Transformation of Labour and Labour Values: a System of Social-Labour Relations and its System Features

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Abstract – The relevance of the problem under study is due to high importance of social and labor sphere for society and economics. In conditions of transformation of basic public life concepts, emergence of new paradigms and values, increasing instability of social environment there is a need for a more profound study of peculiarities and trends in the social and labor relations development at different levels of their manifestation. The task is also updated due to the lack of the existing methodological and methodical tools to study new social phenomena born by modern transformations of labor and entrepreneurship.

The article is aimed at the disclosure of the specific character of social and labor relations, based on the systemic approach, the identification of systemic contradictions between labor and capital and the search of directions for the sustainable development of social and labor sphere as well as the substantiation of the holistic (integrated) approach to the study of labor and entrepreneurship problems and the creation of a unified theory of labor and entrepreneurship as relevant tools to study changing labor in the context of a new social reality.

The leading method of solving this methodological problem is the systemic and socioeconomic analysis allowing to identify two-way relationship of economic and social processes and to introduce the study of labor and entrepreneurship in a wider methodological context.

The article materials can be useful for researchers, who are interested in the methodology of labor economics, labor sociology, social politics and for a wider group of scientists and experts engaged in the development of technologies and system solutions of social and labor relations problems.

Keywords – labor methodology, socioeconomic, labor economics, labor sociology, subject area of labor studies, socioeconomic theory of labor and entrepreneurship

I. TRANSFORMATION OF LABOR AND LABOR VALUES AS COMPONENTS OF TRANSFORMATION OF SOCIAL AND LABOR RELATIONS SYSTEM

The relevance of such notion as transformation started to strengthen from the middle of the 20th century. It was connected with a sectoral transformation that was actively discussed by scientists [9]. In future, many researchers including the Russian ones linked the transformation of labor to sectoral shifts and globalization of world economic ties [18].

The rapid withdrawal of economy from the industrial way of life and increasing actualization of the service sector, surely, could not but affect the world of work. However, in our view, it is necessary to talk about the transformation of social and labor relations system and its components: the transformation of labor and transformation of labor values. We will begin to consider the transformation of labor.

The transformation of labor has a definite triple meaning. Firstly, it comprises the sectoral transformation that was mentioned above.

Secondly, it is a territorial transformation connected with strengthening of migratory processes and the work of people in an intercountry virtual space. Let us refer to the views on the causal bases of international migration stated by P. Collier. He identifies the following three reasons. Firstly, migration is an economic reaction to the income gap: the wider it is, the stronger the incentive to migrate, all other things being equal, is. The second reason is that migration is an investment in the form of costs of overcoming migration obstacles and adaptation problems. As the costs of investments are least available for the poorest, the migration is not likely to occur when there is an extreme poverty in the country. The third
important point is that the costs of migration decline drastically if the country receiving migrants already has a diaspora of nationals from the country which serves as a source of migration [11]. Experience has shown that the two reasons of migration strengthening indicated by Collier are working and the conclusion that the migration for the poorest countries is not topical is not substantiated. In our opinion, here is a Stoner effect, namely, a psychological law when the level of "risk" drops substantially in a group decision making. Otherwise: if a resident of a poor country alone or with the family made a decision to migrate then he would see enormous risks and would likely abandon this idea. But as soon as the movement gains a mass character, the level of perceived risk decreases and this decline is so significant that in real life the streams of refugees become disastrous. To our mind, it is precisely migratory processes and widening of territorial boundaries of labor use that are becoming a more tangible aspect of transformation of the all social and labor sphere.

Thirdly, we have an internal transformation of labor, which equally affects all sectors and develops in the following areas:

1. The transformation of modes of working time. It is flexible employment in all its forms: from outsourcing to a shorter working day.

2. Transformation of working conditions: creation of ecosystems for innovative creativity and deformation of space, dissemination of information environment and "invasion" of gadgets, work in scrum teams and other similar changes.

3. Transformation of the content of labor, namely, the growth of requirements for the intellectual component, access to knowledge bases and, as a consequence, the increasing role of creating new knowledge, increasing the speed of decision-making, the growth of the volume and variability of tasks and other changes associated with the digital transformation of our lives.

All this diversity of changes, in our opinion, should be attributed to the transformation of labor. However, in addition, another element is becoming more tangible, namely, the transformation of labor values. Here, of course, we should turn to the theory of generations. We see that the values of boomers are victory and hard work, the values of "X" are an economic result and professionalism. And these two generations still dominate the labor market. But they are gradually replaced by the generation "Y", the main values of which are the freedom and opportunity to travel, minimization of labor efforts, focus on personal life and communication with friends and, at the same time, tangible and fast career growth and social stability. As you can see, the values of this generation are very controversial and difficult to implement. That is why, in our opinion, the economy will "delay" their mass infusion into the workforce as long as possible. But employers, in our opinion, need to think about it now and take such steps as the internationalization of businesses, differentiation of the job ladder, democratization of the working space and the using of flexible working time regimes.

