

CHOOSE YOUR SUPPLIER CAREFULLY

Effects of trust problems and social embeddedness on supplier choice in household outsourcing¹

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Abstract:

This paper studies the effects of trust problems and social embeddedness on the attractiveness of outsourcing suppliers of three household tasks, namely home maintenance, housecleaning, and childcare. Trust problems are an important issue in household outsourcing, because the supplier of the outsourcing service often works unsupervised in the privacy of the household. Data were collected by means of a vignette experiment among 765 Dutch households. The results show that households prefer suppliers who are embedded in structures of social relations when outsourcing fundamental household chores and they are willing to pay for it. Households especially prefer a supplier they know, particularly if they have previous positive experiences with a supplier. The likelihood of problems is also important: the possibility of direct observation of the supplier's efforts and language fluency increase the attractiveness of suppliers. The results suggest that differences in values and inter-national trust do not make a difference: households seem to be indifferent about the supplier's nationality.

Keywords: social embeddedness, trust problems, household outsourcing, supplier choice

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1 Introduction

Exchange relations often involve substantial risks not easily covered by formal arrangements. According to the new economic sociology (Granovetter 1985; Smelser & Swedberg 1994), trust inspired by social embeddedness reduces risks associated with exchange and thus compensates for the inevitable incompleteness of formal arrangements. The analysis of exchange should incorporate the social embeddedness of transactions because ‘the anonymous market of neoclassical models is virtually nonexistent in economic life’ (Granovetter 1985: 495). The embeddedness of economic exchanges in social relations generates trust by allowing effective non-legal sanctions, reducing the need for safeguards to ensure trustworthiness. Studies on economic exchanges by organizations show that social embeddedness decreases investments in contractual arrangements (e.g. Batenburg, Raub & Snijders 2003; Gulati 1995a, b; Rooks et al. 2000). Likewise, organizations prefer embedded exchange partners whom they trust to unknown partners (Buskens, Batenburg & Weesie 2003).

Although the embeddedness argument is often applied to explain exchanges between organizations, it may also provide important insights into exchanges by households. Households also engage in exchange relations that involve substantial trust problems. Inspired by the work of Ben-Porath (1980) and Pollak (1985), family research increasingly acknowledges that households are confronted with risks in exchange relations. These family studies apply insights from the transaction cost approach to firms (Coase 1952 [1937]; Williamson 1981, 1985) to the household. Earlier studies focus mainly on the consequences of trust problems for exchanges *within* the household between household partners, for example in the area of contracting and financial arrangements in intimate relationships (e.g. Giesen 1999; Ludwig-Mayerhofer 2000; Treas 1991, 1993; Treas & Widmer 2000). More recently, the consequences of trust problems associated with *external* exchanges by

households have been considered by focusing on the risks associated with household consumer transactions (e.g. DiMaggio & Louch 1998) and household outsourcing, i.e. the purchase of domestic services (De Ruijter, Van der Lippe & Raub 2003). For example, trust problems might deter households from outsourcing (De Ruijter & Van der Lippe 2004). Taking a transaction cost perspective, opting for household outsourcing depends on the efficiency of alternative arrangements in preventing undesirable consequences. If households have to incur greater transaction costs to prevent problems, household outsourcing is less likely.

Only limited attention has been devoted to the study of the application of the social embeddedness argument to household exchanges since earlier studies focus on intimate exchange relations within households. Some studies focus on the continuity and stability of partner relations to indicate embeddedness in ongoing partner relations (e.g. Giesen & Kalmijn 1999; Treas 1993). Barely any attention has been devoted to the influence of partners' network ties on dealings within the household. An exception is the study by Treas and Giesen (2000), who show that network embeddedness affects intimate relations: weaker network ties to the partners increase the likelihood of sexual infidelity.

Household exchange relations outside the household context involve risks that can be mitigated by the social embeddedness of transactions. The recent increase in the use of household outsourcing (e.g. Bittman, Matheson & Meagher 1999; De Ruijter 2004) means households increasingly engage in economic exchanges involving precisely the tasks that are of significant and special value to household members (e.g. Ahlander & Bahr 1995; DeVault 1991). Households face the risk of outsourcing suppliers pursuing their own interests, which can have negative consequences for the household. The risk associated with outsourcing household tasks goes far beyond sheer financial interests (De Ruijter, Van der Lippe & Raub 2003). While keeping domestic work and care within the boundaries of the nuclear family

implies social exchanges in a context of family loyalty that overrules the unbridled pursuit of self-interest (Pollak 1985), the outsourcing of household tasks occurs in a context of economic exchange. The social embeddedness of the outsourcing transaction may provide benefits of exchange similar to the advantages of the family loyalty context associated with household production and care within the boundaries of the family.

