

# Exploitation, Stagnant Wages and Underemployment in Advanced Capitalism: A Canadian Perspective

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**ABSTRACT:** In the current context of heightened worker productivity, stagnant wages and increasing exploitation, underemployment of well-qualified workers is also increasing. Basic features of underemployment include time-based, skill-based and intensity of effort. Recent empirical estimates of these features of underemployment in Canada are summarized. Prospects for reducing current levels of underemployment are also briefly considered.

**KEYWORDS:** Underemployment; Time-Based Underemployment; Skill-Based Underemployment; Intensity of Work Effort

## INTRODUCTION

A clear pattern has been widely documented since the 1970s. The real wages of workers, and especially of those employed in creating private goods commodities, have stagnated since the 1970s, while labour productivity in terms of the goods produced per hour has continued to increase significantly. This is true both in advanced capitalist economies generally and Canada particularly (e.g. Carchedi, 2011; Lieberman, 2014; Office of the Parliamentary Budget Officer, 2014). In other words, workers are doing more work for less pay, while private capital increases its profitability – a condition of increasing exploitation. Since the 1970s, this “innermost secret” of capitalism has become increasingly evident. The central driving force is the extraction of surplus labour from hired workers who combine their labour power with more automated technologies to produce more competitively priced commodities for more profitable sales. Corporate capitalists and capital-aligned state agencies have crafted a new regime of accumulation with more stringent limits on workers’ rights and social benefits, and fewer limits on capital, commonly known as “neoliberalism” (see Gindin, 2015). Workers have diminished bargaining powers, with decline of unions and growth of reserve armies of labour. The most evident consequences of this new regime for working people are

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stagnant wages, increasing debt loads to try to make ends meet, precarious employment and chronic unemployment. In this piece, I want to underline another pervasive aspect of this new regime that is often overlooked: underemployment.

Underemployment (also known as: “underutilization”, “over-education”, “over-qualification” or much of the “education-jobs gap”) generically refers to the less than optimal use of labour potential. However, agreement on appropriate uses of labour and extent of utilization is problematic in all class-based societies. In advanced capitalist societies, most paid labour is related to the production and sale of goods and service commodities. From private employers’ standpoint, labour utilization, is efficient application of workers’ capacities to ensure the greatest number of units produced and sold in a given time, thereby enabling maximum profits. From hired workers’ standpoints, appropriate utilization may involve spending sufficient time and care to ensure high quality and social usefulness of finished units, as well as adequate monetary benefits and recuperation to enable maintenance of continuing good quality of work. Most of the literature on underemployment ignores this difference. But it is implicit in discussions that argue that connections between knowledge and work are mediated by negotiating powers of those in different social groups (e.g. Grugulis, 2003). With greater power comes greater influence over what is deemed to count as valuable labour and the extent to which its use is recognized and rewarded. Workers with little workplace power may be relegated to ‘getting a little of our own back’ by withholding some skill or effort (e.g. Hamper, 1991). Effective labour utilization from the employer’s perspective may equate to being used up and excreted as waste from workers’ standpoints (Yates, 2011).

Diverse theoretical perspectives have been used to explain relations between labour capacity and employers’ job requirements, including classical economic theory, human capital theory, segmented labour market theories and credentialism.<sup>2</sup> I use a historical materialist theory positing that inter-firm competition, conflicts between employers and employees over working conditions, and technological innovation all provoke incessant shifts in the number of enterprises, employees, and types of jobs available. Through technological innovation and workers’ learning on the job, increased efficiency leads either to expanded production or to unemployment of excess workers, in either case modifying

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<sup>2</sup> For fuller discussions of theories of mismatches between workers’ competencies and labour market needs, see Desjardins and Rubenson (2011), Livingstone (2009), McKee-Ryan and Harvey (2011).

the overall demand for labour. Popular demand for general education and specialized training increases cumulatively as people seek more knowledge, different specific skills and added credentials in order to live and qualify for jobs in such a changing economy. In advanced capitalist countries, mismatches are inevitable between employers' aggregate demand and requirements for employees on the one hand, and the aggregate supply and qualifications of job seekers on the other. With liberal democratic state regimes that still proclaim the right to equal educational opportunity and widespread public access to knowledge through such means as the internet, the predicted tendency is for the supply of qualified job seekers to exceed the demand for most jobs-- a growing reserve army of qualified labour available for increasing exploitation by capital in the absence of greater collective organization of working people. This paper identifies a few basic conceptual dimensions of underemployment, briefly summarizes empirical research on patterns of underemployment, and more briefly discusses current prospects for underemployment and possible alternatives for reducing it.<sup>3</sup>

