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Abstract

Seminal works on labour and its contribution to the economy were attempted by classical economists. The classical political economy considered labour as the sole source of value, and only it can create an addition. The predominance of ascribed it as basis of all social life. This paper reviews the works of two classical political economy writers: Marx and Smith.

Keywords: Labour, labour power, abstract labour, concrete labour, Karl Max, Adam Smith, classical economy, division of labour

Introduction

In economists' perspective labour is a factor of production just like land or capital. Among the four conventional factors of production (Land, Labour, Capital and Organisation), labour needs special attention as an agent of production. Unlike other factors of production, labour is owned by individuals and operated as per the whims and fancies of the owners of labour power.¹ Karl Marx (1867) is considered to be the most prolific writer on labour and in his perspective it is central to all production process, as it is the sole source of value. To him labour is the basis of all social life and, in all epochs, independent of any particular mode of production. Labour is conventionally conceptualised, where appropriation and alteration of natural substances is required (Burrell 1990), and the resultant creation of use values is its key feature. Kaufman and Julie (2003) state 'labour is nothing but a service that households supply to business firms in order to earn an income and that business firms demand it in order to bring out their product.

Labour power

Labour power can be taken as a commodity² in the sense that it has exchange value³ and it brings buyers and sellers of labour into market and engage them in trade. When one opts for work, by sacrificing leisure, he is willing to hire out his capacity of labour to those who come to terms with him in terms of pecuniary and non-pecuniary benefits of work. The owner of labour power (Worker) sells it primarily to earn money. Non-monetary expectations (fringe benefits, good working conditions etc.) are only secondary. The trading process is complete when employers demand it in labour market. Though the labour power is bought at the market, it is always at the disposal of its owner, because it exists only in his living self. However, a worker delivers his service in the production process on pre-agreed terms.

The value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer (Marx, 1867). The value of labour-power is determined, as in the case of every other commodity, by the labour-time necessary for the production. In order to understand the value of labour power we follow the Marxian paradigm:

So far as it has value, it represents no more than a definite quantity of the average labour of society incorporated in it. Labour-power exists only as a capacity, or power of the living individual. Its production consequently pre-supposes his existence. Given the individual, the production of labour-power consists in his reproduction of himself or his maintenance. For his maintenance he requires a given quantity of the means of subsistence. Therefore, the labour-time requisite for the production of labour-power reduces itself to that necessary for the production of those means of subsistence; in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer. (Marx, 1867)

The owner of labour-power is mortal. In order to make the labour supply perpetual, the social reproduction of labour is to take place. The social reproduction of labour determines the potential supply in the labour market. The labour power is utilised in the process of producing goods and services. Thus labour power contributes to value creation or/ and value addition. The labour-power is withdrawn from the market through retirement/ termination and death. This must be continually replaced by, at least, an equal amount of fresh labour-power. The

minimum limit of the value of labour-power is determined by the value of the commodities that are required to maintain himself and his family. The labourer cannot renew his vital energy, without the daily supply of subsistence. Consequently by the value of those means of subsistence that are physically indispensable he can continually supply labour power. It is also interesting that the value of every commodity is determined by the labour-time embodied in the production of that commodity. It is the basis of labour theory of value (Smith, 1776).

The labour theory of value is the proposition that the value of a commodity is equal to the quantity of socially necessary labour-time required for its production (Smith, 1776). The labour theory of value tells us important things about the way people relate to one another in the capitalist structure. For Marx, the labour theory of value is a form of consciousness which is “natural” on the basis of social relations founded on commodity production. Marx used labour theory of value to explain the relentless exploitation in capitalism. Labourer can go on producing more than what he can consume. The difference between the value that the labourer creates and the value that he receives actually is called surplus value. The surplus value that is produced by labourer, but not accrued by him constitutes the capitalist profit. When the labourer sells his labour power and he is paid full value of his product, then the master-labour relations cannot exist, as there is nothing to be retained by the master. However, it is the expectation of profit that keeps capitalism going.

Abstract labour and Concrete Labour

These were twin concept introduced by Marx to distinguish between exchange value and use value.⁴ Concrete labour is the labour different in kind, skill and intensity in every case, which gives to a commodity the specific qualities by which it satisfies human needs. Abstract labour is the undifferentiated expenditure of human energy common to all forms of labour. Marx says:

On the one hand all labour is, speaking physiologically, an expenditure of human labour-power, and in its character of identical abstract human labour, it creates and forms the value of commodities. On the other hand, all labour is the expenditure of human labour-power in a special form and with a definite aim, and in this, its character of concrete useful labour, it produces use values. (Marx, 1867)

Before the development of the market, all labour is concrete labour. As the industrial sector started dominating in the producing sector, the abstract quantitative side of labour began to develop. Marx insisted that labour is an entirely social category (having a purely social reality) containing not a single atom of matter. That is why he always has in mind abstract labour, when he deals with the relationship of labour to value. It was this labour, abstract labour, which creates value, that is to say creates and recreates a set of social relations which are attached to things. Under capitalism the private labour of each individual is transformed into its opposite, social labour, only through the transformation of concrete labour into abstract labour. Let us, therefore, try to explore in greater detail Marx's notion of abstract labour.

