

# 'An Anthropogenic' Approach to Labor Economics

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The usual approach, in economic modeling, is to treat something called "labor" as simply another commodity, subject like any commodity to the forces of supply and demand, with the balance between the two equilibrated through a market. The human capital concept which has come to dominate discussions of "labor" supply in recent years merely builds on this standard approach, the refinement being to take into account time-related costs of and benefits from education and other forms of "investment" in human beings.<sup>1</sup> The purpose of this paper is to outline an alternative approach, which because it focuses on the cumulative acquisition of competences over time rather than on commodity-type transactions, can be termed the "human developmental" or "anthropogenic" model.<sup>2</sup>

The use of a somewhat different terminol-

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<sup>1</sup>Although the emergence of the human capital approach is usually associated with Schultz (1961) and Becker (1964), it actually goes back at least to Marshall (1920, Bk. VI, chs. 4-5) and can even be traced to Petty. For the most recent critical survey of human capital theory, see Blaug (1976) while for the history of the concept, see Kiker (1968).

<sup>2</sup>Though it is based primarily on the writings of Eli Ginzberg, director and founder of Columbia University's Conservation of Human Resources Project, other members of the Conservation's staff, both in their own writings and as contributors to the internal dialogue within the group, have played a key role in helping to shape this alternative approach.

ogy is necessary and deliberate. The reason is that the usual commodity approach to the human factor in economic activity succeeds in explaining only certain facets of the role played by human beings in providing for their material needs. The commodity approach is not wrong in the sense of being unsupportable by empirical evidence. It is, however, limited in the types of problems on which it can throw light. To avoid the limitations of the language, and thus of the concepts employed in the conventional commodity approach, a somewhat different set of theoretical constructs, reflecting the broader perspective of the anthropogenic model, is required.

It should be pointed out that what is meant by the "conventional commodity approach" to labor economics is the implicit conceptualization which permeates economic theory in general and which then serves as the analytical skeleton around which more detailed discussions of labor economics, emphasizing institutional factors and other complications, are organized.<sup>3</sup> Thus, the fact that the commodity approach is seldom found in its purest form within the specialized literature is beside the point. It still dominates more general discussions bearing on labor matters,

<sup>3</sup>Wachter (1974, pp. 641-2) seems to agree. At the heart of the "neoclassical theory" to which Wachter refers is the marginal productivity theory described by Thurow (1976. See also Eichner, 1975; 1976; ch. 5; Cain, 1977, especially p. 1216.)

and even in the specialized literature it is this skeleton which shows through whenever the necessary qualifications must be omitted. As for the alternative anthropogenic model, it should be noted that, like much of the other work in the institutionalist tradition, it began simply as an effort to temper theory with a better understanding of how things actually work in practice.<sup>4</sup> The point has now been reached, however, where it constitutes more than just a gloss to the conventional commodity approach. Indeed, one can discern within this body of work the outline of a quite different conceptualization of the role played by human beings in economic activity.

In the several sections which follow, the anthropogenic approach will be contrasted with the conventional commodity model with respect to six different aspects. They are 1) the general framework of analysis; 2) the degree of "activeness" presumed on the part of the human resource factor; 3) the manner in which human resources are thought to become committed to alternative activities; 4) the role served by labor markets; 5) the factors determining the utilization—or employment—of human resources, and 6) the extent to which work represents disutility. For each of these six aspects the usual commodity approach will first be described, the alternative anthropogenic formulation will then be offered, and finally it will be shown how the first is but a special case of the second. The reader should be warned, however, that what follows is merely one individual's perception of the anthropogenic approach, and that others who have been active in developing the model, might well offer a somewhat different formulation.<sup>5</sup> Indeed, the main justification for ignoring these differences and focusing

<sup>4</sup>Cf., Cain, 1977, pp. 1226–27. For a more complete discussion of the institutionalists, see Gruchy (1947) and Seligman (1962, chapter 3). It should be noted that Ginzberg was a student of both Wesley Mitchell and John M. Clark.

<sup>5</sup>Cf., Ginzberg, 1976.

instead on the contrast with the dominant commodity model is that the anthropogenic approach is so little known to the economics profession in general, despite its potential for clarifying the role played by human beings in economic activity, that the first priority is simply to give it wider currency through a relatively brief, albeit idiosyncratic, synthesis of the work done to date within that conceptual framework.

*The General Framework of Analysis—*Economics as a discipline and labor economics as a subspecialty within it usually concern themselves with but a single type of process, that of exchange—typically through a market in which money is employed as a medium. The structuring of problems in this way permits economists to divide their analysis into two parts: a) an examination of the forces inducing some group or individual to give money in exchange for the item in question; and b) an examination of the forces inducing the group or individual on the other side of the transaction to surrender the item—perhaps after first having assured its availability—in exchange for money. Once the factors operating on the demand and supply sides of the equation have been delineated in this manner, economists are able to analyze how the opposing forces will balance out and thereby produce a flow of the item in one direction, a counterflow of money in the other direction and a price ratio representing the mathematical relationship between the two. So rewarding has this mode of analysis been that economists have extended it, not only beyond the domain of internationally traded commodities to encompass the commitment of human beings to work activity, but also to areas seemingly distant from economic considerations, such as education, crime and discrimination.<sup>6</sup> Indeed, the economist, when turning his attention to matters outside the traditional boundaries of his discipline, is likely to view

<sup>6</sup>See, for example, Becker (1957, 1964, 1968).

all social activity in terms of the exchange (or trading) process.<sup>7</sup>

The anthropogenic model does not deny the importance of exchange, especially with respect to supplying the material needs of the population under the economic systems that have evolved in all but the Communist countries. However, it sees exchange as only one of four processes that may characterize any particular social activity. Exchange is, to be sure, the process quintessential to the economic dimension of society, but the economic dimension itself is but one of four such dimensions, each with its own characteristic process or dynamic. The other three dimensions besides the economic which need to be taken into account in any comprehensive analysis are 1) the normative; 2) the political, and 3) the human developmental, or anthropogenic. The normative dimension encompasses all the values, or beliefs, upon which individual activity is predicated. The dynamic process unique to this dimension is the dialectic by which various paradigms, or systems of belief, come into being, are then undermined by their inability to explain certain empirical phenomena and eventually are supplanted by a newer, more general paradigm. The political system, meanwhile, encompasses all the mechanisms which exist for making conscious social choices among alternative courses of action. The dynamic process unique to this dimension is the formation of coalitions in order to gain control over decision-making bodies.

