Relational Wealth

The Advantages of Stability in a Changing Economy

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Whenever employers hire someone they put themselves at risk. They depend on employees to act in ways that help rather than hinder the organization and to refrain from using the information they gain to harm their employers. This is because employees are hired to act for their employers, making decisions and carrying out responsibilities on their behalf. Although all employers have ways to monitor their employees, such monitoring is expensive and narrow in scope except in the simplest and most physical of jobs. In addition, as the number of employees grows, employers must trust some employees to monitor the actions of others, which leads to the question of who watches the watchers. In other words, every employee makes an employer vulnerable.

This chapter develops this argument and then applies it to the concept of employability. As noted in chapter 1, societal changes have eroded organizations’ relational wealth. Those changes have also made employability more problematic for individuals. Because employees cannot assume stable, lifetime employment, they must find ways to enhance their employability without becoming dependent on one employer. Here it is proposed that enhancing one’s employability is a matter of understanding employers’ vulnerability and the ways they manage it when making hiring decisions.

Employers are vulnerable to the depredations and inattention of every one of their employees, and they cope with this vulnerability by employing workers whom they trust. Because of this, workers’ employability must depend on their ability to convince employers that they are trustworthy. Fortunately, how trust is cultivated and sustained within organizations is a subject of extensive scholarship, allowing us to draw on the literature on trust to gain insights into the problem of employability in a work world based on flexibility.

For many reasons, it is unusual to frame employability in terms of the trustworthiness of potential employees. First, more of us have been applicants than have been employers, so we naturally focus on how those who
need a job are needy and anxious. Because employers usually have more power and are less dependent than an individual employee, it is easy to overlook their vulnerability when hiring. However, recent social, economic, and legal changes have made employers' trust in potential employees a central concern. As suggested in chapter 1, we know that one of the best ways for people to build trust in one another is for the parties to have interacted in the past and to expect continuous and future on interaction. People learn who they can trust on the basis of their experiences and are more interested in cultivating another's trust if they expect to continue working with them. Yet today we see that work is increasingly contingent and fewer employees expect long-term relationships. This means that the trust employers and employees develop when they maintain long-term relationships can no longer be assumed. When fates were tied together, cheaters in employment relationships could expect to get caught eventually. In short-term relationships, such trust cannot be assumed by either party.

Further impediments to the building of trust between employers and employees come from increased hiring as organizations cope with demands for flexibility. More new hires mean more frequent risks taken on strangers. Present employment trends have made the trustworthiness of potential and current employees increasingly problematic. This means that employers must actively select for and build that which they could assume in more stable environments.

The increased use of long-term partnerships, contracting, and other network organizational forms has raised the visibility of this kind of vulnerability. Formal contracts make vulnerability to others more explicit than has been the case in the tradition-bound informality of employment relations. When depending on another autonomous person or organization, this vulnerability is more explicit, with the limitations of contracts and the importance of trust now explicitly acknowledged.

Similarly, the recent explosion in employee litigation against former and current employers, as well as customer and shareholder lawsuits based on the actions of employees, has heightened employers' awareness of their vulnerability to employees. Employees increasingly sue their employers for sexual harassment, age discrimination, and wrongful termination. Thus, each new hire subjects an employer to vulnerability, the possibility that he or she will act incompetently or maliciously in the employer's name, may disrupt the workplace by not working effectively with others, and may file a costly lawsuit against the employer. Every act of hiring is a potentially large risk to the employer. Thus, one way that the changes that are eroding relational wealth adversely impact employers is by increasing their vulnerability to employees.

Although the framing of employability as employees' ability to signal their trustworthiness to vulnerable employers has not been explicitly formulated as such, there is indirect evidence that it is of increasing concern to those who hire. One reflection of this is an examination of the articles
published in *Personnel Psychology*, the preeminent scholarly journal for human resources management professionals and researchers, which over the past three decades has given increasing attention to the issue of employee trustworthiness. The 1997 volume featured twelve articles regarding employee selection (the way these management representatives frame employability), five of which at least indirectly touched on assessment of a potential employee’s trustworthiness. In contrast, only one of the eight employee selection articles in the 1987 volume was concerned with assessing trustworthiness, and none of the eight such articles in the 1977 volume mentioned the issue. This indicates that the trustworthiness of potential employees has become increasingly important for those who develop selection policies and procedures.

