



## **The Societal Value of Work** Economic and Humanist Perspectives

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*The labour of saving a friends' live is not productive, unless the friend is a productive labourer. (John Stuart Mill, *Principles of Political Economy*, 7<sup>th</sup> ed., p. 50)*

### **I. Introduction**

Classical economists, such as Adam Smith or John Stuart Mill, analysed the function of human labour in the capitalist system of production. They presented human labour as productive capital to be purchased by private employers, something Karl Marx criticized in a systematic manner. The metamorphosis of human beings into human capital was complete by the second half of the twentieth century, as outlined in Becker's *Human Capital*. Today, the paradoxical term human capital is commonly accepted. By oversimplifying human beings in the economic process of production, classical economics reduced human beings to be human labour with the single function or skill to produce economic value.

In reality, human beings have the potential to create a variety of values beyond economic value. As presented in the Human Economy framework,<sup>2</sup> human beings have the potential to create human benefits defined as universally shared capabilities. Through work, they also cause

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<sup>2</sup> Nicolas Bueno, From the Right to Work to Freedom from Work: Introduction to the Human Economy, 33(4) *International Journal of Comparative Labour Law and Industrial Relations* (2017) 463—488.



human costs, what classical economics overlooked as well. Reconsidering the societal value of work beyond merely producing economic value may have tremendous consequences on the way we currently work. It could progressively emancipate society from traditional paid work.

## II. Human Labour as Capital

Adam Smith and John Stuart Mill are two representative economists among classical economists. Both analysed the function of human labour in the economic system and attributed to human labour the function of adding economic value in the production process.<sup>3</sup> Based on that single function of human labour, they distinguished between productive and unproductive labour.

For Smith, productive labour produces a value. He meant by this economic value. Unproductive labour does not fix or realize itself in any particular subject or vendible commodity.<sup>4</sup> His examples of unproductive labour were the labour of military officers, churchmen, lawyers, physicians, men of letter of all kind or musicians.<sup>5</sup> As a result, the annual wealth of a country could be increased in its value by no other means, but by increasing either the number of productive labourers, or the productive powers of those labourers.<sup>6</sup>

John Stuart Mill extended previous definitions of productive labour in his chapter “Of Labour as Agent of Production” by including any labour indirectly instrumental to material production. In this category entered labour employed in producing subsistence for labour, materials, implements, labour employed in protecting labour, such as building makers or policemen or labour employed in the transport and distribution of the produce, such as dealers. Remaining in the logic of material wealth production, he also included the labour of teaching the arts of production and the labour of physician or surgeon but only for persons engaged in industry. He finally considered inventors of industrial process as productive labourers.<sup>7</sup> In his following chapter “Of Unproductive Labour”, he agreed with Jean-Baptiste Say that labour does not produce objects but utilities. He asked therefore why should not all labour which produces utility be accounted productive?<sup>8</sup> He divided utilities in three kinds: those embodied in objects, those embodied in human beings and utilities not embodied in any object but consisting in a mere service rendered. Yet he qualified only labour producing utilities embodied in objects as productive labour.<sup>9</sup> Only this labour was producing wealth defined as material wealth.<sup>10</sup>

Karl Marx later explained the mechanism through which workers add value in the capitalist process of production. He called *variable* capital, the part turned into human labour-power.

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<sup>3</sup> Adam Smith, *The Wealth of Nations (Books I-III)* [1776] (Penguin Classics, 1982), 151. John Stuart Mill, *The Collected Works of John Stuart Mill, Volume II - The Principles of Political Economy with Some of Their Applications to Social Philosophy (Books I-II)* [1848], ed. John M. Robson (University of Toronto Press, Routledge and Kegan Paul, 1965), ch. II Of Labour as an Agent of Production, 31-45.

<sup>4</sup> Smith, 430.

<sup>5</sup> Smith, 431.

<sup>6</sup> Smith, 443. See also 105.

<sup>7</sup> Mill, ch. II Of Labour as an Agent of Production, 31-45.

<sup>8</sup> Mill, 46.

<sup>9</sup> Mill, 48.