What is novel about the conceptual framework upon which the human resources approach is based is the delineation of the human developmental or anthropogenic dimension of society. This specification derives from the conviction that human competences,

<sup>7</sup>Thus even when economists as broad in their interests Kenneth Boulding and Alfred Kahn have attempted to provide an integrated model of the social sciences, they have tended to translate all social processes into exchange relationships. Boulding (1970); Kahn (1963).

defined as the ability to utilize various skills in a social setting, are no less important than norms, societal decisions (including laws) and material goods in the functioning of societies; and that, furthermore, these competences evolve as a result of a process quite different from that which produces the other three building blocks of social organization—values, group decisions and material resources. The anthropogenic process involves successive, or complementary, affiliation with developmental institutions, beginning with the family, continuing through the various levels of schooling and then consolidating around the experience gained through employment, whether that effort is remunerated or not. Indeed, the three sets of institutions, the family, the schools and employing organizations, are the separate components of a distinct anthropogenic system which are linked together by the career developmental path which each individual member of society pursues over his life time. Affiliation with one of these developmental institutions is the process quintessential to the anthropogenic dimension.<sup>8</sup>

The human resources model, since it takes into account three other processes besides the one of exchange emphasized exclusively in the conventional economic analysis, is thus a generalized approach to the study of social dynamics. However, more than just the question of generality is involved in dealing with the human factor in economic activity. The subject matter of labor economics reflects the congruence between the economic and anthropogenic dimensions.<sup>9</sup> On the one hand, it is the economy which, as a result of the level of activity generated, creates the employment opportunities whereby most competences are utilized and—even more important—further developed. Yet, it is the anthropogenic system

<sup>8</sup>See Ginzberg (1966; 1971, ch. 19; 1976); Eichner (1973a, 1973b); Eichner and Brecher (1979, especially ch. 3).

<sup>9</sup>Eichner, 1973a; Lewin *et al.*, 1974.

which serves as the means by which those competences are acquired, in all their myriad forms. It is not just that the anthropogenic system must produce a range of competences beyond what is needed by the economy alone; that the functioning of the individual as savant, citizen, parent and teacher is no less important than his functioning as worker. It is, *a fortiori*, that in dealing with the congruence between the economic and anthropogenic systems one must recognize that at least two quite separate processes, or dynamics, are at work—that of affiliation as well as that of exchange. Indeed, with the two simultaneously in operation, one should not be surprised to observe, given the additive rule that applies to dynamic processes, yet a third even more complex dynamic. In any case, the model of market exchange will be able to explain only limited aspects of what is the putative concern of the labor economist—the movement over time of individuals into employment status. This is due, not only to the complicating anthropogenic processes at work but also, even more fundamentally, to the radically different nature of the items “traded” in what are termed “labor markets.”

*The Degree of ‘Activeness’*—The commodity trading model from which the conventional theory of labor markets has been derived implicitly assumes that it is inert physical goods which are being exchanged. The essential characteristic of such goods is that they are entirely passive, with zero degree of activeness. Lacking any independent will—not to mention the capacity to effectuate that will—they are merely acted upon; they do not act themselves. Indeed, they care not a whit what happens to them, either in the process of being traded or subsequently in the process of being utilized by a purchaser. It is a matter of indifference to the barrel of oil that is sold whether it is used to heat a house of God or a house of prostitution. Not

caring how it is to be used and, even more important, not capable of acting on its own, an inert physical good is unable to foil the plans which the purchaser may have for it. The purchaser, in turn, does not have to worry about devising a counter-strategy. There is no need, for example, to pay the barrel of oil a special premium or in some other way assuage its feelings so it will agree to heat the house of prostitution instead of the house of God (or vice versa).

The commodity trading model, then, ignores precisely what is most significant about human beings, namely, their ability to set and implement goals of their own.<sup>10</sup> While it might seem that the model would have to be significantly modified before it could be used to explain the willingness of human beings to accept employment, the conventional theory of labor markets makes no such concession. Instead the theory talks about labor services, divorced from the human beings who are to provide them. With the focus shifted from the concrete reality of individuals placing themselves under the control of others to the abstract notion of a labor service homomorphic with the physical inputs used in the production process, the commodity trading model can then be applied without any significant change in the mode of analysis. Labor services, just like commodities, are exchanged for money, the precise amount depending on the forces of supply and demand. It makes little difference, in this conceptual framework, that what is putatively being exchanged impinges on the personality of individual human beings.

