Labor Issues in the Food System

I. Intro.
   A. Relationship between food markets and labor markets one of the oldest topics in economics--lies at the heart of the debate in classical economics
      1. What were the great debates of the classical economists about? Impact of food price on price of labor --e.g., trade protection--role of the corn laws
      2. Ricardian food bottleneck lay at heart of dynamics of Classical economics, as well as debates of Malthus and Marx
   B. In a developmental context:
      1. Robert Fogel’s claim that about 40% of increase in labor productivity in Britain over 40 years due to better nutrition--implications for development.
      2. Currently, debates in developing countries about
         a. Impact of food prices (a function of costs of marketing) on labor productivity
         b. Impact on incentives for non-food cropping activities (cash cropping, non-farm enterprises)--e.g.,
            (1) Work by Jayne et al.
            (2) Models by de Janvry and Sadoulet
      3. In industrialized countries, the role of labor in food system also extremely important, not so much the impact of the food market on labor market,
but vice versa--large labor input into value added of food and the impact of
decisions regarding labor policy, both on and off farm on:

a. Food prices and availability

b. Worker welfare

c. Today for industrialized countries, we will focus primarily on role
of labor in off-farm segments of the food system; Friday, Dr.
Rochin focuses more on on-farm segment.

C. Importance of Labor in the Food System

D. Supply side:

1. Numbers and Value Added by segment of the food industry--Overheads

2. 1992 figures

a. Approx. 91% of food system employment off the farm
b. Breakdown (1992) (overhead)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Number (millions)</th>
<th>%</th>
<th>% growth in Labor productivity, 1975-88</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farming</td>
<td>2.0</td>
<td>8.8</td>
<td>13.5</td>
</tr>
<tr>
<td>Food Processing</td>
<td>1.5</td>
<td>6.6</td>
<td>35.5</td>
</tr>
<tr>
<td>Mfg</td>
<td>3.0</td>
<td>13.2</td>
<td>16.3</td>
</tr>
<tr>
<td>Transportation, trade and retailing</td>
<td>7.8</td>
<td>34.2</td>
<td>9.6</td>
</tr>
<tr>
<td>Eating Establishments</td>
<td>5.2</td>
<td>22.8</td>
<td>11.0</td>
</tr>
<tr>
<td>Other</td>
<td>3.4</td>
<td>14.9</td>
<td>34.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>22.8</td>
<td>100.0</td>
<td>16.6</td>
</tr>
</tbody>
</table>

3. E.g., 221,000 poultry processing workers in the US. More than steel workers.

4. Impact of labor decisions on price of food vs. farm policies.

5. Role of growth of labor productivity in affecting real price of food.

E. Demand side: Importance of how labor markets work in assuring effective demand for food, esp. in developing countries.

II. Variegated labor markets within the food system

A. Primary labor markets--relatively high wages, good working conditions, employment stability and opportunities for advancement.

B. Secondary labor markets--opposite attributes--e.g., poultry processing.
C. Worker safety concerns in food system. E.g., meatpacking is most dangerous job in industry according to OSHA and poultry packing 3rd.

D. Differential protection for ag. labor under labor laws. E.g., ag. exempt from National Labor Relations Act (which guarantees the right to organize for collective bargaining and requires good faith bargaining).

E. Also often worker protection laws are outdated--don't address, for example, repetitive motion trauma (e.g., carpal tunnel syndrome)

III. Dynamics of changing labor relations within the food system

A. What's been happening

1. 1970s--food price inflation. Two of strongest unions involved (teamsters and retail clerks union)

2. Since late 1970s--weakening of unions and shift towards lower-paying jobs.

B. Factors at work:

1. New technology-e.g.,
   a. Scale economies, as with boxed beef
   b. transport economies-->shifting of processing back towards production areas
   c. A + B led to new plants in weaker union areas--e.g., in meat packing
2. Consumer tastes--towards more labor-intensive products, like fruits, vegetables, and poultry

3. Macro policy
   a. Debt burden and consequent pressure to cut costs emanating from
      (1) High interest costs of 1970s
      (2) Merger-induced debt
   b. Trade policy--e.g., factor equalization theorem. Relate to Robert Reich's theories regarding 3 classes of workers (routine production services, in-person services, and symbolic-analytic services).
   c. Widening gap between different groups of workers--e.g., between poorly educated and those with a lot of skills.
   d. Immigration policy--e.g., impact of Immigration Reform and Control Act of 1985 on weakening UFW. Mechanization vs. Mexicanization of agriculture (Rochin)

4. Labor policy--e.g., more pro-management stand of Republicans; current debate in Michigan on reform of unemployment insurance.

IV. Demand side: How labor market functioning affects food access and how food markets affect functioning of labor markets:

A. Basic Ricardian food bottleneck. How food prices (and hence productivity throughout the food system) affects labor costs and hence competitiveness.
B. Importance of well-functioning food markets to induce specialization and willingness to work off-farm. Willingness to work for cash rather than food.

C. Importance of non-farm income as a way of getting access to food. Both in urban AND rural areas. (FS II results).