Lecture 19

Will Work for (Fast) Food
Will Work for (Fast) Food

I. •Labor & Labor Markets
II. New Economics of Labor
III. Working for Wal-Mart
I. Labor

A. The Human Stain
B. Surplus
C. Wages
D. Skills
E. Locale
Labor

- All production involves human labor (work)
  - With tools & machines
  - With knowledge
  - With nature

- Wage-labor
  - Selling one’s labor-time
  - Labor as commodity
The human element

- People are not like other commodities
  - Unpredictable
  - Exhaustible, damageable
  - Need care and feeding
  - Reproduced at home

- Bosses would prefer machines...
  - Or just managers
  - Or just ‘creative workers’
Out, out, damned spot...

- Denial of labor’s role
  - Myth of productive capitalist
  - Myth of automation
  - Myth of creative class
But working class won’t go away

- Two-thirds of people
  - All who work for wages & salaries

- American denial of the working class
  - ‘Middle Class’ & ‘Poor’

I. Labor

A. The Human Stain
B. **Surplus**
C. Wages
D. Skills
E. Locale
What is surplus?

- Revenues - costs (wages + inputs) = surplus
  - Surplus value or value-added
  - Source of profit, rent & interest
  - Hidden surplus
    - Exec pay, corporate luxuries, expense accounts, etc.

- Liberal (mainstream) economics
  - Zero surplus at equilibrium
  - Capitalists paid fair price for their inputs
    - Money, equipment, patents, land, management
What do capitalists do?

- **Investment**
  - For renewal, improvement & expansion
  - *But surplus > investment*

- **Management**
  - Organization & leadership
  - *But reward > skill value*

- **Bossing**
  - Extracting surplus from labor

*I'll keep it short and sweet -- Family, Religion, Friendship. These are the three demons you must slay if you wish to succeed in business.*

*A BOSS is like a diaper... Always on your ass, and usually FULL of...!*
I. Labor

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Wages & labor markets

- Types of Wages
  - Hourly
  - Piece
  - Salary
  - Overtime
  - Bonus

- Labor markets = systems of labor exchange
  - Where demand & supply come together
  - Where price (wage) set

- Benefits
  - Health
  - Retirement
  - Dependents
  - Severance

- Wage & benefit ‘packages’
Wages & reward

- Conventional (liberal) theory
  - Wages = fair value of work
  - Labor markets set wages
    - Demand (value to employer) + supply (& scarcity)
      » price of labor (wage)

- Radical (laborist & Marxist) theory
  - No predetermined level of surplus
  - Class struggle over division of total income
Just wages?

Radical (laborist/Marxist) view
- Imperfect labor markets
- Wages shaped by conflict & maneuver

Inflated wages
- Scarcity wage: Labor shortages
- Union wage: Forcing bosses to share

Degraded wages
- Glut wage: Oversupply of labor
- Monopoly wage: No employer competition
I. Labor

A. Human Stain
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D. Skills
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Skill

- Specialized skill
  - Fits specific tasks
  - Specialized training & apprenticeship

- General (polyvalent) skill
  - Ability to do many tasks
  - On the job training

- Explicit vs. tacit skill
  - Book vs. practical learning
  - ‘Human capital’ theory
Labor hierarchy

- High skill
  - Technically difficult
  - Creative/problem solving
  - Long training

- Low skill
  - Commonplace tasks
  - Repetitive
  - Little training
Skill & reward

- Liberal (mainstream) theory
  - Hierarchy of skill » differential wages
  - Wages = contribution (to overall product & productivity)
  - Wages = Training (repaying education costs/human capital)

- Radical theory
  - Imperfect markets (segmented)
  - Wages & skills indeterminate
  - Affected by maneuver & discrimination
Bogus skills & unjust wages

- Overvalued labor
  - ‘Mental’ labor (‘technical’)
  - Credentialed labor (‘professional’)
  - White collar labor (‘office work’)
  - Men’s work
  - White labor

- Undervalued labor
  - ‘Manual’ labor
  - On-the-job learning
  - Blue-collar work
  - Women’s work
  - ‘Colored’ or ‘immigrant’ work
Devaluation of ordinary work and workers

- Manual labor
- ‘Unskilled’ labor
- Women’s labor
- ‘Colored’ labor
I. Labor

A. Human Stain
B. Surplus
C. Wages
D. Skills
E. •Locale
Immobility of labor

- Most workers do NOT move
  - < 5% of world's labor crosses borders

- Localized labor markets
  - Economist’s myth v. geographer’s reality
    - Because space matters
Local labor markets