The perception of what happens in the “labor market” is quite different when, as in the anthropogenic model, explicit account is taken of the fact that those subject to the process are active agents, with multifarious goals. Some, but by no means all, of these

<sup>10</sup>See the essay by Boulding in Berg, 1972.

goals pertain to the satisfaction of material needs. Moreover, while human beings may be required to spend the better part of each week engaged in activities organized around the task of satisfying those material needs, even during the time they are so occupied they are not unmindful of their other goals in life. Finally, in attempting to achieve these goals, human beings do not merely follow simple and direct lines of action. They are, in fact, capable of executing quite complex strategies, sometimes by themselves and sometimes in conjunction with others. Both the multifarious goals which human beings set for themselves and the complex strategies they follow in pursuit of those goals profoundly affect the nature of the employment relationship.<sup>11</sup>

The analysis of what happens on the job is complicated by more than just the fact that human beings, unlike inert physical goods, can be perverse. It is also that the use of human beings in the production process raises unavoidable teleological, and hence moral, issues. Take the case of the barrel of oil that is supplied through the market. Few would question that, once removed from the ground, it should eventually be used to serve some human end. But what about the individuals who must give of their time and energy if that barrel of oil is to be delivered as heating fuel at the point of consumption? Are they merely a means to the same end, that of providing the consumer with warmth? Or do they have interests, in terms of the conditions under which they must work and the compensation they will receive, which are no less deserving of protection than those of the consumer? The usual treatment of labor in economics, by viewing the human factor in the production process solely in instrumental terms, avoids

<sup>11</sup>This, of course, is the starting point for the fields of personnel management and industrial relations, both of which Ginzberg has contributed to. See Ginzberg and Reilley, 1957; Ginzberg and Berg, 1963; Ginzberg, 1976, Part 4.

these questions. That is why it can accept the notion of a trade-off between unemployment and inflation when, in fact, the consequences of the two are in no way commensurate with one another. But this sole concern with the consumer interest, to the virtual neglect of producer welfare, is arbitrary. By attaching significance to individual preferences only insofar as they influence what goods are produced, and not with respect to how they are produced, the conventional analysis predetermines the very conclusions it reaches; and thus it is something less than the value-free scientific inquiry its proponents like to believe.

The anthropogenic model is more open on this point. Starting from the premise that the basis for judging social institutions is the extent to which they serve to increase the options open to individuals, it weighs the economic system’s ability to deliver material goods against the number and types of employment opportunities which the same economic system is capable of providing. The latter consideration is no less crucial to individual well-being, and this is so for three reasons: 1) It is primarily through employment that, as long as the human input remains critical to the functioning of the economic system, individuals will continue to obtain the income necessary for purchasing goods and services. 2) Since individuals spend most of their waking hours on the job, the conditions of employment are critical to the quality of the everyday life experience. 3) It is largely through employment opportunities that, subsequent to their formal schooling, individuals continue to develop their capacities, and acquire further competences. The emphasis, then, in the anthropogenic model is on the different ways in which individuals are able to increase their options in life, with the availability of physical goods being only one of them. It is for this reason that the anthropogenic model, unlike the more conventional

treatment of the human factor in the production process, refrains from giving weight solely to the consumer interest.<sup>12</sup>

To focus merely on the increase in options, making this the principal result to be explained, is not enough, however. Without any basis for assigning a greater worth to any one individual over another, it must be assumed that all individuals are equally entitled to whatever options society has to offer. Yet the evidence is overwhelming that some individuals have more options than others. Why is this the case? To raise this question, as the anthropogenic model does, is to assert that the equity with which options are distributed is no less important a phenomenon to be explained than the aggregate increase in those options over time.<sup>13</sup> The anthropogenic model goes further, however, than just to raise the issue. By pointing out the link between the employment opportunities which a society is able to provide through its economic system and the resulting increase in individual options, even beyond any income earned, the model opens the way to a more complete understanding of the processes determining the differential development of individuals, and hence the relatively unequal distribution of options that is observable in contemporary society. However, to pursue this lead, one must first explore the nature of the employment affiliation, showing how it differs from the conventional notion of contracted labor services.

*Contract vs. Affiliation*—In the conventional model of production, based on eighteenth century theories of jurisprudence and social organization, the process by which individuals are integrated into the work force is viewed as though it were the result of contractual agreements similar to those which govern the movement of physical goods between producers and consumers around the world. It

assumes that the terms and conditions of the contract, including the rate of compensation, are fully spelled out in advance, and that the two sides to the agreement voluntarily give their consent to those terms and conditions. Even more important, the conventional model assumes that there is a single moment in time, the "date" of the contract, when those terms and conditions are both fully understood and agreed to.<sup>14</sup>

It is on this last point that the anthropogenic model takes its departure from the conventional treatment of the human factor in economic activity. The integration of individuals into a work force is seen as occurring, not at any single moment in time but rather, in several stages over time.<sup>15</sup> There are, in fact, six discrete steps: an extended period of recruitment (on the part of the employing organization) and search (on the part of the individual) followed by the relatively brief act of selection by the two parties independently of one another; a second extended period of orientation and indoctrination again followed by a relatively brief act, in this case assignment of the individual to a particular job, and finally a third extended period of education and training ending with an evaluation that leads either to promotion, retention in the same position or dismissal. It is, of course, possible for any one of these six discrete steps to be greatly compressed in time, especially if the position is a temporary one or requires little in the way of skill. It is also possible for the last two sets of steps to overlap somewhat. Still, the several stages involved point to the existence of a process—that of attachment to a particular employing organization—and not simply the working out at a particular point in

<sup>14</sup>Even as sophisticated an institutional economist as Commons did not seem to understand that a transaction involving the hiring of workers was a process taking place over time, and not just a single-moment-in-time bargain. Cf., Commons, 1934, pp. 52–93.

<sup>15</sup>Freedman, 1969; Yavitz and Morse, 1973, chapter 4; Ginzberg, 1976, chapter 11.

time of a contractual arrangement that is henceforth binding on the two parties. For the important point is that the process may come to an end before it is fully completed, during any one of the successive stages. By so terminating the process, neither of the two parties can be said to have violated its obligations to the other.