The products of labour take the form of commodities when these products are made for exchange on the market. As such, they are the products of autonomous private labour, carried out independently of each other. Each person carries out one determinate form of labour as part of a social division of labour. Of course we must remember that if this social division of labour were a planned one, the products of individual labour would not take the form of commodities. While the production of commodities is impossible without a division of labour, a division of labour is perfectly possible in the absence of commodity production — as in the case cited by Marx of a patriarchal peasant society. (Marx, 1867)

Further, under commodity production labour is not immediately social; it becomes social labour only through the mediation of exchange relations on the market. Marx (1840) asks, "What is the common social substance of all commodities?" It is labour. To produce a commodity a certain amount of labour must be bestowed upon it, worked up in it. And I say not only labour, but social labour."

Division of Labour

The division of labour is a specific mode of co-operation wherein different tasks are assigned to different people. Division of labour is as old as labour itself, stretching back to the birth of the human race. Smith (1776) observes that the greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgment with which it is anywhere directed, or applied, seem to have been the effects of the division of labour. The improvement of the dexterity of the workman necessarily increases the quantity of the work

he can perform; and the division of labour, by reducing every man's business to one simple operation, and by making this operation the sole employment of his life, necessarily increased very much dexterity of the workman (Smith, 1776). This division of labour is a necessary condition for the production of commodities, but it does not follow, conversely, that the production of commodities is a necessary condition for the division of labour. In the primitive Indian community there is social division of labour, without production of commodities.

More than anything else, human history is characterised by the ever-increasing complexity of division of labour. The form of division of labour changes and is passing through a number of distinct phases. The various stages of development in division of labour are just so many different forms of ownership, i.e. the existing stage in the division of labour determines also the relations of individuals to one another with reference to the material, instrument, and product of labour. The social division of labour was once almost exclusively based on kinship relations, within a relatively closed circle, wherein the character of an individual's labour was determined by his age, sex and position within the family. The division of labour has the most profound effect on the forms of consciousness predominating in a given society since such forms can only be, after all, internalised forms of social activity. During the whole feudal period, the division of labour is still determined along kinship lines, but now on a much wider class, encompassing social classes.

With the development of modern production sector (machine-based production), however, division of labour takes a big step upwards. It is the prevalent characteristic form of the capitalist process of production throughout the manufacturing period. That period, roughly speaking, extends from the middle of the 16th to the last quarter of the 18th century. All subsequent developments in the forces of production correspond to qualitative changes in the social division of labour. In the last hundred years, the most significant milestones in the development of the social division of labour are the successive and dominating management ideologies: Taylorism⁵, Fordism⁶ and Toyotism.⁷

Conclusion

The form in which labour is a part in the process of production has been changing from time to time. Labour relations imply the way in which labour is embedded in production process. Labour is not homogeneous, but is distinguished by natural ability, education and training.

These differences reflect in productivity and relative wage rates. The decision to invest in education and training to raise productivity and earning potential, can be considered in the same way as any business investment decisions. The study of economics, with little attention to labour, is incomplete due to its unquestionable place in economic life.

Notes

¹Labour power can be understood as those mental and physical capabilities existing in a human being, which he exercises whenever he produces a use-value of any description

²Value of a good or service expressed in terms of price that can be transacted in the market.

³Any thing, usually physical, which can be bought and sold and is directly measurable is treated as commodity.

⁴The intrinsic value or usefulness that is the want satisfying capacity of a good or service.

⁵After Frederick Winslow Taylor (1856-1915) the American inventor and engineer who was the first to make a scientific study of industrial management. Taylor's system of management corresponds to the early development of mass production and assembly line manufacture and is characterised by extreme elaboration of the division of labour, the reduction of work to machine-like repetitive operations, and extreme labour discipline and supervision of work, aimed at minimising production time per unit of commodity. Nowadays, "Taylorism" is a synonym for the most backward style of management, since it depends on the elimination of all initiative on the part of the productive worker, depending for its success entirely on the effectiveness of labour discipline

⁶Emerged after Henry Ford (1863-1947), method of industrial management based on assembly-line methods of production of cheap, uniform commodities in high volume, and winning employee loyalty with good wages, but intolerant of unionism or employee participation. "Fordism" refers to this policy of winning the loyalty of workers to profit from a high-wage economy, by producing commodities for the masses as cheaply as possible by the application of assembly line techniques. It was this policy which brought the United States to the position of the dominant capitalist power by the end of World War Two. The difficulties with Fordism was that while it depended absolutely on the loyalty of the workers it offered no room for innovation or worker participation, and the low price was achieved at the price of mind-numbing uniformity and indifference to market demands: market demand was the *result* not the *driving force* of production

⁷Toyota is one of the largest automobile manufacturers in the world. It began in 1933 as a division of the Toyota Automatic Loom Works, Ltd. and during the 1960s and '70s expanded rapidly. From a

negligible position in 1950, Japan surpassed West Germany, France, Great Britain, and the United States to become the world's leading automotive producer. During the late 1970s and early 1980s, Japan's principal auto makers enjoyed such impressive export gains in North American and Western European markets that restrictions were imposed on Japanese imports. To refer to the management culture and labour processes dominant in Japan, the US, Europe and other developed capitalist countries in the latter part of the twentieth century used this terminology. Toyotism depends on this culture of labour-management cooperation, multi-skilling and cross divisional problem solving, and the creation of such a culture is the first requirement. Concessions such as employment security, seniority-based wage systems, twice-yearly bonuses, regular promotion from the shop-floor to senior management, as well as management bonuses tied to the bonuses paid to blue-collar workers and a strict work ethic for white-collar employees and managers were used in Japan to cultivate this spirit of cooperation.

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