Lecture 14

Will Work for (Fast) Food
KEYS

- What is labor?
  - And why is it so important?
- Labor markets
  - Rewards & locations
- The changing labor relation
  - And the recomposition of the working class
- Wal-Mart world
  - ...on the back of cheap labor
  - the low road of labor exploitation
Will Work for (Fast) Food

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

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 & Labor Markets

A. The Human Stain
B. •Surplus
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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

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"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."

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*A BOSS is like a diaper...*

*Always on your ass, and usually FULL of _____!*
I. Labor & Labor Markets

A. The Human Stain
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Wages & Labor Markets

- **Labor markets**
  - Where demand & supply come together
    - Where prices (wages) set

- **Wages = price of labor**
  - Neoclassical economics
    - Optimal markets, fair wages
  - No surplus
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
  - Markets frame that struggle
Imperfect Wages

- 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
  - Monopsony wage: No employer competition
I. Labor & Labor Markets

A. Human Stain
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C. Wages
D. \textbullet Skills
E. Locale
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
  - Investment in skill
Labor Divided

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

- **Low skill**
  - Commonplace tasks
  - Repetitive
  - Little training

*Long time schism in unions & working class*
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

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

A. Human Stain
B. Surplus
C. Wages
D. Skills
E. •Locale
Local Labor Markets

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

- Leveling by...
  - Firm competition
  - Worker comparison
  - Cost of living

- Most workers do NOT move
  - < 5% of labor crosses borders
  - Economist’s myth v. geographer’s reality
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
Looking for Labor

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 Creates 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

- Old places vs. new
  - The draw of greenfields
Will Work for (Fast) Food

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

- ‘New Economy’ heralded in 1990s
  - High tech, global, financial
  - But that’s not all

- New economy of labor
  - Pivotal part of the package
  - Key element of neoliberalism
    - D. Harvey, A Brief History - class struggle

- Four big changes for workers
  - The jobs, people, contracts, wages
II. New Economics of Labor

A. • New Jobs
B. New Workers
C. New Flexibility
D. New Cuts
Industrial Shifts

- Decline of old manufacturing
  - Fewer workers, more machines
  - New manuf.: electronics, biotech

- Expanding sectors (‘services’ – sic)
  - More labor intensive, new & old kinds
  - Growth areas
    - Retail
    - Office work
    - Hotels/Restaurants
    - Domestic service
    - Business services
    - Health care

Recall lecture 13
Occupational Shifts

- **New skills**
  - More tech & managerial jobs
  - Go to the young & educated

- **Low skills**
  - Even faster growth in low end jobs
  - Dead-end manual 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 ‘working class’*
In new places

- Decline of industrial heartland
  - The “Rustbelt” of Midwest & NE

- Shift to ‘Sunbelt’ and ‘Coasts’
  - California, SW, Atlanta, NY etc.

- 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

End of stable, long-term employment

- Outsourcing/subcontracting
  - Cheaper, non-union

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

- Temps
  - Biggest employers today
Flexible Work

- Part-time
- Open assignments
- Fewer rules
- More work teams
When Flexibility Isn’t…

- Work intensification
- Required overtime
- Performance review
- Underemployment
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

On the Fringe

Dane Murphy

Highly paid contract workers allege HP shortchanged them on wages

Down in the valley

Wendell said that according to state and federal laws, companies can't cut their contract workers "at will." But that's exactly what the company tried to do. The workers are being forced to take a new job at a lower wage.

The issue of using contract employees to handle work within the realm of regular employees is now being studied by the Department of Labor and the Department of Commerce. The Department of Labor believes that contract workers are paid less than their regular counterparts and that the companies are not abiding by the law. The Department of Commerce, on the other hand, believes that the companies are not required to pay the same benefits to contract workers as they do to regular employees.
II. New Economics of Labor

A. New Jobs
B. New Workers
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More Low-Wage Jobs

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

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

FIGURE 5.3

Low-Wage Share of Total Employment, 1963–86

(Year-Round, Full-Time Workers Earning a Maximum of $11,103 in 1986 Dollars)
Fewer Benefits

- Losing health insurance
  - Bankruptcy of firms
  - Two-tier systems

- Paying higher premiums
  - to HMOs & insurance companies

- The Uninsured
Puny Pensions

- Reduced payments & benefits
- Bankrupt pension plans
- Pushing back retirement age

If Company Goes Bankrupt, Don’t Count on Your Pension

By FRAN HAWTHORNE

JUST about every week, flight attendants at Northwest Airlines, assembly-line workers at the Delphi Corporation and thousands of employees at other companies in bankruptcy can read headlines warning them that their companies might shut down their pension plans and drop the liabilities on the federal government’s Pension Benefit Guaranty Corporation. They can also read about workers in similar straits whose pensions were abruptly cut by one-fourth or even half. Then they can read about how the government agency itself faces a financial shortfall.
So How’s That New Economy Working for You?

- 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 they’re not happy about 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 the Low Road
Why Study WAL-MART?

- World’s largest company
  - 1.8 million workers; 1.4 million in U.S.
  - Highest sales ($250 billion in 2004)
  - $9 billion profits (2004)
  - Wal-Mart sales = 2% of GDP in 2005

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>1,600,000</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>426,000</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>
Wal-Mart System

- **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

*Buy American*
*May not apply if we can make more money sending jobs to China*
Wal-Mart Sets the Standard

- Competition with other firms
  - Forces competing retailers to lower wages
- Competition in labor markets
  - Wal-Mart wages drag down average wages
- Leadership effect
  - Wal-Mart model spreads to other sectors
- Financial effect
  - Wall Street judges “efficiency” by Wal-Mart

We all work for Wal-Mart...
III. Working for Wal-Mart

A. On the March
B. On the Cheap
C. On the Dole
D. On The Low Road
Wal-Mart workers in California earn 30% less than the average for workers in large retail.
Health Benefits

Wal-Mart vs. all large retail

• 23% fewer workers enrolled
• 26% less per worker
• Higher co-pay/out of pocket

• Reduced eligibility
  Six months for full-time employees
  Two years for those working < 34 hours/week
SoCal Grocery Workforce Health Benefits After Wal-Mart Came to Town

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
And more...

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

A. On the March
B. On the Cheap
C. On the Dole
D. On The Low Road
Wal-Mart Workers on Public Assistance

$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
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
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Wal-Mart Savings

- Wal-Mart reduces prices by 7 - 13%
  - Savings as much as $16 billion/year

- At what cost?
  - Drives other retailers out of business
  - Ten years after the opening of a Wal-Mart, nearby Iowa towns lost up to 50% of retail trade (1997 study)
Would Higher Wages Raise Wal-Mart Prices?

- Wal-Mart wages = 8% of sales 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 revenues
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>
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<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

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<th>WAL-MART’S SAM’S CLUB</th>
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<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
The Low Road

- The costs of cheap labor path
  - Rising worker debt load
    - Housing collapse & foreclosures
  - Weak domestic market (effective demand)
    - Hurts other industries & drives down wages
  - Lack of technical change
    - Productivity stagnation in ‘services’
  - Still lose out to global competitors
    - High road countries like Germany
    - Cheap labor always cheaper elsewhere