Within the last few years a good deal of attention has been directed in conventional treatments of labor to the process of search (though not, interestingly enough, to the parallel process of recruitment).<sup>16</sup> The interest in search behavior has derived chiefly from the need to offer some plausible explanation of why wages have continued to rise, during recent recessions, even in the face of declining demand. However well this concession to realism may serve to salvage the larger body of standard economic theory, the fact remains that it still ignores two subsequent stages in the attachment process. It also continues the mistake of focusing on the rate of compensation as the sole determining factor in the attachment process. Both of these are oversights which the anthropogenic model seeks to avoid.

The anthropogenic model does not deny the importance of the size of money payment in determining whether individuals become attached to a particular employing organization.<sup>17</sup> What it rejects is an exclusive concern with that one factor alone. In an earlier era, when labor was performed primarily by farmers seeking to supplement the earnings from their own insufficient holdings, and even somewhat later, when a landless proletariat provided little more than "hands" for the new types of factory production, this emphasis on the "wage bargain" was perhaps not unwarranted. Human beings worked for others primarily because of the income it afforded

them. But in a modern economy, when even those in the highest positions of authority in effect work for someone else and the types of jobs available are so diverse, requiring as they do such a variety of skills, other factors become important. Human beings become attached to a work force, even aside from the income it provides, because a) it offers a milieu for social interaction—a place to meet people and make friends; b) it provides a certain degree of autonomy—freedom from the arbitrary command of others; and c) it enables them to develop further as human beings—to increase their skills and competences. Employers, in turn, accept individuals as members of their permanent work force, despite the money outlays involved, because the individuals a) are able to take over a position within the organization and carry out some essential task without disrupting the flow of output, and b) have the potential for later assuming an even more demanding or responsible position within the organization.<sup>18</sup>

It is because neither employees nor employers can be fully assured at once on all these points that the attachment process takes a while to complete. Only time will tell what type of social milieu, how much autonomy and what opportunities for personal growth a particular job offers. And only time will tell if the individual selected as a result of the recruitment effort will measure up to the standards of the job. It may, in fact, be necessary for either the individual or the organization to bring the process to a halt and start anew, not just once but several times. Once the process of attachment is completed, however, the result is an affiliation, at least for the individual, different only in kind from the affiliations by which he has gained his antecedent level of competence. This means a commitment by the organization to the individual and by the individual to the organiza-

<sup>16</sup>See, for example, Phelps, 1970; Whipple, 1973.

<sup>17</sup>Cf., Freedman, 1969, pp. 117–9; Ginzberg, 1976, p. 180.

<sup>18</sup>Ginzberg, 1976, part IV.

<sup>12</sup>Ginzberg, 1976, chapters 3, 12.

<sup>13</sup>*Ibid.*, chapters 7, 14.

tion that cannot be terminated merely on whim. As in earlier affiliations, first with some family unit and then with various schools at successively higher levels of education, the individual is assured of the continuing benefits of that relationship, including the growth of competences, as long as he adheres to certain prescribed rules of behavior. Of course, attachment to an employing organization differs from earlier affiliations in various ways. The flow of money payment is reversed, the absorption of the individual into the organization is simply derivative of the organization's pursuit of more fundamental objectives and the affiliation is more likely to be terminated in the face of economic adversity. Even the types of skills acquired are different. Nonetheless, this type of affiliation is no less critical to the individual's developmental process.<sup>19</sup>

It is thus possible to trace out a succession of organizational affiliations by which each individual acquires the competences that are so essential for any constructive role he may play in society. This succession of affiliations marks the career path which each individual follows, attachment to a particular employing organization simply marking the final steps along that route.<sup>20</sup> Once affiliation with an employing organization takes place, the career path may then lead to movement up some internal promotion ladder, to lateral shifts between organizations with or without advancement, or to a dead end until retirement from the work force occurs. For those who are part of the secondary, or peripheral, labor force,<sup>21</sup> the career path may even fall

short of attachment to any particular employing organization, the work history including, at most only a few briefly held intermittent jobs. The career paths that may be followed are therefore quite diverse. In each case, however, the transition from school to work—that is, from the secondary to the tertiary level of the anthropogenic system—is critical.<sup>22</sup> This leads to a somewhat different view of the labor “market” from that which prevails among most labor economists. Indeed, this is the fourth point on which to contrast the conventional approach to the human factor in economics and the anthropogenic model.

*A True Market or a Mere Linkage*—Central to standard economic analysis is the notion that mechanisms described as markets serve as the primary allocative device, distributing resources among alternative, competing uses. These mechanisms are presumed to perform a “clearing” function, making sure not only that resources are put to the best possible use but also, just as important, that supply and demand remain in balance. The latter result is assured, so the theory goes, as long as the price variable is free to move up or down. Should the supply exceed the demand, a fall in price will lower the supply and increase demand, bringing the two back into balance. Similarly, should the demand exceed supply, a rise in price will lower demand and increase the supply. As already pointed out, the theory was first developed to explain the international trade of standardized commodities and then taken over, with little change in the argument, to deal with the human factor in economic activity. In the so-called labor “market,” it is the wage rate as the price variable which supposedly moves up and down to perform the clearing function.

One need only consult Keynes' *General*

<sup>22</sup>Freedman, 1969; Reubens, 1977. This is why so much emphasis is placed on occupational choice. See Ginzberg *et al.*, 1951; Ginzberg and Herma, 1964.

