

Eugenia Correa

Professor of Postgraduate Economics Faculty
National Autonomous University of Mexico

Patricia Rodríguez

Researcher, Economics Research Institute
National Autonomous University of Mexico

Ma. Luisa González

Researcher, Economics Research Institute
National Autonomous University of Mexico
DGAPA-PAPITT 300-330

Paper presented at the 13th International Karl Polanyi Conference, “The Enduring Legacy of Karl Polanyi,” Concordia University, 6-8 November 2014

Labor is not a Commodity: Analyzing Mexican ‘Informal’ Labor From a Polanyian Perspective**Abstract**

The idea of a self-regulating market has the underlying assumption of labor abundance and almost unlimited supply, which could only be possible if there was sufficient population on misery, or through migration, or both. Neoliberalism has had an important role when trying labor abundance to be possible, through outsourcing specially, but also through increasing migration and labor reforms with flexible contracts, and general decreasing wages. The last great crisis begun almost seven years ago, it is an important social “laboratory” that allows to explore the idea of “unlimited labor supply” as well as some reactions in the world of labor to protect society, or at least to protect a little portion of workers facing the weakness of the state. This paper unfolds the concept of Polanyi on labor as part of human beings. We explore the example of Mexico, in which there is extreme work flexibility, through migration and through the growth of the informal sector (it is more than 60% of the labor force in the present time) and the economic policies related to the so-called labor market including also a gender perspective. It concludes that women’s work is not only crucial for human reproduction, but also that it has been, during this long crisis, an incredible buffer of labor located at the foundation of the idea of the “self-regulating labor market.”

“But labor, land, and money are obviously *not* commodities; the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them. In other words, according to the empirical definition of a commodity they are not commodities. Labor is only another name for a human activity which goes with life itself, which in its turn is not produced for sale but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized.” (Polanyi, 1944/2001:75)

Introduction

Political economy has emphasized from different perspectives, and for many years, the fact that labor is not a commodity, or at least it is not a commodity similar to the others. (Marx, 1867/1997; Keynes, 1936/1992; Polanyi, 1944/2007; Minsky, 1986/2008; Parguez, 2000)

As noted by Polanyi in the epigraph, labor is part of life itself, is a human activity that cannot be separated from life. However, in capitalism, a fraction of the activities of the lives of human beings is sold for a wage, which transforms them into labor. This fraction of life being working capitalist production, even though many other fractions of human activities, highly useful for welfare, do not possess this status since they are not hired nor obtain a wage, and the goods and services produced through these activities do not have a market, nor produce profit.

Indeed, this fraction of human activity transformed into wage labor is fundamental for the existence of capitalism, however much, like now, many companies reduce their number of workers employed. Therefore, employment and unemployment, as well as inequality, were originated by capitalism in its normal functioning. Both were identified by Keynes as two of the major flaws of the capitalist system (Keynes, 1936/1992; Dodd, 2007), and also by Polanyi (1944/2007: 96-100 y ss) and Marx (1867/1997) as pauperism because the original accumulation of capital and function of industrial reserve army.

In its various economic, social, and political expressions, inequality is capable to reach intolerable levels that block time and again the capitalist expansion. Indeed, the inequality is in the core of the great financial crises, as on the thirties or o today (Galbraith, 2012 y 2014). The extreme inequality, growing and persistent, posed in such a way, may be considered as an indicator for a major rupture of the forces that characterize the double movement between economic liberalism and the principle of social welfare (Polanyi, 1944/2007; 138 y ss).

On one side, unemployment, besides its severe economic consequences, also has vital repercussions on each one of its victims, on their families, and communities, and on the other side, it has also consequences on the social life of cities, of countries, and on our daily lives, even at a global level (Wilson, 1997; Sennett, 2000).

Almost every public policy around the world is justified by its capability of generating employment and, also, reducing unemployment. Governments, in a direct manner or, during the latest years in an indirect manner through trying to stimulate the generation of employment by the private sector, are intending to have some responsibility or intervention in what refers to unemployment levels, it does not matter from which theory they are relying on.

