

Lecture 12.
Work and organization
Travail et organisations

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Labor as a curse and as the realization of the essence of humanity

- “You will eat bread by the sweat of your brow” (Bible, Genesis, 3:19) [*“Tu gagneras ton pain à la sueur de ton front”*]
- “Work spares us from three evils: boredom, vice, and need.” [*“Le travail éloigne de nous trois grands maux : l'ennui, le vice et le besoin”*] (Voltaire)

Working together: organizations

- Organization: a group with an identifiable membership that engages in concerted collective actions to achieve a common purpose (Aldrich and Marsden, 1988)
 - Not just firms, or associations. A football team is also an organization
 - But often (always?), some (unpaid) work is present
- Bureaucracy as a prototype of very sophisticated organization
 - A fascinating realization of human rationality (Weber)
 - “A state, is called the coldest of all cold monsters” (Nietzsche)

Outline

I. Work

- I.1. Alienation and exploitation
- I.2. Division of labor
- I.3. Taylorism
- I.4. Human resources
- I.5. Workers mobilization
- I.6. Transformation of work

II. Organizations

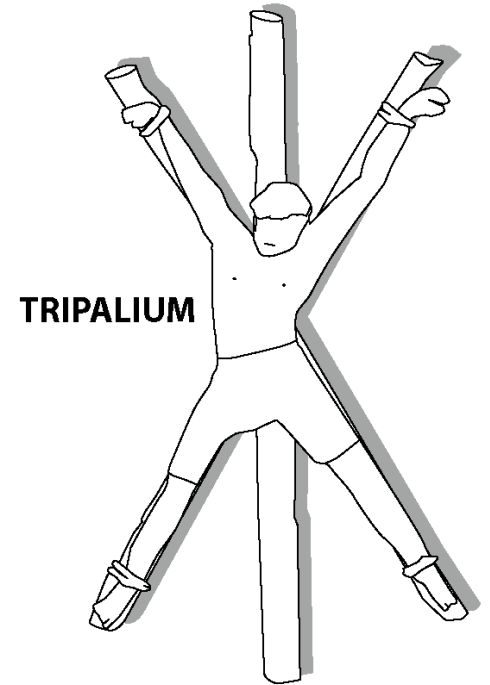
- II.1. Bureaucracy as a rational organization of collective action
- II.2. Dysfunctional bureaucracies
- III.3. Bureaucratic phenomenon
- III.4. Power in organizations
- III.5. Fields of organizations

III. Power and wages in finance (Godechot, 2017)

I. Work

Work – From a despised status to a value

- Work as a specific status
 - Work [*Travail*], historically as a subordinated, lower activity.
 - Labor → “Labour” (fr)agricultural activity → Labor (latin): pain, suffering.
 - Travail → “Tripalium”
 - Work as the activity of the working class
 - Business (wo)man [*l’homme d’affaire*] is busy [*affairé*]. Does he/she work?
 - Wages [*Salaires*] as the labor income of the working class
 - French: “Gages”, “traitement”, “solde”, “honoraires”, “émoluments”
 - Slogans like “Abolition of the wage system!” → working class
- Today, (almost) every 25-55 adult ‘works’ and “earns” a living thanks to work
 - Work as a moral value. Duty, status, pride.



Tripalium, a torture instrument as a possible etymology of “travail”
Source: Wikipedia 6/64

Incompleteness of the labor contract (Coase, 1937)

- Similarities and differences between market and labor
 - Going to a bakery to buy a croissant
 - Hiring a cook in a bakery firm to bake croissants
- Market “contract”
 - All the elements are clearly defined. The good, the quantity, the price
- Labor contract
 - Not all elements are defined. Otherwise, the cook could be a self-entrepreneur selling the croissants to the bakery firm
 - The cook can be asked to do “croissants”, “chocolatines”, “pains aux raisins”, or whatever depending on business conditions
 - “ the service which is being provided is expressed in general terms, the exact details being left until a later date”
 - Labor contract comes with a subordination to the firm and for the firm with some responsibilities on the well being of the worker.



Alienation

- Marx & Engels view of labor. Both very positive and critical
 - “Homo-Faber” Tool making animal: “The use and fabrication of instruments of labour, although existing in the germ among certain species of animals, is specifically characteristic of the human labour-process, and Franklin therefore defines man as a tool-making animal” (Marx, 1867)
 - Insisting on the role of the hand, “tool of tools” (Aristotle). The “freedom of the hand” essential step in transition from apes to human. “Mastery over nature began with the development of the hand” (Engels, 1876)
- Alienation
 - Notion from Hegel. Estrangement to oneself. Not full possession of yourself
- Work in a capitalist society leads to alienation (Marx, 1844)
 - Workers dispossessed of the fruits of their work → estrangement, alienated
 - As if workers reaped off of their “humanity”
 - Work could lead to accomplish your humanity, but leads to be a stranger to yourself

The dynamics of division of labor

- Division of labor in manufacture different from division of labor in society.
 - In society, due to market dynamics in commodity exchange
 - “Division of labor within the workshop implies the undisputed authority of the capitalist over men.” (Marx, 1867)
 - Labor becomes an appendage of the machine
 - “Modern industry, as we have seen, sweeps away by technical means the manufacturing division of labor, under which each man is bound hand and foot for life to a single detail-operation. At the same time, the capitalistic form of that industry reproduces this same division of labor in a still more monstrous shape; in the factory proper, by converting the workman into a living appendage of the machine” (Marx, 1867)



Chaplin: Modern times

Where does the division of labor come from?

- Technological progress and a logic of efficacy
 - Decomposing tasks → greater return to scale
 - Pin factory logic (Smith, 1776)
- An expropriation of workers' skill (Braverman, 1974)
 - Deskilling Appropriation of workers' skills and incorporation in the process of production
- A domination device (Marglin, 1974)
 - Analysis of the “putting out system”
 - Entrepreneur distributes raw material between scattered rural workers and collects their completed work (elementary tasks)
 - Not more efficient technically
 - Dispossess workers from control over production
 - “Divide and conquer”: Entrepreneur becomes indispensable coordinator



Taylor and scientific management



- Early 20th century, movement of reformers for rationalizing work
 - Taylor, 1911, *The Principles of Scientific Management*
 - Not a theory of the assembly line [*travail à la chaîne*]
- Problem for entrepreneurs: Workers work slow, or are inefficient, or shirk
- Solutions
 - Define precisely workers tasks
 - Analyse and measure the time necessary for each task
 - Proper incentives (piecerate wage) and monitoring (stopwatch)
 - Set the tariff

The limits of incentives

Roy, Donald. 1952. “Quota Restriction and Goldbricking in a Machine Shop.” *American Journal of Sociology* 57 (5): 427–42.

Evolution of types of pay

- Blue-collar pay (Mottez, 1966)
 - Early capitalism: importance of labor subcontracting (*tâcheronnat*).
 - Entrepreneur gives a sum to the supervisor for doing a task. The supervisor/subcontractor finds workers and pay them with this sum. Forbidden in France in 1848
 - Piecework pay with piece rate
 - Hard to change and make evolve
 - Progressively replaced with hourly base pay with productivity wage premium
 - To the predominance of hourly pay for blue collar workers
 - Threat of being fired becomes a sufficient incentive for work discipline
- White-collar pay
 - Status based pay, highly dependent on the position within the firm
 - Military model
 - Traditionally monthly defined
 - Tied to outcomes for commercial jobs
- With “shareholder revolution”, development of incentives, for CEOs and top managers
 - Yearly bonuses
 - Stock-options
 - Shares

Hawthorne Experiments

The Human Relations Approach (Elton Mayo)