## **BASIC DIMENSIONS OF UNDEREMPLOYMENT**

Three basic dimensions of underemployment can be distinguished: *time*, *skill* and *intensity of effort*. The underemployment of potential labour time is the most evident dimension. The amount of time people are gainfully employed may vary from zero to virtually all their waking hours. The most evident time-based aspect of underemployment is *official unemployment* including those without paid jobs who are actively looking for employment. But less official forms of unemployment include various discouraged workers and others such as prisoners and retired people who want paid work but are restricted from the labour market. In addition, there are those in *involuntarily reduced employment*, people holding temporary, part-time jobs but who want more employment.

*Skill-based underemployment* refer to the surplus capacities, skills, education, or knowledge that workers bring to the job, in comparison with what is needed for the job. There is much dispute over the notions of skills, relevant education, and knowledge. Numerous ways of conceiving dimensions of the gap between employed workers' capabilities and the requirements of their jobs have been suggested (e.g., Kalleberg, 2008; McKee-Ryan and Harvey, 2011). Three relatively straightforward aspects of the skill gap between workers' capacities and their job requirements are

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<sup>3</sup> Parts of this paper have been adapted from Livingstone (forthcoming 2016) and Livingstone (forthcoming 2018). For fuller development, see Livingstone (2009).

widely recognized:

- *Entry credential gap* between the training credentials that job entrants bring and those required by employers;
- *Performance gap* between the performance capability of workers and the performance level actually required to do the job;
- *Subjective gap* between job holders' personal assessments of their capabilities and their perceived job requirements.

With regard to *intensity of effort*, those who begin a job become more efficient as they gain experience needed to perform it (Pankhurst and Livingstone, 2006). The level of production of goods and services in a given time will be closely related to the intensity of effort given by experienced workers. Employers' imperative is to ensure that workers maintain or increase their intensity of effort to continue to produce more goods and services in that time. Workers' overriding objective is to ensure they provide sufficient effort to keep the job without exhausting themselves and losing it. Underemployment of effort by workers is a continual threat to employers' profitability; supplying adequate effort but not becoming over-employed to the extent they threaten their subsistence is the continual challenge for workers.

Consider these three dimensions together. For employers, having an ample supply of qualified workers to employ for varying amounts of time and skill use with high intensity of effort is central to profit maximization. For workers, being fully employed in a job that allows them to use their accomplished skills without exhausting efforts is the optimal condition. So, underemployment is a highly contradictory phenomenon. Without pretending to resolve the contradiction between standpoints of capital and labour, we will look briefly at empirical patterns and then, more briefly, at prospects/alternatives.

## **EMPIRICAL PATTERNS**

*Time-based underemployment.* In global capitalism today, the vast majority of the labour force is located in developing and underdeveloped countries. As a result of agricultural enclosures and limited urban industrialization, there are now *massively* more adult people in these countries without any meaningful employment or only involuntary part-time jobs than the numbers with full-time paid employment, a burgeoning "relative surplus population" (Neilson and Stubbs, 2011). In advanced capitalist countries, official unemployment rates of those actively seeking employment, the long-term unemployed, discouraged workers and involuntary part-time employed all have been increasing secularly to the

point that chronic structural unemployment and involuntary underemployment are becoming widely recognized as major social problems (e.g. OECD, 2014). In Canada, current estimates put official unemployment at around 7 percent of the eligible labour force, involuntary part-timers at around 5 percent, and discouraged workers (including many not actively searching but who want to work) at up to similar magnitudes (OECD, 2014; Jackson, 2010). So, up to 20 percent of the potential Canadian labour force could now be underemployed on the time dimension, a very substantial proportion and a growing trend in recent decades.

