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# The Study of Labour, Employment, and Work Life: Central Features and Core Principle

The multi-disciplinary study of labour, employment and work life (LEWL) has a long history and is conducted in universities and research organizations across the world. In English-speaking countries LEWL is typically named “industrial relations” (or “employment relations”), while in Sweden the typical name is “arbetsmarknads- och arbetslivsforskning.”

Regardless of differences in labels and organizational structures, the LEWL field has certain common ideas and principles across all countries that give it a concrete identity and position in the social sciences. In this paper I identify these common features and the central intellectual principle that distinguishes LEWL from its major competitor, orthodox (neoclassical) economics. I also identify reasons why the LEWL field is declining in many countries, symbolized in Sweden by the closing of the National Institute for Work Life.

The study of what I shall call here labour, employment, and work life (LEWL) is a broad, generic field of inquiry found in universities and research organizations across the world, reflecting the subject’s fundamental importance to all societies and governments. Because of national differences in languages, cultures, and intellectual traditions, the study of LEWL follows a number of different models and goes under a variety of different names. Originally, in English-speaking countries the common name used for the broad field of labour and employment studies was “Industrial Relations” (or Employment Relations). More recently, Industrial Relations (IR) has tended to narrow in meaning to connote some form of collective employment relation so other supplementary and sometimes competitive

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terms, such as Human Resource Management (HRM) and Sociology of Work, have become increasingly popular. In Spanish speaking countries the term “Relaciones de Trabajo” for many years described the field of labour and employment studies and, similarly, in Japan the term “Roshi Kankei” (employer-employee relations) was widely used (Kaufman, 2004). In these countries other terms, such as HRM (e.g., “Recursos Humanos” in Spanish), are also now appearing. Naturally, the Nordic countries also have a distinctive perspective on LEWL; in Sweden, for example, the term “arbetsmarknads- och arbetslivsforskning” is commonly used (Elvander, 2002).

The study of LEWL, regardless of the particular name, directs attention to the conditions and interests of both sides of the employment relationship – Employers and Employees and Capital and Labour. In this respect, HRM largely focuses only on the employer side, so I conceive it as a subfield of LEWL. Broadly speaking, one part of LEWL is the positive (scientifically objective) study of *what is* in the world of work, another part is the normative (ethical/ideological) discourse on what *should be*. Of course, in practice some overlap is difficult (perhaps impossible) to avoid and often normative explicitly or implicitly guides positive (Lawson, 2003). Given that we live in a world of scarce resources and competing economic and political power groups, the study of LEWL in both its positive and normative dimensions is important not only for the advancement of knowledge about all aspects of the employment relationship but also for protecting and advancing the social and economic interests of both sides to the employment relationship, particularly in the case of Labour since it has historically been the weaker and more vulnerable party.

With this thought in mind, we see a disturbing trend around the world. Due to the intensified economic pressures from globalization and the rise of neo-liberal political philosophy, Labour’s position in society and the economy is threatened and in a number of respects retrogressing. Social protections provided by the modern welfare state are slowly being eroded and dismantled; trade unions and collective bargaining in most countries cover a steadily shrinking portion of the workforce; and the work lives of many people are more stressful and challenged, indicated by longer and intensified work hours, stagnant real wages, a greater share of work in the informal sector, and a growing imbalance between the demands of job and family.

These trends are mirrored in the retrenchment and hard times experienced in recent years by the parts of the LEWL field that are “Labour friendly” in universities and research organizations across the world. This is particularly true for Industrial Relations and, in a number of countries, the Sociology of Work. In countries such as France, Germany and the USA the IR field has significantly declined and, particularly in the latter, many universities have closed their IR

programs (da Costa, 2005; Keller, 2005; Kaufman, 2004). One leading academic (Kochan, 1998: 31) has called the situation in the USA “a state of profound crisis.” British IR also experienced considerable turbulence and downward pressure in the 1980s and 1990s but has stabilized in recent years according to a number of observers (e.g., Edwards, 2005; Sisson, 2007). Yet this calm may be misleading, witnessed by the decision of Keele University in late 2007 to eliminate its IR program and the decision earlier in 2007 by the London School of Economics to move its IR program into the School of Management. In all these cases, the decline of industrial relations opens the door for more resources to flow toward business schools and management programs that on balance and over time tend to benefit employers and Capital (e.g., IR faculty are gradually replaced with Organizational Behavior faculty), while less resources are devoted to LEWL and Labour’s interests. Similarly, in Asian countries such as Japan and South Korea a number of IR programs and university institutes have been downsized or closed; the most emblematic example being the Japanese government’s decision in the late 1990s to close the Japanese Institute of Labour. This trend is even evident in the Nordic countries, long regarded as among the most progressive in the world in protecting and promoting the rights and interests of Labour. The ruling conservative government in Sweden, as an illustration, in 2007 eliminated funding for the well-known and regarded National Institute for Working Life.