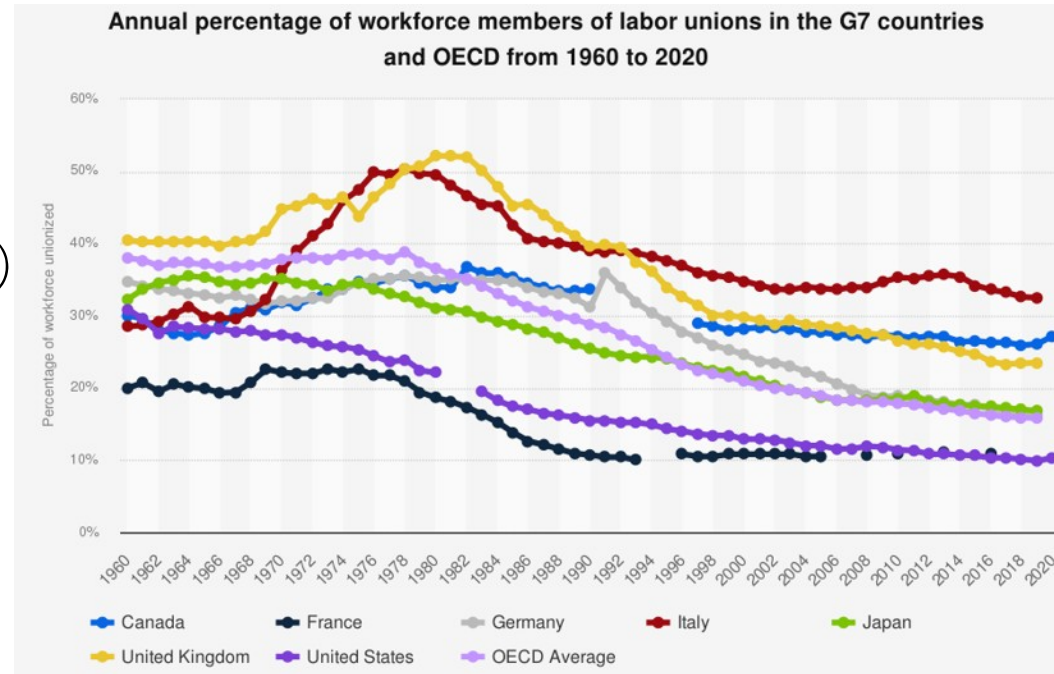
- Change in working conditions, light (increase, or decrease) manipulation
 - Increase in productivity
 - Workers react to the fact of being observed
 - Monitoring effect and care effect
 - Productivity: not just pay incentives and technical organization of work
 - Consideration, well being, etc. matter
 - Hawthorne Effect on experiments. Conditions of the experiment modify the results of an experiment
- But empirical proofs quite weak
 - Many replications (Levitt and List 2011)
 - Manipulations were done during the weekend. Monday effect
 - Long term effect. Rooms monitored longer, could be a little more productive (but not very significant)

From workers' resistance to Union institutionalization

- Strikes (From Luddites) to organized movements
- Development of unions, progressively legalized (late 19th century)
- Key actor of post WWII developed economies, especially in social democracies
 - Co-management (in Germany). Unions as members of the board
- Institutionalized workers' power become something firms want to bypass/overcome

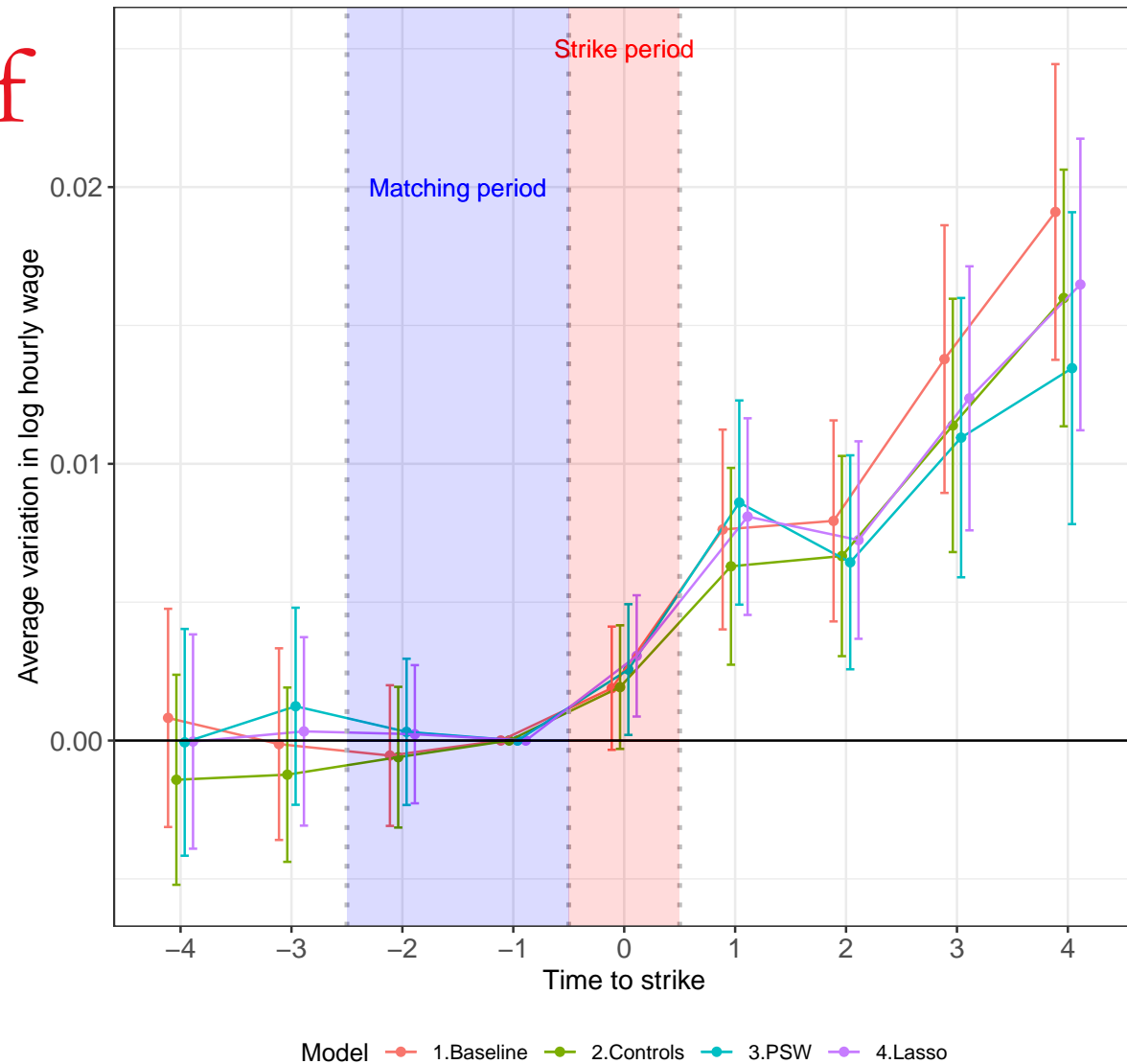
The weakening of unions

- Deunionization
 - Deindustrialization
 - Increased individualism
 - Lower profitability of strikes (US) after 1980
 - Antiunion firm policies
- Reorganization of union activity
 - Judicialization



Strikes still pay off

- Godechot, Pelisse, Voldoire (work in progress)
- Strikes in France (2006-2017)
 - $t+1$: +0.6 to + 0.8%
 - $t+3$: + 1.1 to + 1.4%



Beyond the dark side of work

- Manufacturing consent (Burawoy)
 - Shifting question: From why they resist to why they consent?
 - Gamification of work. Productivity as a challenge and local status.
 - Phenomenon also observed in fast food. Speed as way of making the job ‘fun’ (Pinto et al., 2000)
- Most workers tie work with happiness (Baudelot et al. 2003)
- Sense of work well done as a form of achievement
 - “The true job” or “proper job” as a source of pride
 - Common source of suffering at work: not allowing workers do “a proper job”, encroaching on the meaning of work (Dejours, 1998)
 - Too much constraints can destabilize the meaning of work and sources of bad working conditions.
 - Commercial constraints (commercial output) and industrial constraints (time target),
- Work as a social status: lost if unemployed

Work as a status

The system of professions (Abbott, 1988)

- Professions like lawyers, physicians, etc.
 - Professions are defined by their abstract knowledge—the formal, theoretical principles that underpin their expertise.
- Systems of professions. Professions compete for jurisdiction. Example: nurse, physicians, etc
- Claim for expertise-based jurisdiction monopoly
- Jurisdiction on : Who is (not) a professional? What expert to acquire to become a professional? How is the profession regulation?
 - Three key arenas: the workplace, the public sphere, and the legal system
- Primacy of self regulation

Work transformation in recent decades

- From deskilling to re-skilling
 - Increase in automation, robotics → workers to monitor, assist and program the machine, intervene when there's an interruption. More skills needed and versatility.
- Transformation of hierarchies
 - Hierarchies object of strong “social” and “artist” critiques of the 60s & 70s (Boltanski and Chiapello, 1999). Capitalism is malleable and integrated this 1968 critique → flatten and/or outsource hierarchies
- Mass Unemployment and labor market flexibility

Workplace Fissuring (Weil, 2014)

- Dediversification (Zuckerman, 1999). Shareholder imperative to reduce to core activities.
- Asymmetric downsizing and cost-cutting
- Outsourcing of non-core services
- Subcontracting in long and complex value chains with new forms of buyer power exploitation
- Franchising
- In a nutshell : size decrease with workplace fissuring

The Great Separation: Top Earner Segregation at Work in Advanced Capitalist Economies¹

