On Poverty, Leisure-labor and the capability approach

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Focusing on poverty as income deprivation and how to earn income has been received much attention. However, there is rare quantitative research on earning income by overworking. Seeing poverty as income deprivation neglects the balance between leisure and labor. What happens if we sacrifice leisure to escape from absolute poverty?

According to the capability approach, the present condition of an individual would be valuable if its outcome of her choice. This is in line of the well-known example of Sen (1999) that the hunger will be valuable if the one keeping fast wakes it his/her own choice.

Income poverty and overworking

Identification of the poor is one of the most important stages in measuring poverty. The first step would be producing a clean data set, considering adjustment factors such as the regional price indices and equivalence scales so as to consider the need of households of different sizes or compositions. However, we believe if we want to define a decent poverty threshold, more adjustment factors would be needed.

This paper tries to discuss the role of overworking phenomenon and having second job in the context of the capability approach. Here the main idea is that whether or not overworking or having second job which increases income would necessarily raise the welfare level:

Leisure–labor and utilitarianism

According to standard analysis of leisure–labor issues, an individual can make a tradeoff between leisure time and working hours to increase his wages income. If the utility of receiving extra income is equivalent to the utility of leisure loss, he will prefer to maintain his first utility level.

To the extent that we substitute income for leisure, the marginal utility of income will decrease compared to the marginal utility of leisure. So we can have an indifference curve for L and y. That is of course shows different combinations of Leisure and income.

Constraints:

In the utility function of U= we were faced with an income constraint (budget constraint) which is Y=r.w. suppose w(working hours)is constant and r(wage rate) is variable. Now with the utility function of U=u(L,y),the working hour is also variable so we have:

(Figure 1 is attached)

It means that the marginal utility of each unit of income (from work) should be exactly equal to utility loss of each hour of leisure. In this case we reach an equilibrium state from a utilitarian viewpoint.

Leisure-labor and the capability approach

If we assume that the minimum required income should be obtained by a definite ceiling of working hours, then we should find out that what percentage of households/individual either moved above poverty line or could keep their purchasing power constant through overworking/second job or more people working in their household. This is in fact a simple way of considering more aspects of capabilities in regard to the poverty measurements."