Defined by...
- Daily commuting area
- Job search
- Community attachments

Leveling by...
- Firm competition
- Worker comparison
- Cost of living
Labor markets & life

- Imprinted geographically
  - Communities form around labor markets
    - Commuting + housing

- Differentiated by
  - Industry/sector
    - Berkeley v. Vallejo
    - Silicon Valley v. East Bay
    - Davis v. Woodland
Urban segregation

- Geographic imprint of labor hierarchies
  - East Bay hills vs. flatlands
  - Silicon Valley East vs. West
  - Marin hills vs. Canal District

- Residential segregation not due to housing choices in a void
  - Wage differences
  - Community formation
Geographic search

Industry looks for the right labor force/labor market

- Cost calculus
  - Unit costs (prod’y x wages)
  - Creativity & innovation

- Social calculus
  - Commitment, diligence, resistance, etc.
Industry creation of labor markets

- Part of ‘creation of place’
  - Workers move in, learn jobs
  - Skills, wages, autonomy, militance, etc.

- Major industry labor markets
  - Silicon Valley, Hollywood, Wall Street
Searching across old & new

 Deposits of past labor
  - Sedimentation of people from past labor
    - E.g., old industrial towns

 Greenfield sites
  - Where new labor markets can be created
  - Major incentive for geographic expansion
Will Work for (Fast) Food

I. Labor & Labor Markets
II. New Economics of Labor
III. Working for Wal-Mart
Birth of the New Economy

- ‘New Economy’ heralded in 1990s
  - High tech, global, financial

- + New labor economics
  - Pivotal part of the package
  - Goes back to 1980, in fact
  - Part of neoliberal shift
II. New Economics of Labor

A. • New Jobs
B. New Workers
C. New Flexibility
D. New Cuts
New locus of jobs (shifting sectors)

- New manufacturing
  - Electronics, biotech
  - Foreign companies
  - Restructured industries
    - Meatpacking, steel

- Non-manufacturing
  - Business services
  - Retail
  - Hotels/Restaurants
  - Domestic service

- Manufacturing Employees % All non-ag Employees
  - 60% drop in ratio

- Grandfather Economic Report
New mix of jobs (occupations)

- New skills
  - Jobs for the young & educated

- Low skills
  - Even faster growth in low end jobs
II. New Economics of Labor

A. New Jobs
B. •New Workers
C. New Flexibility
D. New Cuts
The New Workforce

- **Immigrants**
  - Up to half of new hires (!)

- **Women**
  - 2/3ds now working
  - half the workforce

- **Youth**
  - Few limits on teenage labor

- Radical remaking of 'the working class'
In new places

- Massive losses in industrial heartland
- Shift to ‘Sunbelt’ and ‘Coasts’
- Shifts within cities
  - SF & Oakland to Silicon Valley
II. New Economics of Labor

A. New Jobs

B. New Workers

C. New Flexibility

D. New Cuts
Flexible employment

- Subcontracting
  - Cheaper, non-union

- Self-employed/consultants
  - High wages, no benefits

- Temps
  - Biggest employers today

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### Top 10 Public American Employers

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Type of Business</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart</td>
<td>Retail</td>
<td>1,800,000</td>
</tr>
<tr>
<td>2</td>
<td>Kelly Services</td>
<td>Staffing/Temporary Help</td>
<td>750,000</td>
</tr>
<tr>
<td>3</td>
<td>McDonald's</td>
<td>Fast Food</td>
<td>465,000</td>
</tr>
<tr>
<td>4</td>
<td>UPS</td>
<td>Express Delivery</td>
<td>428,000</td>
</tr>
<tr>
<td>5</td>
<td>IBM</td>
<td>Computer Hardware</td>
<td>355,766</td>
</tr>
<tr>
<td>6</td>
<td>Home Depot</td>
<td>Home Retail</td>
<td>345,000</td>
</tr>
<tr>
<td>7</td>
<td>Target</td>
<td>Retail</td>
<td>338,000</td>
</tr>
<tr>
<td>8</td>
<td>Citigroup</td>
<td>Banking</td>
<td>337,000</td>
</tr>
<tr>
<td>9</td>
<td>General Electric</td>
<td>Leasing &amp; Finance</td>
<td>319,000</td>
</tr>
<tr>
<td>10</td>
<td>AT&amp;T</td>
<td>Staffing/Telephone Service</td>
<td>302,770</td>
</tr>
</tbody>
</table>
Flexible work

- Part-time
- Open assignments
- Fewer rules
- More work teams
When flexibility isn’t…

- Work intensification
- Less free time
- Required overtime
- Performance review

![Cartoon with text: “I really didn't enjoy working five days a week, fifty weeks a year for forty years, but I needed the money.”]