Trust problems do not necessarily deter households from outsourcing since the extent to which problems are likely to occur differs from one supplier to the next. Households may prefer an outsourcing supplier they know and trust to an unknown, anonymous one. In other words, the social embeddedness of the outsourcing transaction makes a difference. Earlier outsourcing studies focus solely on whether or not households outsource central tasks (with some exceptions in childcare research, e.g. Hofferth & Chaplin 1996; Johansen, Leibowitz & Waite 1996; Kuhlthau & Mason 1996). We argue that in the event of substantial trust problems, the trustworthiness of outsourcing suppliers is an important factor in household decision-making. The embeddedness argument grants insight into the effects of the embeddedness of outsourcing relations in structures of social relations, an aspect that has hardly been considered in earlier studies. Households may know a supplier or have previous experience with him or her. Since outsourcing involves substantial trust problems, we expect households to prefer a supplier they know and trust to an anonymous one. An explanation of supplier choice should consequently consider the embeddedness of the outsourcing relation in structures of social relations (De Ruijter, Van der Lippe & Raub 2003). A qualitative study notes the significance of social embeddedness in household outsourcing: the labor market for private, paid domestic work largely works via informal social networks (Hondagneu-Sotelo 2001).

In this article, insights from the transaction cost approach and the new economic sociology are used to examine the effects of trust problems and social embeddedness on the

attractiveness of outsourcing suppliers. We address the attractiveness of suppliers of three types of tasks: home maintenance, cleaning, and childcare.

2 Explaining the attractiveness of outsourcing suppliers

In household outsourcing, trust problems may arise. Assuming households have incomplete information about the quality of outsourcing services, they face the risk of undesirable supplier behavior. For instance, outsourcing suppliers might have a very different conception of how tasks should be performed. Unwanted supplier behavior can also be generated by a lack of skills. In addition, a supplier can take advantage of the household by behaving opportunistically, for example by charging for extra hours or performing poorly in a way that is not directly visible. Households have to invest in transaction costs to prevent undesirable behavior of this kind by outsourcing suppliers. The costs may involve the expenses of finding a reliable supplier, investments in surveillance, or certain guarantees and safeguards. Households may ask potential suppliers for references, engage in trial transactions, pay surprise visits, and so on.

The total transaction costs of measures to prevent problems differ from one supplier to the next because problems are more likely to occur with some suppliers than others. The attractiveness of a supplier depends on the transaction costs the household needs to incur to prevent problems. The more transaction cost investments are needed to enable exchange with a particular supplier, the less attractive the supplier is to the household. The investments required to enable exchange depend on (a) the problem potential associated with suppliers and (b) the social embeddedness of the relation between the household and the supplier.

2.1 Problem potential

Households invest more in transaction costs or run greater risks if they hire a supplier associated with a greater 'problem potential' (Batenburg, Raub & Snijders 2003). This is why the problem potential can be expected to influence the attractiveness of outsourcing suppliers. In the explanation of supplier choice, indicators can be identified of the problem potential that vary from one supplier to the next. The likelihood of a supplier causing a problem depends on his opportunities to take advantage of the household. These opportunities differ from one supplier to the next.

There are differences among suppliers as regards the likelihood of problems with respect to *information asymmetry* between the household and the supplier, also known as uncertainty (Williamson 1981, 1985). Information asymmetry means the outsourcing supplier has more or better information than the household. If it is possible for the household to directly observe the supplier's work, the information asymmetry is relatively small. Possibilities for direct observation are found to increase the likelihood of outsourcing (De Ruijter & Van der Lippe 2004). Direct monitoring enables households to evaluate the performance of outsourcing suppliers and see for example how slowly the handyman works. Although information asymmetry often depends on the task, the extent to which it is possible to observe the supplier also depends on the supplier and the household. If suppliers are able to work at times when one of the household members can be at home, this lowers the problem potential. Opportunities to directly monitor the supplier's efforts thus increase the supplier's attractiveness to households.

Communication problems also increase the likelihood of problems. For example, if the outsourcing supplier does not fluently speak the language spoken by the household, the supplier and household have problems transferring information to each other. The household cannot properly explain how they want the work done and the supplier cannot provide and

request information. The household runs the risk of the supplier taking advantage of the language problems or performing poorly because the supplier has not properly understood how the household wants the work done. Although communication problems can occur to some extent between suppliers and households who speak the same native language, these problems are more likely to occur between exchange partners who do not.

