



NATIONAL OPEN UNIVERSITY OF NIGERIA

**COURSE TITLE: LABOUR ECONOMICS
COURSE CODE: ECO 723**

**FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS**

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Introduction

Welcome to ECO 723: LABOUR ECONOMICS

ECO 723: Labour Economics is a two-credit and one-semester postgraduate course for Economics students. This course guide gives you an insight on labour economics in a broader way and how to study the make use and apply labour related issues in achieving resolution between employer and employee in both public and private sectors. It tells you about the course materials and how you can work your way through these materials. It suggests some general guidelines for the amount of time required of you on each unit in order to achieve the course aims and objectives successfully. Answers to your tutor marked assignments (TMAs) are therein already.

The course introduces the students to the basic theories of labour markets. It will emphasize the interaction between theory and empirics. The first part of the course is devoted to study the labor demand decisions taken by firms in competitive markets, the supply decisions taken by rational workers, and the equilibrium outcomes in such markets. The second part of the course analyzes imperfect labour markets, and the last part covers other important topics in labour economics: human capital, wage inequality and discrimination.

Course Contents

This introduction to labour economics develops an analytical framework for thinking about issues and policies related to the labour market. It will provide an overview of the institutional aspects and recent trends in the labour market. This course provides the student with an understanding of the demand for and supply of labour in the labour market and explains labour market participation. It examines the nature of the labour market by developing models to explain wage determination and issues relating to employment discrimination. Government policies towards wage setting, unemployment,

education, and retraining will be discussed. This course is about the economic analysis of how workers, firms and the government interact in shaping the outcomes in the labour market, primarily employment and earnings.

This course is basically on Labour Economics because as you are aspiring to become an economist, you must be able to apply the knowledge of Labour Economics to employer and employee relations and disputes. The topics include the supply of labour and accumulation of human capital; demand for labour in competitive and non-competitive markets; labour unions; the determination of equilibrium wages; wage discrimination; policies such as minimum wage laws, welfare reform, and trade.

Course Aims

This course aims to acquaint students with traditional and contemporary topics in labor economics and to encourage the development of independent research interests. The class provides a systematic development of the theory of labor supply, labor demand, and human capital.

The aim of this course is to give you in-depth understanding of the Labour Economics with regards to:

1. the supply of labour and accumulation of human capital;
2. demand for labour in competitive and non-competitive markets;
3. labour unions and the determination of equilibrium wages;
4. Wage discrimination;
5. Policies such as minimum wage laws, welfare reform, and trade.

Course Objectives

To achieve the aims of this course, there are overall objectives which the course is out to achieve though, there are set out objectives for each unit. The unit objectives are included at the beginning of a unit; you should read them before you start working through the unit. You may want to refer to them during your study of the unit to check on your progress. You should always look at the unit objectives after completing a unit. This is to assist the students in accomplishing the tasks entailed in this course. In this way, you can be sure you have done what was required of you by the unit. The objectives serve as study guides; such that student could know if he/she is able to grab the knowledge of each unit through the sets of objectives in each one. At the end of the course period, the students are expected to be able to:

1. Explain the nature of labour demand and labour supply.
2. Use labour market models to explain the behaviour workers and firms.
3. Analyse a variety of public policy issues around labour in Canada.
4. Identify and explain trends and patterns in the labour market.
5. Explain reasons for labour migration.
6. Demonstrate an understanding of labour relations.
7. Explain issues relating to wage differentials, education policy, and training.
8. Examine the process by which workers supply labour and firms demand labour intuitively.
9. Use the labour supply and demand model to predict and explain changes in wages and employment.
10. Use appropriate econometric techniques to answer key questions about labour markets.
11. Synthesize existing knowledge on a topic in labour economics in order to identify gaps in the literature.
12. To introduce students to a range of interesting topics in labor economics.