This is in contrast to the conventional view of employability as a problem of the workforce not possessing “marketable skills.” This is only one component of employability. Obtaining rare, valuable skills is not simply a matter of taking trade school courses or brushing up on computer skills, because easily acquired skills typically are not rare (or valuable) for long. All too often, popular writers assume that workers are not obtaining the skills they need in order to be employable because they are lazy or ignorant. This argument, however, appears to be pernicious—it may foster anxiety and cause people to needlessly waste time and money. Of course, job-relevant knowledge, skills, and abilities are critical to potential workers’ employability. Yet trustworthiness is a necessary—and underappreciated—condition of employability. Certainly, a large component of employees’ trustworthiness is a confidence in their ability to apply their knowledge and skills effectively to situations as they present themselves. Without trustworthiness, job-relevant knowledge, skills, and abilities do not create employability—employers are too vulnerable to take that risk. In summary, for all but the most technical and easily monitored tasks, a person’s employability comes down to a matter of another’s trust in them. Someone else must be willing to depend on the person and to put themselves at risk when they employ them.

If we reframe employment as vulnerability, with employability indicated by the extent to which employees are judged trustworthy, several provocative implications follow. First, gaining employability can be rearticulated as the need book to establish one’s trustworthiness. Second, this book is premised on the idea that people who traditionally did not have to worry about their employability after becoming established in their jobs must increasingly worry about it throughout their working lives. Consequently, employability has become a practical problem of cultivating and sustaining one’s trustworthiness. We can gain insight into how potential employees demonstrate their trustworthiness by studying those whose occupations have required them to continuously sustain it. Finally, although the primary focus of this chapter is on how employees can enhance their employability through a better understanding of their employer’s concern for trustworthiness, this analysis also has implications for employers.
Establishing Trustworthiness

Fortunately, we know a great deal about how to cope with vulnerability, and we can draw on that knowledge to enrich our understanding of employability. The study of how the vulnerable cope is a centerpiece of the social sciences. Economists approach the problem by seeking to align incentives, sociologists look to the institutions that maintain social order in the face of vulnerability, and psychologists study why certain individuals are more willing to risk vulnerability than others. Most of these disciplines view vulnerability as raising the question of trust. In order to take action in almost any social setting, one must find a way to act despite vulnerability—in other words, one must trust. We can draw on the research of these disciplines to understand how potential employees may establish their trustworthiness to employers.

The fact that so many scholars representing all of the social sciences and humanistic specialties have written about trust means that sorting through these works becomes a monumental task in itself. In applying that literature to the problem of establishing one's trustworthiness to potential employers, Zucker's categorization is useful. She grouped the different trust creation strategies used in societies into three (process-based, characteristic-based, and institutional-based) categories based on the primary mechanisms used.

Process-based Trust

This form of trust is based on exchanges that have occurred in the past and are expected to occur in the future. Trust grows from a chain of reciprocal relations and mutual obligations. Like the resilient trust described in chapter 1, participants have clear expectations of what they owe and are owned because they know or are known to one another. Process-based trust can be established in two ways. In small, stable societies, normative expectations can become firmly established because relationships change little over time. Alternatively, in more complex systems, people learn to restrict their exchanges to those they have worked with in the past and personally know.

The first way process-based trust creates employability can be seen in the implicit normative expectations of stable societies, which are similar to large, stable organizations. When promotions are internal and all employees expect lifetime tenure, they have time to get to know one another and “learn the ropes.” They also “know who knows what.” When employment could be assumed in these stable organizations, both employees and employers knew what was expected of them and that if they met those expectations, they would be trusted. This trust in employees' knowledge, job familiarity, and common relationships enhances workers' employability in that organization, as others in the organization learn to trust them. This type of trustworthiness is gained implicitly and informally, without design or craft. As Hall has noted, this implicitness means that what makes one employable is only tacitly, inarticulately known.

As we observe the rise of more complex, temporary organizational forms
and shifting network arrangements among organizations, we also see a shift away from process-based trust, based on implicit knowledge, to trust based on repeated interactions with the same specific partners. Both Jones and Bryman and colleagues have reported that those working in industries characterized by temporary project groups rely on the same partners whenever possible.\textsuperscript{11} Jones described this phenomenon when observing the film industry; Bryman and colleagues studied teams at construction sites. They note that the employees in these temporary workplaces needed time to get to know their partners before they could trust each other to perform well and be reliable. Thus, while employability in large, stable organizations is largely a matter of avoiding a serious breach of known expectations, employability in a work world characterized by shifting network arrangements consists of being personally known to those who can give you work. Your employability is only as strong as your personal network. So it seems that the increased uncertainty of employment and more complex and ad hoc working relationships have increased the burden of establishing one’s process-based trustworthiness as an employee.