Households may also perceive a higher likelihood of problems if there are fewer similarities between them and a supplier. Social psychological studies show that people attribute good features such as trustworthiness, honesty, intelligence, and beauty to people who are similar to them (Hinde 1997). People are more likely to trust people who are socially similar to them; this is known as ‘character-based trust’ (Zucker 1986). Households may think problems are more likely to occur in dealing with suppliers from another racial or cultural background due to the social distance. For example, the Dutch have the least trust in Chinese and Turkish people and the most trust in the Dutch and people from Luxembourg, Denmark and Belgium (Snijders 1998). In dealing with people from dissimilar countries, the perceived likelihood of problems is higher because these foreigners are considered less trustworthy. Inter-national trust facilitates economic exchange: nationalities that trust each other write shorter contracts and experience fewer problems in exchange relations (Snijders 1998). In household outsourcing, international levels of trust can also be expected to influence supplier choice. Race or cultural background can be perceived by households as indicating a greater probability of problems. People can be expected to prefer a supplier from their own country or another Western country because they trust similar nationalities more.

A difference in nationality may also be associated with a higher problem potential due to differences in values. People from different cultures may have different views on how tasks should be performed. As the qualitative study by Hondagneu-Sotelo (2001) reveals, many Latina domestic workers feel their own cleaning methods and cleaning standards differ from

those of American households. Latina nannies and their employers often have different ideas about child-rearing. Households may prefer an outsourcing supplier similar to themselves with respect to race, language, and culture since problems due to differing values are less likely to arise.

2.2 Social embeddedness

The new economic sociology addresses the effect of the embeddedness of the relationship between the buyer and supplier in transactions (Granovetter 1985; Smelser & Swedberg 1994). This embeddedness argument emphasizes ‘the role of concrete personal relations and structures (or “networks”) of such relations in generating trust and discouraging malfeasance’ (Granovetter 1985: 490). Since economic exchange enters the privacy of the household, household outsourcing always involves substantial trust problems. Household labor and care occur within a context of family loyalty, altruism, and love whereas household outsourcing means an outsider is hired to perform the fundamental tasks. Households always have to incur substantial transaction costs for household outsourcing. The social embeddedness of the household-supplier relation induces trust and reduces the required transaction costs. An embedded supplier can consequently be expected to be more attractive to households when hired to do work within the family context.

The social embeddedness of transactions has a dyadic and a network aspect (Granovetter 1985; Raub & Weesie 1990). The *dyadic embeddedness* of a transaction refers to the ongoing character of a dyadic relationship, for example the home maintenance supplier may have previously worked for the household or be acquainted with it. Having a past with a supplier gives the household information about the supplier’s trustworthiness and perhaps even the supplier’s skills and values. If future transactions are expected, the household can sanction opportunistic behavior by ending the relationship. The embeddedness of a

transaction in an ongoing social or economic relation provides information (learning) as well as possibilities for sanctioning (control) (Buskens 2002; Buskens & Raub 2002). In this study, we cannot disentangle learning and control and thus do not elaborate on these different embeddedness effects (Buskens & Raub 2002).

Network embeddedness is the extent to which actors are linked to third parties in a social network (Raub & Weesie 1990), for example if the supplier has previously worked for the household's neighbors or is a member of the same soccer club as a member of the household. Network members who know the supplier may provide information about the supplier's behavior or qualities. Positive information increases trust and negative information obviously does not. The household may also tell others about its positive or negative experiences with the supplier. The embeddedness of a transaction in a structure of social or economic relations gives the household sanctioning opportunities by damaging the reputation of a supplier (Raub & Weesie 1990).

The social embeddedness of the outsourcing relation creates trust since the household has more positive information about the supplier and can sanction undesirable behavior. Households can be expected to prefer an embedded supplier to an unknown, anonymous one. Dyadic and network embeddedness are both expected to increase the attractiveness of a supplier. Dyadic embeddedness can be expected to be of greater value to households since information from one's own experiences with a supplier is usually superior and preferred to information from others (Granovetter 1985). In addition, the sanctioning opportunities of dyadic embeddedness are more direct: households can end the outsourcing relation themselves. The threat of negative information about the supplier being 'talked around' may be less threatening to the supplier than a direct end to the dyadic relationship.

The embeddedness of the outsourcing relation may also involve disadvantages (e.g. Blumberg 1997, 2001; Lorenz 1988; Uzzi 1997). If problems arise during the outsourcing

transaction, the social relation between a household and a supplier may be damaged. The embeddedness in a structure of social relations may also have a downside. If a network member recommends a supplier who subsequently performs poorly, the relation between the household and the network member can be damaged. In addition, the supplier may spread negative information about the household if unforeseen contingencies cause a problem with negative consequences for the supplier.