13. To develop an understanding of how data can be used to test economic theory, and how economic theory can be used to interpret data, focusing on identification of policy-relevant parameters.
14. To illustrate how microeconomics can be applied to a range of real-world problems.
15. To develop skills for critically evaluating research, to help distinguish elements of “good” research and develop an understanding of the limitations of a range of approaches.
16. To help inspire research ideas.
17. Understand the theory of individual labor supply; Use the theory of labor supply to analyze the allocation of working hours, the difference between male and female labor supply, and the impact of government policies on labor supply.
18. Understand the theory of labor demand; Analyze labor market equilibrium under different market conditions.
19. Understand human capital investments and wage differentials; Analyze wage structures.
20. Analyze various topics such as migration, labor market discrimination, and incentive problems in labor markets.
21. Demonstrate an understanding of recent developments in the Canadian labour market.
22. Interpret and evaluate empirical evidence drawn from Canada and other developed countries.
23. Evaluate labour market policies pursued by government including minimum wages, education and training, unemployment, trade union power and discrimination.
24. Use the basic analytical tools employed in modern labour economics.
25. Assemble and present data on the labour market.
26. Explain basic labour market theory in a verbal, graphical and mathematical way.
27. Analyze the consequences of different kinds of public policy for the labour market

28. Apply labour market theory to the Swedish labour market.
29. Explain the nature of labour demand and labour supply.
30. Use labour market models to explain the behaviour workers and firms.
31. Analyse a variety of public policy issues around labour in Canada.
32. Identify and explain trends and patterns in the labour market.
33. Explain reasons for labour migration.
34. Demonstrate an understanding of labour relations.
35. Explain issues relating to wage differentials, education policy, and training.
36. Explain also how government policies and institutions (such as the unions) can affect the decisions of the firm.
37. Explain also how governments' policies could affect the decisions of the individual.
38. Explain, on the supply side, the factors that affect the decision of an individual:
 - I. to work
 - II. choose a particular job/ career path
 - III. to acquire education and on-the-job training to provide effort in a particular job.
39. Explain, on the demand side, the factors that affect the decision of a firm:
 - I. to hire and fire workers
 - II. to offer jobs with different characteristics (amenities and training for example)
 - III. to discriminate among different workers
 - IV. to choose particular compensation policies and to offer different career paths.

Working through the Course

To successfully complete this course, you are required to read the study units, referenced books and other materials on the course.

Each unit contains self-assessment exercises called Student Assessment Exercises (SAE). At some points in the course, you will be required to submit assignments for assessment purposes. At the end of the course there is a final examination. This course should take about 15 weeks to complete and some components of the course are outlined under the course material subsection.

Course Material

The major components of the course are contained in the course material. What you have to do and how you should allocate your time to each unit in order to complete the course successfully on time are listed follows:

1. Course guide
2. Study unit
3. Textbook
4. Assignment file
5. Presentation schedule

STUDY UNIT

There are 15 units in this course which should be studied carefully and diligently.

MODULE ONE: The Supply of Labour and Accumulation of Human Capital

- | | |
|--------|---------------------------------|
| UNIT 1 | Concept of Supply of Labour |
| UNIT 2 | Income and Substitution Effects |
| UNIT 3 | Human Capital Investments |
| UNIT 4 | Is Education a good Investment? |

MODULE TWO: Demand for labour in competitive and non-competitive markets

- UNIT 1 Demand for labour when market is competitive
- UNIT 2 Labour demand when market is non-competitive
- UNIT 3 Monopsony in the labour market

MODULE THREE: Labour unions and the determination of equilibrium wages

- UNIT 1 Evolution of unions and collective bargaining
- UNIT 2 Determination of equilibrium wages

MODULE FOUR: Wage Discrimination (Gender, Race, and Inequality in Earnings)

- UNIT 1 Why Wage differentials exist amongst similar workers
- UNIT 2 Theories of market discrimination
- UNIT 3 Policies to end Discrimination

MODULE FIVE: Labour Policies

- UNIT 1 Minimum Wage Laws
- UNIT 2 Labour Welfare Reform
- UNIT 3 Trade Union Policies

Each study unit will take at least two hours, and it includes the introduction, objectives, main contents, self-assessment exercise, conclusions, summary and reference. Other areas border on the Tutor-Marked Assessment (TMA) questions. Some of the self-assessment exercise will necessitate discussion, brainstorming and argument with some of your colleges. You are advised to do so in order to understand and get acquainted with historical economic event as well as notable periods.