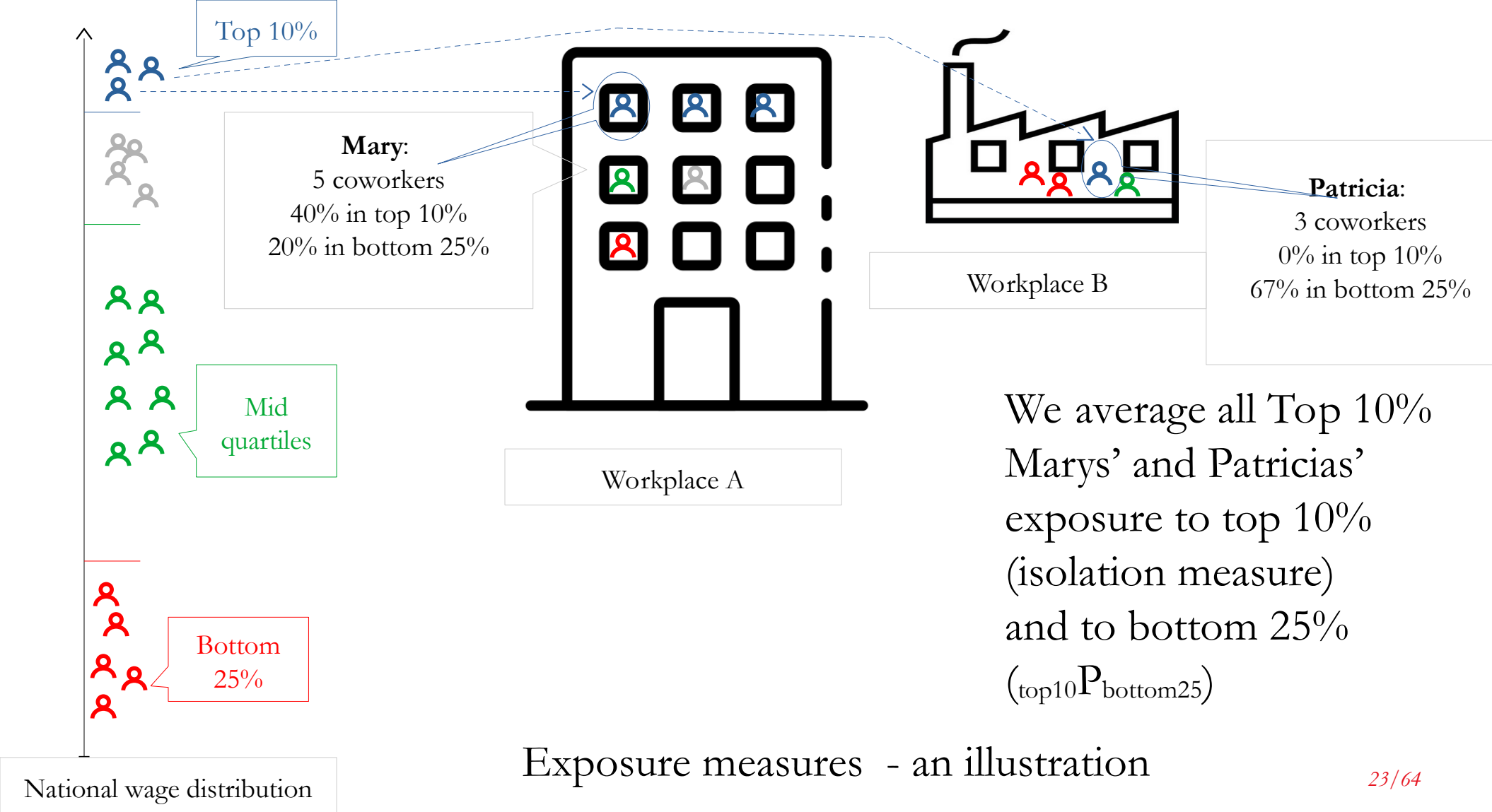
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Earnings segregation at work is an understudied topic in social science, despite the workplace being an everyday nexus for social mixing, cohesion, contact, claims making, and resource exchange. It is all the more urgent to study as workplaces, in the last decades, have undergone profound reorganizations that could affect the magnitude and evolution of earnings segregation. Analyzing linked employer-employee

¹ The research and writing of this article benefited from the monetary support of the following institutions: Agence Nationale de la Recherche (grant ANR-17-CE41-0009-01);

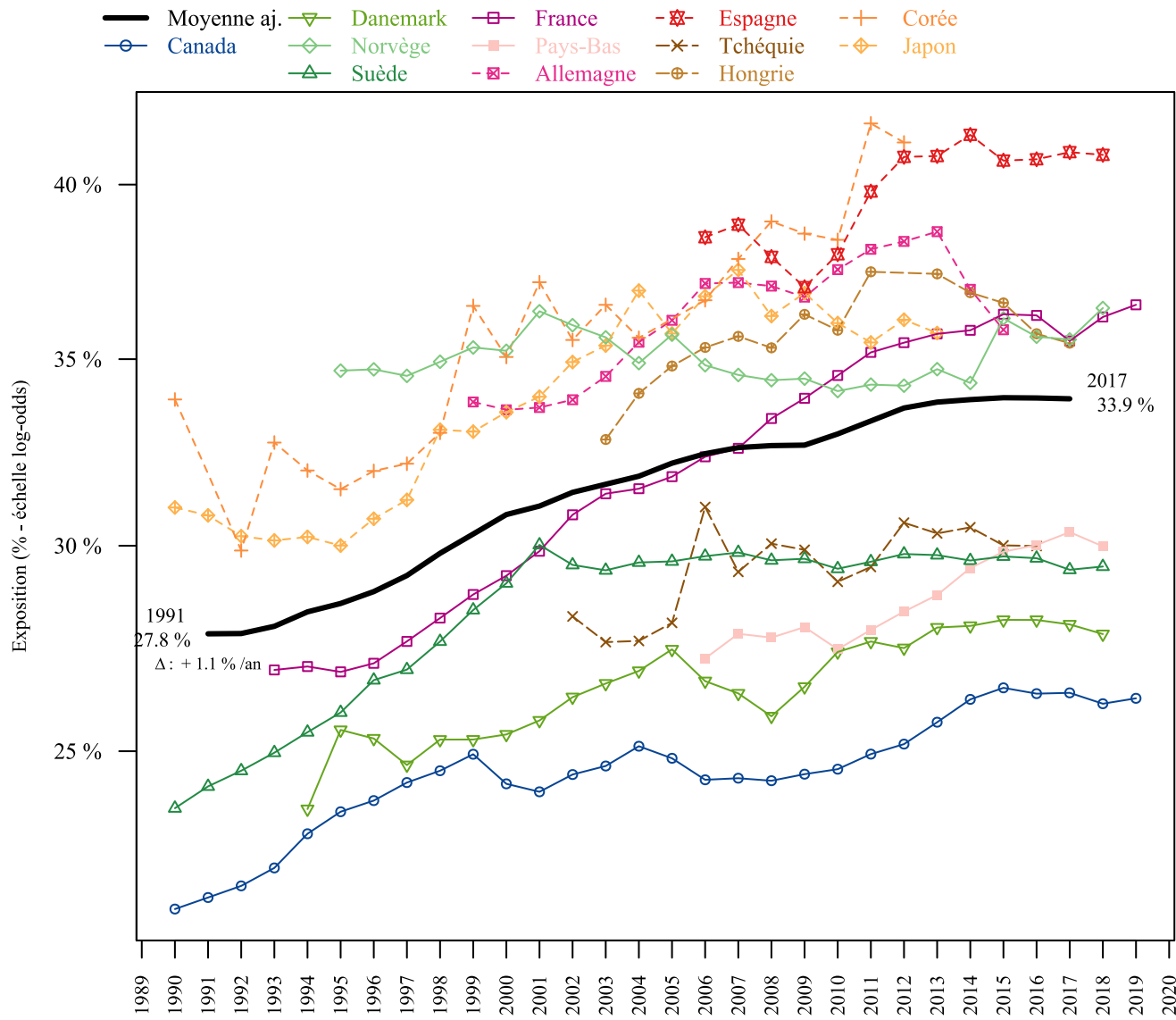
Employment segregation

- Who works with whom?
- Work is not only production of goods, but also of social life
 - Source of positive and negative externalities
- Evolution? Factors?