Thus, transformation of social and labor relations includes transformation of labor (internal, sectoral, territorial) and transformation of labor values. However, it is necessary to consider in more detail the concept of social and labor relations through the prism of a systematic approach.

II. THE SYSTEM OF SOCIAL AND LABOR RELATIONS

There are different interpretations of social and labor relations in science and practice today. The most frequent variant is when social and labor relations are understood as mass relations arising between participants of production during their interaction concerning remuneration for work, its conditions, employment, forms and methods of conflict resolution [23]. A more concise definition: social and labor relations are relations in the sphere (concerning) of labor activity [16]. In our opinion, complications on the level of conceptual apparatus are not required, however, the systematic approach to understanding is necessary, that is why it is advisable to give the following definition: social and labor relations are a system of socio-economic relations concerning elements of labor activity. At the same time, it is important to take into account that there are a lot of elements of labor activity but not all of them will be significant, influencing labor behavior, it is, first of all, salary, employment conditions, working hours, promotion. Meanwhile, the elements may have different character: a cost one, if it is about salary, or psychological, if it is about non-material motivation.

The system of social and labor relations has all the features of a system. Let us consider them briefly.

Since in universal understanding system is regarded as a plenty of interactive elements that are in relations and interconnections and that form a whole unit [5], then the first system feature is its integrity – the unity of all elements. Indeed, the system of social and labor relations is characterized by integrity of both subjects of social and labor relations and the elements of these relations. For example, the presence of one of the subjects, either an employer or an employee, implies the presence of the other one. The historical practice of elimination of one of them, for example, the Soviet system that deformed the class of employers, eventually, appeared to be unviable. Secondly, all the subsystems that are formed on different levels of production hierarchy: high, middle, low are closely connected with each other, without what production process is impossible. It is this system property that indicates that any changes in work, whether it is salary or social partnership procedure, should affect all the subsystems, namely, all levels of managerial hierarchy.

In addition, the system of social and labor relations has a structure (horizontal and vertical linkages) and is built according to the nested hierarchy principle. The latter means that the system consists of some set of subsystems and is a subsystem for the higher rank at the same time. [6] In fact, the social and labor relations developing at the microlevel (e.g. at the level of organization) are herewith a part of a macroeconomic system of social production.

The system of social and labor relations also has a synergistic effect. A synergistic multiplicative effect in complicated systems is an effect of considerable rise of total activity of separate elements in contrast to simple adaptive summation of constituents [6]. Moreover, the system of social
and labor relations is so integral that the elements almost cannot exist separately. Thus, an employer or an employee separately will not be able to carry out a production process. All the scientists, starting with the classicists of economic thought, admitted the inefficiency of labor without capital and vice versa.

An important system property is purposefulness. Purposefulness is a property of complicated, active systems to develop purposefully, changing their states, main characteristics and structure in such way that they get closer to the intended purpose. As a rule, in result of purposeful development the main system parameters and characteristics improve [6]. This property overlaps slightly with the feature of system completeness, however, the important here is not only the system capacity to change but the capacity to change purposefully, i.e. to evolve over time. If we determine economic progress as a purpose then the system of social and labor relations has this property. For example, there is a replacement of a main employer function carrier by implementation of the tools of employee participation in management and capital, toughness of intersubjective relations decreases, the structure of working class changes, etc. As a result there is acceleration of economic growth rate that, according to predictions, will continue further. So, it is predicted that the world economy will grow by 80% by 2020 in comparison with 2000 and the average per capita income will grow by 50% [19].

At the same time it is necessary to take into account such system duality as the existence of two development goals at once: economic and social. As a rule, the goals of social development are achieved by this system by means of movement to the economic goals. Thus, despite the average income growth, the differentiation in society remains tangible. On the contrary, poor expression of achieving economic goals in the Soviet period of our country was at the same time characterized by social equality. Thus, the world experience indicates vividly that the achievement of economic goals is closely interconnected and supported by social orientation of the system. So, having passed the acute phase of social conflicts, the system of social and labor relations on the West after 1930s of XX century began to move both to economic and social goals such as development of industrial democracy, humanization of labor, social responsibility of business. All this predetermines the ability of this system to self-organization. As G.Bremmermann formulated, self-organizing system is a system that strives to improve its characteristics and structure while achieving the specified goal and that implements such improvement without external assistance [5]. However, still, there is external assistance for this system. Here we observe the realization of this duality: in achieving economic goals the system of social and labor relations, being self-organizing, sets social goals and improves its parameters under external influence of state or society. For example, the development of such system element as a mechanism of social partnership was not only the result of system evolution from within but it was actively stimulated by government as external force.