There are also textbooks under the reference and other (on-line and off-line) resources for further reading. They are meant to give you additional information if only you can lay

your hands on any of them. You are required to study the materials; practice the self-assessment exercise and tutor-marked assignment (TMA) questions for greater and in-depth understanding of the course. By doing so, the stated learning objectives of the course would have been achieved.

Textbook and References

For further reading and more detailed information about the course, the following materials are recommended:

Arestis, P. and I. B. F. Mariscal (1997): "Conflict, Effort and Capital Stock in UK Wage Determination," *Empirica*, 24, 179- 93.

Bauer, T. and K. F. Zimmermann (1997): "Unemployment and Wages of Ethnic Germans," *Quarterly Review of Economics and Finance*, 37, 361- 378.

Bean, C. R. (1996): "The Role of Demand-management Policies in Reducing Unemployment," in Snower, D. S. and G. de la Dehesa (eds.), *Unemployment Policy: Government Options for the Labour Market*, Cambridge.

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Blanchflower, D. G. and A. J. Oswald (1990): "An Introduction to the Wage Curve," *Journal of Economic Perspectives*, 9(3), 153- 168.

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- Friedberg, R. M. and J. Hunt (1995): "The Impact of Immigrants on Host Country Wages, Employment and Growth," *Journal of Economic Perspectives*, 9(2), 23-44.
- Hunt, J. C. (1992): "The Impact of the 1962 Repatriates from Algeria on the French Labor Market," *Industrial and Labor Relations Review*, 43, 556- 572.
- Katz, L. F. (1986): "Efficiency Wage Theories: A Partial Evaluation," in S. Fischer (ed.), *NBER Macroeconomics Annual*, Cambridge.
- Kennan, J. (1995): "The Elusive Effects of Minimum Wages," *Journal of Economic Literature*, 33, 1949- 1965.
- Labor Economics, 6th or 7th edition, by George J. Borjas, published by McGraw Hill
- Layard, R. (1996): "Preventing Long-Term Unemployment: An Economic Analysis," in Snower, D. S. and G. de la Dehesa (ed.), *Unemployment Policy: Government Options for the Labour Market*, Cambridge.
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- McConnell, Brue & MacPherson, *Contemporary Labor Economics*, 8th edition, McGraw-Hill, 2009. (Main text)

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- Phelps, E. S. (1994): "Economic Justice to the Working Poor through a Wage Subsidy," in D. Papadimitriou (ed.), *Aspects of the Distribution of Wealth and Income*, New York.
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- Snower, D. J. (1996): "Evaluating Unemployment Policies: What do the Underlying Theories tell us?," in Snower, D. S. and G. de la Dehesa (eds.), *Unemployment Policy: Government Options for the Labour Market*, Cambridge.
- Winter-Ebner, R. (1991): "Some Micro-Evidence on Unemployment Persistence," *Oxford Bulletin of Economics and Statistics*, 53, 27- 43.

Assignment File

Assignment files and marking scheme will be made available to you. This file presents you with details of the work you must submit to your tutor for marking. The marks you obtain from these assignments shall form part of your final mark for this course. Additional information on assignments will be found in the assignment file and later in this Course Guide in the section on assessment.

There are three assignments in this course. The three course assignments will cover:

Assignment 1 - All TMAs' question in Units 1 – 4 (Module 1)

Assignment 2 - All TMAs' question in Units 5 – 8 (Module 2)

Assignment 3 - All TMAs' question in Units 9 – 15 (Modules 3, 4 and 5)

Presentation Schedule

The presentation schedule included in your course materials gives you the important dates for this year for the completion of tutor-marking assignments and attending tutorials. Remember, you are required to submit all your assignments by due date. You should guide against falling behind in your work.

Assessment

There are two types of the assessment of the course. First are the tutor-marked assignments; second, there is a written examination.

In attempting the assignments, you are expected to apply information, knowledge and techniques gathered during the course. The assignments must be submitted to your tutor for formal Assessment in accordance with the deadlines stated in the Presentation Schedule and the Assignments File. The work you submit to your tutor for assessment will count for 30 % of your total course mark.

At the end of the course, you will need to sit for a final written examination of three hours' duration. This examination will also count for 70% of your total course mark.