<sup>10</sup> Mill, 49.



According to him, only this variable capital, not constant capital, was living and thus could add a value in the process of production.<sup>11</sup> He presented the capitalist as having two objectives: to produce an article destined to be sold and to produce a commodity greater in value than the sum of the values of the commodities used to produce it, including variable capital, the labour-power, he purchased on the market.<sup>12</sup> Ultimately, Marx showed how workers were reduced to a form of productive capital in order to produce surplus-value in the capitalist process of production.

Adam Smith and John Stuart Mill focused on how human beings produce material wealth. Karl Marx systematically criticized the appropriation by capitalists of this wealth produced by capitalists. Yet, Mill did not consider unproductive labour as useless. To the contrary, unproductive could be as useful as productive labour or more useful.<sup>13</sup> He was also aware of using a limited notion of wealth, constrained to material wealth.<sup>14</sup> Nevertheless, he did not develop any measure to integrate useful but unproductive labour in his model. This classical and easiest way of reducing human beings measured in the quantity of economic wealth they produce through work is the foundation of the current economic model. The metamorphosis of human beings into human capital was entirely complete by the second half of the twentieth century, as outlined in Becker's *Human Capital*.<sup>15</sup> By over systematizing human beings in the process of production, however, classical economists overlooked other skills and functions of human beings in society. If labour of a surgeon operating a retired person is not productive labour, but nevertheless useful labour, why simply ignoring that kind of labour?

### III. Human Beings in the Human Economy Framework

By oversimplifying human beings in the economic process of production, classical economics reduced human beings to one single function: producing economic value. This explains some disconnection between economics and human realities, which becomes obvious when considering the economic notion of skills. What economists mean by skills is the skill of producing economic value. Bankers, for instance, are not higher skilled than marine biologists, public interest lawyers or professional dancers but they learn how to create economic value. In the Human Economy approach, I presented societal consequences of evaluating human beings in terms of economic skills. I identified the wasted potential to create human benefits and the risk of causing human costs, both elements having consequences on the need to work in a given society.

#### A. The Wasted Potential to Create Human Benefits

As Nobel Prize winner in economics Amartya Sen argues in *Development as Freedom*, economic growth cannot be treated as an end in itself. Development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy. He evaluates an economic system

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<sup>11</sup> Marx Karl, *Capital (Volume I)* [1867], (Penguin Classics, 1990), ch. 8 Constant and Variable Capital, 307-319.

<sup>12</sup> Marx, Vol.I, ch. 7, sc 2, 293.

<sup>13</sup> Mill, 50.

<sup>14</sup> Mill, 49.

<sup>15</sup> Gary Becker, *Human Capital* (3d ed., University of Chicago Press 1993).



in terms of capabilities. Capabilities are the substantive freedoms a person enjoys to lead the kind of life he or she has reason to value.<sup>16</sup> Martha Nussbaum established a list of central capabilities as fundamental entitlements inherent in the very minimum social justice.<sup>17</sup> She included, for example, being able to have good health, to be adequately nourished, to have adequate shelter, to access adequate education, to be secure against violence or to play.<sup>18</sup> In this regard, she helped specifying a broad notion of capabilities yet avoiding being imperialistic or imposing a single lifestyle on all.<sup>19</sup>

In the human economy framework, I identified how human beings can create these capabilities, that I call *human benefits*, beyond producing economic value. I use the term human benefit instead of capabilities for formal, not substantial reasons. As we will see below, the human economy framework includes the idea that people can also destroy capabilities through work. I found more consistent to use the terms human benefits and human costs as its opposite. I have not found a better notion to express “negative capabilities”. Other scholars adopt human rights as a framework for assessing and measuring economic outcomes.<sup>20</sup> Ultimately, it is a question of public deliberation to determine which capabilities, benefits or rights are appropriate to serve as measure. For now, let’s use central capabilities identified by Martha Nussbaum that are as well universally recognized as human rights: being able to have good health, to be adequately nourished, to have adequate shelter, to be secure against violence and access to education. These are our human benefits. Although a more ambitious economic model would measure more human benefits, this should be enough at this point to understand the argument that follows.

