

III. Labour & Epidemics

Working conditions as a cause of COVID-19

EE406: Contemporary Economic Issues

Semester 1/2020

Faculty of Economics, Thammasat University

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 - In exchange, they receive a wage: “*the price of labour services*”

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- But a precise description is rarely required: the buyer has room to decide and change the actual job content
- Labour market legislation provides boundaries for the contract and regulates what can be done (working conditions, working time, wages, etc.)

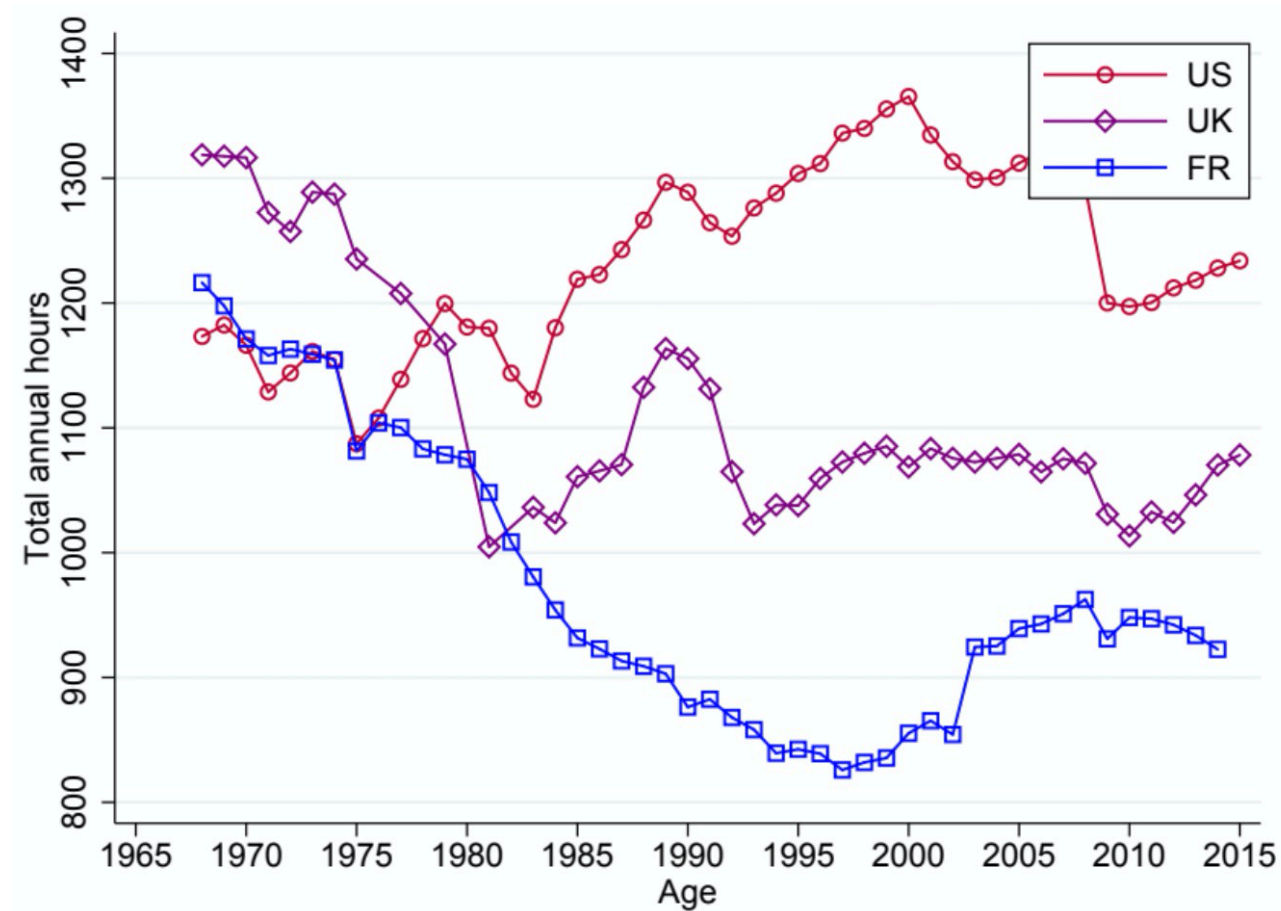
An example: employment protection

- US: close to “employment at will”: both sides of the market can end the contract whenever they want
- France: fixed-term contracts + open-ended contracts that employers can only end under particular motives
 - Collective economic failure: the firm is losing money
 - Individual failure linked to effort: shirking, use of working time for personal reasons
 - BUT individual output cannot be used to end the contract!