In this text, a brief argumentation is presented on the reasons why it is necessary to analyze, from Polanyi's point of view, the labor of the so-called informal employment. Since, in its most recent presentation, this statistical information is taking into account those activities that develop from the resources of a family and are producing income. Thereafter, a brief statistical description is made on the conditions of employment in Mexico, including a gender reading.

Hereinafter, some proposals are made on how to understand informal employment from the point of view of Polanyi, posing that labor's precariousness and the degradation of everyday life has been transferred also to that labor that is not performed within the labor market. Development is shown when it comes to the criticism on certain feminist perspectives that are trying to incorporate to the market system some of the activities that women perform at home, while some others are not visible, or are simply gradually disappearing from the eye of society, especially many of the activities that increased welfare of families and communities. Later on, there will be criticism on the basic income proposal, from the perspective of Polanyi, since both responses continue to leave the market system intact, even though it is and has been the major devastator of life, of labor as well as of the earth. The latter means that we still believe that the market system, now financialized, and the actions of companies and of private capital, may reestablish the forces that support the double movement.

1. Why examining the so-called “informal” employment?

The so-called “informal” employment is a statistical category used in order to quantify part of the employed population that is not within the wage labor organized by a company or a corporation.

At the same time it is a quantification that may contribute in showing, through a quantitative approach, sadly not qualitative, the organization of labor in a market system which: 1) has not had enough dynamism to employ those who demand it; 2) maintains a buffer of population that allows such market system to dispose of a wide offer of workers and decreasing wages; and 3) destroy other ways of living, leaving growing population in the marginality, ghettos and no-legal activities for survive.

The statistical category of “informal” employment is defined by what it is not, namely, by the difference when compared to “formal” employment. However, since the statistical debate for its quantification in the decade of seventies, there are underlying hypotheses on its nature and origin. So, the origin of “informal” employment is occasionally attributed to the

slow progress in what refers to market relations in underdeveloped countries; or it is attributed to the population employed in low-productivity occupations because of the technological displacement of labor force; or it is considered to be an occupational segment produced by the market system itself in the capitalist society as one of its excrescences that eventually have been, or still are, functional. In its most superficial discussion, the idea of it being a phenomenon generated by the elevated population growth rates emerges. In the ideology of the common sense, there are four myths that, together or separated, are intending to account for the origin of the “informal” sector: 1) overpopulation; 2) slow economic progress; 3) elevated technological progress that unemployed; and 4) labor reserve in order to keep low wages.

Thus, “informal” employment takes place within the lowest strata in what refers to productivity, wage, and general employment conditions. Descriptively, It is part of the population that constructs its survival through different ways inside a society with the livelihoods in private property and for which labor paid organized by companies and corporations, hasn’t been enough.

Mexican statistical system works with various indicators of informality, in this case the occupancy rate in the informal sector (TOSI II) was considered, and it is defined as:

“Proportion of the employed population that works for a nonagricultural economic unit that operates from household resources, but without constituting as a company, so that the used income, materials, and equipment for the business are not independent and/or distinguishable from those of the household itself. This rate is calculated by referring (denominator) to the nonagricultural employed population.”

Even though it is not the most useful measure for the purposes of this hypothesis, it is close enough to the quantification of a part of the population that is looking for survival through inserting a part of their work into the market, whether it is in completely different conditions to those that are employed by companies constituted in the Market.

The available statistics in what refers to participation rates will be used as a way to quantify the conditions in which segments of the population seek to overcome the pressure of the pauperism generated by the crisis and that the continuous austerity policies increase even more. This rate is defined as the:

“Percentage that the economically active population (Labor force, LF) shows regarding the fourteen years of age and older.”

The last variable of the statistic of the surveys of employment used, is the rate of critical conditions of employment, defined as the:

“Percentage of employed population that works less than 35 hours per week because of Market’s reasons, plus that which works over 35 hours per week with an inferior

monthly income regarding the minimum wage, and that which works over 48 hours per week and obtains up to two minimum wages.”

It is acknowledged that this statistic is very limited because of its definitions, as well as because of the difficulty in the information capture, as happens with surveys made within high economic vulnerability and social violence conditions. It gets more limited when, on a regular way, this information is only available since 2005. Moreover, it would not be logical or correct to think that, in that short term statistical analyzes, the major rupture moment of social protection conditions may be accurately located. For this purpose, then, an institutional analysis is also necessary.