Part of these adverse trends reflect broad economic and political factors (e.g., globalization) which academic people and LEWL researchers can do little about. But another part reflects adverse developments in the world of ideas, such as free market economics and neo-liberalism, where academic people and LEWL researchers can make a difference. It is toward this end that I present this paper. In particular, I endeavor to outline the central features and the core intellectual principle that underlie the LEWL field across the world, with the idea that this gives the field a stronger and more concrete self-identity and theoretical base and thus a stronger foundation for survival today and renewed growth in the future. Although the focus is on LEWL as a generic field of study, I use the Anglo-American term “industrial relations” (in its original broad meaning) as an equivalent substitute, partly because it explicitly gives attention to the interests of Labour as well as Capital and partly because it is the oldest and largest group within LEWL -- now found in more than eighty countries through individual memberships and affiliated national chapters of the International Industrial Relations Association (IIRA).

### **The Three Faces of LEWL**

The LEWL field studies all the parts of labour, employment and work life. This

is roughly the subject territory subsumed by the original industrial relations field when it started out eight decades ago (Kaufman, 2008). Part of my thesis in this paper is that for LEWL and Industrial Relations to survive and prosper in the future they must be conceived and practiced broadly so scholars and researchers from all nations feel a common identity and perceive they are committed to a common intellectual endeavor and set of values.

Formally organized research, teaching and policy debate on LEWL began at the end of World War I. Two events are central. The first is the founding of the International Labour Organization (ILO) in 1919, the second is the creation of the field and vocational practice of industrial relations (IR) in American universities and business firms in the same year (Kaufman, 2004). Both originated out of worldwide concern that the so-called “Labour Problem,” or “Social Question,” was going to boil over into class war and socialist revolution. The Bolshevik seizure of the Russian state in 1917 and declaration of a communist workers’ society was a very important event creating this fear.

Writing and research on labour issues and labour policy of course long predates formation of the ILO and IR field, as do social reform efforts to improve the conditions and status of labour. In England, for example, articles and books were published from the early 19th century onward about labour and working life, including the world famous book *Industrial Democracy* (1897) by Sidney and Beatrice Webb, and social reformers such as industrialist Robert Owen were also very active (Ackers and Wilkinson, 2003). The British government also on several occasions formed investigative commissions to study labour conditions and make policy recommendations. Nonetheless, this research, reform and policy debate were not organized and given a name until the World War I era, and the “industrial relations” term became the most common label.

As seen at the time, the subject matter of this new field of industrial relations was the *employment relationship*, including all the behaviors, institutions and outcomes that emanate from or impinge on the employment relationship (Kaufman, 2004). Early industrial relations, therefore, is largely coterminous with the generic entity I am calling LEWL. Modern industrial relations, however, is considerably less so since after World War II the IR field slowly narrowed in subject matter and ideological values until it has become closely identified with a subset of LEWL revolving principally around trade unions, collective bargaining and national labour policy (Adams, 1993; Ackers and Wilkinson, 2003). This growing narrowness in the perceived subject domain of industrial relations became one of the most significant factors leading to its decline across most of the world, given that trade union density and power have also substantially eroded in most (but not all) countries.

However structured and conceived, LEWL in every country and time

period exhibits three distinct dimensions or sides. I have called these the *three faces of industrial relations*, but they are also generic features of LEWL worldwide. Briefly, these three faces are the following:

*Science-Building.* Science-building is largely an academic and intellectual endeavor aimed at explaining behavior and expanding knowledge through theory building and empirical investigation. Its focus (ostensibly at least) is objective, value-neutral research that explains human behavior and outcomes in the world of work. As I have described in much greater detail elsewhere (Kaufman, 2004), LEWL originated in part as a protest and reaction against orthodox classical/neoclassical economics and the inhumane treatment and *laissez-faire* policies toward labour that it justifies, as well as an attempted refutation of classical Marxist doctrine and construction of a reformist policy alternative to socialism and proletarian revolution. In effect, LEWL is the “middle way” between neoclassical and Marxist economics and *laissez-faire* and socialism. Since the Marxist model and socialism are now largely sidelined, in what follows I focus largely on the orthodox/neoclassical side of this story.