Quantitative importance of labour

- Labour income is a large fraction of the GDP
 - Around $\frac{2}{3}$ in Western Europe, $\frac{1}{2}$ in Thailand
- Working time is a large fraction of (awake) living time
 - Contractual weekly hours in France: 35. Maximal hours for a day: 10. Maximum weekly hours over long periods: 44
 - In Thailand, 48 hours. Maximal hours for a day: 12.
 - 40% of week day time, 30% of working weekly time, 28% of yearly time
 - If you sleep 8 hours a night, 60% of awoken week day time
 - Maximum hours: much larger fraction

But working time shared unequally across and within countries



Source: Blundell, Bozio, and Laroque (2011), updated graph (2016)

A quick perspective on topical ideas

1. “Uberization”: individuals are like mini-firms
 - Made possible by Information and Communication Technologies (ICT).
 - May reduce costs
 - Paid for an output that can be achieved by one or small group of people
 - $\neq$ standard labour because no control on how time is used.
 - And remuneration is only provided in exchange of output
 - Maximal incentives
 - Limited protection against economic risks (e.g. no social security)
 - Weakening of the least productive individuals

A quick perspective on topical ideas

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 - Relates to a key political question of modern societies:
 - *“Should we force people to work to make a living?”*

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- Relates to a key political question of modern societies:
- *“Should we force people to work to make a living?”*
- Arguments (pro)
 - More individual freedom and bargaining power for low-skilled individuals
 - Natural way towards an advanced society freed from labour
 - Change the social norm to work very long hours
 - Do not stigmatize “inactive” people

A quick perspective on topical ideas

2. Universal income: an unconditional income that all adults get

- Relates to a key political question of modern societies:
- *“Should we force people to work to make a living?”*
- Arguments (cons)
 - Not sustainable at a high level: everybody would stop working
 - Not right to institutionalize the fact that some people work to finance others
 - Encourages social anomie whereas the goal of the state should be to provide the best possible conditions for collective production
 - Creates more inequalities, leaving all economic (and political) power to a small group of happy fews.

A quick perspective on topical ideas

2. Universal income: an unconditional income that all adults get
 - Relates to a key political question of modern societies:
 - *“Should we force people to work to make a living?”*
 - Relates to working condition and hierarchical relationships on the labour market

Extracting labour

A short economic history of labour

Work is not a commodity like any other

- The employment relationship is not an exchange between job-seeker and job providers in a market in the usual meaning...
- Labour relations are not exchange of commodities
- Economic history of labour = a long process of transformation of all the contextual, institutional, and social characteristics that are necessary to define work, the working relationship, and the exchange of work.
- Commodification of labour

Polanyi and the commodification of labour

- Karl Polanyi (1886-1964)
 - An economist of Hungarian origin, he emigrated in the 1930s to Great Britain and then to France and United States. His book, “*The Great Transformation*”, published in 1944, has become a classic of his career
 - Polanyi defends the thesis according to which the market, far from being *natural* and *timeless* entity, is a historical building dating from the 19th century and theorises democratic and decentralized socialism. *Desencastrement* = disembedding
 - The Speenhamland system (1795-1834), the early 19th century precursor of guaranteed minimum by establishing a living wage of sorts, a “right to live”, the England magistrates obstructed for nearly 40 years the advent of a real employment market:
 - They prevented for a while the commodification of labour and the proletarianisation of the masses and the total “de-socialization” of the economy. Old poor law (public charity)/New poor law 1834 (putting the poor to work, “deserving poor”). “*Revenu universel d’existence*” – UBI
- Did the system fail? Evaluation and reevaluation of the reasons why in Rodriguez (2008) and Boyer (1985).

Work is not a commodity like any other [cont.]

- Neo-classical point of view?
 - Labour market is affected, not to say hindered, by all sorts of constraints, legal rules, most often state, which modify the spontaneous adjustments of the labour market
 - Existence of collective organizations of a monopolistic or at least oligopolistic nature
 - Asymmetric information, such as the impossibility of observing employees' real aptitude or their effort at work, the difficulty of engaging in long-term contractual relationship

How to extract work from the population?