The conditions wherein the population develops within the labor Market, is another element of the present argumentation used in order to highlight the way in which they have penetrated and are present in outside of it. That is, pauperism of workers, labor precarization, degradation of the working environment in almost all the work within the Market Labor system, have also imposed the conditions on a great part of the work out of the Market system. Some parts of the consequences on the dairy live was rescued by feminist literature and gender studies. Even without finding indicators, whether they are defective or not, in the following lines some achievements have been made thereon.

2. Characteristics of the “informal” sector and employed women in Mexico

At what moment a society may allow itself to loose its population’s productivity?, For how long? What would the consequences be? These are questions that need to be posed and studied, but not exclusively in what refers to the portion of labor that societies hand over to the Market system.

Without attempting to answer these questions, let us see a simple estimation of the first portion. For example, the countries of the OECD have kept for years now, an average of unemployed and available population of the 10% of the labor force.

The ILO estimated, in recent years, an average of 8.5% of global unemployment, with a total labor force of 3.3 billion people, adding at least a 2% for the decrease of the participation rate, and a 5% it what refers to unavailable labor force, representing around the 15%. It is estimated that an unemployment rate calculated in such a way, that is around 495 million people, represents an annual global GDP loss of 10% considered from a product per capita world media of 13 thousand dollars. Evidently, the latter is an impressive number if it is considered that with only half of this, global hunger would end.

Unemployed population plus available population in Mexico, represent more than the 16% of labor force, that is, more or less 8.5 million people, which represents a 7% annual GDP loss based on a product per capita of 9.7 thousand dollars. This estimation does not include the underemployed nor the employed population in the informal sector.

Mexico: Labor Main Indicators, (Q2,2014)			
	Total	Men	Women
Labor Force (millions)	52	32.3	19.7
Rate of Unemployment	4.8	4.9	5.1
Rate of No-Labor Force Available	11.5	6.2	20.3
Rate of Critical Labor Conditions (1)	11.4	11.9	10.6
Rate of Participation	58.6	76.4	42.3
Rate of Informal Labor (TOSI-2) (2)	52.7	49.4	57.2
Source: INEGI, Occupation Survey (ENOE).			
(1) Percent of labor force employed less than 35 hours because the market, add with workers with more than 35 hours but with less than one minimum wage, and workers with more than 48 hours and 2 minimum wages or less.			
(2) Percent of the employ labor force working in non-agriculture economic unit, which function with home resources . The material and equipments used for business are not independent or distinguished of home.			

The chart above shows the differences between men and women, it is interesting to observe that the unemployment rate is higher for women, even though the critical labor condition rate is lower. The participation rate of women is lower than that of men, while the informal labor rate is considerably higher. All these rates exclude the calculation of population that is not within the labor force.

In Mexico, as in other underdeveloped and developed countries, as it could see in the next table, unemployment rates are higher when it comes to young people under thirty years of age. It is also higher among the better educated than among uneducated population.

Unemployment with tertiary education (% of total unemployment)		
	1995	2010
Latin America & Caribbean	9.9	19.4
Argentina	4.8	27.2
Brazil	2.6	12
Chile	16.5	21.8
Colombia	17.5	24.4
Ecuador	17.4	25.1
Mexico	12	24.8
For memory:		
High Income Countries	24.3	27.8
Germany	12.9	11
France		18.3
United Kingdom	10.7	14.3
Italy	6	11.2
Japan	21.9	33.2
Canada	34	32.7
United States	39.8	46.5
Source: World Bank Data Base.		
Note: Around 1995; and around 2010.		

Unemployed population with higher levels of education is increasing, which leaves many young people with few job opportunities, as well as with few opportunities in which they are able to use their capabilities in areas in which they are qualified. This implies a great dilapidation each day and each year. Polanyi himself pointed out that the usual consideration of the Economic Theory on the "long term" is inadmissible when one speaks about employment and unemployment. Assumptions on the "long term" do not make any sense. For their part, Keynes and Minsky posed that employment that is not applied on an every day basis may get lost forever. "While unexploited capital services today will be available any other day, unexploited employment services are lost forever." (Minsky 1986, 149)

3. An approach on Work and Polanyi

In his analysis on contemporary capitalism, Polanyi (1944/2007) considers that employment is just another name of human activity and, in this sense, is part of life itself and will be permanently attached to it. To that extent, the right to employment is part of fundamental human rights and it is State's institutions the fundamental counterpart for exercising that right, just as the right to live.