LEWL’s approach to science-building reflects its opposition to the deductive and a priori method common to both neoclassical and Marxist economics, for this method in both cases leads to a model of economic determinism that leaves little room for human agency and reform. For example, orthodox economic theory tends to be deductively derived from a few canonical and “frictionless” assumptions taken as self-evident (called by LEWL critics “arm-chair theorizing”), which tends to lead to theories of labour and employment that are too unrealistic and utopian and that also have a bias in favor of employers and *laissez-faire*. To achieve a more realistic and balanced theory, LEWL researchers advocate that deduction must take place on (or be adduced from) a foundation of empirically and historically informed priors. One such approach, particularly popular in Britain, is *critical realism* (see Lawson, 2003; Edwards, 2005; Fleetwood, 2006); another that is popular in the USA comes from *behavioral and experimental economics* (Kaufman, 1999; Altman, 2006).

Similarly, orthodox economics tends to favor an insular, uni-disciplinary and “imperialistic” approach to the study of work and employment that gives little weight to incorporating ideas and insights into its theory from other disciplines and fields; LEWL, in contrast, favors a multi-disciplinary mode of theorizing that draws on numerous fields for theoretical concepts and insights with the idea that an integrative theory does better at capturing the complexity and dynamics of the employment relationship (Strauss and Whitfield, 1998). Finally, orthodox economics uses a very artificial and abstract model of the human agent, sometimes called “economic man” or *homo economicus*, that has very high powers of thought and decision-making but very little emotional, social or ethical content,

while LEWL endeavors to build its theories on a model of the human agent that sacrifices analytical simplicity for a more realistic representation that includes bounded rationality, free will, emotions, social interdependencies, and moral values (Budd, 2004; Fleetwood, 2006). Viewed this way, LEWL can be thought of as having its origins as a heterodox form of labour economics (emphasizing an integration of sociology, economics and law) from which it then evolved into a more overtly and self-consciously cross-disciplinary enterprise.

LEWL thus endeavors to be theoretical and analytical but with models and theories that are more grounded in the facts of real life and with greater connection to all the social science disciplines. To date, LEWL researchers have constructed or developed numerous middle-range theories and models that apply to particular aspects of the employment relation (e.g., Freeman and Medoff, 1984; Marsden, 1999; Mueller-Jentsch, 2004), but so far no one has developed an integrative theory for the field. I have proposed elsewhere (Kaufman, 2004b, 2008) that the core LEWL principle elucidated in the next section provides the foundation for such an integrative theory.

*Problem-Solving.* The second face of LEWL is the application of science and knowledge to solving practical problems and devising public policy. When LEWL originated at the end of World War I, the most pressing problem, as already indicated, was the *Labour Problem*, meaning the widespread and oftentimes bitter conflict between employers and employees. Underneath the Labour Problem were, in turn, a host of smaller scale “labour problems” that also bedeviled the work world, such as rampant worker turnover, low wages, long hours, high rates of industrial accident, low productivity, and insecure employment. LEWL was invented first and foremost to help solve the Labour Problem and attendant labour problems through a process of social engineering and institutional redesign (Webb and Webb, 1897; Commons, 1934). The central point of view of the founders of LEWL was that the free market capitalist system of the early 20th century was composed of a variety of institutions that collectively mal-performed in the labour/employment area; the task of LEWL is to discover and design new or reformed institutional arrangements that solve these labour problems and thereby increase efficiency and human welfare. This process of institutional reform must be evolutionary and adaptive in light of changes in the economy and the nature of social/economic problems and must also take account of distinct cross-national differences in political, social and economic traditions and institutions. In the LEWL problem-solving toolkit were a variety of methods to make capitalism function better, including professional/progressive labour management, labour law and social insurance, trade unions and collective bargaining, macroeconomic stabilization/full employment policy, and a redistributive welfare state. LEWL problem-solving

in Europe tended to favor considerably broader, deeper and collectivist-oriented changes in the capitalist order, to the point capitalism might eventually fade away, while LEWL problem-solving in North America favored a more circumscribed, managerialist, individualist and market-oriented reform agenda (Hyman, 1975; Kaufman, 2004).