It is possible through:

- A. To Encourage her to work, to ensure that she chooses to work because she derives a benefit from this work, which is predominantly in the form of remuneration
- B. To force her to work, to force her to work by coercion

The decision is based on historical and social conditions that lead to one of these solutions.

Extracting work by force or discipline

The alternative to purchasing labour is the imposition of work by force. This situation now seems to have virtually disappeared at least in the developed capitalist economies.

- Slavery
- Corvee
- Work in prison
- Military service

These are “residual situations”

Choosing not to be free: commitment and commitment breaks

2 opposite views on the distinction between free and coerced labour

- *“a better way to understand the history of labour is in terms of a range of coerced practices utilized in different places and at different times, all constructed (but sometimes in different ways), rather than by present construct of discontinuous “types” of labour arranged by headings “free” and “unfree””* Engerman (1997)
- Completely different from the discontinuist point of view: free labour is radically different from forced labour, slavery is a different world

Getting work through slavery: a question of law or efficiency?

Starting point: the seemingly obvious distinction between slavery and free work.

- The first difference is statutory: the slave is the one who has no right
- However, it refers to very heterogeneous work situations
 - Legality
 - Material and living conditions
- Economists have concentrated on material and living conditions
 - Unexpected results: the black slave of the US plantations were in better shape than those that remained in Africa.

Large-scale production in plantations is characterized by “the organization of slaves into highly disciplined, interdependent teams capable of maintaining a steady and intense rhythm of work” (Foget and Engerman, *Time on the Cross: the Economics of American Negro Slavery*).

Free labour or force: an arbitrary limit?

“All ‘dependent’ labour is elicited as the result of pressures brought to bear on it, pressures that are socially and legally constructed” Engelman

The most “free” = daily labourers can be the more over-exploited vs. a personal family slave can be well treated

- The fear of starvation and the suffering that hunger causes are the more effective stimulus of work
- What matters is not the law but economic efficiency

What matters is the abundance of labour

- Scarce labour → high wage
 - Not only high cost but less work: moral economy of the 18th-century natural laziness of workers

Economic point of view: slavery is more productive if and only if the cost of eliciting work from slaves is not too high

Forbidding slavery and punishing slave owners makes it expensive. The law makes slavery costly.

How does one obtain abundant labour?

- Local workers
- Attracting workers from outside
- Capturing workers

A mixed solution: indenture servitude

Indenture servants who obtain passage to America on condition that they offer their work/renounced to freedom for several years after their arrival on the other side of the Atlantic.

The choice for the Master between Indenture servitude and slavery is a question of *relative costs* and not of *prestige*:

“With a rising demand for labor and a declining supply of those laborers who could choose their destinations, West Indian planters readily turned to the use of laborer who did not have this ability, and slavery quickly came to dominate the labor forces to the sugar islands.” Galenson, p.77

A consequence of this viewpoint is a categorical rejection of any political or social explanation of slavery as an unprofitable but socially prestigious activity, for example. He thus rejects a view that goes back at least to Adam Smith:

“The pride of man makes him love to domineer, and nothing mortifies him so much as to be obliged to condescend to persuade his inferiors. Wherever the law allows it, and thenature of the work can afford it, therefore, he will generally prefer the service of slaves to that of freemen”. Adams Smith, Wealth of the Nations

Rejection of a political explanation of slavery

- For Galenson, no will of power in slavery. Only the desire for profit: an additional proof of this is the care taken by the companies organizing the transatlantic trade to select slaves and bring them to their destination: Galenson categorically rejects the idea of a high mortality rate on ships that would have cost carriers far too much money, especially since the Royal African Company that ran the market was in a position of "questionable monopoly", with the presence on the sidelines of "interlopers" traffickers in illegal slaves.
- The only reason for slave employment is economic. Referring to the very studied case of Chesapeake plantations in Virginia, Galenson writes:

“The Chasepeak’s rapid transition in the 1680s from primary reliance on white servants to the large scale use of black slaves was therefore fueled by substantial decline in their price relative to that of servants.” [Galenson, p.79]
- Galenson further shows that the richest farmers were the first to abandon the use of wage labor: the poorest farmers did not have enough capital and information to invest in this type of asset and were satisfied with employing less profitable servants

The abundance of labor puts an end to slavery?