*Theory* for a devastating attack on this view of how the labor “market” operates. *The General Theory*, in fact, offers two separate explanations of why labor markets are unlikely to clear, that is, assure “full employment”—neither of which depends on the power of trade unions to prevent wages from falling. The first argument is that it is difficult, if not impossible, to arrange matters so that wage reductions apply across the board to all workers simultaneously. This means that, at any one point in time, only some workers will be under pressure to accept lower wages, and with those lower wages a decline in their standard of living relative to other workers. As a result, the wage cuts are bitterly resisted—and not without justification. The fall in the wages of just some workers is unlikely to solve the general problem of unemployment. It should be noted that the argument implies either that there is no such thing as a single labor market or, alternatively, that there is no such thing as a single price—that is, wage rate—or structure of prices which prevails in that market. The second line of Keynes' attack is even more damaging to standard economic theory. Even if wage reductions could be negotiated across the board, full employment would still not be restored, for the very fact of the wage reductions would so discourage business investment that, operating through the multiplier process, the economy would wind up even further below the full employment level of income. In other words, the income effects arising from the wage reductions would far outweigh the substitution effects taking place within the firm.<sup>23</sup>

The anthropogenic model accepts these Keynesian arguments as valid, but points out an even more fundamental reason why the so-called labor “market” cannot effectively carry out its clearing function. It is because a

key element in most commodity markets is missing. This is the presence of a “speculative interest”—or forward market—to prevent sellers from pushing prices up too high and to prevent buyers from forcing prices down too low. The speculative interest—brokers, other middlemen, even the buyers and sellers themselves—in effect acts as a secondary factor in the market, stepping in to purchase stocks that would otherwise go unsold and holding them for release until prices have again risen. Most markets clear only because the speculative interest sees to it that they do clear. In labor markets, however, there are no speculative interest because the input which human beings uniquely contribute to the production process cannot be stored. The time, together with the energy and competence, that individuals have to offer is lost forever once it is allowed to go unutilized. Not even those who provide the laboring time can store it. The most they can do is use it for their own private purposes.<sup>24</sup>

For this reason, labor markets are more appropriately viewed as imperfect market-clearing mechanisms. When employing organizations have a need for additional workers to fill entry level positions and even when they have a need for experienced workers to fill higher level positions, it is true that the temporary gap between “supply” and “demand” is likely to be quickly closed by what appears to be the labor “market”—though not necessarily as a result of the wage rate rising. However, in the opposing situation, when both new workers and experienced personnel are seeking positions in greater numbers than are currently being opened up, the gap—in this case arising from excessive supply—will not be closed. The job seekers will find themselves queued up, with no demand for their services and thus the time, together with the energy and competence they

<sup>19</sup>Eichner, 1973a.

<sup>20</sup>Ginzberg, 1976, chapter 3; Eichner, 1973b, unpublished.

<sup>21</sup>Morse, 1969; Freedman, 1976; Ginzberg, 1976, chapter 9. Thus the anthropogenic model developed by CHR encompasses as one of its elements the “dual” or segmented labor market thesis, and indeed anticipated much of the current discussion of this thesis. (See Wachter, 1974; Cain, 1976; Gordon, 1972; Piore, 1980.)

<sup>23</sup>Keynes, 1936, chapter 19.

<sup>24</sup>Eichner, 1973a. See also Friedlander, 1972.

are prepared to give to an employing organization, is irretrievably lost. Moreover, no lowering of the rate of compensation for their services is likely to remedy the situation—though this may not prevent the wage rate from falling. The explanation is the one implicit in Keynesian theory: the demand for labor is determined in the short run solely by the forces influencing the overall level of economic activity, of which the supply of manpower is not one.

There is thus an asymmetrical relationship between the economic and anthropogenic systems. The latter can be counted on to be quite responsive in supplying business organizations with whatever competent individuals those employing organizations require—with at most only a brief lag.<sup>25</sup> The economic system, however, cannot be counted on to assure places for all the graduates of the anthropogenic system. When one recognizes that the employing organizations are themselves a part of the anthropogenic system because of the on-the-job training they provide, it is possible to see the inherent nature of the difficulty. The more rapidly the economy expands, thereby providing additional employment opportunities, the more rapidly it will be producing experienced personnel ready and eager for more demanding assignments. The issue, then, is not whether competent individuals will be queued up waiting either for their first job or for advancement but rather, how rapidly the individuals will be able to move up along those queues until an opening occurs that places them a leg up on their career path. Since the queues include, not only the younger generation emerging from the educational system but also the rural peasantry the world over hoping to find a place in an industrial, and even a post-industrial society, there is no reason to expect this asymmetrical relation-

<sup>25</sup>Eichner, 1976, chapter 7.

ship between the economic and anthropogenic systems to end in the near historical future.

Under these conditions, the labor market can only determine which individuals obtain the limited employment opportunities which are available.<sup>26</sup> It can do nothing to assure jobs for all who would like to work. Those who are unable to obtain employment represent an irretrievable loss for society, for it is impossible to stop the march of time that measures each individual's finite lifespan. Standard economic theory not only fails to properly specify the mechanism by which individuals are integrated into the production process, it also misunderstands how these same individuals are then used within the employing organization itself. This leads to the question of the factors internal to the firm which determine the utilization, or employment, of human resources.