*Ethical/Ideological.* The third face of LEWL expresses the ethical values and ideological position of the field regarding work and employment. While orthodox economics professes to be value-free, LEWL proponents perceive that neoclassical economics is at a deep level an elegant rationalization to promote the interests of consumers and employers over workers. It is revealing, for example, that in neoclassical economics the end goal of an economy is promoting consumer welfare through efficient production of plentiful low-priced goods, while labour is treated akin to coal and steel that firms should seek to get the most production from for the smallest cost and then dispose of when the workers no longer yield profit. At a normative level, LEWL rejects this vision of Labour's place in society. Labour is not just a factor input; rather it is embedded in a living human being who has much greater life interests and moral significance than coal and steel. Thus, LEWL believes that workers' terms and conditions of employment and quality of work life are important parts of the nation's social welfare and should accordingly be respected in employers' human resource practices and the state's economic and social policies (Budd, 2004; Streeck, 2005; Kaufman, 2005).

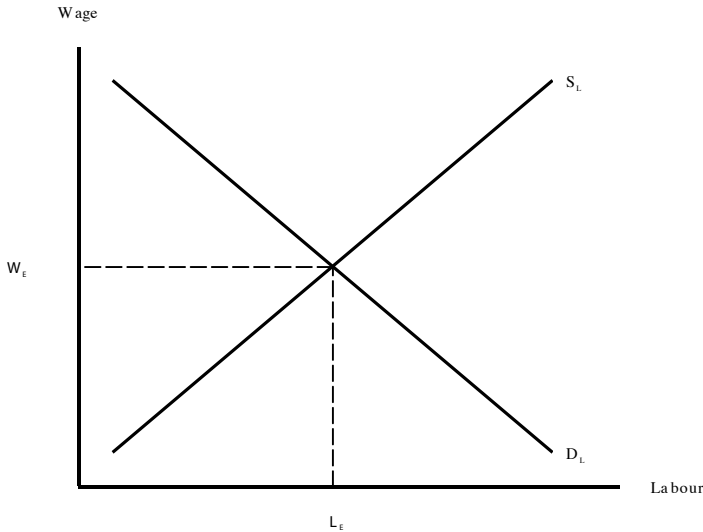
### **The Core Principle of LEWL**

Having described the three faces of LEWL, the question emerges: is there any common principle that unites these three faces and ties them together? I believe the answer is Yes. This core principle provides, I assert, the intellectual and normative common denominator that unites all scholars and practitioners of LEWL and gives it a unique reason for being as a social science field of study and practice. Stated another way, without this core principle a separate and intellectually/socially relevant field of LEWL cannot exist.

The core principle of LEWL can be stated two ways (Kaufman, 2007a). These perfectly match, like opposite sides of the same coin. They come from the origins of LEWL in the late 19th and early 20th centuries as a reaction and protest against orthodox classical and neoclassical economics and their *laissez-faire*, anti-labour implications. It may be noted in this regard that economists were the first social scientists in the 19th century to actively theorize about labour, so their work naturally provided the reference point against which the LEWL critics rebelled (Elvander, 2002; Kaufman, 2004).

The first version of the core principle is *rejection of the orthodox competitive*

*demand/supply labour market model* as the appropriate framework for analyzing and understanding the key features and outcomes of the employment relationship. This model is depicted in Figure 1.



**Figure 1.** *Wage/Employment Determination in a Competitive Labour Market*

The diagram shows the demand curve for labour ( $D_L$ ), the supply curve ( $S_L$ ), and the determination of the equilibrium wage and quantity of labour ( $W_E$ ,  $L_E$ ). It is fair to say that this diagram is the single most important theoretical construct in neoclassical labour economics, provides the starting point and frame of reference for practically all analyses of labour and employment issues by orthodox economists, and is the core idea behind the neoclassical/neo-liberal attack on labour market institutions and regulation. It is also the model of the labour market and employment relationship that the founders of LEWL rejected – or, more correctly, wished to substantially revise. As described below, this diagram and the theory it represents may well describe certain specific, broad, or long-run tendencies regarding labour, but must nonetheless be rejected by LEWL researchers as an appropriate theoretical foundation for the field.

The second version of the core principle is the proposition that *labour is embodied in human beings*, which can be alternatively stated as *labour is not a commodity*. In the early 20th century many writers made this distinction by calling labour the “human factor” (Kaufman, 2007b).