Another duality of this system lies within the framework of cost analysis. In the system of social and labor relations we can highlight conditionally two discussion fields that are formed depending on the understanding of the character of value creation and allocation. The first field concerns the analysis of value allocation between labor and capital. Supporters of the labor theory believe that labor is the only source of value, hence this is the beginning of the theory of exploitation. Supporters of the theory of production factors consider that labor is only one of the many factors that is why the task is merely in reasonable price formation. The second field appears in the system analysis of social and labor relations if we approach to the theory of value from the viewpoint of non-Marxist interpretation [15] when the notion of labor as a source of value expands to the activity of organization production. Accordingly, an entrepreneurial factor as well as any management activity on production organization can be related to a labor one as entrepreneurship and production organization are connected with intellectual and organizational human activity in a production process. Thus, if we extend the notion of living labor (the labor of hired employees) as a source of value to labor of an employer (a owner, organizing the process, a manager, etc.) then the Marxist theory conforms in a certain way to a factor direction of the economic and value analysis and the surplus value is included in the newly created value (living labor) as one of the forms of remuneration for work. From this point the theory of exploitation will be represented in a different way. Namely, not as appropriation by an employer of a value not created by him but as a nonequilibrium division of value inside the labor factor, i.e. between the kinds of labor. The use of the non-Marxist approach lets us consider the dissension of social and labor relations not as their attributive feature but as a specific historical state that can be overcome by the harmonization of relations between employer and employee. Thus, the first layer of the problem analysis is the allocation of value between labor and capital, the second layer is the allocation of value between employees and those who act as employers (a management and entrepreneurial factor) as special types of labor activity. Further we will take a closer look at the first aspect, namely, the issue of allocation of a newly created value between labor and capital as the most important condition of development of the system of social and labor relations.

III. DISTRIBUTION OF THE COST BETWEEN LABOUR AND CAPITAL AS A CONDITION FOR SUSTAINABLE DEVELOPMENT OF THE SYSTEM OF SOCIAL-LABOR RELATIONS

In scientific research, within the framework of a systematic approach, it is quite often possible to meet such an important property or criterion of the system as stability. So, V.A. Kardash notes: "economic equilibrium is defined as the state of the economic system, in which the system process is formed according to the given rules of coordination as an equal-acting interests of all economic entities in the form of a generalized index of achievement of the state stability of the economic system as a whole" [8]. At the same time, with regard to the system of social and labor relations, we can talk about sustainability as a basis for the further development of the system, namely, its functioning when the goals of economic growth and social well-being are achieved. Thus,
the sustainable socio-economic development of the system of social and labor relations is characterized by the state when all production resources are used with maximum socio-economic efficiency. The efficiency of production is the ratio of the useful result and cost factors of the production process [26].

And, as mentioned above, we mean not only economic, but also social results. In this sense, the social development of society is a process of purposeful social changes, in which the subsequent States of society and all social groups are preferable to the previous ones [22].

It seems that the most indicative criterion of such stability will be the ratio in the distribution of newly created value between labor and capital.

The indicator used to estimate the distribution of newly created value between labour and capital is the share of wages in gross domestic product (GDP), for a region in gross regional product (GRP) or gross value added, if we study a lower – order subsystem: industry or organization.

According to A. Bowley's law, "the relative shares of labour and property in the functional distribution of income, at least in the private sector, are constant". John M. Keynes also shared this view, saying that "the stability of the share of labor in national income is one of the most striking and at the same time the most reliable facts in all economic statistics." However, the researchers, based on statistical data, approve that since 1929, there have been facts that do not confirm these patterns. Thus, the market economies countries began to show an increase in the share of labor. For example, the share of wages in Belgium increased from 36.9% in 1948 to 59.8% in 1975 [7]. At the same time, it cannot be said that the tendency of developed countries to increase the share of labor in the distribution of value was stable throughout the historical period. According to the ILO report, the average share of labour in 16 developed countries decreased from about 75% of national income in the mid-1970s to 65% by 2013 [4]. Thus, we see a certain "wave" in the dynamics of the share of value created in the developed countries, which falls on the labor factor, the falling portion of which still did not lead to a return of low values, but stopped at the level of 50-65% and today is quite stable, although it is difficult to make confident predictions. It is difficult to reliably identify the cause of such fluctuations. It can be assumed that this is due to the activation and subsequent attenuation of the unionism movement. If this is the case, then if the world economy goes down the path of reducing the share of labour in the distribution of value, countries may face a worsening of the social component and an increase in social conflicts in society. In our opinion, the increase in the share of wages in developed countries has become one of the main bases for economic growth, so for the sustainable development of the system of social and labor relations it is necessary to return to the steady growth of the share of labor in the created value.

