of that deliberation is at odds with norms (see for example the review of Fazio’s research in J. Cooper, Kelly, and Weaver 2001, 263). In one recent experiment on Harvard undergraduates, it was found that friends were treated substantially better than non-friends only when the transactions were not anonymous—thus suggesting that the rational incentives channel dominates the affective channel in determining behavior (Mobius, Quoc-Anh, and Rosenblat 2006). But we still do not know enough about the situations in which rationality is preferred to norm-based behavior, and vice versa.
lives and social lives, and thus even ‘social cohesion’ at work may not be carried over to wider changes in social attitudes once people leave the workplace. This phenomenon is expressed in phrases like “business is business”—a phrase which has a double-sided meaning: rational incentives can trump social divisions in the workplace, but meanwhile those relationships might not have any wider social impacts outside the workplace. This is what I found during my research in Trinidad, and it has been found elsewhere too, such as a study in the United States which found even positive interracial contact didn’t cause any shift in political views—for example in support of political policies designed to redress racial inequalities (Jackman and Crane 1986). In other words, even emotional acceptance of diverse social groups may not lead to any deeper advocacy of social equality.

3. Social Identity created by Occupations and Industries

In this section we review how jobs can provide a channel to modify social identities; this channel increases social cohesion by creating new occupation- or industry-based identities that cut across divisive boundaries. These cross-cutting social identities are a key component of ‘social cohesion’ because they mean that social groups will overlap rather than fall into mutually exclusive cleavages.21

This discussion is contingent on acknowledging that all individuals have multiple, overlapping social identities—and that it is unrealistic to expect to improve social cohesion by homogenizing society into fewer such identities. For example, I might identify as ‘British’, ‘a snowboarder’, ‘a percussionist’, ‘white’, ‘male’, ‘a young adult’, and several other identities too—all to varying extents at different times. Only a draconian vision of improved social cohesion would advocate compressing individuals into fewer identity groups, or assimilating them into one homogeneous society. Moreover a homogeneous society is simply at odds with human beings as social animals: humans’ self-esteem seems to require some means of differentiating themselves from others—i.e. we need distinctive social identities in order to be human (Brown 2000; M. Brewer 2003, 103).

More realistic ideas about the role of identities in social cohesion would focus on how jobs can create overlapping social identities that help bridge social divisions and cleavages. Some insights are provided in the preceding section, where a reduction in prejudice may also be accompanied by increased tolerance for diverse social identities. A deeper discussion might focus on the role of jobs in increasing social cohesion through creating new identities and modifying existing ones. New overlapping identities have been shown in empirical research to be able to reduce the salience of existing identities (see M. B. Brewer 2000, 171–173 for an overview of this research).

So how can jobs increase social cohesion through their impacts on identities? At the simplest level, merely having ‘a job’ (rather than being unemployed) is, in most societies, a fundamental part of self-respect, dignity and identity. The absence of jobs has been shown to be a crucial determinant of social conflict, not just because it decreases the opportunity cost of crime or violence (for an authoritative overview, see Collier et al. 2003), but also because jobless individuals are often belittled, and may seek to build their identities instead through crime and

21 Cf. Easterly et al. (2006) who define social cohesion as “the nature and extent of social and economic divisions within society (income, ethnicity, political party, caste, language, etc) which create social cleavages”.
violence (for an overview, see UNDP 2006; and for two exceptional case studies in Sierra Leone, see Keen 2002; Richards, Bah, and Vincent 2004).

But there also exist far more subtle links between jobs and social identities, rooted in the types of occupations, firms, and industries in which people work:

- First, with respect to **identities at an occupational level**, jobs involving more cognitive, creative and autonomous behavior may foster greater engagement. It appears that jobs involving a higher degree of autonomy create a much better work environment and engagement with the firm (this finding is drawn from Chamberlain & Hodson 2010, who conduct a meta-analysis of several hundred workplace ethnographies). Further, jobs rated as more cognitive, creative or autonomous (these three aspects are found to be closely correlated) are found to be associated with individuals being more trusting towards other social groups—i.e. feeling that they have a broader stake in society (Welzel 2012, fig. 4 & 12). Members of trades unions may also be more likely to build strong workplace identities.

- Second, with respect to **identities at the firm level**, firms may be developing common identities as part of their workforce motivation and professionalism strategies. Most firms in high-income countries will attempt to foster a sense of shared purpose and identity amongst their employees, as a means to increasing workers’ productivity. Such efforts can range from workplace uniforms, t-shirts, branded equipment to the construction of ‘elite’ identities by (for example) management consulting firms (Alvesson and Robertson 2006). Most commonly these efforts to build identities will be successful at the team level, rather than the entire firm (see an excellent review of prior research in van Knippenberg & Ellemers 2003). If successful, these shared identities can indeed be effective cross-cutting social identities, which bridge across ethnic, gender, or other social cleavages amongst employees.