\textbf{Characteristic-based Trust}

People’s trustworthiness can also be signaled by their ascribed characteristics, such as family background or national origin. These serve as indicators for common cultures, shared background expectations, or expected patterns of behavior. Much premodern business was based on this form of trust; for example, early bank loans were made within kin and ethnic networks.\textsuperscript{12} Where governments are weak or unreliable, it continues to dominate as the basis for business relationships.\textsuperscript{13}

The use of ascribed characteristics as a basis for inferring the trustworthiness of potential employees has long been a dominant method of assessing employability.\textsuperscript{14} Employers tend to assume that younger people will learn new skills quickly, older people are assumed to be more reliable, married people are assumed to be less likely to quit, and so on. This method of assessing the trustworthiness of potential employees dominates because it is inexpensive (neither employer nor employee is required to invest in the relationship) and simple (no formal legal or governmental systems are needed to support it). Yet in the past few decades this method has also been heavily denounced, and for good reason. Using ascribed characteristics as the basis for determining trustworthiness is not only error prone, it excludes those with characteristics not represented among decision makers (who are inherently biased toward people who are like themselves). It is interesting that 1977, the year with the lowest proportion of articles on the assessment of trustworthiness in \textit{Personnel Psychology}, came at the height of concerns for integrating those previously excluded based on their race or gender into desirable jobs. Unfortunately, this laudable goal (fairness for those historically excluded based on ascribed characteristics) has, ironically, forced underground the consideration of trustworthiness among potential hires.

This is reflected in the discipline of professional human resources man-
agement which has been built on the development of techniques that constrain the ability of those making hiring decisions to consider an applicant's trustworthiness. It does so by denying employers their conventional characteristic-based method without offering any useable replacement. Jacoby describes the development of professional human resources management as a long process of wresting control of hiring from shop-floor bosses, practices that have become increasingly institutionalized through formal tests of technical skills that prevent immediate supervisors from falling back on race, ethnic, or gender biases for which the corporation would be legally liable. Yet such centralized selection systems invite sabotage by ignoring supervisors' need to trust potential subordinates.

As a result—despite the decades-long campaign to discredit ascribed characteristics as surrogates for trustworthiness—those making hiring decisions continue to use them. Those concerned with both employability and fairness can change this reliance on biased assumptions by recognizing that many who use ascriptive characteristics in hiring (however implicitly) are really seeking a cheap, relatively easy (albeit flawed) way to determine a potential employee's trustworthiness. Armed with knowledge of employees' perception of their own vulnerability, potential employees can search for other ways to signal their trustworthiness. For example, they could cultivate process-based trust by developing personal relationships within an organization or emphasize their trustworthiness in previous settings rather than just their technical skills. A negative example can illustrate how potential employees sometimes inadvertently signal untrustworthiness. When employees try to carefully control which references a potential employer contacts, they appear to be hiding something. Applicants look much more trustworthy when they invite the potential employer to contact anyone who knows their work.

**Institution-based Trust**

Zucker's final basis for trust is centered on generalized expectations that extend beyond a particular exchange or person and is taken for granted by the participants. This form of trust can be in the form of expectations for a particular role, organization, or intermediary mechanism. For example, the trust that patients place in physicians independent of their experiences with individual doctors or any of their ascribed characteristics. Institution-based trust is used when the complexity of a situation or the need for impersonal exchanges overwhelms the process- and characteristic-based forms of trust—which rely to a greater extent on knowing the people and settings involved. Not surprisingly, as employment has become more unstable and both employees and employers have been forced to work more often with strangers, reliance on the institutional bases of trust has grown.

An example of reliance on institutional trust as it relates to employability is reflected in workers' cultivation of trust in themselves by lobbying for occupational licensing requirements and forming professional associations that require specific credentials for membership. This creates a trustworthy
identity for members of a particular occupation, allowing the possession of credentials to substitute for personal knowledge of the applicant. Prospective employees may prominently display credentials, certificates, licensures, and association memberships on their resumes to signal that they can be trusted to adhere to professional standards. The "professionalization" of occupations that previously required no specialized training is one response of employees who find that employability has become problematic for them. One of the most visible examples of this process is the MBA degree. While it is true that managerial work has gotten more technical, a case can be made that the demand for professional certification to enhance employability is at least as responsible for the growth in the number of MBA degrees awarded worldwide as is any desire to obtain greater technical knowledge.

