

The value of unpaid labour

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For many economists, this topic is seen as relatively easy to tackle. All that is needed, they would say, is to multiply the hours of unpaid labour being undertaken by the hourly rate for similar work being undertaken in the market economy and *kei te pai!* Simple.

But, while I've been an economist for a few decades, I would argue strongly against such a simplistic response. My primary reason is that it puts the market in the position of the sole arbiter of *value*. As any economist should admit, there are many imperfections in the marketplace. These imperfections are sufficient to prove that the marketplace is an inherently inappropriate and, indeed, biased judge of *value*.

For example, market values are the result of contracts between groups of people. However, in many instances, there is a severe power imbalance between the two parties to the contract. In these cases, the inequality in power results in the market value of those with less power being inevitably understated. The monopoly power of some employers, for example where the 'only job in town' is the local meatworks, is a case in point. Similarly, food producers and suppliers may be faced with little alternative if there are few retail outlets in an area outside a single national-chain supermarket.

Additionally, in the presence of externalities that are not fully captured within market prices (e.g., pollution of waterways, climate change impacts on weather patterns) any consequential valuations from this marketplace are inevitably questionable.

In this context, a robust, comprehensive, and inclusive definition of the term *value* is needed. Interestingly, many organisations, corporates, government agencies, and others are keen to state their values on their website or corporate panui. Without being too cynical, some values are common to many organisations – e.g., integrity, honesty, innovation, creativity and the like. Other organisations may go further – e.g., success, leadership, manaakitanga, kaitiakitanga, kotahitanga, inclusivity. But, for all the effort some organisations put into agreeing their values, few make the connection between these *values* and the *value* of what they undertake.

For example, when weighing alternative investment options it is likely that *kōrero* will turn to *value for money* considerations. Curiously, though, such value for money discussions tend to revolve around expected dollar returns – sometimes assessed via some mechanistic benefit-cost rule. Another version of the same process will call for the return on investment (ROI) to be calculated, which is again a focus on potential dollars generated.

To draw a direct link to an organisation's values, a better starting point for these discussions would be to assess investment options against their contribution to the values stated on the organisation's website.

Just how much does this investment contribute to (or progress) the values of integrity, honesty, innovation, manaakitanga, kaitiakitanga, kotahitanga? Or whatever set of *values* the corporate settled upon at the completion of their executive's latest full-day strategic planning retreat.

With this perspective, we can return to the original topic. The value of unpaid labour should be viewed as closely related to the values of the organisation or community that is utilising the labour.

The example of volunteer labour is informative. Coaching or assisting a children's sports team undoubtedly benefits the children participating. Also, the family and whānau of participants benefit through fostering the engagement of children in structured social settings. Children learn to prosper through participating in and enjoying group activities. This, no doubt, is similar to interactions encouraged when in a school environment. But reinforcement outside formal institutional structures adds to acceptance and trust of social norms and inclusion.

Another example considers where unpaid labour results from cultural or traditional obligations. Whether it be one's church or one's marae, there are certain expectations of one's contribution. Nevertheless, the value of this labour can be viewed in relation to its contribution to the values of the organisation or community. In this context, there is the strengthening and development of tikanga, traditions and customs, alongside the lived experiences of communities.

And then there is unpaid labour that is neither voluntary nor obligatory – that devoted to caring, rearing, and nurturing one's offspring. This is where my values comparison struggles – because there is no 'employing/utilising' organisation.

An option is to revert to a textbook *opportunity cost* perspective and ask: what would it cost the market to provide these services? Unfortunately, this gets me back to my fundamental opposition to the market being the sole arbiter of value.

A variant on the opportunity cost perspective would be to assess the costs to individuals, family, whānau, and community of these activities not being undertaken. Admittedly, this requires a suspension of disbelief. However, for argument's sake, these costs are unlikely to be reflected directly in the marketplace as they are not borne directly by market participants. Of course, over the long term, these costs will be reflected in reduced workforce skills and engagement leading to lower productivity, profitability, and prosperity. However, this observation just reinforces one of the underpinning flaws in allowing the market to value products, services, and activities. That is, the market's inherent short-term perspective on activities.

But these costs would undoubtedly go well beyond the lack of a trained workforce. Caring, rearing, and nurturing one's offspring is part and parcel of living in a community environment and fostering engagement in community structures. The absence of these activities would see the erosion of the foundations of trust and respect for social mores and community institutions. There would be little engagement with, or connections to, the informal structures that hold communities together. Consequently, the absence of these activities would show in higher costs to enforce rules, laws, contracts, property rights, and civil rights. And these higher costs would perpetuate and multiply over time as future generations view rules of behaviour as legislated rather than as inherited.

For some, these concepts come under the heading of *social capital*. The presence of a quality stock of social capital is viewed as a critical pre-requisite for a productive business endeavour. Alternatively, stressed social capital results in inferior economic outcomes.

I prefer to view these concepts in terms of wellbeing outcomes. That is, the level of social interaction and inclusion is an indication of the health and resilience of a community. I see thriving individuals, families, and whānau within healthy communities as goals or objectives for human endeavour, in and of themselves. This is in contrast to others seeing them primarily as inputs to an economic mechanism.

Consequently, such wellbeing outcomes reflect the value of unpaid labour. The value of unpaid labour, I argue, is the wellbeing outcomes that we would miss out on in the absence of that labour.

Perhaps I should apologise for adopting a somewhat academic or theoretical perspective. But these are not academic or theoretical challenges. How we define value is central to the framework we use to assess the *worth* of spending. Or, similarly, the *return* we assess for alternative policy options or investments. If we continue to abide by the market valuations of people, resources, and efforts, then we will be unable to properly address challenges that the market has difficulty with.

The corner-stone of economics is the imperative to decide trade-offs in the face of constrained resources or limited opportunities. Until we value trade-offs properly in terms of the outcomes we desire we will continue to decide using market-driven values that understate contributions to wellbeing. Our trade-offs must be measured in terms of the outcomes (objectives or goals) that we strive for as a populace.

Contributions to those outcomes are how unpaid labour (and, indeed, paid labour too) should be valued. Adherence to market values are unlikely to reflect contributions to outcomes or desired objectives, nor are they likely to reflect the values that underpin our community structures. And, inevitably they will continue to result in policy and investment trade-off decisions suggesting, for example, we are unable to afford quality childcare.