- Third, with respect to **identities at an industry level**, it appears that the most productive firms may tend naturally to coagulate in groups and clusters, which may help to generate industrial identities. This discussion is inspired by literature on ‘industrial districts’ and ‘clusters’ (i.e. spatial agglomerations of firms in similar industrial sectors, engaged in frequent economic transactions with each other). Just as firms exist only because markets for individual skills are never ‘perfect’ (owing to the transaction costs of price discovery, creation of contracts, and dispute settlement—Coase 1937), firms too will benefit from coagulating in some kind of groupings:

  “In no [capitalist economy] do we observe an economy made up of atomized firms doing business at arm’s length with other firms across a market boundary any more than we observe individuals trading with one another to the exclusion of firms.” (Granovetter 1995).

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22 N.B. It is not certain however whether the Welzel has adequately controlled for omitted variable bias in this correlation, particularly given that income and education are also associated with high cognitive jobs and perhaps with trusting dispositions too.

23 Unfortunately I have not had a chance to incorporate that rich literature in this particular paper.

24 However, see Brewer 2000: 168 for a succinct argument about why such sub-firm identities may actually work against identities at the firm level, especially through providing opportunities for cross-team comparisons that may harm firm-level identities.
Such groupings may take on a variety of structures (see Markusen 1996 for a typology, including Marshallian, Italianate, hub-and-spoke, and a few others); but there are some common components. Groupings of firms may have created formal institutions—such as cooperation in credit associations, producer services (such as marketing boards, trade associations), and vocational training institutions. There also commonly exist a number of informal trust-based interactions, particularly ‘flexible specialization’—where firms respond flexibly to market-demand, engaging in joint problem-solving and innovation with other firms, and sometimes even taking autonomous decisions in the interests of other firms without the need for close behavioral monitoring. **In sum, these close trust-based relations (see e.g. Harrison 1992) are the basis for “a shared culture and implicit rules of common behavior” (Paniccia 2002, 18), which can be tangible enough to constitute shared identities.** Sabel, for example, finds that economic actors were “reinterpreting their collective past, and especially their conflicts, in such a way that trusting cooperation comes to seem a natural feature, at once accidental and ineluctable, of their common heritage,” (Charles F Sabel 1993). Indeed, some definitions of ‘industrial districts’ are actually made in terms of a social environment amongst firms comprising a common culture and “norms of reciprocity accompanied by relevant social sanctions” (Dei Ottati 1994, 530). **Note that these cluster-based identities are unlikely to form simply by virtue of firms doing similar work to each other, or being located geographically close to each other: in the examples above the identities are contingent on some degree of interaction, cooperation, or transactions between the firms in the cluster.**

**Most evidence on ‘industrial districts’, business groups, and ‘clusters’ is from high-income countries, and is found more rarely elsewhere in the world.** Notable examples do exist, and include the knitwear cluster in Tiruppur, India, the footwear cluster in the Sinos Valley, Brazil; the surgical instrument cluster in Sialkot, Pakistan; or the nascent computer cluster in Otigba, Nigeria (several examples are reviewed in McCormick 1999; Schmitz and Musyck 1994; Schmitz 1999). And indeed “developing closer and more cooperative relations with suppliers based on trust is now part of [the] international recipe-book for management best practice … ‘business partner’ is the term that companies now use to describe their suppliers” (Humphrey and Schmitz 1998, 47).

**But in most countries the types of cooperation and industrial districts appear to be far thinner than in high-income countries.** For example, a case study of agricultural traders in Madagascar (Minten & Fafchamps 2000) shows how those traders deem relationships to be a crucial part of their success, but that the relationships have not developed into fully-fledged institutions of the types outlined above. Why? On one hand, many of the salient industrial characteristics of industrial districts are found in developing country urban economies too: a high proportion of firms which are Small- and Medium-sized Enterprises (SMEs, of 50 employees or less); a degree of specialization in design-intensive, craft-based industries, such as clothing, footwear, leather goods, or furniture; and industries which are spatially concentrated in the city (see Boschma 2005 for a discussion of these characteristics in industrial districts). But somehow the institutions that sustain and nourish industrial districts in high-income countries have been slower to emerge—or exist at a less sophisticated level—in lower-income countries. Even though social ties and institutions can often be crucial to the
functioning of markets and value chains, they may not have developed to a stage where they constitute shared identities.\footnote{From a World Bank perspective, such thinking is still emerging, but has recently been given a large boost by the establishment of the ‘Competitive Industries’ Practice within the Bank’s Financial & Private Sector Development department. That Practice currently has around 120 affiliated World Bank staff engaged in operational work, who work to help governments support the common goods at this industry level which increase jobs and growth.}