Tutor-Marked Assignments (TMAs)

There are three tutor-marked assignments in this course. You will submit all the assignments. You are encouraged to work all the questions thoroughly. The TMAs constitute 30% of the total score.

Assignment questions for the units in this course are contained in the Assignment File. You will be able to complete your assignments from the information and materials contained in your set books, reading and study units. However, it is desirable that you demonstrate that you have read and researched more widely than the required minimum. You should use other references to have a broad viewpoint of the subject and also to give you a deeper understanding of the subject.

When you have completed each assignment, send it, together with a TMA form, to your tutor. Make sure that each assignment reaches your tutor on or before the deadline given in the Presentation File. If for any reason, you cannot complete your work on time, contact your tutor before the assignment is due to discuss the possibility of an extension. Extensions will not be granted after the due date unless there are exceptional circumstances.

Final Examination and Grading

The final examination will be of two hours' duration and have a value of 70% of the total course grade. The examination will consist of questions which reflect the types of self-assessment practice exercises and tutor-marked problems you have previously encountered. All areas of the course will be assessed

Revise the entire course material using the time between finishing the last unit in the module and that of sitting for the final examination. You might find it useful to review your self-assessment exercises, tutor-marked assignments and comments on them before the examination. The final examination covers information from all parts of the course.

Course Marking Scheme

The Table presented below indicates the total marks (100%) allocation.

Assignment	Marks
Assignments (Best three assignments out of four that is marked)	30%
Final Examination	70%
Total	100%

Course Overview

The Table presented below indicates the units, number of weeks and assignments to be taken by you to successfully complete the course, Labour Economics (ECO 723).

Units	Title of Work	Week's Activities	Assessment (end of unit)
	Course Guide		
MODULE ONE: The Supply of Labour and Accumulation of Human Capital			
1	Concept of Supply of Labour	Week 1	Assignment 1
2	Income and Substitution Effects	Week 2	Assignment 1
3	Human Capital Investments	Week 3	Assignment 1
4	Is Education a Good Investment?	Week 4	Assignment 1

MODULE TWO: Demand for Labour in Competitive and Non-Competitive Markets

1	Demand for Labour when Market is Competitive	Week 5	Assignment 2
2	Labour Demand when Market is Non-Competitive	Week 6	Assignment 2
3	Monopsony in the Labour Market	Week 7	Assignment 2

MODULE THREE: Labour Unions and the Determination of Equilibrium Wages

1	Evolution of Unions and Collective Bargaining	Week 8	Assignment 2
2	Determination of Equilibrium Wages	Week 9	Assignment 3

MODULE FOUR: Wage Discrimination

1	Why Wage Differentials exist amongst similar Workers	Week 10	Assignment 3
2	Theories of Market Discrimination	Week 11	Assignment 3
3	Policies to End Discrimination	Week 12	Assignment 3

MODULE FIVE: Policies Such as Minimum Wage Laws, Welfare Reform, and Trade

1	A). Minimum Wage Laws B). Labour Welfare Reform B) Trade Union Policies	Week 13	Assignment 3
	Examination	Week 14 & 15	

How to get the most from this course

In distance learning the study units replace the university lecturer. This is one of the great advantages of distance learning; you can read and work through specially designed study materials at your own pace and at a time and place that suit you best.

Think of it as reading the lecture instead of listening to a lecturer. In the same way that a lecturer might set you some reading to do, the study units tell you when to read your books or other material, and when to embark on discussion with your colleagues. Just as a lecturer might give you an in-class exercise, your study units provide exercises for you to do at appropriate points.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit and how a particular unit is integrated with the other units and the course as a whole. Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit.

You should use these objectives to guide your study. When you have finished the unit, you must go back and check whether you have achieved the objectives. If you make a habit of doing this you will significantly improve your chances of passing the course and getting the best grade.

The main body of the unit guides you through the required reading from other sources. This will usually be either from your set books or from a readings section. Some units require you to undertake practical overview of historical events. You will be directed when you need to embark on discussion and guided through the tasks you must do.