This version of the core principle applies to both the positive and normative sides of LEWL. As a positive statement, the core principle asserts that in the



scientific study of LEWL it is essential for proper understanding and explanation of employment-related phenomena to recognize that labour is embodied in living human beings. The implication of this proposition is that models and theories that treat labour similar to inanimate factor inputs, such as capital and land, are likely to be very biased and incomplete tools for LEWL research. As a normative statement, the proposition that labour is not a commodity asserts the fundamental moral/ethical belief that since labour is embodied in human beings the terms, conditions and treatment of labour cannot be evaluated by the same efficiency criterion used for inanimate inputs (e.g., maximum productivity, minimum cost). The implication of this normative proposition is that society has a legitimate and compelling rationale for using laws and institutions to modify or replace terms and conditions of employment that are inhumane, anti-social or in violation of basic human rights.

These two versions of the core principle of LEWL, I maintain, are mirror images of each other. That is, the competitive demand/supply model only maintains theoretical coherence if labour is treated as akin to a commodity. The essence of a commodity is that it is a homogeneous good and each unit is identical. Neoclassical theory recognizes in a very limited way that labour is embodied in human beings, since workers are modeled as maximizing agents with a set of preferences. Nonetheless, this theory necessarily treats workers as commodities for purposes of deriving the demand/supply model and the determination of equilibrium wages and employment. It must also make the same assumption to reach the conclusion that a perfectly competitive labour market maximizes efficiency. Elucidating these points, and establishing a firm theoretical foundation for LEWL, requires a brief foray into basic economic theory.

If workers are not treated as commodities, several crucial aspects of the competitive labour demand/supply model collapse. One, for example, is a well-defined downward sloping labour demand curve (Kaufman, 2007c). The labour demand curve is equivalent to the competitive firm's marginal product of labour schedule, derived by adding homogeneous units of labour to the production function. For the labour demand curve to take the form of a unique one-to-one mapping between the wage rate and quantity demanded of labour it is crucial that labour be a commodity, such as a ton of coal, since then the marginal product of each unit of labour is entirely technologically determined by the production function. But if labour is not a commodity, then the marginal product schedule and labour demand curve in Figure 1 transform from a line to an ill-defined band of values that is consistent with a number of alternative wage/labour combinations. The reason is that the amount of productive services supplied by inanimate inputs is fixed by nature, but the amount of labour services (or "labour power" in Marxian terminology) provided by workers

is volitionally supplied and can take a very large range of values (from zero when the worker sleeps on the job to the maximum amount the person is capable of performing) depending on a host of non-technological variables, such as morale, perceived fairness of pay, and treatment by the employer. Thus, any given wage rate is consistent with a large range of possible marginal products coming out of the production function, making it impossible to draw the determinate, well-defined labour demand curve in Figure 1.

The labour supply curve also changes shape (or form) if labour is not a commodity-like entity. A crucial assumption in deriving the market labour supply curve in Figure 1 is that each individual firm faces a perfectly elastic (horizontal) labour supply curve, indicating it is a “wage taker.” But a firm is a wage taker only if labour is a homogeneous commodity, for otherwise labour is differentiated and with differentiated labour the firm’s supply curve becomes upward sloping (just as a firm’s product demand curve becomes downward sloping when the good is differentiated). One factor that differentiates labour is when the employer and employee have a personal relationship, which is almost universal since the labour services are embodied in the worker and the worker must therefore have personal contact with the employer (or management representatives). For whatever reason, when the labour supply curve of individual firms is upward sloping then the labour market is no longer perfectly competitive but transforms into some version of monopsony (Manning, 2003). A monopsony labour market, in turn, does not resemble Figure 1 since it has three curves (marginal product, supply curve and marginal cost of labour), yields an equilibrium wage below the competitive wage, results in some measure of labour exploitation, and does not have a well-defined labour demand schedule.

Labour must also be a commodity-like entity for the model depicted in Figure 1 to determine a unique equilibrium wage and clear the labour market in the case of excess supply. Neither are likely to happen if labour is embodied in a human being. Demand and supply do not yield a competitive equilibrium wage, for example, because the wage rate performs two functions – it allocates labour but is also used by firms to motivate labour (Solow, 1990) – and the wage rate that meets one objective will most likely not meet the other (a condition in macroeconomic theory of more “targets” than “instruments”). In commodity markets, by way of contrast, demand/supply are able to determine a unique equilibrium since price performs only the allocative function and not the motivational function (e.g., a barrel of oil does not have to be motivated to supply a certain amount of energy). Likewise, wage rates seldom fall in situations of excess labour supply (i.e., generalized unemployment) because firms consciously avoid imposing wage cuts, knowing that wage cuts can actually raise labour cost through the negative effect on employee morale, cooperation and

productivity. But if wage rates do not fall in response to excess labour supply, the labour market will remain out of equilibrium and involuntary unemployment may persist for a long period (Keynes, 1936; Bewley, 1999).