In the current economic system, some people already use their potential to create these human benefits through work. They use their *human potential*. Others would be willing to use theirs for reasons that belong to them, such as simply it feels the right thing to do. However, the current system of employment demised by the classics mostly rewards the skill of producing economic value. Most lawyers would, hypothetically, prefer to defend the rights of people affected by water pollution rather than defending the company causing the pollution. In practice, however, economic opportunities lead a majority of lawyers to use their *economic skill* rather than their *human potential* and secure access to water. At the same time, lawyers justify themselves: What can I do? I have to earn a living! Comments of this kind are common for many kinds of activities. Each of them represents a typical case of human potential being misallocated.<sup>21</sup>

If Adam Smith and John Stuart Mill had met Amartya Sen and Martha Nussbaum, this would have probably changed their division of productive and unproductive labour. Operating a retired patient would not have simply ignored as a form of unproductive labour but maybe included in the category of useful labour creating capabilities in terms of health. Now, let’s be honest, some

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<sup>16</sup> Amartya Sen, *Development as Freedom* (Oxford University Press 2001), 14.

<sup>17</sup> Martha Nussbaum, Capabilities, Entitlements, Rights: Supplementation and Critique, 12 J. Hum. Dev. Capabilities (2011), 25.

<sup>18</sup> Martha Nussbaum, *Creating Capabilities: The Human Development Approach* (Harvard University Press 2011), 17-45.

<sup>19</sup> Nussbaum, Capabilities, Entitlements, Rights, 29

<sup>20</sup> Balakrishnan, Heintz & Elson, *Rethinking Economic Policy for Social Justice: The Radical Potential of Human Rights* (Routledge 2016), 2.

<sup>21</sup> Bueno, 480.



people simply do not care about creating human benefits for others. I pretend, however, that only an extreme minority of individuals would decide not to create human benefits for the exact same individual reward. However, the current system of employment creates an incentive to improve and use economic skill over time. As a result, an existing human potential of creating human benefits is wasted. This is the first observation of the human economy framework.

## B. The Risk of Causing Human Costs

Additionally, reducing human beings to a form of productive capital with a single function to produce economic value through paid work also overlooks that work may destroy central capabilities or human benefits identified above. This is the second observation of the human economy framework. When work is merely assessed in terms of economic wealth it produces it can never be considered as socially harmful. In the human economy framework, *human costs* are the exact opposite of human benefits.

Economics is only partially capturing this idea of human costs under the notion of negative externalities already introduced by Arthur Pigou in 1920.<sup>22</sup> Yet without a single measure able at capturing both positive and negative impacts of work, it is impossible to qualify that activity as socially beneficial or negative. Let's take the example of conventional agricultural labour using pesticides. Economically, pesticides hypothetically increase the economic productivity of agricultural work. Additionally, they cause negative externalities in terms of environment. How to balance these two terms when the measure is once economic once environmental? Using human benefits and costs as single measure may help proceed to the trade-off. On the one hand, pesticides can hypothetically help creating more efficiently human benefits measured in being adequately nourished. It is another question of public deliberation if pesticides may ever achieve this central capability. Let's suppose it does. At the same time, however, it is acknowledged that pesticides damage health and pollute water. They cause human costs in terms of having good health and access water. You will ask, how to proceed to the trade-off among these central capabilities, being able to be adequately nourished, having good health and access to clean water?

In order to proceed to the trade-off, I introduced the idea that the efficiency with which human benefits are created, I called this human efficiency,<sup>23</sup> and the extent to which human costs are caused through an economic activity have an impact on the *need to work*.<sup>24</sup> I use the idea of the need to work for two reasons. First, the need to work is a concept that everyone can easily relate to. We all know what it means to work in terms of time or the stress it feels to need to work but not being employed. It is a universally shared notion. Second, reducing this need to work or dependence from work is a goal that most people share. It could work as an individual source of motivation for social change. Before moving to this third observation, let's compare the terminology used by Adam Smith or John Stuart Mill in classical economics to the terminology introduced in the Human Economy so far.