*The Demand for Manpower Inputs*—In conventional economic models, human inputs are seen as variable compared to the plant, capital equipment and even the managerial capability of the ownership entrepreneurs. (The existence of large corporations, with management and ownership separated, is seldom recognized.) The firm is viewed as being able to alter production levels by using differing amounts of the variable input, production workers, in combination with the fixed inputs. However, because of the law of variable proportions, the use of the additional workers to increase production leads, beyond a certain point, to diminishing marginal productivity. It is from this condition of diminishing marginal productivity that the firm's supposed demand curve for "labor" is derived. The curve is negatively sloped, implying that the demand for manpower

<sup>26</sup>Thus the anthropogenic model encompasses, that is, it is consistent with, the labor queue theory put forward by Thurow (1976), of which the screening hypothesis set forth by Blaug (1976) as the alternative to human capital theory stands as a variation.

inputs varies inversely with the rate of compensation. This relationship follows logically from the presumed technical conditions of production, in particular, from the diminishing returns that set in when, beyond a certain point, more variable inputs, like production workers, are used in combination with the same fixed amount of plant, capital equipment and managerial personnel to expand output. The key assumption, of course, is that production is possible with flexible technical coefficients, that is, with differing amounts of the variable input relative to the fixed inputs.<sup>27</sup>

The anthropogenic model does not deny that the negatively sloped demand curve for "labor" may hold in certain cases—particularly in smaller enterprises using relatively unsophisticated technology. More generally, however, it holds that production is carried out as part of a complex social process, one in which the individual's unique contribution is necessarily submerged in the overall group effort. Each worker has a clearly delineated role to play—a job slot—in an organizational structure based on the following relationships: a) between workers and the capital equipment; b) between workers and the supervisory staff, and c) among different types of workers. For the most part, these relationships are fixed ones, arrived at as part of the organization's long-run search for optimal efficiency. The more sophisticated the skills or equipment required in the production process, the less flexible these relationships are likely to be.<sup>28</sup> This has two implications. First, it means that adding more human inputs in the form of additional workers, rather than being the means of increasing output, simply imposes on the organization the burden of altering its internal structure. It is for this reason that new workers are seldom hired except to fill

<sup>27</sup>Eichner, 1976, pp. 28–37, 145–46.

<sup>28</sup>Eichner, 1976, pp. 146ff.; Ginzberg, 1976, chapter 11.

already existing slots in the organization, ones that have either been recently vacated or are about to be vacated by other workers. Second, it means that there is no way of determining the incremental contribution to the goals of the organization, whether those goals be profit-oriented or not, for any one worker alone or even for any one type of worker. The output depends on the functioning of the organization as a whole. Thus it is not possible to establish any direct relationship, negative or otherwise, between the number of workers employed by the organization on the one hand and either the productivity of the organization or the rate of compensation received by the workers on the other hand. That is, the negatively sloped demand curve for "labor" does not generally hold under modern conditions of production.

By carrying out the analysis as though the negatively sloped demand curve did apply, the conventional models miss what are the far more significant determinants both of productivity within the organization and of the compensation received by workers. The productivity of the organization depends on the capacity of those in executive positions to deal with the most critical fact of organized work activity: that the goals of the individuals who comprise the organization, even in a managerial capacity, are not identical with those of the organization itself. Effective management requires both a positive and a negative response to this inherent conflict of interests. On the positive side, the individual's role within the organization needs to be structured so that, in meeting the imperatives of his work assignment, he is also moving closer to the realization of his own personal goals. In this way, the organization can harness, to the maximum extent possible, the individual's own drive and energies, the only source of dynamism for the organization itself. Still, since the goals of the individual and the organization can never be wholly reconciled, a

negative response is required as well. This means placing as much pressure as possible on the individual members of the organization to avoid any behavior which is inimical to the short-run goal of optimal output and the long-run goal of survival and growth. The key to effective management—the source of what Leibenstein has termed “X-efficiency”<sup>29</sup>—is thus the setting of a proper balance between positive inducements to better individual performance and negative strictures against subversive behavior. In large organizations, where relationships are more impersonal, the setting of this proper balance is, of course, more difficult—especially since the conflicts may be between different parts of the organization as well as between the organization and its individual members.<sup>30</sup>

Rates of compensation clearly play an important role in bringing the interests of the individual into line with those of the organization. Still, one should not place too much weight on that one factor. In the first place, the most deeply felt satisfactions that go with any job are those which are intrinsic to the work being performed. Money is generally a poor substitute for that type of reward. Secondly, the actual rates of compensation received by those who work for the organization usually depend on factors other than any differential contribution to the organization's goals. They depend, in part, on what has been termed the “internal wage structure”<sup>31</sup>—the differentials in pay derived historically from balancing the organization's need to maintain hierarchical relationships against the demands of the work force for equitable treatment. From the point of view of the organization, it is essential that those in supervisory positions receive a higher rate of compensation than those they oversee. Otherwise, the basis for internal discipline will be under-

mined. From the point of view of the individual members of the work force, however, it seems no less reasonable that those who perform equally difficult tasks or have been employed equally long by the organization should receive roughly the same rate of compensation. The internal wage structure represents the resolution of these conflicting pressures. In general, it permits the rate of compensation to be increased only because of a) time in grade, or seniority, and b) promotion to a more responsible and/or skilled position.<sup>32</sup>

The entire set of differentials represented by the internal wage structure may itself be raised (or lowered) as a result of external factors. While in some cases this may reflect labor market pressure, more typically it is because the regional, industry or national norms of what constitutes a “fair” wage have been altered. Various sheltering mechanisms, such as an internal promotion system or credentialing requirements, usually help insulate the organization's wage structure from market forces.<sup>33</sup> With an established trade union movement, the norm is likely to be worked out in collective bargaining between representatives of the production workers and top management. Indeed, the collective bargaining agreement is likely to serve as a further sheltering mechanism. But even when formal collective bargaining does not take place, the organization is likely to take as the norm the rate of compensation paid by other organizations caught in a similar set of circumstances—with perhaps the one difference that the workers of the other organizations are represented by a trade union. It is for this reason that the agreement worked out in one of the “key” or “bellwether” industries with respect to wages and other forms of compensation is of such critical importance in

<sup>29</sup>Leibenstein, 1966.

<sup>30</sup>Ginzberg, 1976, chapter 13.

<sup>31</sup>Livernash, 1957.