Differences between households. The preference for an embedded supplier can also be expected to vary from one household to the next, for example because the likelihood and consequences of problems vary. Since social embeddedness generates trust and decreases the required transaction costs for the exchange, households facing a higher problem potential may have a greater preference for an embedded supplier than households facing less of a problem potential. The greater the problem potential faced by households, the more they need to invest in transaction costs, and the greater the utility they attribute to the social embeddedness of suppliers.

The problem potential faced by households is higher if it is harder for them to judge the quality of the outsourcing service provided by the supplier (De Ruijter, Van der Lippe & Raub 2003; De Ruijter & Van der Lippe 2004). Households are less capable of judging a supplier's output if their level of expertise is lower regarding a particular task. If suppliers are aware of this, the uncertainty creates opportunities for them to take advantage of households. Households with a low level of expertise thus attribute greater value to the embeddedness of suppliers than households with a high expertise level. Another indicator of the household problem potential refers to the immaterial assets of the household and relation-specific investments (De Ruijter, Van der Lippe & Raub 2003; De Ruijter & Van der Lippe 2004). The greater the value households attribute to how things are done (process values) and the higher their quality standards, the more time and effort they will have to invest in explaining

to the supplier how they want things done. This investment is relation-specific and loses its value outside the exchange relation. The more of these investments a household has to make, the more dependent it is on the supplier. The supplier thus has more incentive to take advantage of the household. Higher quality standards and process values also indicate immaterial assets, and increase the severity of undesirable supplier behavior. For example, people who do not care how clean their house is are less upset if a housekeeper has not cleaned properly than people who treasure cleanliness. Households that maintain higher quality standards and process values are thus expected to attribute greater value to the embeddedness of suppliers since they encounter a higher problem potential.

2.3 Price

Household outsourcing is related to economic exchange if money is used as a substitute for the promises of one party in the exchange (Coleman 1990). Formal outsourcing is accompanied by financial costs. Although a higher price may also be an indication of higher quality, households are generally expected to prefer a supplier who charges a lower hourly amount. In addition, by charging less the supplier reduces the temptation to behave opportunistically and claim to have worked more hours than he actually has.

3 Data and methods

To test the hypotheses, data have been collected using a survey vignette experiment, also known as a 'factorial survey approach' (Rossi & Nock 1982). In a survey, supplier choice can be reconstructed by asking about the alternative suppliers the household is able to choose from. However, it may be problematic for respondents to recollect the suppliers available at the time of choice, especially since part of the selection is not actually perceived as supplier choice. For example, if a supplier is considered unfit for the job, the household may not even

consider the supplier as a choice alternative. In addition, unmeasured factors may influence supplier choice in real-life situations and make it difficult to estimate the effects of our explanatory variables. A vignette experiment provides more control over the independent variables, enabling us to unravel the effects of variables that are highly correlated in real-life situations (Buskens 2002).

Data collection. The vignette experiment is part of a large-scale survey among a multi-stage sample of employees from thirty Dutch firms, the Time Competition Survey (Van der Lippe & Glebbeek 2004). Home interviews have been conducted with 1,114 employees and, if applicable, their partners, at a response rate of 29 per cent, which seems reasonable compared to response rates for home interviews in Dutch national probability samples (Kalmijn, Bernasco & Weesie 1999). After the interview, a separate questionnaire containing comparisons of two suppliers for three tasks (home maintenance, housecleaning, childcare) is left by the interviewer. Respondents are asked to return the completed questionnaire and 765 questionnaires are completed, indicating a reasonably high partial response rate of 69 per cent.

3.1 Vignettes

All the households are asked to choose a supplier for outsourcing three tasks: home maintenance, housecleaning, and childcare. It is emphasized that they have to choose suppliers for all three even if they do not have children, rent a house, or do all the home maintenance themselves. As an introduction, they are asked to imagine wanting to outsource and being able to choose from the two suppliers described in the vignettes. After the job description (home maintenance, cleaning, or childcare), the respondent can choose from two available suppliers. The suppliers are similar in that they both work ‘off the books’. It is noted

that the respondents can choose a formal supplier later on in the questionnaire to avoid anxiety about hiring a supplier off the books.