The purpose of the practical overview of some certain historical economic issues are in twofold. First, it will enhance your understanding of the material in the unit. Second, it will give you practical experience and skills to evaluate economic arguments, and understand the roles of history in guiding current economic policies and debates outside your studies. In any event, most of the critical thinking skills you will develop during

studying are applicable in normal working practice, so it is important that you encounter them during your studies.

Self-assessments are interspersed throughout the units, and answers are given at the ends of the units. Working through these tests will help you to achieve the objectives of the unit and prepare you for the assignments and the examination. You should do each self-assessment exercises as you come to it in the study unit. Also, ensure to master some major historical dates and events during the course of studying the material.

The following is a practical strategy for working through the course. If you run into any trouble, consult your tutor. Remember that your tutor's job is to help you. When you need help, don't hesitate to call and ask your tutor to provide it.

1. Read this Course Guide thoroughly.
2. Organize a study schedule. Refer to the 'Course overview' for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Important information, e.g. details of your tutorials, and the date of the first day of the semester is available from study centre. You need to gather together all this information in one place, such as your dairy or a wall calendar. Whatever method you choose to use, you should decide on and write in your own dates for working breach unit.
3. Once you have created your own study schedule, do everything you can to stick to it. The major reason that students fail is that they get behind with their course work. If you get into difficulties with your schedule, please let your tutor know before it is too late for help.
4. Turn to Unit 1 and read the introduction and the objectives for the unit.
5. Assemble the study materials. Information about what you need for a unit is given in the 'Overview' at the beginning of each unit. You will also need both the study unit you are working on and one of your set books on your desk at the same time.

6. Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through the unit you will be instructed to read sections from your set books or other articles. Use the unit to guide your reading.
7. Up-to-date course information will be continuously delivered to you at the study centre.
8. Work before the relevant due date (about 4 weeks before due dates), get the Assignment File for the next required assignment. Keep in mind that you will learn a lot by doing the assignments carefully. They have been designed to help you meet the objectives of the course and, therefore, will help you pass the exam. Submit all assignments no later than the due date.
9. Review the objectives for each study unit to confirm that you have achieved them. If you feel unsure about any of the objectives, review the study material or consult your tutor.
10. When you are confident that you have achieved a unit's objectives, you can then start on the next unit. Proceed unit by unit through the course and try to pace your study so that you keep yourself on schedule.
11. When you have submitted an assignment to your tutor for marking do not wait for it return `before starting on the next units. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments, both on the tutor-marked assignment form and also written on the assignment. Consult your tutor as soon as possible if you have any questions or problems.
12. After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in this Course Guide).

Tutors and Tutorials

There are some hours of tutorials (2-hours sessions) provided in support of this course. You will be notified of the dates, times and location of these tutorials. Together with the name and phone number of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignments, keep a close watch on your progress and on any difficulty you might encounter, and provide assistance to you during the course. You must mail your tutor-marked assignments to your tutor well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible.

Do not hesitate to contact your tutor by telephone, e-mail, or discussion board if you need help. The following might be circumstances in which you would find help necessary. Contact your tutor if.

- You do not understand any part of the study units or the assigned readings
- You have difficulty with the self-assessment exercises
- You have a question or problem with an assignment, with your tutor's comments on an assignment or with the grading of an assignment.

You should try your best to attend the tutorials. This is the only chance to have face to face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from course tutorials, prepare a question list before attending them. You will learn a lot from participating in discussions actively.

Summary

This introduction to labour economics develops an analytical framework for thinking about issues and policies related to the labour market. It will provide an overview of the institutional aspects and recent trends in the Canadian labour market. This course provides the student with an understanding of the demand for and supply of labour in the Canadian labour market and explains labour market participation. It examines the nature

of the labour market by developing models to explain wage determination and issues relating to employment discrimination. Government policies towards wage setting, unemployment, education, and retraining will be discussed.

Students analyze how individuals, families, firms, and governments operate within a contemporary labour market, and the impact of labour market institutions and government policy. Topics include an overview of the labour market; labour demand and elasticity; the effect of quasi-fixed labour costs on demand; labour supply and the decision to work; labour supply and household production; compensating wage differentials and labour markets; education and training; worker mobility; pay and productivity; gender, race, and inequality in earnings; and unions and the labour market.