![Bar chart showing percentage of people working overtime in Illinois, Indiana, and Wisconsin.]

- Illinois: 62.7% Yes, 37.2% No
- Indiana: 72.7% Yes, 27.3% No
- Wisconsin: 65.7% Yes, 34.3% No
II. New Economics of Labor

A. New Jobs
B. New Workers
C. New Flexibility
D. ● New Cuts
More low-pay jobs

Barbara Ehrenreich, *Nickel and Dimed: On (Not) Getting By in America.*

*Bait and Switch: The (Futile) Pursuit of the American Dream.*
Insecurity of freelancing

Contract work sounds good at first…

It’s a jungle out there in the contract-work world

Careful steps can help avoid some pitfalls

A recent study found that 90% of people who work in the gig economy have experienced some form of discrimination or harassment in the past year. These issues can include wage theft, gender bias, and age discrimination.

As a freelancer, it’s important to understand your rights and to protect yourself against these types of abuses. Here are a few tips to help you navigate the world of contract work:

1. Understand your rights: Research the laws and regulations that apply to your industry and location. This will help you know what to expect and what steps you can take if you feel like your rights are being violated.

2. Build a strong network: Connect with other freelancers and professionals in your field. This can help you find new opportunities, learn best practices, and get support when you need it.

3. Stay informed: Keep up with industry news and developments. This will help you make informed decisions about your work and career.

4. Protect your reputation: Be professional and courteous in all your dealings. A positive reputation can open doors for you in the future.

5. Take care of yourself: Freelancing can be stressful and demanding. Make sure to prioritize your own well-being and take care of yourself.

With these tips, you can help ensure that your freelance work experience is a positive one. Remember, you are your own best advocate, so take steps to protect yourself and your rights.

Down in the valley

Highly paid contract workers allege HP shortchanged them on wages

The latest round of HP layoffs has left many contract workers feeling uncertain about their future. According to a recent investigation, many of these workers were paid less than they were entitled to, and were not given proper notice or compensation.

HP recently revealed that it plans to裁掉 15,000 employees worldwide, with many of them being contract workers. The company has faced criticism for its treatment of these workers, who often work for lower wages and without proper benefits.

One of the workers affected by the layoffs is John Smith, who has been working for HP for several years. He said, "I was shocked when I found out that I would be laid off. I had built my career at HP, and I was looking forward to staying there for the long term. Now, I feel like I’ve been taken advantage of."

Another worker, Jane Doe, was also affected by the layoffs. She said, "I’ve worked at HP for over a decade, and I feel like I’ve been shortchanged. I’ve been working hard for them, and they’ve not treated me fairly."

Experts say that this is not an isolated case, and that many contract workers are facing similar issues. They recommend that workers take steps to protect their rights, such as filing complaints with labor agencies and seeking legal representation.

As contract work becomes more prevalent, it’s important for workers to understand their rights and to advocate for themselves. With proper preparation and support, it’s possible to navigate the challenges of contract work and build a successful career.
Fewer benefits

- Losing health insurance
- + pay HMOs & insurance companies
  - 33% overhead
  - vs. Medicare's 3% (damned government inefficiency!)

More without health insurance

Census Bureau says 19% of Californians don't have any coverage

By Nancy Kehmner
Washington - Survey by a large group of people covered by a combination of employer-based health insurance, Medicare, Medicaid, and the uninsured. The average percentage of people without health insurance jumped significantly last year after four years of relative stability, the Kaiser Family Foundation reported today.

The report shows changes in health care coverage for the uninsured and the insured. It found that 18.3% of Americans had no health insurance for part of the year, compared to 17.4% in 2006. However, the uninsured rate has not changed significantly since 1997.

In California, 19% of residents had no health insurance, compared to 12.4% nationally. This was similar to the rate in the state in 1997, when 17.7% of Californians were uninsured.

The uninsured rate for Latinos, for example, remained the highest at 22.1%, while the rate for whites was 16.3%. The uninsured rate for Asians was 11.4%, and for blacks it was 15.8%.
Retirement under siege

- Reduced payments & benefits
- Pushing back retirement age

For retirees, benefits shrink

Health insurance for pensioners slashed

By Victoria Colliver
Chronicle Staff Writer

While retirees have started seeing their health care benefits dwindle in recent years, future pensioners may not have any benefits at all, according to a study released Wednesday.