Operationalization of explanatory variables

Each vignette describes five features of the supplier, which are varied in the experiment (see Table I). Figure I shows an example vignette. Two features in the vignette pertain to the *problem potential* of the supplier: (a) monitoring (3 levels for home maintenance and housecleaning, 2 levels for childcare), and (b) Turkish (3 levels). For value 3 on Turkish, no information about the supplier's background or language mastery is given in the vignette. It is assumed that households picture the supplier as being Dutch, with an associated level of language mastery. Specifying that the supplier is Dutch can evoke a tendency towards social desirability and lead respondents to choose the Turkish supplier because they do not want to be perceived as racists. Two features pertain to *social embeddedness*: (c) dyadic embeddedness (3 levels), and (d) network embeddedness (3 levels). Another feature describes (e) *price*, indicated by hourly wages (3 levels, different hourly wages for the three tasks). All the vignette features except price are included in the analyses as a set of dummy variables. Price is included as a continuous variable since there is no reason to assume non-linearity; formal tests also do not reject linearity.

< Table I about here >

< Figure I about here >

Vignette selection

For practical reasons, the number of comparisons is limited to three; each household chooses between two suppliers for home maintenance, housecleaning, and babysitting. For each of the three tasks, the pairs of vignettes are randomly selected from a full factorial design with some

restrictions. Pairs of vignettes that are monotone are discarded to prevent trivial choices and obtain a more severe test for the hypotheses (Buskens 2002). The pairs with five differences are discarded as well since comparisons of such distinct vignettes may be too complex. The sample is stratified by the number of differences between the two vignettes. There are twice as many pairs of vignettes with one or two differences as with three or four. The pairs of vignettes are randomly assigned to respondents independently for the three tasks.

3.2 Operationalization of dependent variables

The attractiveness of the vignette describing a supplier is the main latent dependent variable. In much the same way as in the vignette study by Buskens (2002), the method of paired comparison is used and respondents are asked to compare and rank two selected vignettes. In addition, respondents were asked to *quantify* their preference. After they choose one of the suppliers, they are asked to imagine him or her becoming more expensive, and to indicate at what hourly wage they would switch to the other one. In other words, the respondents indicate the highest hourly wage they would be willing to pay the chosen supplier before switching to the other one.

3.3 Differences between households

Since the vignette experiment is embedded in a survey, the data contain information about household features that indicate its problem potential. Several measures are available. Firstly, we assess the highest level of expertise in the household for the three tasks. The respondents are asked to indicate on a scale from 1 to 10 how well they and their partner (if applicable) are able to judge whether a job has been properly performed. Secondly, process values are measured by asking the respondents to what extent they agree that domestic and caring tasks should be performed 'their way' on a 5-point scale (strongly disagree – strongly agree).

Thirdly, the reported minimum acceptable quality levels of cleaning, cooking, and childcare, ranging from 1 (low output standard) to 10 (task is performed perfectly) indicate the quality standards. Unfortunately, we do not have this information about home maintenance, where the mean score on standards for cleaning and tidiness is used.

3.4 Method

To analyse the paired comparison data, we use the random utility model (McFadden 1973) also known as conditional logistic regression. Several other studies analyse paired comparisons with this model as well (Buskens 2002; Buskens & Weesie 2000; Buskens, Batenburg & Weesie 2003). A respondent assigns a certain utility $u(z)$ to a vignette with features z that influence the attractiveness of a vignette, in this case the outsourcing supplier. Utility is assumed to depend on z in a linear manner and is subject to an additive random term. The coefficients or utility weights indicate the effects of the explanatory variables on the attractiveness of the supplier. The coefficients can be compared, but their absolute sizes are relative to the scale of the random part of utility (Buskens 2002). Since there is no reason to assume people have an intrinsic preference for the first or second supplier, the model does not include a constant.

The other dependent variable indicates the highest hourly wage respondents would be willing to pay for the chosen supplier. Respondents thus quantify their preference for a supplier with certain features. Regression models are estimated, explaining the amount of money respondents are willing to pay for a supplier based on differences in the supplier features. The coefficients indicate how many euros people are willing to pay extra an hour for one unit of some supplier feature. Again, the model does not include a constant.

Likelihood ratio tests are performed to test whether the preference for certain supplier features differs between households with varying levels of problem potential. Additional

analyses are conducted to test whether outsourcing experience affects the value households attribute to certain features, but no such differences between households have been found.

4 Results

Since the results are fairly consistent, the analyses on home maintenance, housecleaning, and childcare are reported simultaneously in Table II. The table presents the results of the conditional logit analyses explaining the attractiveness of outsourcing suppliers. In the conditional logit models, a positive coefficient indicates that the attractiveness of a supplier increases with the specified feature. The size of the coefficients in the OLS regression models explaining the willingness to pay indicate how many euros people are willing to pay an hour for the specified supplier features.