The other form of institution-based trust, the use of intermediaries, is based on the idea that some vulnerabilities do not depend solely on intentional betrayal. Events beyond the control of either party can prove costly. To mitigate this risk, individuals and organizations employ intermediaries to produce trust. Examples include insurance companies insuring equipment that is shipped, public accounting firms auditing organizational records, and the signing of formal contracts (not because the parties expect to seek their enforcement in court but as a signal that both are committed to the relationship). All of these uses of intermediaries signal that the parties have done everything reasonable and acted in good faith to guarantee the relationship—creating greater trust in what would otherwise be an intolerably risky exchange.

Traditionally, such formal intermediaries were rarely needed to guarantee employability. Instead, informal intermediaries were the norm, reflected in the fact that most employees obtain their jobs from family members or friends. For example, research has consistently shown that the vast majority of blue-collar workers continue to find their jobs through friends and relations. While such informal intermediation may rely on reputation to build trust, it has several advantages for both potential employees and employers. Employees can learn a great deal about the work and their potential coworkers before starting a job, more than someone hired through a formal advertisement and interviewed by human resources staff. More important for this discussion, employers can be more confident in new hires who are recommended by current employees. Employees have an incentive to be honest about their recommendations because they are placing their own reputations on the line for someone else. This partly accounts for the continued higher success rate of employee referrals compared to other sources of new hires. Thus, despite its adverse impact on those without connections through their friends and family, referral-based hiring remains popular. Despite the advantages of informal intermediation and the complexity of needed job skills, rapid workplace changes have impelled organizations to rely more on referrals from formal intermediaries. Examples include search firms, temporary agencies, and campus placement offices. These formal intermediaries are expected to evaluate the workers they recommend,
and the agents are aware that they will not receive future fees from an employer if they provide untrustworthy employees.

In summary, employers determine the trustworthiness of potential employees by selecting someone they already do trust, relying on easily measured signals of trustworthiness (whether those are personal characteristics or professional credentials) and on intermediaries to vouch for a potential employee's trustworthiness. As worklife has become unstable, employers must rely more often on more explicit (and more expensive) means to assess employability.

**Enhancing Employability: Implications for Potential Employees**

If employment is becoming more unstable, establishing one's trustworthiness as a potential employee is becoming both more difficult and more important. Increasing employment instability has disrupted the established patterns of trust cultivation and maintenance in some industries. Trust that could formerly be assumed has become problematic and must be actively managed. Employers have not had the opportunity to develop trust in potential employees during the natural course of working. As a consequence, one's trustworthiness is more often based on personal knowledge, credentialing, and formal intermediation.

Unstable employment requires workers to cultivate personal trust relationships with broader and perhaps different sets of individuals. Thus, the familiar admonishment to get out there and "network." However, once employees understand that they must establish trust, not mere face recognition, more effective approaches to networking can be developed. Process-based trust, for example, is based on actually working with the potential employee (or with someone who knows him or her well). Simply making someone's acquaintance does not establish a relationship of mutual trust. In the project-based industries of filmmaking and construction, trust is based on past working relationships, not acquaintanceship. Thus, networking needs to consist of more than just attending social functions; it needs to include some knowledge of a potential employee's performance.

Furthermore, the development of personal networks can be burdensome and time-consuming. As noted earlier, process-based trust builds one relationship at a time and is inherently limited—we can only know so many people. While such networking can be targeted, increased instability makes it more difficult to know which relationships will be important over time. It seems clear that those seeking to improve their employability would benefit from a greater reliance on institution-based approaches to establishing their trustworthiness.

Like networking, heightened credentialing is proliferating in these more unstable times, as discussed in chapter 6 by Pils and Leana. Yet efforts to credential and professionalize occupations are more often mocked than analyzed. Much of this effort is probably intended to restrict the number of
competitors in a particular field. However, this chapter suggests that credentialing efforts also create a more efficient basis for determining the trustworthiness of potential employees. Those who scoff at the professional aspirations of members of "lower order" occupations need to understand this as a reaction to the increased vulnerability of everyone in this more complex and uncertain environment.