<sup>32</sup>Eichner, 1976, chapter 5; Ginzberg, 1976, chapter 12.

<sup>33</sup>Freedman, 1976.

determining the overall level of wages throughout the economy. The pattern established in one industry or sector is likely to be followed in others. The government itself, through Presidential intervention in the key industry's negotiations or through some form of “incomes” policy, may also have a hand in shaping the pattern.<sup>34</sup> Rates of compensation, then, depend on the internal wage structure as increased in money terms over time by the changing standard of what constitutes a fair wage in a particular region, industry or the nation as a whole.

*The Supply of Manpower*—The conventional analysis, however, not only misperceives the nature of the firm's demand curve for “labor,” it also incorrectly specifies the supply curve. In the standard economic models, work is presumed to give rise to disutility. For this reason, in order to persuade individuals to make their services available, they must be paid a wage, the income compensating them for what they are giving up, their leisure, by working. The anthropogenic model recognizes that work is all too often distasteful to those who must perform it. Indeed, this has been true for the great majority of people throughout most of human history, and it is still true for too many people in the world today, even in developed and relatively affluent societies like that of the United States. Still, this is not an immutable condition. As the experience of at least some people demonstrates, and not just in advanced societies, work may also be a source of great satisfaction. And this is the case quite aside from any income it brings.

The limitation of the conventional economic analysis is that it recognizes only the need of society to have certain types of tasks carried out and the need of individuals to have access to income through employment. What it leaves out is the equally important need of

individuals to have purposeful activity, a need attested to by the energy devoted to hobbies, sports and other leisure-time pursuits. The purposeful activity is essential, not just for maintaining whatever level of physical and mental competence has previously been attained but also, for enabling the individuals to continue developing as human beings. In responding to this need, individuals may even be led to perform socially useful tasks without insisting upon money compensation in return, their reward being enhanced abilities and self-esteem. In fact, were this not the case, the society would lack philosophers, artists, political activists, volunteer workers and parents.

The need for purposeful activity, then, is a powerful force inducing individuals to make themselves available to organizations having a need for their services, regardless of the compensation to be received. When the need for on-the-job training as a follow-up to formal education is taken into account, the willingness of individuals to work, whatever the pay, emerges as even more significant a factor. Still, it is unlikely to be powerful enough to guarantee that all of society's necessary tasks will be carried out, and this is so for two reasons. On the one hand, individuals must first be assured that they will have sufficient income to satisfy the material needs not only of themselves but also of the other persons dependent on them. On the other hand, some of society's necessary tasks may yield so little intrinsic satisfaction—indeed, they may be so distasteful—that no one would voluntarily carry them out on his own if he could possibly avoid doing so. The strength of these two other factors depends, of course, on how equitably both income and work tasks are distributed.

In the conventional treatment of manpower, it is usually assumed that society's need to have the less intrinsically satisfying tasks performed is met by playing on the desire of some individuals for differential income. Thus

<sup>34</sup>Eichner, 1976, chapter 5.

it is through the rate of compensation that the conflicting needs of the individual and of the society are supposedly reconciled. While this would lead one to expect the attractiveness of any job and the attendant salary or wage to be negatively correlated with one another, in fact no such relationship is observable in practice. Quite the contrary, the better paying jobs are often the more desirable ones in terms of fringe benefits, prestige, power and feelings of accomplishment. The mistake of the conventional view here is in overlooking the mediating role of social institutions in determining the supply of manpower.

It is naive to think of the individual simply offering himself for one of the better jobs in society. Anyone who tries it on his own soon learns that the doors will simply not open for him. He must instead go through a series of preparatory steps that mark off the various career paths. In some cases, the preparatory steps involve attendance at certain types of schools and graduation with certain types of degrees. In other cases, they involve meeting the entry level requirements for employment with some bureaucratic organization or being accepted for membership in a trade union. In every case, however, there is more than one preparatory step, and the intervention of family, friends, schools, supervisors and other influential persons is likely to prove crucial.<sup>35</sup>

The effect of this mediating role played by social institutions is to "wall off" the better jobs in society from all the others. Once an individual has made it to the shelter provided by professional training, internal promotion systems, seniority rules and trade union agreements,<sup>36</sup> his further participation in the work force—indeed, his further advancement along a career path—depends primarily on non-economic factors. While a change in employing organizations and even a change in

careers may be made in order to take advantage of a better paying job, for the most part any move is likely to be dictated by career concerns such as the desire for more challenging work or by other considerations such as the desire to pursue a certain life style. Even more typically, an individual is likely to find both his career and his income advancing in tandem as a result of the same institutional factors that shelter him from the competition of workers in general. Indeed, wages and salaries are usually set in such a way as to minimize their influence on career decisions. As long as the individual accepts the constraints imposed by the institutional arrangements that insulate his job from market forces, he can count on his income increasing steadily each year in line with the general rise in wages and salaries throughout the economy.

The situation is, of course, quite different outside the core of sheltered jobs. There long lines of individuals, stretching back to rural hinterlands across the globe, compete vigorously among themselves for the limited employment opportunities, hoping for access, even if it must await another generation, to one of the better jobs in society. It is there, among the peripheral workers, that the conventional view of labor markets comes closest to the mark.<sup>37</sup> Even so, one should not exaggerate the importance of the size of the wage payment in determining labor force participation. On the one hand, the need for access to income leaves few with the choice of whether to work or not. While transfer payments provide something of an alternative, they are seldom available to males of prime working age. Illegal activities are another option, but like the resort to public assistance or some other form of transfer payment,<sup>38</sup> pecuniary consideration are only

<sup>35</sup>Ginzberg, 1976, chapters 5-6.

<sup>36</sup>Freedman, 1976.