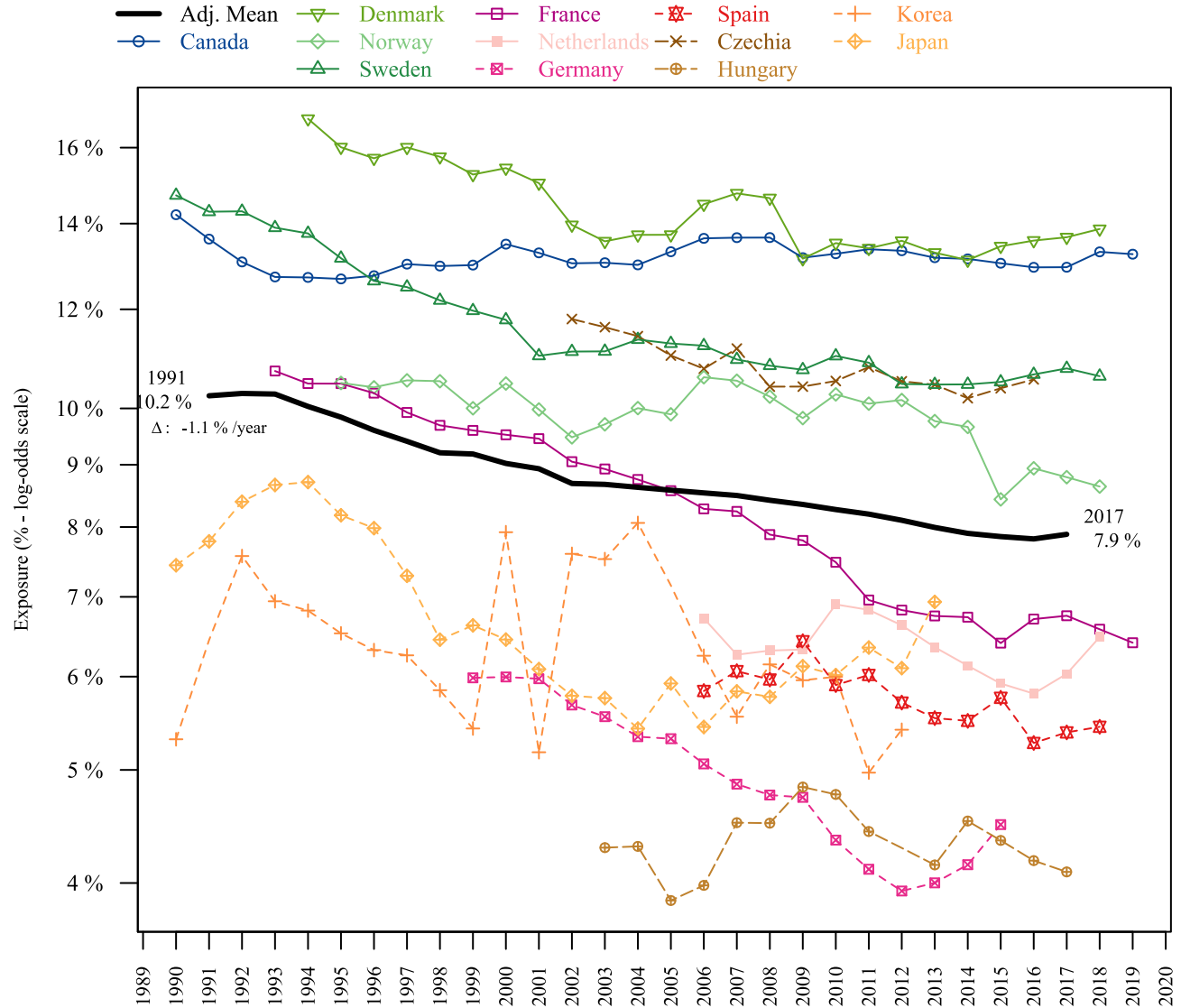


- It's segregated :
 - 34% of the coworkers of the top 10% workers are part of the top 10%.

- It increases:
 - Overall from 28 to 34 % (+1 % / an)
 - In almost all countries
 - Especially in France
 - 26 to 36 % (+2 % / year)



- Top separates mostly from the bottom :
 - 8 % of top 10% coworkers are in bottom quartile.
- It decreases sharply :
 - From 10 to 8 % (-1.1 % / years)
 - In almost all countries
 - Especially in France



Its socio-economic factors

- A first evaluation of socio-economic factors
 - ! Factors very intertwined and difficult to disentangle (Independent/Mediator)
- Geographical re-composition: small impact
- **Sectoral re-composition:** strong impact,
 - notably **deindustrialization**
- **Workplace shrinking** favors top earner concentration
 - Notably through **restructuring events** such as outsourcing, layoffs, offshoring and subcontracting
- Available indicators show a substantial impact of **digitalization**
- Opens a research agenda on the causes and consequences of workplace segregation

Your generation's challenge

- Now: AI revolution
 - Deskillling: Appropriation/expropriation of skills
 - Devaluation of skilled work vis-à-vis manual work
 - Balance of new jobs created / jobs destroyed?
- Tomorrow: Autonomous robots
 - Non routine manual work could be affected also (carpenter, plumber, cook, cleaner, nurse)
- Food for thought: compatibility of capitalism with robotized economy?

II. Organizations

Reminder on types of Weber's (1922) types of domination/authority/rule [Herrschaft]

- Domination: Chances for orders to be obeyed
- Three types of transversal form applied both to politics (State) & religion (Hierocracy)
 - Traditional domination
 - Based on “belief in the sanctity of long-established traditions and the legitimacy of those whose authority derives from these traditions”
 - Charismatic domination
 - Based on “the exceptional sanctity or heroic qualities or exemplary character of a person, and of the orders that this person proclaims or creates”
 - Legal domination with bureaucratic staff
 - Based on “a belief in the legality of statutory orders and the right of those appointed to exercise rule to give directions (legal rule)” (Weber, 1922)
- Applied to politics
 - Traditional domination
 - Patriarchalism
 - Gerontocracy
 - Patrimonialism
 - Feudal domination as a limit case, mostly patrimonial, but with charisma component
 - Charismatic domination
 - Bureaucracy

The bureaucratic-legal domination

- An ideal-type → stylized traits, not always completely present
- A precise set of activities
- Governed by impersonal rules
- Based on written documents
- Obeying to rules
- Constituted of experts
 - Professionalization
 - Full time
 - Selection for their specific skills and knowledge
 - Organized in a hierarchy
 - Career (fixed salary, increasing with seniority, promotions, etc.)
 - Separation of private life and professional life

Bureaucracy is impersonal

“Bureaucracy develops the more perfectly, the more it is “dehumanized,” the more completely it succeeds in eliminating from official business love, hatred, and all purely personal, irrational, and emotional elements which escape calculation. This is appraised as its special virtue by capitalism.

The more complicated and specialized modern culture becomes, the more its external supporting apparatus demands the personally detached and strictly objective expert, in lieu of the lord of older social structures who was moved by personal sympathy and favor, by grace and gratitude. Bureaucracy offers the attitudes demanded by the external apparatus of modern culture in the most favorable combination.” (Weber, [1922])

« [La bureaucratie] développe d'autant plus complètement sa spécificité qu'elle se déshumanise – une évolution bienvenue pour le capitalisme – et réussit à cultiver la qualité singulière qui est prisée comme sa vertu, la capacité à évacuer l'amour, la haine et toutes les composantes émotionnelles et purement personnelles, irrationnelles par définition, qui échappent au calcul.

A la place des maîtres des ordres anciens, qui se laissaient guider par la sympathie personnelle, la faveur, la grâce ou la la gratitude, la culture moderne exige que l'appareil extérieur sur lequel elle se fonde soit aux mains de spécialistes impartiaux d'un point de vue humain, et donc strictement “objectifs”, et cette exigence se renforce au fur et à mesure que la culture devient plus complexe et plus spécialisée. Or, la structure bureaucratique satisfait ces demandes de manière optimale » (Weber, [1922] 2013, p. 85)

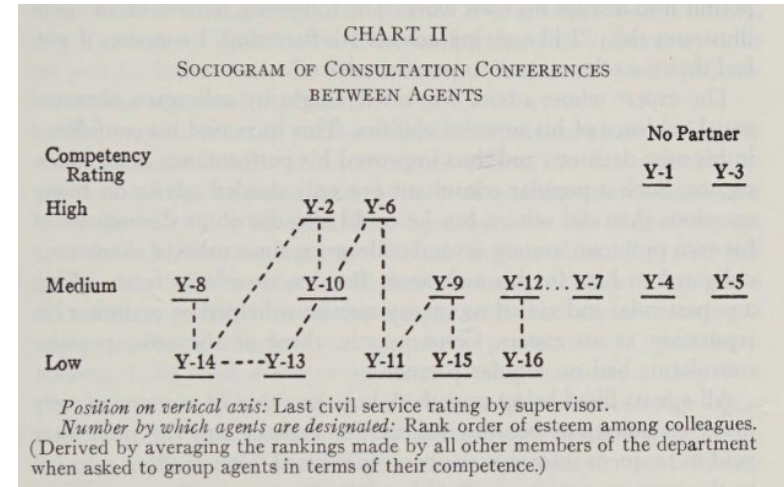
From rationality to dysfunctions.