**Furthermore, it seems that almost all industrial districts documented by existing literature are in relatively mono-ethnic settings—so we can be less sure about the ability of industrial identities to displace ethnic cleavages.** Much literature draws on districts in places such as Prato (Italy), Baden-Württemberg (Germany), West Jutland (Denmark), or the Pearl River Delta (China).\footnote{One of the few examples of an industrial district in a multiethnic setting is found in Silicon Valley, particularly with recent mixing of immigrants from South Asia and Latin America. There, it appears that mono-ethnic institutions are the first port of call for newcomers, but are used as stepping stones to other local institutions—including standard-setting forums, informal hobbyist groups, and professional associations—which create social ties across ethnic boundaries, and thereby lead to a readjustment of identity saliencies (Saxenian 2007, 37, 49).} So what might we infer about industrial identities in multi-ethnic settings? *Implicitly, the ability of industrial identities to displace or re-categorize ethnic identities may depend on the nature of the industry and the nature of each individual’s occupation.*\footnote{This is because social identity is—at root—not a collection of fixed attributes but more like a socially conditioned means to an end: individuals choose what aspects of their identity to emphasize publicly in response to differing economic opportunities (e.g. Patterson 1975) and as a means to self-esteem (Brown 2000)—and the boundaries of such identities may change over time through interaction with other groups (e.g. Barth 1969). Thus we might expect the culturally-determined status of each occupation and industry to influence each individual’s readiness to adopt it in preference to their ethnic identity—as a function of the economic opportunities associated with those occupational and industrial identities, and the self-esteem they permit actors to receive.} For example, Sammarra and Biggiero find in Emilia Romagna in Northern Italy that “the process of identification with the [industrial] district is more likely to occur in those districts which have an established market reputation [or other basis for high prestige],” (2001, 70). The authors also point out that such industrial identities may still carry the standard corollary of other social identities, namely that cohesion within the ingroup may lead to discrimination against outgroups (2001, 79). Thus even if industrial identities can displace other social cleavages, they may do so only with respect to other members of the same industry without being extrapolated to a general reduction in other divisive social identities.

**More importantly, there is an open question concerning whether individuals’ work identities actually do have saliency outside the work environment.** That is an underlying assumption implicit to our discussion above, but there is not yet sufficient research to demonstrate whether cross-cutting identities formed at work will be carried over to impact on ‘social cohesion’ and the ability to manage collective action problems in society at large. In my research in Trinidad, I found that individuals make a cognitive separation between their work lives and social lives, and thus even very positive work identities might be left at the door of their work establishment (Kilroy 2011). Thus the conclusions of this section must for now be regarded as tentative.
In Trinidad & Tobago, a recent study of 200 managers, owners, and sales reps found that fully 81 percent of interviewees reported that their work life brings them into contact with people of a wider range of races than does their social life. This startling statistic was explained by a driver at a manufacturing firm: “Whereas in socializing you may rarely find an African socializing with an Indian, in business you don’t have a choice—you have to deal with the people you need to deal with.” Or, more succinctly, by the manager of a construction contractor: “the primary color everybody focuses on [in business] is green.”

But do such business-based interactions have any social spillovers? Yes, though these impacts are intermediated by the type of occupation. Again, in the words of interviewees: “We’ve done jobs where people say ‘well this feels more like a family than work!’: And this is a combination of Indians and Africans working together for one purpose.” (sales manager at a print firm). And from another: “If I wasn’t in this job I might have only Indian friends or African friends. But now I have plenty, plenty friends. White friends in Mayaro. Chinese friends in Port-of-Spain. And real close. Closer than if you born with someone—your next-door neighbor. And that’s why I wouldn’t swap this job for anything else.” (sales manager at a processed food manufacturer).

Furthermore, product types involving more negotiated transactions have a stronger link from work to social cohesion. The study found that people working in printing and construction industries—i.e. industries which involve customized goods and longer working relationships—were 22 to 26 percent more likely to form friendships in business than those in retail and food & beverage industries. Compare the following two quotes (the first from a sales manager in a print firm) “I think we get to know them [customers] pretty well, because art is a personal thing so we have to work with them to get it to where they desire. We may have to meet with them on several occasions. Over time you get to know their needs.”, (and the second from the proprietor of a lunch café): “for years you will be seeing the same person [sales rep], driving the same truck, from the same company, for the same area. ... There’s no relation. You come, you sell, you buy. That is it. Nothing personal. It’s a small business, and I don’t need to build a personal relationship to get credit.”