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MODULE ONE: The Supply of Labour and Accumulation of Human Capital

- UNIT 1 An overview of the concept of Supply of labour
- UNIT 2 Income and Substitution Effects
- UNIT 3 Human capital investments
- UNIT 4 Is education a good investment?

UNIT ONE: AN OVERVIEW OF THE CONCEPT OF SUPPLY OF LABOUR

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1.0 INTRODUCTION

In this module we explain the reasons why there might be unemployment in the economy. Unemployment is a situation where people who are willing to work at or below prevailing wage rates cannot find employment. It is thus natural to begin by asking the question: What determines market wage rates?

2.0 OBJECTIVES

At the end of this unit, student should be able to:

- Describe what Labor Supply is all about
- Explain the Shift Factors of Labor Supply

- Differentiate between Neoclassical and Marxian view of supply of labour

3.0 MAIN CONTENT

3.1 The Meaning of Supply of Labour

In mainstream economic theories, the labour supply is the total hours (adjusted for intensity of effort) that workers wish to work at a given real wage rate. It is frequently represented graphically by a labour supply curve, which shows hypothetical wage rates plotted vertically and the amount of labour that an individual or group of individuals is willing to supply at that wage rate plotted horizontally. In other words, by the supply of labour, we mean the various numbers of workers of a given type of labour which would offer themselves for employment at various wage rates.

A typical labor supply curve is upward-sloping, which means that as wages rise, workers are usually attracted and incited to work more hours.

The supply of labour may be considered from two view-points?

- (a) Supply of labour to the industry and
- (b) Supply of labour to the entire economy.

For an industry, the supply of labour is elastic. Hence, if a given industry wants more labour, it can attract it from other industries by offering a higher wage. It can also work the existing labour force over-time. This in effect will mean an increase in supply. The supply of labour for the industry is subject to the law of supply, i.e., low wage, small supply and high wage, large supply. Hence, the supply curve of labour for an industry rises upwards from left to right.

The supply of labour for the entire economy depends on economic, social and political factors or institutional factors, e.g., attitude of women towards work, working age, school and college leaving age and possibilities of part-time employment for students, size and

composition of the population and sex distribution, attitude to marriage, the size of the family, birth control, standard of medical facilities and sanitation, etc.

The supply of labour may be decreased by workers refusing to work for a time. This happens when labour is organised into trade unions. The workers may not accept wages offered by the employer if such wages do not ensure the maintenance of a standard of living to which they are accustomed.

But, as we shall see, it is only when higher wages are justified by higher marginal productivity that high wages will be paid. Thus, workers with low marginal productivity cannot demand high wages merely on the basis of their standard of living. On the whole, we might say that, the number of potential workers being given, the supply of labour may be defined as the schedule of units of labour at the prevailing rates of wages.

This Depends on two factors:

1. The number of workers who are willing and able to work at different wages;
2. The number of working hours that each Worker is willing and able to put in at different wages.

In case the workers have no staying power and the only alternative to work is starvation, the supply of labour in general will be perfectly inelastic. This means that wages can be driven down. Over a short period, reduction in wages may not cause any reduction in the supply of labour. For any industry over a long period, the supply curve will slope upwards from left to right. In other words, supply will be somewhat elastic in the long run.

Backward Sloping Supply Curve of Labour

While labor's supply curve sloping upwards from left to right is the general rule, an exceptional case of labor's supply curve may also be indicated (see Fig. 1) When the workers' standard of living is low, they may be able to satisfy their wants with a small income and when they have made that much, they may prefer leisure to work. That is

why it happens that, sometimes, increase in wages leads to a contraction of the supply of labour. This is represented by a backward-sloping supply curve as under.

For some time, this particular individual is prepared to work long hours as the wage goes up (wage is represented on OY—axis in Fig. 1). But beyond OW wage, he will reduce rather than increase his working hours.

