Funding the Future

Understanding economics: Why work matters

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Why does work matter? And why does our economy so often fail to recognise the value of what people do?

In this episode of Understanding Economics, I explain why work is the foundation of our economy, why it matters to everyone, and why the rewards from it are so unfairly shared.

Without people working, nothing happens. Businesses cannot function, public services cannot operate, and the care that makes our lives possible would not exist. Money and machines cannot replace the contribution people make.

But not all work is paid. Millions of people care for children, support relatives, run homes and volunteer without receiving wages. Much of this work is undertaken by women, and conventional economics has largely ignored its significance.

Meanwhile, those in paid employment often lack the power to secure a fair share of the wealth they create. Employers have advantages that workers do not, which is why trade unions and employment rights matter.

I also explain why unemployment is an economic and social waste. When governments choose policies that leave people without work, they waste something that can never be recovered: people’s time and abilities.

Work should make life better for everyone, not simply generate profits for a few.

A successful economy must value all useful work, reward it fairly and give everyone the opportunity to contribute.

https://www.youtube.com/watch?v=TRvEdK0Gn-8?si=_2W36b0hQnaoKFn2

This is the audio version:

https://www.podbean.com/player-v2/?i=4dpki-1ba842b-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This infographic supports this video:



And because that one is pretty wordy, I also prepared one with fewer words as well, but I hope all the ideas remain intact:



This is the transcript:

Hello, I’m Richard Murphy, and this is Understanding Economics. That’s the series of videos that I’m creating on what I think economics is all about in ways that I hope you will understand.

I stress this is not mainstream economics. If that’s what you want, you’ll have to go elsewhere. This is economics in the way that I see it, through the lens of modern monetary theory (MMT) and based upon my experience in the real economy, working as an accountant, working as a campaigner, and working as a university professor.

But that means this is about reality, and there’s nothing more real in the economy than having to work. And this video is about labour, what we do.

Labour is the work people do to meet their own needs and those of others, and almost everybody will, in their lives, work at some time. We use our time, skills, and energy to make things, provide services and care for others. Money and machines cannot work alone. People design, build, operate, and repair them, and I do not think that AI is fundamentally going to change that.

In what ways do we work then?

Employees work for someone else in return for wages or a salary.

Self-employed people work for themselves, selling what they make or do.

And many people, and this is really important, work without pay whilst caring for others, running homes or volunteering. And much of that work is done by women, which is why historically, a male-dominated economics profession has ignored a great deal of the impact of this essential work.

So what do we get in exchange for our work? That is obviously important when we come to economics. It doesn’t deny the actual substance and reality of the work done. But there is, in some cases, as I’ve just made clear, an economic exchange in the process.

Employees usually get a regular payment, holidays, sick pay, and a pension contribution that their employer pays into.

Self-employed people are in an entirely different situation. They sell their services, they pay the cost of their business, and they keep whatever they earn after that. But their income is variable. It can go up and down. And they get no sick pay or holiday pay, and they must save for their own pension. Although I stress they can get a state pension as

much as employees can.

Unpaid carers often get no money at all, nor do those who normally undertake work at home, whether they be male or female. And childcare, as anyone who has been a parent will know, is a massive burden on time and a stress, whatever the rewards might be.

The consequence for those who do, however, do much unpaid care work, and this again is mainly women, is that they often end up with smaller pensions when they are old. We are living in a world which is not fair when it comes to the returns to work.

So, who gets the rewards from employment? Let’s be clear. When a customer pays a business, one that employs people, the money they pay goes towards the company that is the employer. It pays its costs, and they include wages. What is left over can then become profit for the owners. Fair pay means having enough to live well upon and a fair share of what workers help to make.

The law sets a minimum wage, but it may not be enough to live well upon, and some employers break the rules.

The fact is, not everybody is paid fairly for the work that they do, and this is a reality that we have to look at inside any economy if we are to seek social justice. Abuse happens. We should recognise it when it comes to employment.

And who has the power? Most people need to work to live. So employers often have more power than workers. Some companies wrongly call workers self-employed to avoid giving them employment rights. Trade unions, where workers act together, can try to win better pay, safer jobs and fairer treatment. They are vital to rebalance power within the economy, which is precisely why in the neoliberal era of economics, there have been so many attempts to undermine trade union power. The imbalance of power towards capital and those who own businesses has been built into our system as a consequence, at cost to workers.

And what happens when people are unemployed? We know that everybody faces this risk during the course of their working lives at some time, and many people will have suffered it. The reality is that people can want work, but there are no jobs, even when they can see that useful work needs doing.

We do need more care in our communities. We do need better homes. We need to build them. We need better public services, and we need work to protect nature. But the government, if it refuses to create money to fund these things, can leave people unemployed, and this is one of the consequences of monetary policy in many countries.

All of these jobs could be funded by the government because it creates the money to fund those jobs when it spends. But what we know is that governments don’t always do

this. In particular, where monetary policy is used to control inflation, there is a deliberate policy of leaving people unemployed to reduce demand within the economy. And as a consequence, unemployment is created in a vain attempt to control the level of activity in the economy at cost to some people who are left without a job when they desperately want one. This is economic power misused, in my opinion.

So what could make working life better? We know that good education, better healthcare, and better training always help people develop their abilities.

Fair pay, secure jobs, and reasonable hours let people work well and enjoy life within a balance which respects their well-being outside work.

Meanwhile, when people are ill, worried or worn out, and too many jobs leave people in those situations, people’s skills are wasted, and the economy achieves less.

That is why expenditure on healthcare, expenditure on care services, and expenditure on education and training are so important. We should use the available resources in the economy, which are not renewable. And labour, once it has been wasted through unemployment, is gone forever, and so is one of those non-renewable resources that we should put to work on every occasion possible.

That is why investment in all these activities is so important. If the economy is to work well for everyone, we must give everybody who wants to work the chance to do so.

So at the end of the day, what is labour for? Work should provide the goods, services, and care that make life better. Everyone deserves a decent life, whether they can do paid work or not. And everyone should have the chance to contribute, but the economy should work for people, and not just for profit, and effort should be properly rewarded, however that effort is evidenced.

No one should be left behind because people are the foundation of our economy. Their work meets our needs, whether it is paid or unpaid, but the rewards and power that come from work are not shared fairly. A good economy values all useful work, gives people opportunities to contribute and makes sure that everyone can live well.

Now, that’s what I think. You might disagree, and there is a poll down below. But more importantly, down below this video, there is a playlist of all the videos in the Understanding Economics series. Have a look at them. Absorb what I have to say there because this will be the foundation of your understanding of economics. And if you understand economics, you will understand the world around you all the better, and that is my objective.

Poll

[poll id="581"]