In the case of Russia, official remuneration of employees has shown a slight but steady upward trend since 2000 in the structure of gross domestic product, and today it corresponds to the indicators of many European countries and above the average for developing countries. At the same time, when assessing the ratio of the share of wages in the GDP of the Russian Federation and Western countries, it should be borne in mind that the statistics of national accounts of European countries and the United States allows only official "net" wages to be determined. Assuming that there are no hidden wages among the countries of Western Europe and the United States, it can be concluded that the share of wages in GDP in Russia is at the level of socially-oriented developed countries [7].

However, the system of social and labor relations in our country is not so well. If you look at the sectoral profile, then for a number of key industries, the difference in the share of the cost attributable to wages differs from the Western in two or more times. For example, according to data for 2011 in the field of "production of coke and petroleum products" wages of employees in Russia accounted for 7.1%, and in Germany – 39.1% [7], that is, in Russia this figure was lower by more than 6 times.

For a number of industries and the dynamics in time shows a decrease in the proportion of the labor factor. Thus, in manufacturing the share of wages for 10 years, since 2002 has decreased from 43.4% to 38.7%. In other words, the profits of the owners here grew more rapidly than wages [7]. In addition, the crisis of 2009 and 2014 again swung the share of wages downward and this trend had its continuation in 2017. If Russia will not enter the growth path of the wage share in the near future, in our view, it can significantly reduce the stability of Russian system of social and labor relations.

Thus, for the sustainable development of the system of social and labor relations, it seems necessary, firstly, to carefully conduct and bring to the regulatory level the sectoral analysis of the share of labor in the created value, and secondly, to trend the constant growth of the share of the labor factor as a guarantor of sustainable socio-economic development. This statement is supported by the urgent necessity to increase the role of labor both in the public consciousness and in the system of value distribution.

IV. THE PARADIGM OF LABOUR AND ENTREPRENEURSHIP AND ITS INFLUENCE ON SOCIO-ECONOMIC DEVELOPMENT IN THE CONDITIONS OF TRANSFORMATION OF LABOUR VALUES

As known, the labor paradigm was one of the dominant paradigms of social scientific knowledge development at the early stages of the economics and sociology development. Labor theories of value dominated in the classical political economics. The doctrine of Marx, representing the social development theory, at the same time was the most influential labor theory, and K. Marx himself was considered by many reputable scientists in the West, as the creator of still unexcelled labor philosophy [29]. The works of such classics of sociological thought as Carl Marx, Max Weber, W. Sombart, Emile Durkheim, wherein the labor played a pivotal role for construction of a social reality, served as the foundation, whereon a building of industrial society research methodology was erected in the course of more than a century. In the works of succeeding generations of sociologists this type of society providing the mass employment of simple, reproductive labor, received the characteristic as the “labor
Cultural specialists and social scientists were the first who became aware of the coming social transformations associated with reduction of the labor volume in the production area of the society and change in the social role of labor. Next to cultural specialists and social scientists, who since the 60s of the past century predicted “leave of the labor from the society,” “labor death,” “labor degradation”, economists began to bespeak the “disappearance of labor”. However, if the shocking concept of “labor death” should have stimulated the search for answers to historical challenges of the technological and social progress and return the varying labor phenomenon into the center of scientific discourse from the standpoint of cultural specialists, some economists understood the “farewell to labor” too literally.

No such ides befell the Russian society too. In the late 80s – early 90s the soviet social science, including labor sociology, appeared to face challenges, to which failed to give an adequate answer. Since the beginning of the 90s, when the domestic social science attempted to rethink Marxist heritage, culminated later by the break with the Soviet school of Marxism, social labor problems were pushed into the background, giving a way to the package of problems of transitional economy and labor market formation.

However, in all fairness it has to be noted that the withdrawal of the scientific discourse from the labor social problematics turned out to be short. It is true noticed that the new labor notion is created in times of crises, during “peak hours” of history [10], when appears the need for understanding and mastering a new social reality.