- Weber, a little Hegelian. Bureaucracy as triumph of rationality
- Merton (1939): opposition between manifest and latent functions of bureaucracy.
 - Bureaucratic personality → Ritualism and strict application of rules

Official rules and informal practices

- Blau (1955). Bureaucracy in a Tax bureau
 - Observation of state bureau of a federal agency in charge of investigating on firms' potential tax infraction, according to legal rules. Complex cases to decide
- Rule:
 - "if the agent does not know, he/she must consult the supervisor"
- Problem:
 - "I try to stay away from the supervisor as much as possible. The reason is that the more often you go to the supervisor, the more you show your stupidity".
- Informal solution
 - Consultation of colleagues.
 - Often bilateral help. (No big star in the network)
- Efficiency of informal rules as problem solving
 - Increases group solidarity
- But, defects.
 - Supervisor is not informed/in charge
 - Creates dysfunctional skill hierarchies within the agents



Rule incompleteness (Reynaud, 2004)

- A rule defines what to do. Mechanistic determination of (collective) action?
- Rules are general and abstract
- Not in line with concrete cases
- Adding new rules → to explain how to align the rule to concrete cases. → Risk of regression to infinity (dictionary paradox)
- Rules need to be interpreted. Role of usage, routines, habits

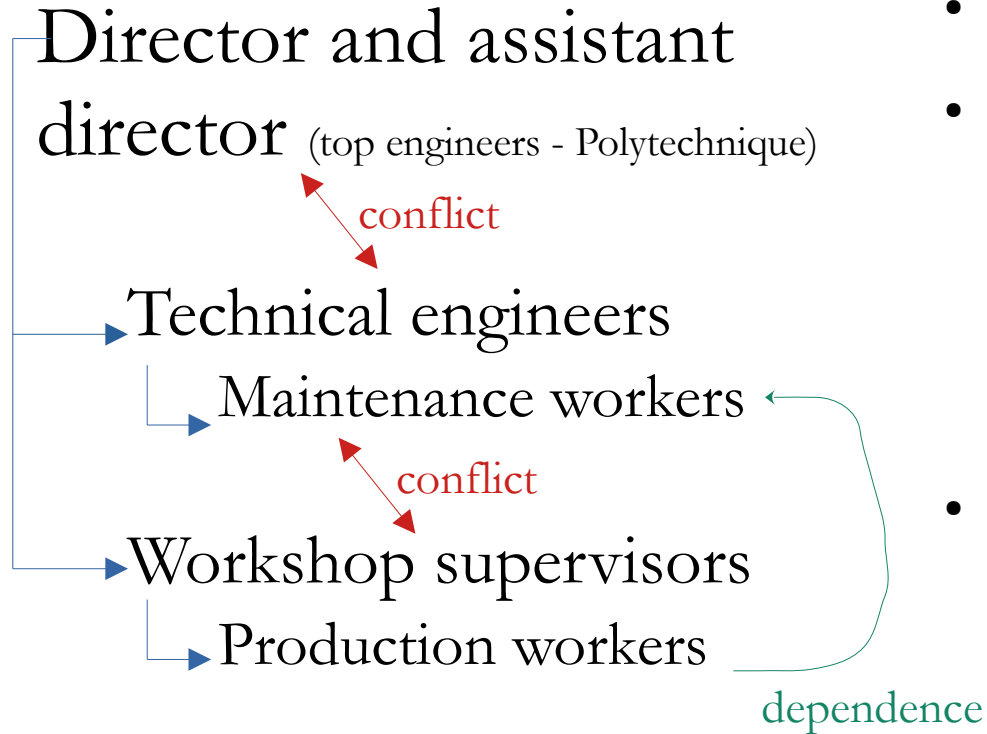
Crozier (1963) Bureaucratic phenomenon

Case 1. Industrial monopoly (SEITA. The French tobacco monopoly)

- Work organized by strict rules (shifts, career) often along seniority
- (Mostly) Female production workers
 - Unskilled. Produce on machines often broken-down
 - Criticize maintenance workers for lack of maintenance. Disrespect supervisors
- Male maintenance workers
 - Skilled. Repair the machines
 - Criticize production workers for lack of care
- Workshop supervisors
 - Limited authority. Frustration. Angry at maintenance
- Managers
 - Try to impose their power through permanent reorganization



Official power and true power



- Source of uncertainty: unpredictable machine stoppage
- Gives power to maintenance workers
 - Keep secrecy over knowledge for repairing machines: no explanation, no documentation, oral transmission to new maintenance workers
 - Over production workers dependent on them, but recognizing their union leadership
 - Over the supervisors
- Power also to technical engineers over directors
 - But their career progression is blocked

Power as relational uncertainty

- Seita case: Zones of uncertainty as a source of power
- Power is not “owned”
 - Relational
 - Asymmetric
 - Negotiated (compliance is negotiated)
- Revisiting Dahl: “the power of a person A over a person B is the ability of A to obtain that B do something he would not have done otherwise”
- “the power of A over B depends on A's ability to predict B's behavior and on the uncertainty of B about A's behavior” (Crozier, 1963)

Crozier (1963) Bureaucratic phenomenon

Case 2. Clerical agency (Caisse Régionale d'Assurance Maladie de Paris)

- Large-scale Parisian administrative organization employing 4,500 people
- At the bottom female workers doing simple operations.
 - Mail management + accounting with mechanic machines
- Vicious circle: Heavy workload + bad working conditions → turn over (15% per year), low seniority (3 year average) → Increased workload
 - Apathy and dissatisfaction.
 - Teams productivity can drop because work shortage
 - Work and organization is routine oriented
- Bad circulation of information on team resource needs. Top management not well informed by supervisors.
 - Fear that middle managers, who compete for resources will present biased information to only favor their team.
- Managing with impersonal, abstract rules.
 - General dissatisfaction, but workers have a sense that rules protect them from arbitrariness. Avoiding face to face interdependence and personal interactions



Source: Service du portefeuille à l'annexe centrale parisienne de la BNCI
<https://histoire.bnpparibas/>

The bureaucratic inflation

- Zone of uncertainty → source of power
- Demand for new rules to reduce this power
- New rules → also create new zones of uncertainty
- Inflation in rules → increase in rigidity/routine
- Over determined bureaucratic worker:
 - Using its power to over comply or not to rules: only power left, and used as a form of power
 - “Grève du zèle”: Work-to-rule strike



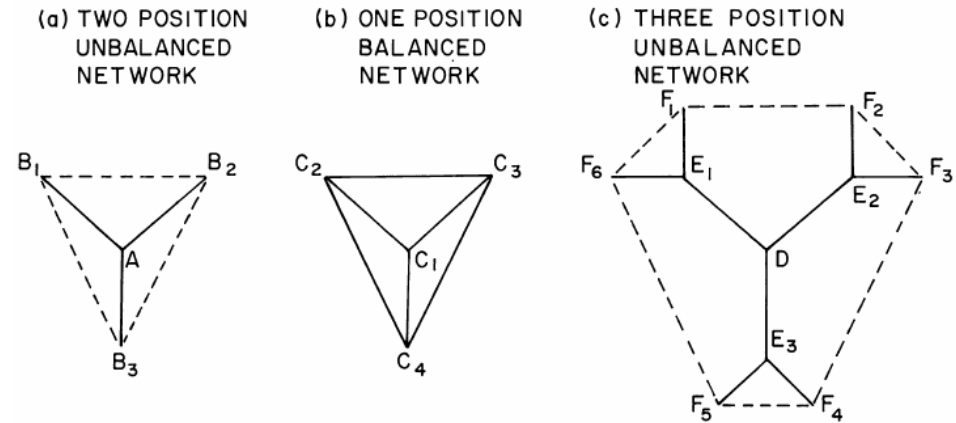
Terry Gilliam, 1985. *Brazil*

Sources of power in an organization (Crozier, Friedberg, 1977)

- Sources of zones of uncertainty in an organization
 - Skill and knowledge specificity
 - Expertise monopoly. Classical case: IT service.
 - Relations to a firms' environment
 - Power of “boundary spanning” [*marginal sécant*] or broker power
 - Circulation of information
 - To block or circulate information
 - Consequence of rules themselves
 - Negotiation over transgressing or not the rule
- Strategic analysis
 - Actors have always some freedom. They are strategic. With incomplete information and bounded rationality
 - Sociologist → Uncover the concrete action system between actors and its zones of uncertainty
 - No one best way.

Power: a resource-dependence approach

- Social exchange approach.
 - “The dependence of actor A upon actor B is (1) directly proportional to A's motivational investment in goals mediated by B, and (2) inversely proportional to the availability of those goals to A outside of the A-B relation” (Emerson, 1962)
 - Power “is having something that somebody else wants” (Pfeffer, 1981).
- The more A depends on B, the more B has power on A
- A combination of a network structure
 - Monopoly power due to brokerage
 - And access to resource controlled by B



KEY: All lines are communication links;
Solid lines have high exchange value (total benefit = 24)
Broken lines have low exchange value (total benefit = 8)
Letters identify "positions" and numerical subscripts identify persons as occupants of positions.