< Table II about here >

With a few exceptions, the results support the hypotheses. As predicted, the possibility of monitoring increases the attractiveness of home maintenance suppliers and babysitters. Not surprisingly, the possibility of monitoring by household members themselves increases the attractiveness of a home maintenance supplier more than the possibility of monitoring by a neighbor. Households are willing to pay up to €2.22 extra an hour for a supplier who can work while household members are at home. If direct monitoring by household members is not possible, households prefer home maintenance suppliers who can work at times when the neighbors can monitor the supplier to suppliers who cannot be monitored at all, even though they are not willing to pay extra for it. The difference between monitoring by household members and by neighbors is significant for home maintenance as well as housecleaning suppliers ($p < .01$): people attribute greater value to direct monitoring than monitoring by neighbors. Direct monitoring is not possible for babysitting, otherwise outsourcing would not be necessary, but monitoring by the babysitter's mother increases the attractiveness of the

supplier. Households are willing to pay a €0.38 higher hourly wage for this type of monitoring. For the outsourcing of housecleaning, monitoring does not increase the attractiveness of suppliers. However, households are willing to pay a €0.50 higher hourly wage for suppliers of domestic help who can work while a household member is at home. Earlier studies show that employers, especially women, feel uncomfortable at home while a housecleaner is at work (Hondagneu-Sotelo 2001). This may explain why households do not value monitoring for housecleaners as much as for other outsourcing suppliers.

The results indicate that households prefer outsourcing suppliers they have no communication problems with. Households find a supplier who speaks Dutch fluently more attractive than one who speaks Dutch poorly. Apparently, the nationality of the supplier does not matter, only the language fluency makes a difference. For all three tasks, no significantly greater utility is attributed to a Dutch supplier (nationality not mentioned on vignette) than a Turkish one who speaks Dutch fluently (results not reported). People are willing to pay a €1.40 higher hourly wage for language mastery when outsourcing childcare. This is a substantial amount, given that the hourly wages for babysitters range from €3.00 to €5.00 in the vignette. Households are willing to pay around €0.80 an hour more for a home maintenance supplier they are not like to have communication problems with. Interestingly, households are willing to pay almost €0.70 extra for a housecleaner who is not Turkish, regardless of his or her language mastery. This result needs to be carefully interpreted since the vignettes do not specify the nationality of the non-Turkish supplier. People are simply expected to assume that the nationality is Dutch if nationality is not mentioned in the vignette.

As expected, dyadic and network embeddedness contribute positively to a supplier's attractiveness. Households prefer an embedded supplier for outsourcing and are willing to pay for it. As expected, households especially value dyadic embeddedness: they prefer a supplier they know, especially if the supplier has worked for them before. Although people also prefer

a good acquaintance to a supplier they do not know, for all three tasks they attribute greater value to previous experience than to being acquainted with the supplier ($p < .01$ for home maintenance, $p < .001$ for housecleaning and babysitting). Households are willing to pay €2.36 more for a home maintenance supplier they are acquainted with and even €3.00 more for a supplier they have had good experience with in the past than for a supplier they do not know at all. The amount people are willing to pay extra an hour is lower for babysitting and housecleaning, which is not surprising since the hourly wages for these tasks are generally lower. Network embeddedness also makes a difference: households prefer a supplier their friends have had good experience with or an acquaintance of their friends to a supplier with no network embeddedness. People attribute greater value to the past experiences of their friends than to social relations for home maintenance and babysitting ($p < .05$). They are also willing to pay more for a supplier with network embeddedness.

The hourly wage of a supplier makes a difference as well. As expected, households prefer a supplier who charges a lower hourly wage. If suppliers do not differ with respect to the other features, households can be expected to trade one euro for a one euro more expensive supplier. In other words, the effect is expected to be -1 in the model explaining the willingness to pay. The results, however, suggest that to a certain extent, households perceive a higher price as an indicator of higher quality. A €1.00 higher hourly wage is compensated partly by a higher quality or service. Take the example of the home maintenance supplier with an effect of $-.48$. Households consider the euro more that a supplier charges to be worth a €0.52 higher quality or service. This does not mean households actually prefer the more expensive supplier: households are not willing to pay €1.00 more an hour for the higher quality and still prefer the less expensive supplier. However, the difference is smaller than the actual price difference. Another explanation could be that respondents have trouble answering

the question quantifying their preference. They might have trouble imagining having to pay more for a supplier.