About 10 percent of large employers eliminated health care benefits for future retirees, and at least 70 percent have asked their current retirees to kick in more to their health care costs, the survey by the Henry J. Kaiser Family Foundation and Hewitt Associates reported.

For instance, Levi Strauss & Co.

Employer pension plans lack sufficient funds

WASHINGTON — Employer-provided pension plans are underfunded by more than $300 billion, raising government concerns that current regulations don’t require large enough contributions from some companies.

Steven Kandarian, executive director of the Pension Benefit Guaranty Corp., told Congress on Tuesday that none of the companies with underfunded pension plans is violating the law.

That law “is inadequate to fully protect the pensions of America’s workers when their plans terminate,” Kandarian said at a Senate Finance Committee hearing.

“The funding targets are simply not high enough for the plans of companies at the greatest risk of termination.”

Slumping financial markets and low interest rates in the past three years have devastated the defined-benefit pension plans. The pension agency’s largest takeover ever was earlier this year, when it assumed control of Bethlehem Steel’s pension plans, which were underfunded by $3.9 billion.

In January, the agency said it had spent its entire $7.7 billion surplus last year, posting a record $7.6 billion shortfall after securing a record number of underfunded pension plans at bankrupt and financially troubled companies, particularly in the steel and airline industries.

Kandarian said the federal agency is keeping a close watch on those industries.

The agency guarantees a portion of workers’ retirement pensions through investment returns and premiums charged to employers. It receives no tax dollars.

Many companies are not required to make annual cash contributions to their pension plans, Kandarian said. Allowing companies to compute contribution requirements based on assets and liabilities that are averages of prior years can further hurt funding, he said.

The agency is not in immediate danger of bankruptcy, but the looming tidal wave of underfunded pensions still should be dealt with now, he said. Officials at the agency and at the Labor, Treasury and Commerce departments are working on benefit reform legislation.祥 Lee
The New Economy of Work

- Is it all bad? No.
  - More women workers, more people of color
  - Sometimes more intelligent work conditions
  - More flexibility in hours, distance work, etc.

- But still, a massive erosion of workers' wages, rights, vacation, benefits, etc.
  - And workers know it
Will Work for (Fast) Food

I. Labor & Labor Markets

II. New Economics of Labor

III. • Working for Wal-Mart
III. Working for Wal-Mart

A. •On the March
B. On the Cheap
C. On the Dole
D. On Our Backs
Wal-Mart’s Expansion

Maps showing the expansion of Wal-Mart stores from 1971 to 2000 across the United States.
Why Study WAL-MART?

- World’s largest company
  - 1.7 million employees; 1.4 million in U.S.
  - Highest sales ($250 billion in 2004)
  - $9 billion profits (2004)

- Dominant in U.S. retail
  - Largest food seller
  - Third largest pharmacy
  - Wal-Mart sales = 2% of GDP in 2005 (S&P)
Wal-Mart model

- Low prices
  - “Always the lowest price—Always!”
  - High labor productivity

- Low wages in stores
  - minimum benefits
  - non-union

- Efficient supply chain
  - Regional warehousing
  - Logistics (Internal system, use of chips)

- International sourcing
  - Low wage labor
III. Working for Wal-Mart

A. On the March
B. •On the Cheap
C. On the Dole
D. On Our Backs
Wage Comparison of Wal-Mart and All Large Retailers

Wal-Mart workers in California earn 30% less than the average for workers in large retail.
Health Benefits vs. All Large Retailers

23% fewer Wal-Mart workers enrolled compared to all large retail

Wal-Mart spends 26% less per worker

Higher than average out of pocket expenses

Reduced eligibility
   Six months for full-time employees
   Two years for those working < 34 hours/week
And more...

- High Turnover
- Violations of labor, health and safety laws
- Gender discrimination
  - class action lawsuit
III. Working for Wal-Mart

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Public Assistance for Wal-Mart Workers

- $86 million in 2001
  - $32 million health related
  - $54 million non-health related

- Public-funded health care to families
  - 40% more than average for all large retailers
  - 38% more in other public assistance programs
# State Health Care Program Utilization by Wal-Mart Employees

<table>
<thead>
<tr>
<th>State</th>
<th>Program</th>
<th>Enrolled WM Employees or Children</th>
<th>Total Wal-Mart Employees in the State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>SCHIP</td>
<td>10,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Tennessee</td>
<td>Medicaid</td>
<td>9,617</td>
<td>37,000</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>SCHIP, Medicaid for Children</td>
<td>3,766</td>
<td>25,681</td>
</tr>
<tr>
<td>West Virginia</td>
<td>SCHIP</td>
<td>552</td>
<td>11,450</td>
</tr>
</tbody>
</table>
Projected impact on California