- Using slavery => it is the only viable solution in a situation where the abundance of free land is sufficient to make it impossible to create a labor market, at least a market in which wages would not be too high
- When land abundance declines, the wage employment solution becomes the best. Why?
- the wage drop until it reaches the level just necessary to guarantee survival in order to obtain cheap work, cheaper than that implied by the monitoring of slaves.
- Engerman challenges this view. Historically, the abandonment of slavery has not generally coincided with population growth.
- In England, the abolition of serfdom occurred during a period of labor shortage and high demand for slaves 1807.
- In most cases, with the sole exception of *Haiti*, the victory of abolitionism has been achieved through political struggles often led by people who were not directly involved in the issue of slavery (cf. Engerman p. 62-65).

Cost of slavery and incitation to work

- if it is possible to obtain low-cost work by letting wages reach subsistence levels, why not simply give slaves the subsistence minimum? This solution would have the advantage of protecting against the risk of labor leaving when better wages appear elsewhere, and one might even think that purchasing subsistence in bulk would make it possible to obtain them at a lower cost.
- Specific cost of slavery : slave labor entails specific costs and therefore shows that in certain circumstances it may be even more expensive than paid work.
- These include the costs of "capture", the costs of confinement and finally the costs of maintenance in unproductive periods of the slave's life (illness, old age). A presentation of these specific costs is given in Engerman [T2, pp. 60-62]. If we stick to a strictly economic logic, we can think that these costs are actually present, possibly in another form, in the case of wage earners, that we must attract workers, fix them and pay them in such a way that wages cover the phases of low activity in their lives.

An issue of incentives

- the very exercise of slavery discipline and the organization of deprivation of liberty entails costs that the boss does not have to bear with his employees.
- slavery is less effective than free labor because slavery has no positive incentive to work => Adam Smith:

“But if great improvements are seldom to be expected from great proprietors, they are least of all to be expected when they employ slaves for their workmen. The experience of all ages and nations, I believe, demonstrates that the work done by slaves, though it appears to cost only their maintenance, is in the end the dearest of any. A person who can acquire no property, can have no other interest but to eat as much, and to labour as little as possible. Whatever work he does beyond what is sufficient to purchase his own maintenance can be squeezed out of him by violence only, and not by any interest of his own”.

Adam Smith compares 2 methods of eliciting work

“To the slave cultivators of ancient times gradually succeeded a species of farmers known at present in France by the name of metayers. They are called in Latin, *Coloni partiarum*. They have been so long in disuse in England that at present I know no English name for them. The proprietor furnished them with the seed, cattle, and instruments of husbandry, the whole stock, in short, necessary for cultivating the farm. The produce was divided equally between the proprietor and the farmer, after setting aside what was judged necessary for keeping up the stock, which was restored to the proprietor when the farmer either quitted, or was turned out of the farm.

Land occupied by such tenants is properly cultivated at the expense of the proprietor as much as that occupied by slaves. There is, however, one very essential difference between them. Such tenants, being freemen, are capable of acquiring property, and having a certain proportion of the produce of the land, they have a plain interest that the whole produce should be as great as possible, in order that their own proportion may be so. A slave, on the contrary, who can acquire nothing but his maintenance, consults his own ease by making the land produce as little as possible over and above that maintenance. It is probable that it was partly upon account of this advantage, and partly upon account of the encroachments which the sovereign, always jealous of the great lords, gradually encouraged their villains to make upon their authority, and which seem at last to have been such as rendered this species of servitude altogether inconvenient, that tenure in villanage gradually wore out through the greater part of Europe”.

Paid work and employment:

coercion and discipline

- In economic textbook work decisions are voluntary decisions
- In real life, what strikes above all are the numerous and massive examples of the use of work, the quantity, duration, conditions and methods of implementation of which are imposed by the employers
- When we think of work in history, it seems more pertinent to question the way in which a small number of individuals with coercive abilities and productive capital manage to extract virtually by all means from the work of the mass of the population, which has no other choice but to accept the work and working conditions imposed on them.
- The decision is on the side of the capital owner. Property rights gives right to decide the organization of work. It is not always the case : workers renting power energy at the plant but producing the way the like.

REF : Maxine Berg, “Factories, workshops and industrial organization”, in Floud and Mac Closkey, The Economic History of Britain, since 1700, vol1.

Freedom of work and voluntary servitude

- Work relation = contract
- Contract = renunciation to freedom → A crucial issue

When does one freely renounce to freedom ?