From power in games

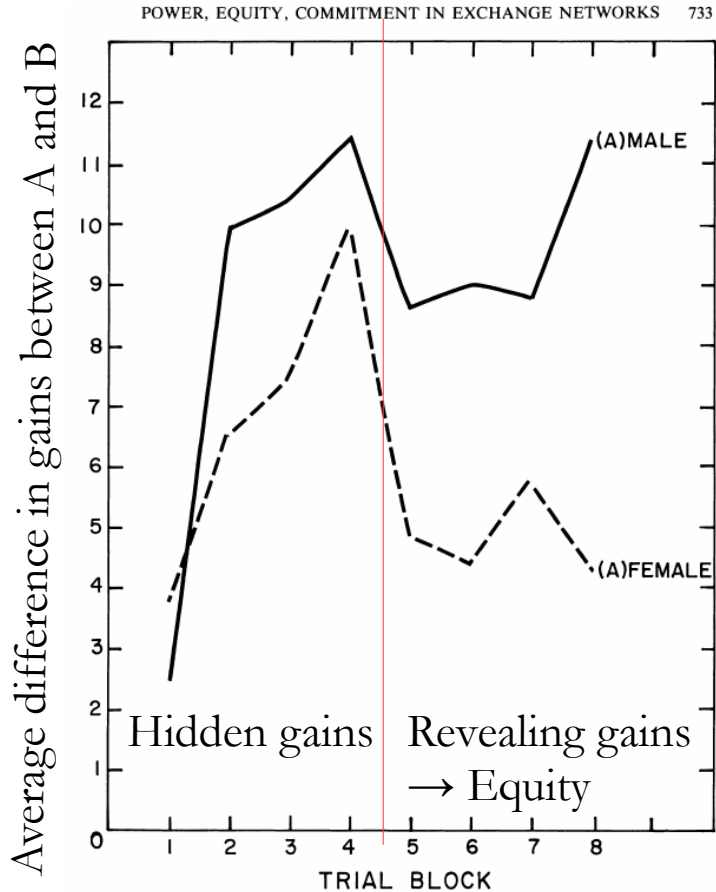
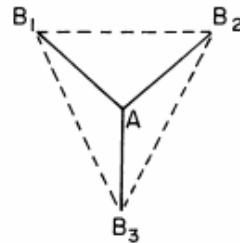


Figure 4. Average Power Use (p_a), in Position A by Sex

(a) TWO POSITION UNBALANCED NETWORK



(b) ONE POSITION BALANCED NETWORK

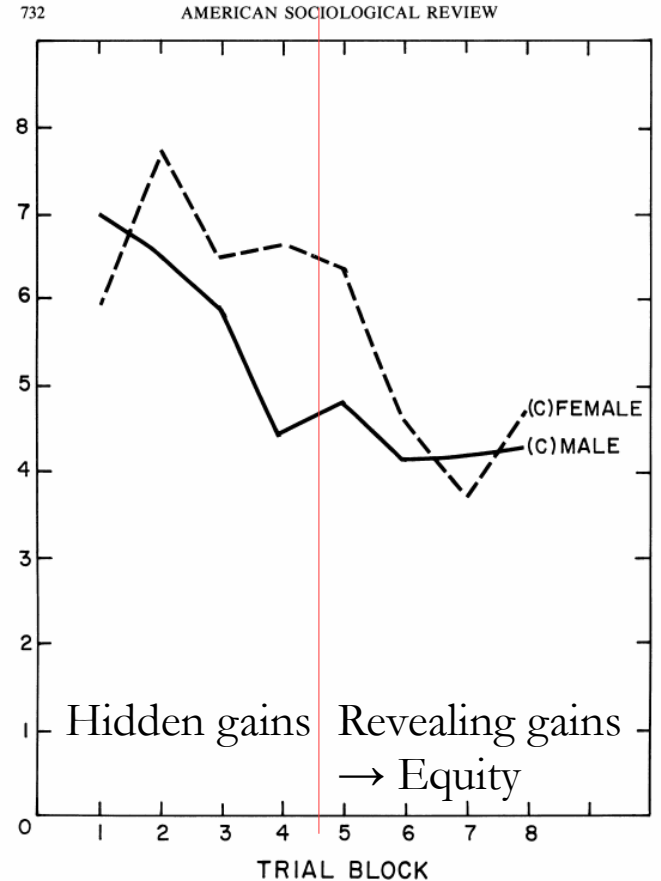
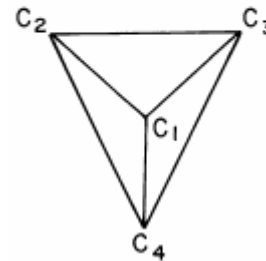


Figure 3. Average Power Use (p_c), in Position C by Sex

Average absolute difference in gains between C_i and C_j

To power within the firm: Resource dependence theory

(Pfeffer, 1981; Pfeffer and Salancik, 1978)

- Controlling resources gives power
 - Examples of resources: “money, prestige, legitimacy, rewards and sanctions, and expertise, or the ability to deal with uncertainty”
 - Especially: Monetary resources
 - Ex. Grants in a university
 - Incremental/slack resources can be a key to acquire power on an organization
- Type of controls
 - Ownership
 - Access control
 - Regulation
- Being irreplaceable
 - Ex: Knowledge. Lack of documentation or expert language → making oneself irreplaceable

Network approach to power: Structural holes (Burt, 1992)

- Make your self indispensable → maximize the “holes in your network”
 - Structural holes: a measure of how much your contacts are disconnected
- Informational benefits
 - Non redundant information
 - Local monopoly in the circulation of information
- Control benefits: Tertius Gaudens
 - “Divide and conquer” strategy: Leverage competition between contacts

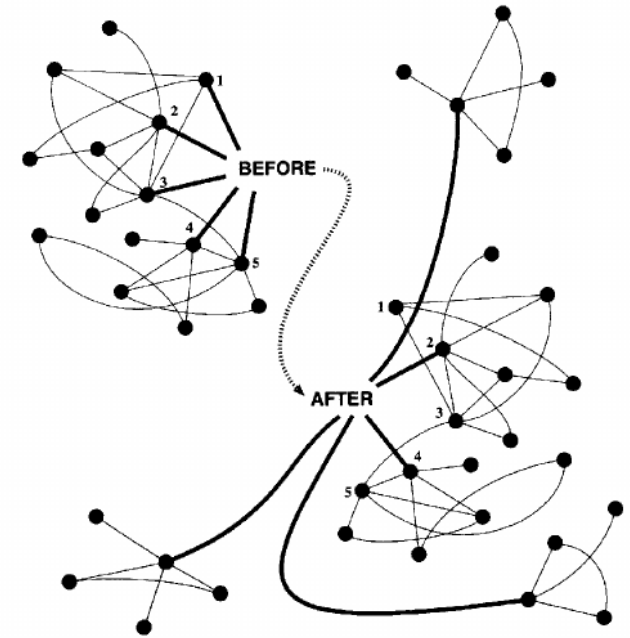


Figure 1.4 Optimizing for structural holes

Results (Burt, 1992)

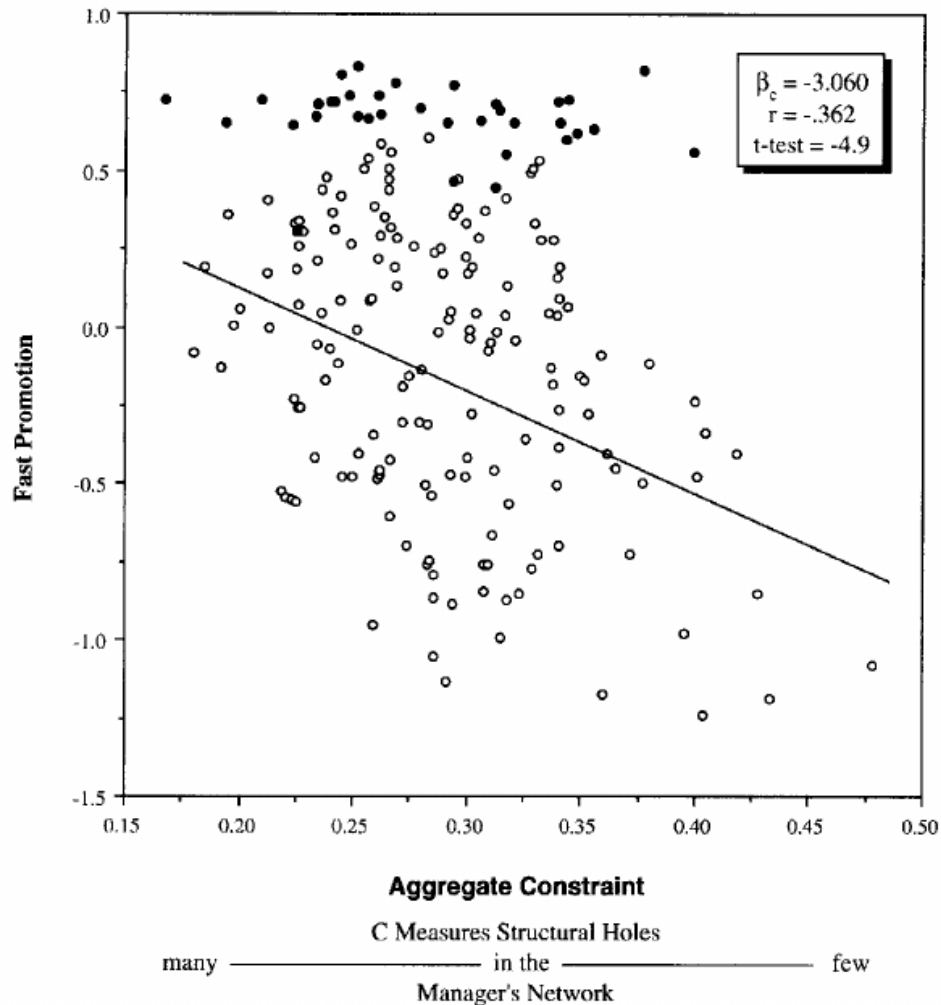
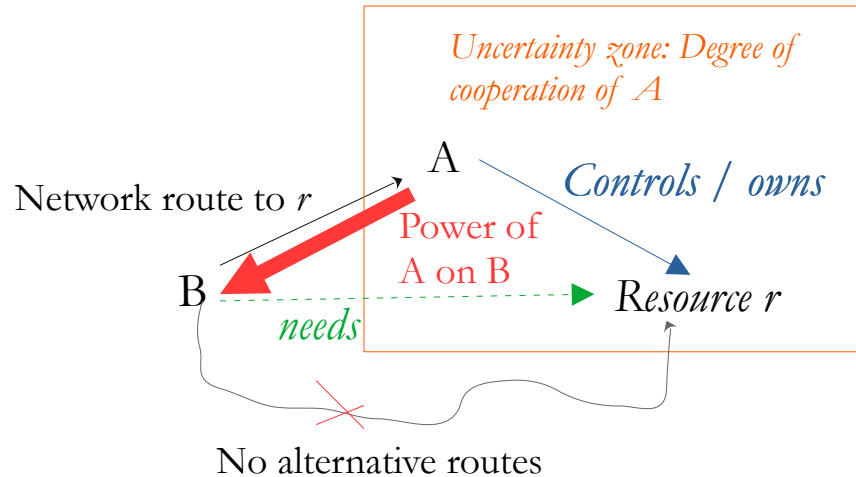