Differences between households. To test our hypothesis that households with a higher problem potential attribute greater value to the social embeddedness of suppliers, models are estimated that include interaction effects of supplier features with indicators of household problem potential (Table III). Our hypothesis about possible variation in supplier choice between households is not confirmed. In other words, there is no evidence that the value households attach to supplier features varies with the household problem potential. Only one model significantly improves if household differences in quality standards are taken into account ($p < .05$). However, in this model only one interaction term is almost significant (p -value = .09), i.e. the interaction between the dummy variable indicating that the supplier is a good acquaintance of friends and the quality standards of the household. We do not feel comfortable interpreting this single interaction effect, given that the other interpretations we expected from the same argument have not been observed.

< Table III about here >

5 Conclusion and discussion

Social embeddedness makes a difference in household exchanges. Supplementing the literature on the significance of social embeddedness in organizational exchanges, this study shows that the embeddedness argument is similarly important in explaining household behavior. Households prefer suppliers who are embedded in structures of social relations when outsourcing the fundamental household chores, which involve substantial trust problems. In particular, dyadic relations inspire trust: households prefer suppliers they are acquainted with or suppliers they know from earlier positive experiences. Network embeddedness is also important: suppliers linked to the household via third parties in a

network with positive experiences are preferred to suppliers without network embeddedness. And vice versa, the household's own and other people's negative experiences can be expected to make suppliers less attractive.

Households prefer suppliers with a lower likelihood of problems. The possibility of direct monitoring and the absence of communication problems increase the attractiveness of outsourcing suppliers. Households seem to be indifferent about the supplier's nationality. Differences in values and inter-national trust do not influence the attractiveness of suppliers. Social desirability may explain this to a limited extent, as we intentionally did not specify the nationality of Dutch suppliers to limit the effect of social desirability. Households probably do not associate suppliers from other countries with a higher likelihood of problems. If a Turkish supplier speaks Dutch fluently, a household may interpret this as meaning the supplier is successfully integrated in society and familiar with Dutch values and habits. Another possible explanation for this finding is related to the advantages of dissimilarities. People may actually prefer a supplier from a different cultural background as a learning experience for their children. The advantage of dissimilarities is also related to a lower risk of exposure. Some American households actually 'prefer Latinas, because as "others" in language, race-ethnicity, and social class, they are outside white, English-speaking, middle-class social circles and are thus seen as unlikely to reveal family secrets and intimacies' (Hondagneu-Sotelo 2001: 55-6). In addition, households may feel people from other cultural backgrounds are more 'submissive' than people from their own background (Wrigley 1995). Although households may perceive people from other countries as less trustworthy and different, the lower risk of exposure and greater submissiveness may offset the negative associations with hiring a person from another background. Obviously, interpretations of this kind require careful additional research.

The above-mentioned disadvantage of similarities may contradict the social embeddedness argument. Although social embeddedness inspires trust, it may also involve a risk of exposure. Several studies cite the negative side of network embeddedness (Blumberg 1997, 2001; Lorenz 1988; Uzzi 1997), for example the risk of damaging one's own reputation if the supplier spreads negative information about the household. The present study provides strong support for the positive side of social embeddedness. In this study, 'a good acquaintance' indicates the embeddedness of the outsourcing transaction in a social relation. Apparently being acquainted does not involve the negative aspects of embeddedness. Perhaps the downside of embeddedness starts where good friends are concerned. Having a good friend clean your house and do your laundry involves the exposure of private information you would rather keep to yourself. In addition, if something goes wrong it may be more difficult to confront a good friend than a distant acquaintance. Especially if privacy issues are involved, as in household outsourcing, exchanges with good friends may also entail negative consequences. The *sour* effects of embeddedness in household outsourcing should be considered in future research.

No evidence has been found of supplier choice differences between households with varying problem potential levels. Apparently, the embeddedness of suppliers is important to all households regardless of variations in their problem potential. It could also be that the variation in problem potential between households is small. Since the vignette experiment is embedded in a survey, we have performed additional analyses to retrieve household differences in supplier choice, but in vain. For example, it would seem sensible for poor households to attribute greater value to a low price than rich households. However, these types of household differences have not been observed. The variation in the utility households attribute to certain supplier features is minimal, which means households do not vary systematically when it comes to choosing an outsourcing supplier.

This paper provides additional strong evidence confirming the importance of social embeddedness in exchange relations. The application of the social embeddedness argument in family research seems promising. The embeddedness approach may provide further insights into external exchange relations. For example, the availability of embedded suppliers can influence whether households outsource their tasks: households may refrain from outsourcing if only unknown suppliers are available. Another extension of this research would be to study the conditions under which households do hire an unknown outsourcing supplier.