In response, a neoclassical economist could argue that the model of perfect competition assumes a world of perfect information and complete contracts and with complete contracts all of the above-cited anomalies disappear. For example, with a complete contract (i.e., a contract negotiated prior to the exchange that specifies in perfect detail every aspect of the good/service to be delivered) the firm knows the exact value of the worker's marginal product; the amount of work effort of the employee is locked-in by a contractual agreement prior to any personal contact in the workplace; and the issues of motivation is moot since the contract stipulates in advance how much labour is to be supplied.

But this argument fails because of its own internal contradiction. As Ronald Coase (1937) first argued, complete labour contracts can only exist in a world of zero transaction cost (i.e., zero costs of transferring property rights). But, as Coase and other "new institutional" economists show, in an environment of zero transaction cost firms have no reason to hire employees but instead obtain labour services from independent contractors (since control of labour – the principal legal criterion defining the status of employee – has no economic value in a world of perfect information and zero transaction cost). The net outcome, argued Coase, is that all firms dissolve into single person proprietorships, obtain labour from independent contractors through buying and selling labour services in product markets, and the labour market and employment relationship disappear. The contradiction, therefore, is that the neoclassical demand/supply model in Figure 1 can only be saved by assuming labour services are traded in complete contracts but this very assumption logically implies that the labour market and employment relationship do not exist (Kaufman, 2007c). One invalidates the other. Conversely, if labour contracts are incomplete (which real world labour contracts most surely are) then all the anomalies cited above that arise from the human essence of labour reappear, again causing the competitive demand/supply model in Figure 1 to deconstruct.

Although perhaps not obvious at first, these conclusions are of fundamental importance to LEWL and, indeed, in my opinion provide the foundation for the field. To appreciate why, we must return to the three faces of LEWL described in the previous section. The essential point to establish is that each of the three faces gains intellectual power and moral credibility in direct proportion to the extent the demand/supply model in Figure 1, and the commodity theory of labour underlying it, are shown to be false.

I earlier argued that the science-building face of LEWL is centered on explaining the existence and principal characteristics and outcomes of the

*employment relationship*. The insight of heterodox LEWL theory is that the neoclassical competitive labour market model of demand/supply by its very assumptions precludes the existence of an employment relationship. As described above, the demand/supply diagram in Figure 1 can exist only in a world of zero transaction cost, but in such a world economic theory predicts all firms are single-person proprietorships and buy labour services in the product market from independent contractors, not from employees in the labour market. As an illustration, to build its cars the Volvo Corporation does not hire from the labour market fifty thousand people working as employees for a wage, but goes to the product market and hires for a price the business services of fifty thousand people, who work for the company as independent contractors and do all the jobs otherwise performed by employees. But note that in this zero transaction cost (complete contract) world since all labour services come from independent contractors no employees or employment relationship exist, precluding by the logic of the model a place for the LEWL field since its object of study – the employment relationship – disappears. The study of labour, in this case, might be called “commercial relations” rather than industrial (employment) relations.

Even if an employment relationship exists in a competitive labour market, the demand/supply model is still fatally flawed as a foundation for science-building. The reason is that it eliminates most of the interesting things to study in LEWL. In this model, for example, all terms and conditions of employment are entirely market determined, obviating the possibility of negotiation and bargaining. Also obviated is the existence of internal labour markets, and all the human resource practices and institutional rules that accompany internal labour markets (e.g., training programs, promotion by seniority). Since a competitive labour market presumes zero transaction cost, all labour contracts are complete and terms and conditions of employment, once agreed upon, are fully and faithfully executed. This feature also eliminates numerous important subjects in LEWL having to do with principal-agent problems and moral hazard (e.g., harassment by supervisors, employee shirking on the job). And, finally, the perfect information assumption in the model eliminates yet other important LEWL subjects, such as strikes. A strike would never occur in a perfectly competitive labour market since both parties to the dispute could foresee the eventual wage outcome and would rationally agree to this settlement beforehand, thus saving both sides the costs of striking.