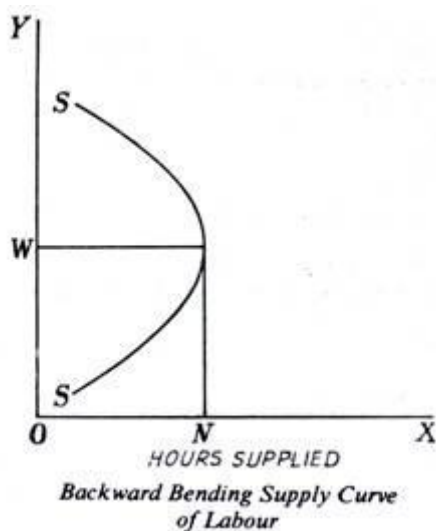


Fig. 1: Backward bending supply curve of labour

SELF ASSESSMENT EXERCISE

Describe in your own words what you understand by Supply of Labour

3.2. Factors influencing Shift of Labor Supply

There are several factors that can cause the labor supply to shift on a graph to the right or to the left. A shift outward to the right means that workers are more willing to work a certain number of hours at a given wage rate than they were before; a shift inward to the left means that they are less willing. Let's explore a few of these factors that cause labor supply to change. The Key factors affecting labour supply are:

1. **The real wage rate on offer in the industry itself** – higher wages raise the prospect of increased factor rewards and should boost the number of people willing and able to work
2. **Overtime:** Opportunities to boost earnings come through overtime payments, productivity-related pay schemes, and share option schemes.

3. **Substitute occupations:** The real wage rate on offer in competing jobs affects the wage and earnings differential that exists between two or more occupations. For example, an increase in the earnings available to trained plumbers and electricians may cause some people to switch their jobs.

4. **Barriers to entry:** Artificial limits to an industry's labour supply (e.g. through the introduction of minimum entry requirements) can restrict labour supply and force pay levels higher – this is the case in professions such as legal services and medicine where there are strict "entry criteria"

5. **Improvements in the occupational mobility of labour:** For example, if more people are trained with the necessary skills required to work in a particular occupation.

6. **Non-monetary characteristics of specific jobs** – include factors such as the risk with different jobs, the requirement to work anti-social hours or the **non-pecuniary benefits** that certain jobs provide including **job security**, **working conditions**, opportunities for promotion and the chance to live and work overseas, employer-provided in-work training, employer-provided or subsidized health and leisure facilities and other in-work benefits including occupational pension schemes.

7. **Net migration of labour** – the UK is a member of the European Union single market that enshrines free movement of labour as one of its guiding principles. A rising flow of people seeking work in the UK is making labour migration an important factor in determining the supply of labour available to many industries – be it to relieve shortages of skilled labour in the NHS or education, or to meet the seasonal demand for workers in agriculture and the construction industry.

8. Changes in Preferences or Income

As people have increases in their income, they naturally want to enjoy more leisure time. Their demand for leisure (going on vacation, taking time off to do things around the house, or simply not working) increases, reducing the supply of labor and shifting the curve to the left. For example, an individual who inherited \$250,000 might not feel the same way about their \$10/hour job as they did before. Conversely, if they decide they need more money because they want to buy more goods or services, the supply curve is likely to shift outward to the right.

9. Changes in Population

As the population increases, the supply of labor increases, or shifts to the right. There are now more people who are willing to work at each wage level. On the other hand, if a country enacts tougher immigration laws that result in lower overall population, that may cause a shift of the labor supply curve to the left because of the smaller pool of workers.

10. Changes in the Prices of Related Goods and Services

There are many goods and services that are linked or closely tied with how much people decide to work. For example, if the cost of sending children to daycare increases, it becomes more expensive for parents to work and the supply of labor will shift to the left or decrease. If childcare prices fall, it becomes cheaper for each spouse to go to work, and the supply of labor will shift outward to the right. Additionally, if the cost of vacations or other recreational activities increases, individuals will consume less leisure and as result supply more labor, shifting the curve to the right.

11. Changes in Expectations

How long people expect to live, overall health expectations, and expectations about social security or retirement may affect the overall supply of labor. If people expect to live longer, they may work more, causing an outward shift. Likewise, if people believe that they will not have social security income, they may work more, causing an increase in the labor supply and shift to the right.