Marxist always insisted on the asymmetry of position and power of the worker and the capital owner.

- Freedom of contract was thought as a decisive breakthrough by the XVIIIth c. thinkers and a major rupture with Ancien Régime, with Guilds by the reformers during the French Revolution.
Loi Le Chapelier et Decret d'Allarde = liberté de travail

An important issue, is the circumstances of the signature of the contract. Le Chapelier had this in mind:

“We must go back to the principle that it is to the free conventions, from individual to individual, to fix the day length for every worker. Without examining what the wages of the day should reasonably be, and only admitting that they should be a little more considerable than they are at present (whispers), and what I am saying here is extremely true; for in a free nation, wages must be large enough so that whoever receives them is free from the absolute dependence that deprivation of basic necessities, and which is almost that of slavery, produces ”. Gazette Nationale ou Moniteur universel du mercredi 15 juin 1791, N°166, Bulletin de l'Assemblée nationale, séance du mardi 14 juin 1791. Cité par Begnigno Cacérès, Le mouvement ouvrier, Editions du Seuil, 1967.

Wage Contract is step toward slavery / Task contract is a step towards freedom

« Le travail à la tâche est un progrès sur le travail à la journée, de même que le travail à la journée a été un progrès sur le travail par engagement et à l'année, qui était lui-même un progrès sur la servitude.

L'émancipation de l'ouvrier fit un grand pas le jour où il entra dans la propriété de son temps et de ses forces, le jour où, au lieu de travailler par ordre et pour le compte d'autrui, il put débattre les conditions et fixer les limites du contrat.

[...] Lorsque le journalier se fait tâcheron (ouvrier à la tâche) il devient marchand de son propre travail, de même que le manufacturier de ses produits et le banquier de son argent. Le travail est ainsi sur le même pied que le capital et l'intelligence.»

Leon Fautsch, « Coalition des ouvriers charpentiers », Journal des Économistes, août 1845, pp. 29, cité par Charles Rist dans sa préface à l'ouvrage de David Schloss, Les modes de rémunération du travail, 1902.

Task work is a progress on day work, as well as day work was progress on work by commitment and year-round work, which was itself progress on servitude.

The emancipation of the worker took a great step forward on the day when he acquired the property of his own time and forces, on the day when, instead of working by order and on behalf of others, he was able to debate the conditions and set the limits of the contract. ...] When the day laborer becomes a merchant of his own work, as well as the manufacturer of his products and the banker of his money.

Labor is thus on the same footing as capital and intelligence.

Historical resistance to the extension of wage contracts

- Part of the resistance to wage status is precisely based on the refusal of this renunciation of autonomy, the change from self-employed status to that of a servant.
- The first half of the 19th century in France is very much marked by this debate
- Denis Poulot (1870), *Le Sublime, ou Le travailleur comme il est et ce qu'il peut être*, avec une préface d'Alain Cottereau, 1980

- Voluntary renunciation to freedom is counterbalanced by the assurance of safe and well-established working conditions and a fixed, stable remuneration for a sufficiently long contractual period.
- This scheme is at the root of many wage contract, and models of contract in the sense of contract theory: employees negotiate a salary or even a predefined wage path and leave fluctuations, risks and risk remuneration to the entrepreneur

(cf. Harris & Holmström, “A theory of wage dynamics”, Rev. Econ. Stud., 1982. Downward wage rigidity model ; voluntary slavery as an illegal optimum)

Wage earner as a subordinate

- Coercion device once the contract is signed are embodied both in the internal rules of companies, the importance of which grows during the industrial Revolution
- But there are growing limits to coercion and discipline : labor legislation is an invention of the very late 19th century in France. State discipline of labor discipline
- In this sense, wage labor discipline can also be understood as a discipline imposed on companies, either generally, by public legislation or locally, by collective action by employees.