Figure 4.5 Constraint delays promotion. (These are managers at social frontiers within the firm; managers at remote plants, women, field managers and recent hires. Solid dots are managers promoted to their current rank within the last year.)

- Study of a firm
 - Sociometric survey among 540 top managers in a US high tech company
 - 280 responses
- The more structural holes in your network, the faster your promotion

Power in the firm in short: uncertainty, resources and network



- Network pattern creating brokerage power (Burt)
- Key resources (Pfeffer)
- Uncertainty: Possibility for A to modulate degree of cooperation (Crozier)
- Create power situation

Power, authority, and hierarchy

- Power concept is more instrumental
 - Acting on others
- Authority adds to power legitimacy
 - Following or transgressing norms matter.
- Hierarchy corresponds to the official structure of governance
 - organizational chart
(*organigramme*)
- Power becomes visible when there's misalignment of power and official hierarchy
 - "Politics" within the firm
- Hierarchy does not have "full power" but it is not "powerless"
 - Sociology of inefficient bureaucracy → often state agencies, less submitted to market pressure
- Fine tune positive and negative incentives to impose cooperation from lower levels
 - Positive: bonuses, pay increase, promotions, perks
 - Negative: sanctions, dismissals, lawsuits
 - Tight labor markets decrease the efficacy of these negative sanctions
- Alignment of incentives is the question of corporate governance
 - Firms do not opt necessarily for optimal governance: "satisfying" solution in a context of uncertainty and difficulty to calculate
 - Evolutionist equilibrium: firms with bad governance could be on the long term eliminated by market pressure
 - Fast changing conditions → "inefficient" organization do exist and survive

Relations between organizations

- Organizations dependent on resources in their environment and/or controlled by other organizations (Pfeffer and Salancik, 1978)
- Example: US state demands for affirmative action policies among Top 100 US Defense providers
 - Do firms comply?
 - Yes if they sell a lot to the government?
 - US government has power over them (line 1)
 - Less so if they have a monopoly power
 - They have power over the US government (line 2 and 4)

Table 3.2: U.S. Defense Contractors' Responsiveness to Inquiry About Employment Opportunities for Women as a Function of Proportion of Sales to the Government, Firm Size, and Control of Production

<i>Type of Firm</i>	<i>Correlation</i>	<i>Sample Size</i>
Large, visible firm, not controlling production of items	.84 ^[a]	13
Large, visible firm, with control of production of items	.46 ^[b]	13
Small, less visible firm, not controlling production of items	.02	26
Small, less visible firm, with control of production of items	-.67 ^[a]	26
^[a] <i>p</i> < .01		
^[b] <i>p</i> < .05		

Dependencies between firms increase Buyer (or seller) power (Wilmer, 2018)

- Organization of economic activity along complex and long value chains
 - Super-star firms versus subcontractors, outsourced providers.
 - Provider-Buyer
 - Giving large buyer some power
- Impact on wage
 - Data: US Firms between 1978 & 2014 dependence on large buyers (>10% annual revenue).
 - Impact on average wages
- Result:
 - a 10 percentage-point increase in reliance on dominant buyers is associated with a 1.2 percent decrease in supplier wages



Markets or hierarchy?

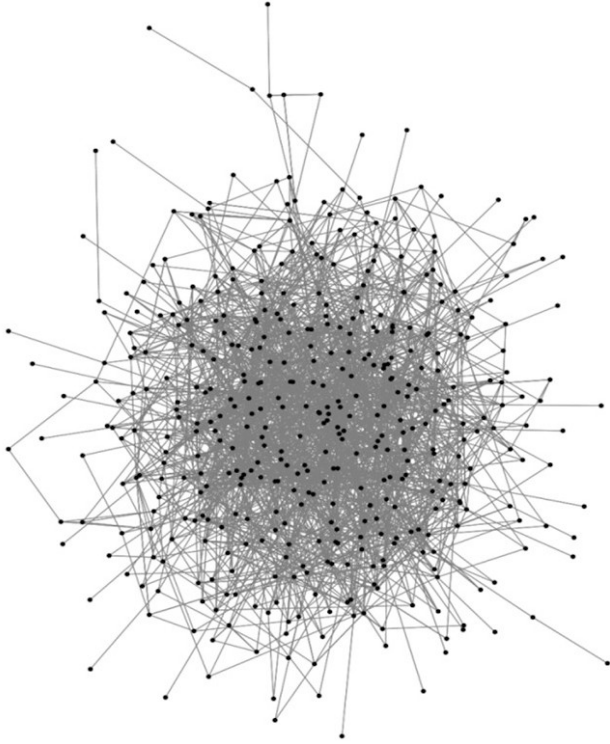
Transaction cost approach (Williamson, 1985)

- Buy or make decision
- Markets or hierarchy
- A problem of asset specificity and post-contractual opportunism
- Firm B is provider for firm A and firm B has to make a specific investment (like a mold) only to serve firm A
- Danger of hold-up: Firm can renegotiate and ask for lower prices
- Firm B cannot refuse because cannot sell goods elsewhere.
- Firms anticipate hold-up situation. They refuse to invest in relations where they are at risk of hold-up.
- Solution: hierarchy. Integration within the firm
- Limit: split rationality. Limited short term, but good on long term
- Hierarchical integration do not solve completely solve the hold-up problem. Turns a commercial hold-up into a within firm power relation.

Organization within fields

- Transaction (buyer/seller) between organizations not the only interaction
- Firms observe one another (White, 1981), especially competitors on a same market
- They tend to resemble one another and adopt the same type of organizational practices (Di Maggio, Powell, 1983)
- Isomorphism
 - Mimetic isomorphism
 - Firms imitate one another.
Management fashions
 - Coercive isomorphism (political constraints)
 - Submission to the same regulation
 - Normative isomorphism (due to professionalization)
 - Role of job markets, of consultants, of the training of CEOs.