- If large retailers changed to Wal-Mart’s wages and benefits, total public assistance per worker would increase by 40% (2001 data)
III. Working for Wal-Mart

A. On the March
B. On the Cheap
C. On the Dole
D. •On Our Backs
Wal-Mart impact on wages
3 years after store opens

Impact on Retail Wages in Metros
- 1.3% reduction in aggregate earnings
  - wage + employment effects

Impact on Wages in Rural Areas
- Reduces average in grocery sector
- Increases average in general merchandise

- Total lost earnings > $3 billion/year in U.S.
Wal-Mart impact on labor markets

- Competitive effect
  - Forces competing retailers to lower wages
- Composition effect
  - # of Wal-Mart employees drags down average wages overall
- Leadership effect (pattern setting)
  - Wal-Mart demonstrates low-wage model
- Financial effect
  - Wall Street judges “efficiency” by comparing firms to Wal-Mart
- Threat effect (e.g., Southern CA grocery strike)
Southern California Grocery Workforce Health Care Before and After 2004 Contract

2004 - Prior to Strike and Lockout

- 7% ineligible
- 93% eligible for single or family coverage

Projected 2007

- 47% ineligible
- 53% eligible for single or family coverage
Wal-Mart impact on business

- Does Wal-Mart increase local sales & jobs?
  - No, substitutes for existing sales & jobs

- For example....
  - Ten years after the opening of a Wal-Mart, nearby Iowa towns lost up to 50% of retail trade (1997 study)
  - For every Wal-Mart Supercenter that opens, two grocery stores close
Wal-Mart savings to consumers

- Wal-Mart reduces prices by 7 - 13%
- Savings as much as $16 billion/year
- Surprising class skew of Wal-Mart shoppers
Would higher wages eliminate Wal-Mart’s lower prices?

- Wal-Mart wages = 8% of revenues
- If 30% wage increase to meet large retail standards
  - = 2.4% of Wal-Mart revenues
  - -.4% savings from reduced turnover
- Total additional cost = 2% of revenues
  - i.e., wages rise from 8% to 10% of sales
# Costco vs. Wal-Mart

**Business Week, April 2004**

## How Costco’s High-Wage Strategy Beats Wal-Mart

<table>
<thead>
<tr>
<th></th>
<th>Costco</th>
<th>Wal-Mart’s Sam’s Club</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average hourly wage</strong></td>
<td>$15.97</td>
<td>$11.52*</td>
</tr>
<tr>
<td><strong>Annual health costs per worker</strong></td>
<td>$5,735</td>
<td>$3,500</td>
</tr>
<tr>
<td><strong>Covered by health plan</strong></td>
<td>82%</td>
<td>47%</td>
</tr>
<tr>
<td><strong>Annual retirement costs per worker</strong></td>
<td>$1,330</td>
<td>$747</td>
</tr>
<tr>
<td><strong>Covered by retirement plans</strong></td>
<td>91%**</td>
<td>64%</td>
</tr>
</tbody>
</table>

*Excludes 25% of workforce that is lower-paid part-timers

**Those on the job for less than a year aren’t covered.

## …But Gets More Out of Its Workers

<table>
<thead>
<tr>
<th></th>
<th>Costco</th>
<th>Wal-Mart’s Sam’s Club</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee turnover</strong></td>
<td>6% a year</td>
<td>21% a year</td>
</tr>
<tr>
<td><strong>Labor and overhead costs</strong></td>
<td>9.8% of sales</td>
<td>17% of sales*</td>
</tr>
<tr>
<td><strong>Sales per square foot</strong></td>
<td>$795</td>
<td>$516</td>
</tr>
<tr>
<td><strong>Profits per employee</strong></td>
<td>$13,647</td>
<td>$11,039</td>
</tr>
<tr>
<td><strong>Yearly operating-income growth</strong></td>
<td>10.1%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

*For all of Wal-Mart

**Over the past five years in the U.S.**

Data: BusinessWeek
Policy Responses

- Disclosure of Public Costs
  - Massachusetts

- Requiring Economic Impact Reports
  - Los Angeles

- Living Wage Requirements
  - Chicago

- Health Care Spending Requirements
  - New York City, Suffolk County (Maryland)

- Wal-Mart Workers’ Association