Given this reasoning, the conclusion stated above seems inescapable. That is, an integrative theory of LEWL must be based on the employment relationship and the socio-legal institutions that structure the employment relationship, and these constructs only have theoretical existence when labour is human and thus transaction cost is positive (Kaufman, 2004b). Likewise, the opposite side of

the coin also holds – that is, scholars doing LEWL science-building cannot rely on the competitive/commodity model of labour markets as the foundation for theorizing since this model eliminates most, if not all, of the core subjects that are central to the field. Mainstream economists may object at this point that contemporary economic theory goes far beyond the competitive model and incorporates/explains many of the imperfections and anomalies I have been discussing, suggesting I am setting up a “straw man” and erecting LEWL on a separate “heterodox” foundation that does not exist. My response is that it is of course true that modern economics covers a vast and varied area, including efficiency wages, principal-agent problems, fairness in exchange, etc., but at the same time it is also true that the neo-liberal, free market, “Washington consensus” that is reshaping labour policy across the world is at the core based on the competitive “Invisible Hand” model of markets that forms the heart of traditional microeconomic price theory (see Lazear, 2000). The many extensions of mainstream economics into the world of imperfect competition, institutions and social psychology are, indeed, entirely welcome by and compatible with LEWL since they give rise to many of the *labour problems* that are the heart of the field.

To further clarify my argument, I wish to note I am not saying that the competitive demand/supply model is completely useless and should be abandoned, as it is my opinion that for textbook exposition of basic market forces and empirical investigation of certain trends and developments of an aggregated or long-run nature (e.g., the reaction of wages to large-scale immigration, the evolution of skill and education wage differentials) the model provides useful insights and predictions. What I do claim is that for the study of most issues relevant to LEWL, particularly in the short-run and at the level of the firm, a substantially revised and reconfigured model that takes into full account the human essence of labour and the imperfect nature of labour markets is an undoubted necessity.

Moving on, next consider the implications of the competitive/commodity labour model for the second face of LEWL, problem-solving. Just as the competitive model eliminates most of the subjects central to the analytical study of employment relations, so too does the model eliminate most of the employment problems that provide the focus for practice and policy-making. As noted earlier, the concept of *labour problems* is central to LEWL. The essence of a labour problem is some maladjustment, defect or shortcoming that emanates from the labour market and employment relationship and the *raison d’être* of LEWL is to provide a solution to the labour problem. Note, however, that with a competitive model of the labour market not only does an employment relationship not exist but neither do labour problems. The second face of LEWL also disappears!

The competitive model banishes labour problems by the assumptions it makes. At its core level, the theory is a model of perfect people exchanging goods and services in perfect markets operating within a web of seamless contract laws enacted and enforced by a perfect government. As enshrined in the fundamental welfare theorem of neoclassical microeconomics, the operation of this perfect people/market/government economy leads to a “best of all possible worlds” in which the invisible hand of free markets leads to a production and allocation of resources that is Pareto optimal – that is, the most efficient possible. In this efficient world, all resources are fully utilized so no labour problem known as “unemployment” (or at least involuntary unemployment) exists. Likewise, in a competitive labour market all workers are paid the value of labour’s marginal product so labour problems of exploitation and discrimination are also non-existent. As another example, labour problems such as excessive work hours, inadequate workplace safety and sexual harassment cannot persist in a competitive labour market because workers can easily quit and find a job elsewhere.

Based on this reasoning, I again conclude that the competitive/commodity model of labour markets must be rejected, in this case since it eliminates most, if not all, of the real world labour problems that provide the focus for applied problem-solving in LEWL and, likewise, renders a “guilty verdict” on all proposed institutional interventions (e.g., unions, minimum wages) to solve these problems (Kaufman, 2007d).

The argument is equally strong for the third dimension of LEWL, the ethical/ideological face. On ethical/ideological grounds, proponents of LEWL maintain that labour should not be treated like a commodity. In practice, this means that the terms and conditions of employment should meet reasonable social and ethical standards with regard to humanly satisfying work conditions, workplace fairness, social justice and fundamental human rights. The competitive demand/supply model eliminates all of these ethical/ideological propositions. In the competitive model, the only social criterion used to evaluate the terms and conditions of labour is efficiency. Efficiency, in turn, is promoted by unrestricted trading of labour in free markets where competition sets all terms and conditions of employment. If efficiency is enhanced by child labour, twelve hour workdays, or poverty-level wages, the demand/supply model gives no room to object on social or ethical grounds. Indeed, in this model any institutional intervention to change market-determined outcomes, say by a trade union or protective labour law, is an unwise interference that disturbs an otherwise optimal allocation of resources.