*Skill-based underemployment.* If the focus is limited to the *employed* labour force, a primary issue is the extent to which workers are able to use their skills in their jobs. Leaving aside the issue of different conceptions and measures of “skill”,<sup>4</sup> a series of Canadian national surveys in 1998, 2004 and 2010 using self-report measures, found that credential over-qualification for job entry increased from 27 percent to 31 percent, while under-qualification dropped from 22 percent to 18 percent during this period. The same series of surveys, found that the over-qualification for performance requirements remained at about 28 percent through this period, while the proportion under-qualified dropped from 20 percent to 15 percent. Thirdly, this series found subjective feelings of over-qualification increasing from 22 percent to 30 percent over this period while subjective under-qualification remained at around 5 percent (Livingstone, 2012; 2013). If these three measures are combined, by 2010 a small majority of the employed Canadian labour force reported experiencing one or more of these forms of skill-based underemployment. While few other studies have considered such combined effects, there are now many others that have found similar magnitudes of specific aspects of underemployment (see Livingstone forthcoming, 2016). The basic conclusion is that skill-based underemployment is being experienced by a large and growing portion of the employed labour force in Canada and throughout the advanced capitalist world.

*Underemployment of effort.* The weight of evidence suggests that the intensity of effort required of many employees has been increasing in recent decades. Average wages have generally been stagnant over this period while productivity rates have increased significantly (Carchedi, 2011). Many workers have taken on heavier workloads without comparable compensation. For example, in the U.S. the proportion of salaried workers entitled to receive overtime pay for their effort dropped

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4 Illustrations of the effects of different measures of skill on underemployment measures may be found in Livingstone (forthcoming, 2016).

by about three-quarters in the 1979-2014 period (Eisenberry, 2015). Increasing numbers of workers have been doing more work for less pay. There is widespread evidence of intensification and few signs of underemployment of effort. In sum, both time-based and skill-based aspects of underemployment are found to be very substantial and growing in recent times, while evidence of underemployment of effort is becoming rarer and rarer.

## **PROSPECTS/ALTERNATIVES**

Time and skill-based underemployment are now persisting for the potential labour force of advanced capitalist economies through different phases of business cycles. Whatever measures of skill are used, it is also clear that: (1) workers' knowledge and extent of learning activities now increasingly exceed the narrow formal requirements of existing jobs; (2) such underemployment also applies to computer skills in purported 'knowledge economies'; and (3) higher and sometimes extreme levels of such underemployment occur among youths, recent immigrants, people of colour, and disabled people. Workers have also been found to continually reformulate their knowledge to 'micro-modify' their jobs. A growing corpus of workplace learning studies indicate that workers' rich array of learning activities increasingly exceed current actual job requirements and that people generally are already intently engaged in an 'educational arms race' for credentials (Livingstone, 2009).

These findings should raise serious doubts about the wisdom of policy responses to time and skill-based underemployment that continue to be preoccupied with education and training solutions to economic problems. Advocates of both human capital theory and a knowledge-based economy persist in asserting educational investment, increasingly funded by students themselves, is the answer. Indeed, from employers' standpoint, a surplus of skills may continue to be both a short-term and long-term benefit. Dominant discourse still insists that more training and more information about available (and generally diminishing) qualified jobs is the basic solution to time and skill-based underemployment. The fact that an oversupply of qualified workers is now essential to maintain levels of exploitation and reproduction of advanced capitalism is rarely hinted at.

Education provisions can always be improved, as well as more equitable guidance services for transitions between school and paid work. But effective policies for reducing time and skill-based underemployment are more likely to come from the adoption by employers of job designs and organizational practices that permit workers to more fully use *existing*

skills (e.g. Warhurst and Findlay, 2012), as well as from public policies that facilitate the redistribution of paid work time, wider recognition of workers' prior learning, incentives for workplace democratization and creation of sustainable green jobs (Livingstone, 2009).

Gaining more knowledge to cope with our environment is the most inherently human activity and virtually always valuable. It is only in the narrow sense of qualifications in excess of what employers require for specific jobs that the concept of 'over-education' is intelligible as wasted investment. On the other hand, the notion of 'over-employment' is rarely heard; it is absurd from employers' standpoint which is committed to maximizing the profit-generating efforts of employees. To some employees, this notion is intelligible as intensification of work, or exploitation. Wider recognition of such exploitation among employees is a precondition of movement toward alternative forms of production based on economic democracy, sustainable relations with our environment and decent, fulfilling jobs. The increasingly pervasive condition of underemployment within capitalism also provides more highly qualified workers with opportunity to recognize levels of exploitation they share with less qualified workers (Livingstone and Scholtz forthcoming, 2016). So, it is just possible that underemployment will also provide more potential time for many workers to engage in collective movements to create such alternative forms of production (e.g. Baiman et al., 2011; Gindin, 2015).

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