One of the fundamental principles of the new approach is the balance of the market and social mechanisms of the socio – economic system for sustainable development, which quite correctly reflects the above-mentioned duality of the system of social and labor relations, including the desire for both economic and social impact at the same time.

Purely "market" problems in recent years are moving away from the subject field of Russian studies of labor problems. More and more researchers are choosing topics of socio-economic sound.

Recognition of labor economics subject duality can serve as the first step – recognition of labor as a complex socio-economic process, wherein not only technical-technological, technical-organizational and economical sides related to creation and consumption of the value is detected, but also a close interrelationship of economical and social, wherein the labor acts as the genetic basis for creation and modification of both labor organization social forms and life organization social forms.

Basic grounds of the social-economic approach were laid as early as by K. Marx and if modern economists can point to the weak spots of Marx's theory in a number of economic rationales and conclusions, then his social-economical methodology has unquestionable value, showing the limitation of existing socio-economical models, giving preference to the study of unilateral influence of social processes on the economy. But "...social relation, production relation, - Marx emphasized – is, in fact, even more critical result of the process [labor] than its material results" [14].

As the next step, complicating the conceptual model of labor, can serve introduction of the power parameter. In the real economy there is a constant struggle between economic entities for appropriation, retention and redistribution of control means over factors of production (labor, capital, etc.). In this struggle, certain groups of entities try to subordinate others and achieve dominancy, not limited to purely economical methods. The more set of managerial functions and control means over resources and factors the entity captures, the greater its impact on the economical mechanism, as well as the greater the economic strength and power it acquires. Accordingly, the more effective for it is the process of the value estrangement and appropriation as well as readjustment of the economic system for own benefit, including for extraction of the rent too. As it is rightly pointed out by Charles Anderton: " [28]. Hence Anderton believes that it is important to review all basic economical concepts and analytical variables (production, consumption, market, value, relative price) taking into account possibilities of misappropriation and, correspondingly, necessary expenses for protection, including the cost of attack instruments and conducting conflict actions.

The ambivalence of the socio-economic position of entrepreneurship can be of particular interest in this regard for the expanding area of socio-economic labor studies. Entrepreneurship should be understood, as a special type of the historically formed economic-labor activity [1] and should be included in the subject field of labor studies. It arose in response to the social need in detecting unsatisfied demand and meeting increasing demands of people through the organization of production. The entrepreneurship activity, considered in this aspect, appears as an element of labor and social production system division, and does not stand against the labor as the productive activity. But this, by no means, does not exclude the contradiction between labor and entrepreneurship in other relations. The entrepreneurship internal contradiction has, as the origin, the labor cost function aimed at creating the value for the purpose of its assignment in monetary form, but not in the form of use value. This historically new labor function provided the basis of “self-generating growth abstract form” [17] of the capitalist market production, and formed an entrepreneur, as its main driving force. Modern entrepreneurial practice gives a lot of examples, when in the pursuit of profit, bases of economic life of entire countries and peoples are destroyed, when the use of unfair practices becomes the alternative of increasing competitiveness through increasing qualitative characteristics of the production capital (new equipment, technologies, professional knowledge and competence of the staff, improvement of business architecture, etc.). It would seem that we have a similar set of entrepreneurship features in the latter case: risk, inventiveness, striving for the profit extraction. Even peculiar “innovation” while conducting such “business”
takes place. If proceed from a “pure” (emasculated) functional approach, summing up a set of functional features only, such-like “celebrities” quite can fall into the entrepreneur category, although in fact they do not develop, but rather destroy the economic mechanism, do not create a social value, but waste it. The activity of such-like predator entrepreneurs (predators) can lead to both direct losses of the created value and indirect losses as a result of the market price coordination violation (i.e., to deterioration of market assessment mechanism of resources, as is well-known, the actual market-price of a resource is determined by its best alternative use). In other words, their activity bears the entropic nature [2]. The nature of the entrepreneurial activity – creative or destroying - essentially depends on the motivation which determines the trend in the choice of one or another form of conducting business, one or another form of increasing competitive advantages, etc.

So, the focus of attention for the sustainable development of the system of social and labor relations should be the paradigm of the growing importance of labour and entrepreneurship. Regulatory impact on the social and labor sphere must not be unilateral, it must be bilateral and proceed from a close "relationship of the economy and society" at all levels of regulation. For example, the nature of the functioning of the integrated capital (financial, production, human, social) should be evaluated in the parameters of its realization in the level and quality of life, development of social infrastructure, etc., and on the other side, the nature of development of knowledge, high technologies, engineering, new forms of organization of labor and production must obtain a valuation from the point of efficiency and increment of capital circulation.

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