Why does business have such a power to forge relationships? As one construction contractor put it: “You have a common language; you can talk to each other very easily [in business].”—i.e. business lubricates the social interactions. But the deepest impacts don’t come quickly. In the words of a sales rep for a paints manufacturer: “It takes years to build that kind of trust... You must prove yourself and be honest and truthful. You must take notes and say next time the van come you’ll replace it. When you build up a relationship you find they telling you about their children an’ ting. You don’t get that just so—you have to get that over time.”

Can these impacts filter through to wider social attitudes? The study found that business transactions could be a key vehicle for increased diversity amongst interviewees’ friends, but that—in Trinidad, at least—their positive experiences were most often deemed ‘exceptions’ rather than the grounds for people to reduce any prejudices they may hold against some social or ethnic groups. That finding may have something to do with Trinidad having relatively few ethnic groups, so thus “we already have preconceived ideas of every single ethnicity that [we] are going to interact with.”

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28 Kilroy, 2011.
29 i.e. The color of money.
So what: What does this paper mean for policymakers?

In light of the discussions above, ‘good jobs’ for social cohesion would be those with repeated interpersonal interactions across social boundaries, and with sufficient mutual interests and intimacy for social ties to be formed. Some occupations, firms, and industries are better than others at providing these ingredients—for instance, we would expect sales reps and market stallholders to be stronger engines of social cohesion than isolated workers on a textiles production line. Building on the preceding sections of this paper, and extrapolating some policy implications from them, we can infer that policymakers might maximize the opportunities to build social cohesion in some of the following ways:

1. Catalyzing interpersonal interactions between firms and within firms. Between firms, this could mean supporting trade fairs, business networking events, business incubators—and, in the longer-term, through higher-density urban designs and industrial parks that foster interactions rather than lock people into isolated office and industrial buildings. Within firms, this could mean helping firms to expand aspects of jobs that involve communication and negotiation with a wide range of people. Firms could be encouraged so enhance those aspects through being educated about the gains to productivity amongst workers who practice engaging rather than mechanistic jobs. This will not be easy since—despite the evidence that mutual respect, autonomy, and involvement in decision-making actually improves workers’ productivity (Granovetter and Swedberg 2001; for readings and an excellent overview, see Smelser and Swedberg 2005)\(^\text{30}\)—it appears that firms are actually increasing the proliferation of temporary outsourcing and short-term contracts, with a corresponding decrease in opportunities for workers to build workplace relationships (Crowley et al. 2010).

2. Encouraging minority social groups to enter jobs and industries with high rates of interpersonal interaction and interdependencies, as long as these are not low status jobs. As we saw in the discussions above, work life can be an efficient channel to foster cross-group interactions—indeed it may be more realistic than conventional avenues like mixed-ethnicity housing and ‘community building activities’. Importantly, this means overcoming the presumption that occupational niches are undesirable. If social classes and ethnic groups are associated with particular jobs means, then there is no choice but to interact with such classes and ethnicities if those goods and services are needed—thus increasing cross-social and cross-ethnic interactions. Further insights could be gained from literature on affirmative action for women (and ethnic minorities more generally), which I have not had time to incorporate in this paper, but which provide powerful pointers on the complex pitfalls of affirmative action itself as well as the potential benefits that result\(^\text{31}\).

An important caveat here is that such jobs should not be low status jobs, otherwise there is a danger of creating pejorative stereotypes (e.g. “Ethiopians are only fit to be taxi drivers”). The concentration of African handbag merchants in Italy, or Romanian

\(^{30}\) Note however that these dynamics turn out to be rather complex. Chamberlain & Hodson (2010) provides a meta-analysis of workplace ethnographies, highlighting the role of employee autonomy in greatly improving work environments. But productivity improvements may be yielded only through a combination of ‘team voice’ and ‘representative voice’ (Kim, MacDuffie, and Pil 2010).

\(^{31}\) Thank you to Alys Willman for this suggestion. Important research questions would focus on how men see women who have been the beneficiaries of affirmative action policies—and similarly for ethnic minorities.
newspaper sellers in London, shows the pitfalls of jobs that foster frequent interactions with a large number of people, but are low-trust jobs unlikely to foster bonds of calculative trust and are low status jobs unlikely to reduce prejudices (if any exist) about such groups. Interactions with people in such jobs may, at bare minimum, allow for some thin interactions that reduce fear of such groups through simple ignorance, but they are unlikely to foster ‘weak ties’, calculative trust, or attitudinal change.