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<sup>22</sup> André Pigou, *The Economics of Welfare* (Macmillan, 1920).

<sup>23</sup> I changed the terminology to human efficiency because the previous notion of human creativity brought confusion.

<sup>24</sup> Bueno, p. 484-485.

*Table I. Terminology of the Human Economy in comparison to Classical Economics*

	<b>Classical Economics</b>	<b>Human Economy</b>
<b>Agent</b>	Labourer	Human being
<b>Agent's power</b>	Labour-power	Human potential
<b>Agent's function</b>	Producing economic value	Creating human benefits
<b>Rewarded skill</b>	Economic productivity	Human efficiency
<b>Positive output of work</b>	Goods and services	Human benefits
<b>Negative output of work</b>	<i>Not identified</i>	Human costs
<b>Purpose of the economic system</b>	Economic Growth Material Security Full-Employment	Universal access to human benefits Freedom from work

#### **IV. Freedom from Work as Motivation to Change the Value of Work**

Increasing the efficiency with which human benefits are created would reduce our need to work. People are currently working in order to access human benefits. They work to have good health, to be adequately nourished, to have adequate shelter, to access education or to be secure against violence. In fact, people even work to be able to play, another central capability identified by Martha Nussbaum.<sup>25</sup>

Classical economists identified how to increase economic productivity. Adam Smith insisted on the division of labour in this regard.<sup>26</sup> Yet, it is not economic productivity that reduces the need to work. It is true that economic productivity, as classical economists have identified, has the effect to reduce production costs and the price of goods.<sup>27</sup> However, it reduces the price of random goods. Human efficiency would reduce the cost of securing human benefits why people work in the first place. Imagine human efficiency dividing by ten the cost of accessing human benefits in terms of health or housing. Would not more people enjoy greater freedom from work? Historically, this has already happened with increase of efficiency in agriculture.

Additionally, activities causing human costs increase the need to work. The use of pesticides, for example, may produce food more efficiently thereby increasing freedom from work for consumers of food produced with pesticides. However, if pesticides cause at the same time human costs in terms of harm to human health or access to clean water, additional work is needed to remedy these human costs. Being able to have good health and to be adequately nourished requires work. Classical economics is happy about it. This creates additional work, but this supplementary work is paid for those affected or collectively by taxpayers. For all of

<sup>25</sup> Martha Nussbaum, *Creating Capabilities*, 40.

<sup>26</sup> Smith, ch. 1 Of the Division of Labour, 109-116.

<sup>27</sup> Smith, 350; Mill, 97.



those who pay for these measures, the need to work increases.<sup>28</sup> Understanding better human costs in terms of stolen free time may be a source of motivation to change the way we currently value work.

## V. Conclusion

Economics is about making the best use of resources. Capitalism is about making the best use of capital, including human capital, so as to maximize production and economic wealth. In this system, human labour has the single function to produce economic value. Work is the activity through which human labour carries out its function. By reducing human beings to a mere productive capital, however, classical economics is overlooked that human beings have the potential to create a great range of values beyond economic value.

In the Human Economy approach, human beings can create human benefits, universally shared capabilities. In this contribution, we focused on basic human benefits that reflect central capabilities identified by Martha Nussbaum: being able to have good health, to be adequately nourished, to have adequate shelter, to be secure against violence and access to education. In the same way work can create human benefits, it can also destroy them. Work can cause human costs in the Human Economy. This is a major difference from classical economics for which work is always socially valuable as long as it produces economic value.

It happens that people are currently working in the first place in order to secure human benefits. Work is the means to secure them. Increasing the efficiency of creating human benefits through work and reducing human costs in the process would thus reduce the need to work. Understanding better what we create and destroy through work as well as its impact on the need to work in society may individually motivate us to rethink the value of work. If Adam Smith had the chance to meet Amartya Sen and Martha Nussbaum, maybe his “wealth” in *The Wealth of Nations* would not be exclusively economic but human wealth expressed in the quantify of freedom that people enjoy in society.

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<sup>28</sup> Bueno, 485.