Actually, many of the human activities that are not included as employment are fundamental supporters of life. Recognizing and incorporating them is essential to move forward in the construction of less unequal society. That is, facing the enormous contradiction represented by an economic system that turned out to be unable to incorporate employment as a part of the life of every human being, while so many human needs remain unsatisfied.

However, it seems even more important the way in which, the organization of employment under the Market system gradually transfers all labor precariousness and degradation to everyday life. Feminist thought has explored some of these tendencies (Polanyi, 2013: 191). Although some approach of feminist thought largely prefabricated the answers when depart that all the work necessary for the life of workers is imposed over everyday life of women in particularly. So that their results move forward by proposing the incorporation to the market of all the women work at home, with propositions such as: assigning a price and quantifying it within the GDP; assigning a wage or payment for it (even with aid programs depending on the number of children, for example), etcetera. Those are desperate answers, especially when facing the impoverishment of women and the enormous difficulties that they face in the Market economy in order to achieve personal development, truly in general larger than those faced by men.

With this starting point it becomes difficult for most feminist studies to move towards the Market system's criticism and the ways in which it bursts into everyday life. When trying to incorporate other activities made by women to the market system, many others are invisible, or just gradually disappearing from the eye of society, especially many of the activities that allow better welfare levels to families and communities. Polanyi already posed the latter as follows:

“...the trading classes had no organ to sense the dangers involved in the exploitation of the physical strength of the worker, the destruction of family life, the devastation of neighborhoods, the denudation of forests, the pollution of rivers, the deterioration of craft standards, the disruption of folkways, and the general degradation of existence including housing and arts, as well as the innumerable forms of private and public life...” (Polanyi, 1944/2007: 139)

However, beyond the criticism that some of the versions of contemporary feminism should receive, Polanyi's quote becomes very appropriate for the present time, especially if one reflects on the fact that the “trading classes” comprise, today, greedy and insatiable segments of the “ruling class” that operates at global level from financial conglomerates and funds. Or in a more direct and simpler manner Kari Polanyi would say:

“Governments are hostage to finance; the bonds of the social contract are broken; and democracy is in suspense” (Polanyi, 2013: 177)

The profound social rupture that has been growing and developing throughout the capitalist world, conducted by neoliberal policies, may be summarized in what Kari Polanyi calls “the Great Financialization.” This process has implied that the double movement of self-protection of society, that means the auto regulated market constantly expanding but facing the defensive mechanism of society (the interventionism), is breaking.

Formulating the precise conditions in which the breaking process of the self-defensive mechanism of society requires an analysis not only with a global character of capitalism during the latest years, but also with national character. Either way, as noted later on, one of its most important contents is located in what has happened with the world of work, particularly of employment under the market system. It may be more explicit in Polanyi's words:

“Let us return to what we have called the double movement. It can be personified as the action of two organizing principles in society, each of them setting itself specific institutional aims, having the support of definite social forces and using its own distinctive methods. The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market—primarily, but not exclusively, the working and the landed classes—and using protective legislation restrictive associations, and other instruments of intervention as its methods.” (Polanyi, 1944/2007:138-139)

In the moment that this double movement breaks, a crisis may transform into a catastrophe since, as Polanyi (1944/2007) points out, “the commodity fiction disregarded the fact that leaving the fate of soil and people to the market would be tantamount to annihilating them.” (137)

That is the reason why work as creative activity, even its integration to the production of goods and services outside the economic space of capital (since it does not produce profitability in a direct manner), is essential in the rupture of the model of neoliberal and patriarchal capitalism nowadays. The latter even requires making visible all those human activities that are needed in life, especially those that in our time should be socialized, many of them traditionally in charge of women. However, this does not necessarily mean adding them to the market system and transforming all the goods and services, which accompany life itself, into merchandise, as Polanyi would say. But it does not mean either the assignation of a “basic income” to citizens in order to allow them to develop all their creative capabilities and all the services that reproduce life.