Encouraging intergroup business and trade is, however, easier said than done. There are myriad reasons why individuals may prefer doing business with members of their own social group rather than to bridge across groups:

a. **Negative expectations towards (some) outgroups.** In many countries, some social groups (particularly when identified by ethnic characteristics) suffer from an assumption that they will be lazier in business than others, will not be competent at running businesses, and will spend their money on partying, clothes and cars rather than sacrificing those material possessions for their businesses (see, for example, Malays in Singapore, or Afro-Trinidadians in Trinidad).

b. **Ease of social transactions with ingroups.** Individuals often prefer to work and trade with members of their own social group (Fearon and Laitin 1996, 718; Greif 1993; Horowitz 1985, 57; Kennedy 1988; Landa 1995). Most bluntly this can be because of outgroup prejudice, but more rationally it is because transaction costs are reduced by common social norms, by the incentives for trustworthy behavior provided by reputation effects (i.e. those parties breaking trust may suffer sanctions by other members of the same ethnic group, who can more easily access information on their reliability in trading).

c. **Notion of group solidarity.** Essentially this means a kind of obligation stemming only from technical commonalities, as one may feel towards members of one’s family whom one does not necessarily have to actually feel affection for.

The main countervailing influence against these trends is the profit motive (i.e. to expand one’s market to new buyers or sellers), but firms and individuals may require government assistance (or, in extreme cases, risk guarantees) in order to initiate those ties.

3. **Fostering and catalyzing industry-level institutions and identities, which not only increase economic efficiency but also lead to greater social cohesion.** Industrial clusters are often distinguished by (up to) four types of cooperative institutions (Schmitz and Musyck 1994): **cooperative financial institutions** (such as mutual funds, loan guarantee funds, and so on); **real services** (such as testing facilities, provision of information on technical standards in foreign countries, or marketing boards); **trade unions** (since the success of these clusters is based not on cheap, non-unionized labor but instead on innovation and flexibility); and **training institutions for common labor needs.** These provide excellent vehicles for interfirm cooperation, and policy interventions may be able to help strengthen such institutions (or to construct them where they do not exist). But in developing country contexts characterized by a high proportion
of microenterprises, there may be some structural obstacles to encouraging interfirn cooperation *per se*.

a. **First, a culture of imitation makes entrepreneurs reluctant to share any kind of information**; and predatory behavior is deemed to pay off because the average life span of microenterprises is short, and so there is little incentive to invest in long-term commitments and a good reputation (Altenburg and Meyer-Stamer 1999, 1697 reporting the results of their survey of shoe and garment producers in Latin America). Thus even simple initiatives, such as encouragement for firms to purchase inputs jointly and thus save money on purchases, may not succeed.

b. **Second**, in a situation of almost constant excess supply and underutilization of production capacities, firms receiving an order may prefer to produce everything in-house rather than subcontract to specialized firms (Altenburg and Meyer-Stamer 1999, 1697)—thus removing the opportunity for the networked negotiations which have been shown rather effective at building social ties. In other words, industries in the most basic developing economies may not even have a complex supply chain in the first place—let alone the potential for cooperation between firms on that supply chain.

It has been suggested that some of these obstacles can be overcome by providing financial incentives to firms engaging in cooperative behavior—such as providing financial services only to those firms subscribing to group-based guarantees (Rhyne and Otero 1992), or granting preferential tax rates and access to training programs for firms partaking in associations of small enterprises, or giving heavy subsidies for joint activities such as market surveys, feasibility studies or participation in trade fairs. Another route is to demonstrate to firms by example the benefits of cooperative behavior, perhaps by facilitating visits by SME owners to fairs in order to show how production can be improved, or by facilitating interfirn dialogue to focus on discerning common problems as the basis for joint action.

**In conclusion, this paper has attempted to outline some of the opportunities, and also some of the limitations, for jobs to contribute to social cohesion, as suggested by empirical research. This area of research is very much still work in progress, and so conclusions must be tentative rather than certain. But to the extent that the best public policies are to some extent experimental and should have their impacts monitored and evaluated, the paper can provide some useful pointers and ideas for policy innovations.**

**Perhaps the most incisive question we can ask is not whether such policies are guaranteed to work, but rather if they are more or less likely to work than alternative policies to build social cohesion?**
- 24 -

References