Finally, a reliance on formal intermediaries also seems to be increasing. Yet potential employees seem to have difficulty establishing and controlling intermediaries. This is largely because successfully establishing the trustworthiness of their members requires intermediaries to police and expel members who are not trustworthy. The difficulty and associations have had in enforcing their codes of professional conduct has been well documented. Such acts undermine the solidarity these associations need, and the cost of retention of untrustworthy members has only an indirect effect on those who have the burden of voting to expel. This implies that there will be an increase in independent, honest brokers such as placement officers or search firms whose own success depends on accurately distinguishing between trustworthy and untrustworthy prospective employees.

In short, while evidence from the film and construction industries suggests that increased investment in cultivating personal networks of those who can vouch for your trustworthiness is probably unavoidable, care should be taken to recognize that job-performance trustworthiness is what needs to be established, and that can take a great deal of time. In addition, the expansion of credentialing, occupational professionalization, and reliance on professional intermediaries are practices that should be encouraged. Such entities produce trust in a working environment where trust is becoming ever more problematic.

Enhancing Relational Wealth: Implications for Employers

This framing of employability as trustworthiness also has implications for employers. One of these implications, the theme of this volume, is to recognize that relational wealth has value. Trust is valuable to organizations, and the loss of implicit trust-building, along with increasing organizational instability, requires more expensive methods of assessing trustworthiness. Clearly, employers could benefit from being explicit and systematic in analyzing their need to hire trustworthy employees. Rather than over-emphasizing technical skills, employers need to explicitly assess trustworthiness. While more difficult than assessing technical skills, the increased interest in this question (as reflected in the 1997 volume of Personnel Psychology) indicates that assessment professionals are working to make it easier.

In addition, employers should recognize that the need for supervisors and coworkers to trust one another requires some decentralization of selection decisions. In the past, centralized top-down human resources systems
largely ignored the role of trust in the workplace—often quashing the informal systems supervisors and coworkers used to ensure a smoothly functioning workplace based on mutual trust. While there are potential problems (i.e., nepotism and homophilic bias) in relying on a subjective feeling such as trust in another, vulnerability has made the need for trust in the workplace so great that centralized objective selection systems that ignore the importance of trust push the assessment of trustworthiness underground. A more successful strategy is to recognize the importance of trustworthiness and to develop ways to assess it in an unbiased way. Through guidelines and training, personnel selection decisions can be delegated more confidently.

Finally, in these dynamic times employers might benefit from evaluating potential and current employees on the extent of their networks of personal trust relationships. Employees with networks that provide access to social groupings with the skills employers might otherwise have difficulty accessing are particularly valuable. Employers can enhance their relational wealth by recognizing that social knowledge is now as important in the cubicle as in the boardroom. While evaluating who someone “knows” has always been relevant to filling boards of directors and other elite posts, today’s employment instability has made extensive personal contacts a valuable asset for employees throughout the organization.

Employability is a matter of trustworthiness, something that employment instability has made more problematic for employee and employer alike. What could be implicitly assumed in stable employment settings now requires more explicit planning and investment by both. Greater flexibility has created greater vulnerability, and vulnerability is managed most economically by trust. Those who most successfully cultivate and sustain such trustworthiness will have a substantial advantage in the workplace.

Notes


3. Interestingly, while the importance of trust in employability is largely ignored, its importance is a prominent feature of virtually all discussions of network organizational arrangements. See Jay R. Galbraith, *Designing Organizations* (San Francisco: Jossey-Bass, 1995); and Candace Jones, “Careers

4. Jeffrey Pfeffer, The Human Equation (Boston: Harvard Business School Press, 1998), has an excellent discussion of the folly of selecting employees solely on technical skills and the bankruptcy of many employers' claims to offer "employability" (skills kept current) instead of employment security.

5. Bigley and Pearce (1998) provide a review of many of the approaches to trust taken in the differing disciplines.

6. Ibid.


8. Ibid.


19. Hiring the relatives and friends of current employees also provides an additional layer of management control, as was explained to me in 1974 by the personnel director of Mobil Oil corporation’s Torrance Refinery, who practiced employee-referral hiring assiduously for nonprofessional white-collar and blue-collar jobs. Current employees would be conscientious so they would be “rewarded” by having their connection hired, and the new hire had an extra incentive to behave well, since his or her parent/sibling/best friend would be penalized if he or she didn’t.