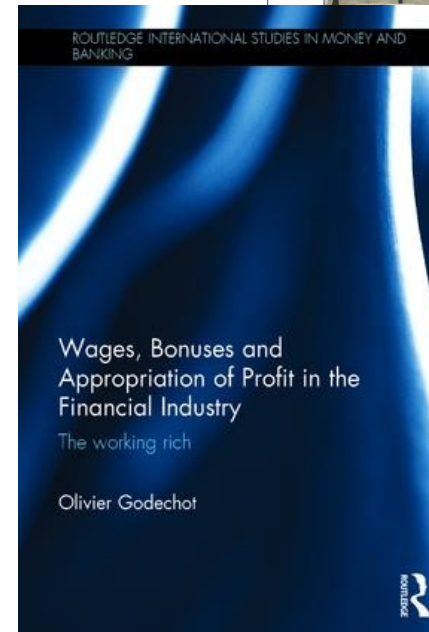
Interlocks: Networks of organization



- Firms are connected via board “interlocks”
- “Inner circle” of hyper connected firms/CEOs
- Is this hyper-centrality a source of power?
Manifest capitalist class power?
 - No! Interlocks matter more for circulation of information (Mizruchi, 1996). Or for CEO pay (Godechot et al. 2022)
- Recent decline of interlocks (Mizruchi, 2013)
 - Less normative constraints

III. Power and wages in finance

Work, organization, power and pay. The case of financial wages



olivier godechot

working rich

salaires, bonus
et appropriation du profit
dans l'industrie financière

éditions la découverte
textes à l'appui

A case of hold-up

- 17 millions for a head of trading room and his deputy at Neptune Bank in early 2001.
- A contract
 - Resignation of the 2 for a German rival bank
 - 48 hours given to their bank to match the rival offer
 - Formula $8,5\% + 6,5\%$ of the bonus pool
 - On the eve of a major Securities Transaction
- A great year in 2000

A well done negotiation

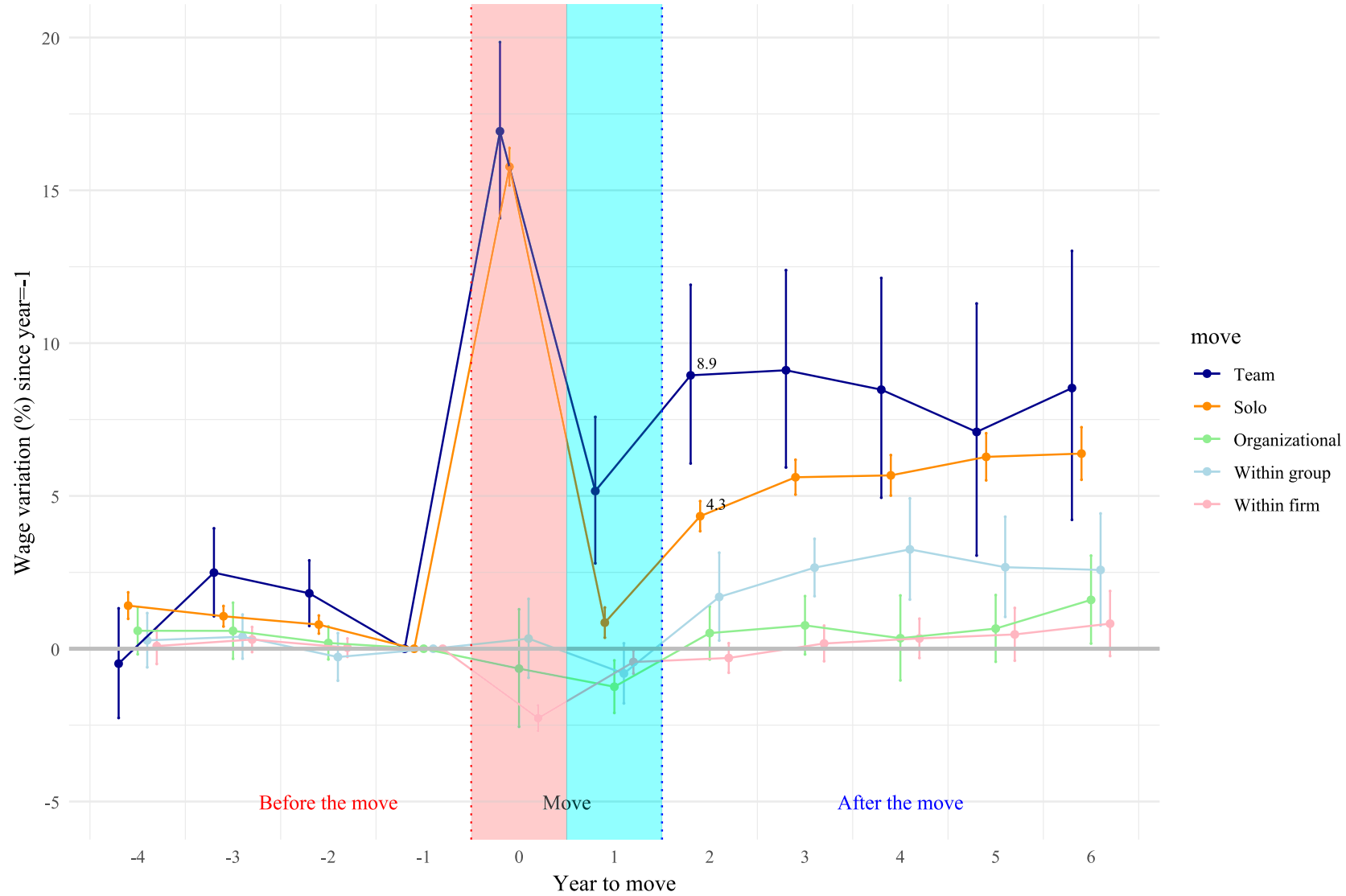
- *Timing*
 - Exploiting the feeling of urgency linked to the Securities Transaction.
- *Choice of the bank*
 - Secret
 - Not involved yet in Equity Derivatives
 - Credibility.
- *Percentage*
 - Benefiting from the growth of money invested without being affected by the growth of headcount
 - Rate used in the formula would probably be applied on very different pools.
 - Remains acceptable for the bank (short term profit not diminished)
- *Overall context*
 - Very good economic conditions for the following year. But probable reversal.
 - Leveraging the frenzy of *last-movers*
 - Without taking the risk of going with *last-movers*

Moving the plant!

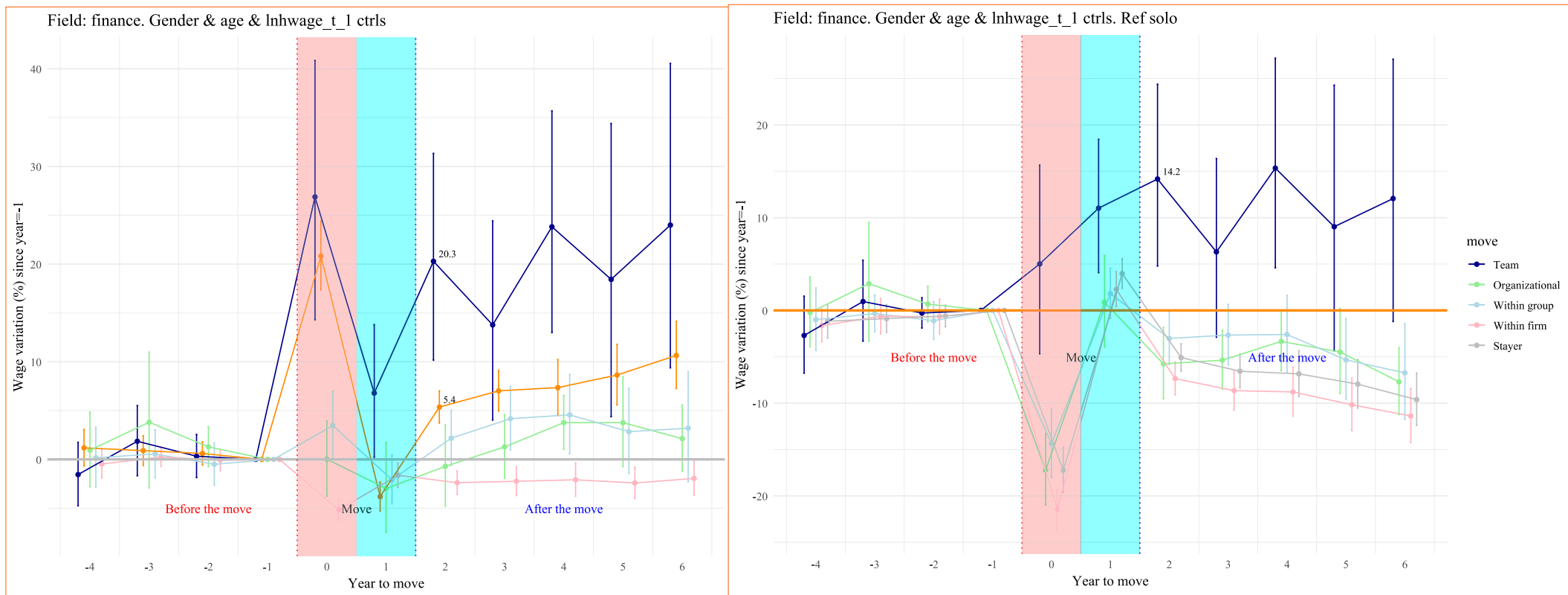
- Not just a sense of *kairos*.
- *Resigning together*
 - Resignation : signal of determination
 - Collective. Difficult to replace
 - Social Capital. Credible threat to take their whole team with them

Some elements of statistical confirmation (Work in progress)

Field: all. Gender & age & lnhwage_t_1 ctrls. & ind2 FE



Finance sector



Warning: Team movers: n=165

To (not) conclude

Ending Intro 2 to Soc

- No strong jurisdiction monopoly: territory, paradigms, methods, concepts shared with other social sciences
 - I don't know exactly whether my research and my teaching is specifically sociological (or economic, or historical, or anthropological)
- But sociological air de famille in the approach
 - Methodological versatility
 - Reflexivity
- Sociology has some virtues
 - A science but also a useful social tool.
 - Can I understand how and why others act the way they do?
 - To deepen next years

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