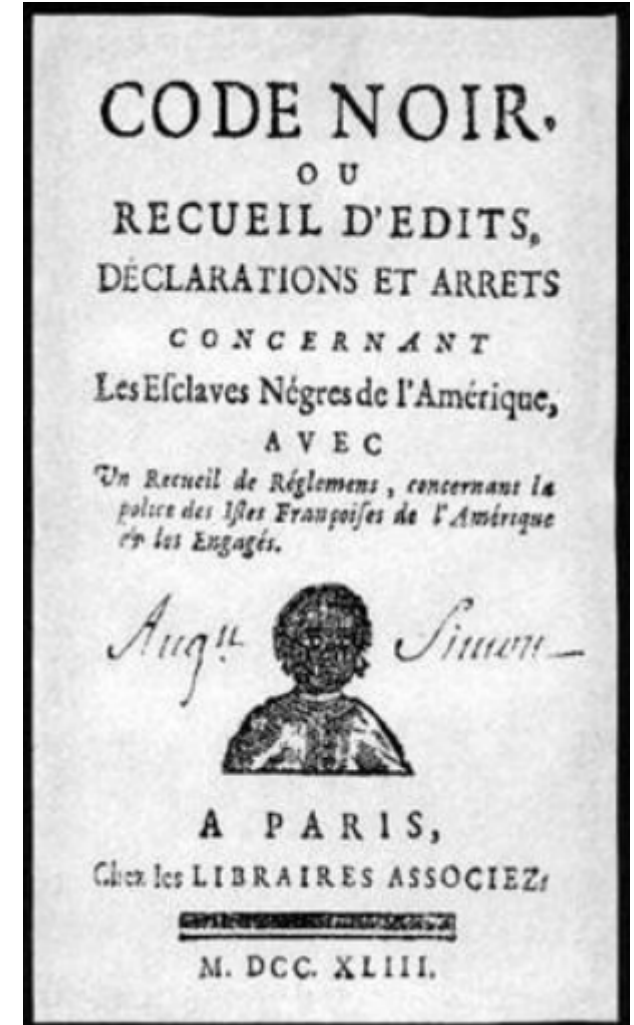
“We shall argue that the classification of labor into “free” or “unfree” is an arbitrary not a natural classification. All “dependent labor” is elicited as the result of pressures brought to bear on it, pressure that are socially and legally constructed.” Engerman

Modes of coercion and forms of work

- Social constraints weigh on the way discipline is exercised (even on slavery)
- Equally, social constraints weigh on the contracts: « *not everything is contractual in the contract* » Durkheim, La Division du travail social.

Le Code Noir 1685

- Slave rights / property rights on slaves who are considered as furniture. The master is bound by rules of good use
- Slaves are considered like things or domestic animals. The king only makes a recommendation to his subjects so that they do not mislead their "property" which is also their "patrimony".
- Sixty thematic articles ranging from the single religion, which condemns cohabitation, imposes baptism and governs the marriage and burial of slaves, regulating their whereabouts, food and clothing, the incapacity of slaves to own property, their legal incapacity, their criminal responsibility, the crime of escape and concealment, justice and the master before slaves



Free contract leading to loss of freedom

- Conversely, very strict contracts for long periods of time (about 10 years) look like slavery or even worse (when, because of early mortality, employers have an interest in making the most of the worker before the end of the contract, unlike a master who saves his slave to make it last).
- Nineteenth-century English wage earner under contract is subject to such binding obligations (including prison sentences) and severe punishments for example when breaking the contract by leaving is job that, under U. S. law, he would fall under "involuntary servitude". Steinfeld ch2.
- A very common characteristic of the labor markets of the Middle Ages and the Ancient Regime is that they should be characterized with much more precision, which is the penalization of non-active situations.

The Space of constraints on labor is socially defined

- It is also illusory to seek a key to the very basis of the opposition between free and forced labor: Engerman, in an almost Sartrean reading of the relationship to coercion, considers that this relationship always engages a choice, that of submitting or being punished, even if fatal, whether because of the direct action of the master, in a situation of slavery, or the consequences of lack of resources and hunger, in the case of wage earners. It is a question of choosing "between unpleasant alternatives".
- One way of displacing the problem is to think about the space of alternatives and the historical conditions in which it was created. For Engerman, a first major structural opposition can be raised at this level between the administrative, state (possibly applied by the master authorized by the state) and market (economic compulsion) constraints. The slave is on the side of the first term of the opposition, the salaried work of the second
- From this perspective, what seems essential to Engerman is the way in which the judge and justice validate and enforce the terms of the contracts. In his view, employment contract law is not the only issue at stake, but it is the whole of the law that must be taken into account: it is property rights that, by preventing a starving employee from using the services of a betteroff neighbor, guarantee the effectiveness of incentives through pay and hunger. Engerman endorses Hale's (1923) judgment "it is the law of property that coerces people into working for factory owners.

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