Both answers still leave an intact market system, in spite of it being and have been the major devastating element of the life, both the work and the land. This means that we are still believing that the market system, now financialized, and that the action of companies and private capital, may give viability to society, which is a proven wrong idea. Despite it has been the starting point of all destruction, the capitalist world of neoliberalism has gradually disappeared many of the institutional capabilities of the national States, especially those that allowed the creation of labor and social protection networks, most of the time poor and

insufficient. It is not only about the dismantling of the so-called benefactor State or welfare State, but also of the whole state's system of conservation and reproduction of the labor force. Besides, the capability of governments to provide justice and guarantying national security as well as fundamental human rights has been reduced.

Added to the latter there is the dismantling of labor benefits, the intensification of working days, the reduction of wages and benefits, the labor flexibility, and the degradation of the whole working environment. All these deteriorate the ties of solidarity, the community identity, and the configuration of values, models for life and future expectations. This strengthens the patriarchal society, increases gender violence, and constraints feminist ambitions of a more egalitarian society.

Thus, containing the power of global financial conglomerates that have imposed policies of balance budget as essential to rebuild the principles of the organization of society. The challenge is, as posed by Kari Polanyi:

“We need to rethink economics. More fundamentally, we have to rethink the real value of good and services... (Polanyi, 2013: 191)

References

Dodd, R. (2007) Financial Stability, Social Justice, and Public Employment in the Work of Hyman P. Minsky, working paper 54, University of Missouri-Kansas City.

Galbraith, K. James (2012) Inequality and Instability: a study of the World economy just before the great crisis, Oxford University Press.

Galbraith, K. James (2014) The End of Normal. The Great Crisis and the Future of Growth. Ed. Simon&Schuster, NY.

Keynes, J.M. (1936/ 1992) Teoría General de la ocupación, el interés y el dinero. Ed. Fondo de Cultura Económica, México.

Marx, Carlos (1967/1997) El Capital, Ed. Siglo XXI, México.

Minsky. H. (1986/2008) Stabilizing an Unstable Economy, McGraw Hill, Nueva York.

Parguez, A. (2000) John Mayrand Keynes: en busca de una economía sin escasez, Revista Comercio Exterior vol. 50, número 12, Banco Nacional de Comercio Exterior, México.

Polanyi, Karl. (1944/2001) The Great Transformation, Beaton, Boston.

Polanyi, Kari (2013) From the Great Transformation to the Great Financialization, Zed Books, Canada.

Sennett, Richard (2000) La corrosión del carácter. Ed. Anagrama, Barcelona.

Wilson, William J. (1997) When work disappears: the world of the new urban poor. Vintage Books.

Dodd, R. (2007) Financial Stability, Social Justice, and Public Employment in the Work of Hyman P. Minsky, working paper 54, University of Missouri-Kansas City.

Galbraith, K. James (2012) Inequality and Instability: a study of the World economy just before the great crisis, Oxford University Press.

Galbraith, K. James (2014) The End of Normal. The Great Crisis and the Future of Growth. Ed. Simon&Schuster, NY.

Keynes, J.M. (1936/ 1992) Teoría General de la ocupación, el interés y el dinero. Ed. Fondo de Cultura Económica, México.

Marx, Carlos (1967/1997) El Capital, Ed. Siglo XXI, México.

Minsky. H. (1986/2008) Stabilizing an Unstable Economy, McGraw Hill, Nueva York.

Parguez, A. (2000) John Mayrand Keynes: en busca de una economía sin escasez, Revista Comercio Exterior vol. 50, número 12, Banco Nacional de Comercio Exterior, México.

Polanyi, Karl. (1944/2001) The Great Transformation, Beaton, Boston.

Polanyi, Kari (2013) From the Great Transformation to the Great Financialization, Zed Books, Canada.

Sennett, Richard (2000) La corrosión del carácter. Ed. Anagrama, Barcelona.

Wilson, William J. (1997) When work disappears: the world of the new urban poor. Vintage Books.