The competitive demand/supply model is claimed to be ideologically neutral. Yet, in practice, this model is constructed with a set of assumptions that promotes the interests of consumers and employers over workers (Stiglitz,

2000). Workers, as I have already pointed out, are treated as a commodity input and factor cost in this theory that have no higher purpose than creating the most goods possible for consumers (and firms) at the lowest possible cost. The ethical/ideological proposition of LEWL is that workers are human beings, not commodities, and social welfare is promoted by not only producing goods cheaply and in quantity but also having them produced in a way that promotes a satisfying and rewarding work experience (Budd, 2004).

The third face of LEWL also requires, therefore, rejection of the competitive/commodity model of labour. This model is intrinsically and inherently antagonistic to the core ethical and moral principles that guide research, practice and policy-making in LEWL. Adherence to the competitive/commodity model of labour would not only eliminate the rationale for the LEWL field, so too would it eliminate the rationale for government bodies such as the International Labour Organization (ILO).

In summary, I claim the LEWL field and the heart of orthodox neoclassical economics – the Marshallian/Walrasian competitive demand/supply model – are mutually incompatible and cannot logically or ethically co-exist. The core principle that forms the foundation of LEWL as a field of study and practice, therefore, must be rejection of the demand/supply (commodity) labour model.

## Conclusion

In this paper I have outlined and described the generic paradigm of labour, employment and work life (LEWL) as it was born in the early 20th century and has developed since. In English-speaking countries this paradigm is generally known as industrial relations; in other countries it goes under a wide variety of other different names. In Sweden, for example, LEWL is called *arbetsmarknads- och arbetslivsforskning*. The description of LEWL given in this paper is necessarily a broad generalization since the organization and practice of LEWL differs in important respects from country to country. Certain core ideas and principles are common, however, to every country where LEWL is practiced.

The central object of study in LEWL, for example, is the employment relationship and all the behaviors, institutions and outcomes that impinge or emanate from the employment relationship. LEWL researchers and teachers also see in the subject three different dimensions or “faces.” That is, LEWL is partly an intellectual exercise in science-building, partly an applied program of problem-solving, and partly a humanistic ideology and set of ethical values toward labour and employment. Common to all three faces is one overriding principle: labour is not a commodity but is instead embodied in a human being. This principle fundamentally changes labour theory, labour problem-solving and ethical values about labour relative to the free market, laissez-faire, “factor of

production” view inherent in the price theory version of neoclassical economics.

I noted at the beginning of the paper that LEWL is in decline in universities and research institutes across most countries of the world. The closing of the National Institute for Working Life in Sweden is but one example. Many reasons account for this decline, but most surely one is that neoclassical “free market” economics and the corollary political philosophy of neo-liberalism have risen considerably in power and prestige in the last quarter century – abetted by the contemporaneous decline of Marxism and the “Red Menace” of communism and socialism. As I have endeavored to describe here, these theories at their core view labour as an inert commodity with no unique social value and as a factor input to be utilized as cheaply and efficiently as possible. Naturally, when Labour is viewed through this lens three things happen: first, research and teaching on LEWL gets downgraded since Labour is inevitably regarded as having less economic and social significance; second, LEWL is also downgraded since the interests of Labour in good wages and secure jobs are given less emphasis and the interests of consumers and firms in low-priced goods and greater profits are given more emphasis; and, third, LEWL is regarded as an ideological threat to the neo-liberal/conservative groups pushing the spread of free markets and commodification of labour and is thus cut back wherever possible.

The great bulk of LEWL scholars certainly regard markets and profit-making as not only legitimate institutions but also ones that promote material progress and social advance for all groups. However, LEWL scholars also maintain that Labour deserves and requires special treatment since it is embodied in human beings. This fact fundamentally changes theorizing about Labour and predictions about how labour markets and employment relationships function; it also provides the fundamental rationale for a host of labour market regulations, institutions, and welfare state practices that a commodity theory of labour either ignores or condemns. LEWL, therefore, is sometimes regarded as the enemy of a market economy and profit-making but, in fact, it is the friend and protector of these institutions for without the stabilizing, balancing, humanizing, professionalizing and democratizing influence of LEWL a free market, laissez-faire “commodity” economy will eventually self-destruct (Polanyi, 1944).

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