<sup>37</sup>Morse, 1969; Friedlander, 1972.

<sup>38</sup>Ostow and Dutka, 1975.

one of the factors that influence the choice. For the majority, work is the only source of income. On the other hand, employing organizations can usually count on all the manpower they need of a relatively unskilled sort at the prevailing wage rate. The long lines of individuals in need of a job assures that. Thus it is not so much the size of the wage payment but rather the availability of employment opportunities, both in the sheltered core of the economy and on the periphery, which determines the supply of manpower.<sup>39</sup>

In summary, then, the human developmental, or anthropogenic, approach involves a considerably broader view of the role played by the human factor in economic activity than is to be found in the conventional models upon which economists generally rely. This alternative conceptual framework encompasses, not just the single dimension of an economic system producing goods and services, but three other dimensions as well, including a quite separate anthropogenic system which supplies the economic system with all its manpower inputs. Within this conceptual framework, human beings are viewed, not just as the means by which more goods and services are produced, but also as the ends which the entire set of social institutions, including the economic, are meant to serve by increasing individual options. Thus employment is important, not just because of the greater output it makes possible, but also, even more critically, because of the effect it has on the well-being of those who are thereby given a meaningful economic role to play. Moreover, the employment obtained represents, not just a contract confirming some transaction but rather, more broadly, an affiliation. This means that it occurs, not at a single moment in time but instead, as part of a process taking place over time.

Contrast this view of the human factor in economic activity with that reflected in the conventional economic analysis. Both are, to be sure, concerned with one of the two factors determining the total wage bill. But the conventional analysis, with its almost singular concern over the wage rate, seems, from a human developmental perspective, to place the emphasis on the wrong variable. First of all, the wage rate's supposed market-clearing role is greatly exaggerated, if it is of any relevance at all. How else can one explain the excess of workers seeking employment which exists as almost a permanent feature of modern life? Indeed, *The General Theory* should long ago have disposed of that argument. Moreover, because of the institutional manner in which it is determined for most workers, together with the fixed technical relationships which govern most of modern economic activity, the wage rate tells us hardly anything at all about labor's "productivity."<sup>40</sup> The significance of the wage rate lies entirely in the effect it has on the relative distribution of income among wage and salary recipients and in the role it plays in the wage-price inflationary process.<sup>41</sup>

In its preoccupation with questions of resource allocation under equilibrium conditions, the conventional analysis gives short shrift to the critical importance of employment in determining individual and family well-being. It is more than just a matter of being able to earn income—though, in a society in which earned income is the primary determinant of a family's standard of living, that factor is not unimportant. It is rather that an individual's entire sense of personal worth, especially during the adult years,

<sup>40</sup>It is this point which provides the linkage between the human resources approach and post-Keynesian theory. See Eichner and Kregel, 1975; Eichner 1976; Appelbaum, 1979.

<sup>41</sup>Eichner, 1976, chapters 5, 8.

<sup>39</sup>Eichner, 1973a; 1976, pp. 226-33.



depends on the ability to obtain a prideful place within the economic order. This is reflected in the high correlation between loss of job and various social pathologies such as crime, family breakdown and mental illness.<sup>42</sup> From a human resources perspective, then, the most pertinent question to ask of any economic system is not whether resources are being optimally allocated—the primary concern of the conventional economic analysis—but rather (1) how much employment is being generated relative to the number of persons seeking it, and (2) what determines the access of individuals to those jobs. Each issue has a special import, though for a different reason.

The amount of employment being generated is the single most significant factor in determining the rate at which new skills and competences are being added by the labor force, and thus the single most significant factor in determining the society's long-run potential growth rate. The rate at which employment opportunities are being generated is certainly more critical to the skill acquisition process than all the sums spent on education and other forms of training.<sup>43</sup> This is because the supply of and the demand for manpower, rather than being independent of one another as assumed in the conventional analysis, are in fact highly interdependent, the proof of this being the greater growth of skills and competences from on-the-job training when the economy is expanding more rapidly. One essential research task still remaining is to measure more adequately this increase in skills and competences that occurs from economic expansion.

The access to jobs, on the other hand, is the single most significant determinant of what has been termed "social class," and it depends, in turn, on differential access to the intervening social institutions, including the

school system, that mediate between employing organizations seeking additional manpower to fill job openings and the individuals seeking, not just temporary employment but rather, life-long careers.<sup>44</sup> Here the essential research task still remaining is to map out more completely how those intervening social institutions play their particular role in linking individuals to jobs, and how certain demographic groups are thereby disadvantaged in the process.<sup>45</sup>

One can therefore state as follows what, from a human developmental perspective, ought to be the guiding principle of public policy. Employment should be expanded at a maximum rate, with access to jobs minimally dependent on the ascriptive characteristics of those seeking employment. In pursuing this policy, however, the government must be aware of two constraining considerations. They are 1) the need to avoid sacrificing social productivity for mere employment generation, and 2) the need to avoid exacerbating the problem of inflation. The anthropogenic model throws important light even on these two subsidiary problems. In an economy in which human beings are increasingly employed in the manpower-intensive service sector, any effort to increase productivity cannot hope to succeed without the greater understanding of the human factor in economic activity already reflected in the human resources model.<sup>46</sup> Moreover, once it is recognized that labor "shortages" are seldom the problem, those seeking a solution to the inflation problem are unlikely to base their policies on the simplistic notion that the source of the difficulty is "excess demand." Indeed, they are unlikely to pursue policies that subvert the goal of generating maximum employment.

<sup>42</sup>Ginzberg, 1976, chapter 7.

<sup>43</sup>On this point, see Jencks, 1979; Canterbury, 1979.

<sup>46</sup>*Ibid.*, chapter 16.

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