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Table I Description of the Variables in the Vignette Experiment

Variable	Value	Text
Problem potential		
Monitoring ^a	0	He or she can only work at a time when you are unable to stay home.
	1	The neighbors can keep a look-out while he or she works in your house.
	2	He or she can work at times when you are able to stay home.
Monitoring babysitter	0	EMPTY
	1	The babysitter's mother is close by and can keep a look-out.
Turkish	0	He or she is of Turkish descent and speaks Dutch poorly.
	1	He or she is of Turkish descent and speaks Dutch fluently.
	2	EMPTY
Social embeddedness		
Dyadic	0	EMPTY
	1	You have good experiences with this supplier, he or she has helped you in the past.
	2	He or she is a good acquaintance of yours.
Network	0	EMPTY
	1	Friends of yours have good experiences with the supplier, he or she has helped them in the past.
	2	He or she is a good acquaintance of friends of yours.
Hourly wages	Value	He or she charges €17.50/€10.00/€5.00 ^b an hour.
	Value	He or she charges €15.00/€7.50/€4.00 ^b an hour.
	Value	He or she charges €12.50/€5.00/€3.00 ^b an hour.

^aOnly for home maintenance and cleaning.

^bSpecified hourly wages in vignettes differ for three tasks: home maintenance, housecleaning and babysitting.

Table II Coefficients of Conditional Logit Models Explaining Attractiveness of Outsourcing Suppliers and OLS Regression Models Explaining Hourly Wages People are Willing to Pay (no intercept)

Independent variable	Hypothesis	Home maintenance supplier		Housecleaner		Babysitter	
		Attractiveness	Willing to pay	Attractiveness	Willing to pay	Attractiveness	Willing to pay
<i>Monitoring problems</i>							
No monitoring possible	ref.	0	0	0	0	0	0
By neighbors	+	.31*	.39	-.29	-.28	-	-
By household	+	1.41***	2.22***	.15	.46*	-	-
Babysitter's mother	+	-	-	-	-	.56***	.38*
<i>Turkish</i>							
Speaks Dutch poorly	ref.	0	0	0	0	0	0
Speaks Dutch fluently	+	.53**	.84**	.38*	.42	1.67***	1.39***
Not on vignette	+	.39*	.78*	.38*	.66**	1.58***	1.41***
<i>Dyadic embeddedness</i>							
No dyadic embeddedness	ref.	0	0	0	0	0	0
Previous experience	+	2.11***	3.03***	1.33***	1.71***	2.21***	1.84***
Good acquaintance	+	1.58***	2.36***	.77***	1.21***	1.62***	1.43***
<i>Network embeddedness</i>							
No network embeddedness	ref.	0	0	0	0	0	0
Previous experience	+	1.18***	2.02***	.73***	.90***	.92***	.85***
Good acquaintance	+	.82***	1.51***	.49**	.59**	.59**	.72***
<i>Hourly wage</i>	-	-.25***	-.48***	-.28***	-.55***	-.28**	-.30**
Number of subjects		759	751	760	752	753	748
Test all coefficients 0		228.29***		153.34***		269.80***	
<i>Adjusted R²</i>			20%		21%		21%

* $p < .05$. ** $p < .01$. *** $p < .001$ (two-sided test).

Table III Likelihood Ratio Tests: Adding Interaction Terms of Household Features with Embeddedness to Model Explaining Attractiveness of Outsourcing Supplier

	df	Home maintenance	Housecleaning	Childcare
Expertise level task	4	6.41	-	2.96
Process values	4	2.78	6.24	5.05
Quality standards	4	2.75	7.20	10.37*

* $p < .05$. ** $p < .01$. *** $p < .001$ (two-sided test).

Figure I Example of a Vignette

YOU ARE LOOKING FOR DOMESTIC HELP

You want to hire a housecleaner for one afternoon a week to do part of the housecleaning.

You can choose from the following two housecleaners, who both work off the books. Later on, the option will be presented of choosing a cleaning company.

Housecleaner 1

She is a good acquaintance of yours. She can work at times when you can be at home. She is of Turkish descent and speaks Dutch poorly. She charges €10.00 an hour.

Housecleaner 2

She is a good acquaintance of yours. She can only work at a time when you cannot be at home. She is of Turkish descent and speaks Dutch fluently. She charges €5.00 an hour.

Question 1

The two housecleaners both have time to work for you. Which of them would you prefer?

- ₁ Housecleaner 1
₂ Housecleaner 2

Question 2

The hourly wage of the housecleaner of your choice increases. How high would it have to be before you switched to the other housecleaner?

_____ euros an hour more for the housecleaner of my choice