SELF ASSESSMENT EXERCISE

Outline and explain the Shift Factors of Labor Supply

3.3 The supply of labour may be considered from two view-points?

Neoclassical View of Supply of labour

Labour supply curves derive from the 'labour-leisure' trade-off. More hours worked earn higher incomes, but necessitate a cut in the amount of leisure that workers enjoy. Consequently, there are two effects on the amount of labour supplied due to a change in the real wage rate. As, for example, the real wage rate rises, the opportunity cost of leisure increases. This tends to make workers supply more labour (the "substitution

effect"). However, also as the real wage rate rises, workers earn a higher income for a given number of hours. If leisure is a normal good—the demand for it increases as income increases—this increase in income tends to make workers supply less labour so they can "spend" the higher income on leisure (the "income effect"). If the substitution effect is stronger than the income effect then the labour supply slopes upward. If, beyond a certain wage rate, the income effect is stronger than the substitution effect, then the labour supply curve bends backward. Individual labor supply curves can be aggregated to derive the total labour supply of an economy.

Marxian View of Supply of labour

From a Marxist perspective, a labour supply is a core requirement in a capitalist society. To avoid labour shortage and ensure a labour supply, a large portion of the population must not possess sources of self-provisioning, which would let them be independent—and they must instead, to survive, be compelled to sell their labour for a subsistence wage. In the pre-industrial economies wage labour was generally undertaken only by those with little or no land of their own.

SELF ASSESSMENT EXERCISE

Differentiate between Neoclassical and Marxian view of supply of labour

4.0 CONCLUSION

In this unit, we conclude that, labor supply is and what causes it to change or shift. Learn about labor demand and what causes firms and markets to increase or decrease their demand for labor.

5.0 SUMMARY

In this unit, we have discussed an overview of the Concept of Supply of Labour; reasons why there might be unemployment in the economy; meaning of Supply of Labour and their in two view-points; Factors influencing Shift of Labor Supply; the different views of supply of labour i.e. Neoclassical and Marxian View of Supply of labour.

6.0 TUTORED MARKED ASSIGNMENTS

1. Briefly give an overview of supply of labour
2. There are several things that can cause the labor supply to shift. Discuss
3. Differentiate between the Neoclassical and Marxian view of supply of labour.
4. Describe in your own words what you understand by Supply of Labour
5. Outline and explain the Shift Factors of Labor Supply

7.0 REFERENCES/FURTHER READINGS

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UNIT 2: Income and Substitution Effects

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- 3.0. Main Content
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1.0 INTRODUCTION

Economists think of the supply of labor as a problem in which individuals weigh the opportunity cost of various activities that can fill an available amount of time and choose how to allocate it. Everyone has 24 hours in a day. There are lots of uses to which we can put our time: we can raise children, work, sleep, play, or participate in volunteer efforts. To simplify our analysis, let us assume that there are two ways in which an individual can spend his or her time: in work or in leisure. Leisure is a type of consumption good; individuals gain utility directly from it. Work provides income that, in turn, can be used to purchase goods and services that generate utility.

2.0 OBJECTIVE

At the end of this unit, you should be able to:

- Describe the concepts of work and leisure
- Explain the income and substitution effects

3.0 MAIN CONTENT

3.1 Work and Leisure

The more work a person does, the greater his or her income, but the smaller the amount of leisure time available. An individual who chooses more leisure time will earn less income than would otherwise be possible. There is thus a trade-off between leisure and the income that can be earned from work. We can think of the supply of labour as the flip

side of the demand for leisure. The more leisure people demand, the less labour they supply.

Two aspects of the demand for leisure play a key role in understanding the supply of labour. First, leisure is a normal good. All other things unchanged, an increase in income will increase the demand for leisure. Second, the opportunity cost or “price” of leisure is the wage an individual can earn. A worker who can earn \$10 per hour gives up \$10 in income by consuming an extra hour of leisure. The \$10 wage is thus the price of an hour of leisure. A worker who can earn \$20 an hour faces a higher price of leisure.

SELF ASSESSMENT EXERISE

1. Describe the concepts of work and leisure
2. Explain the income and substitution effects
3. What is the relationship between work and leisure?
4. Explain the income and substitution effects of a wage change and how they affect the shape of the labour supply curve

3.2 Income and Substitution Effects

Suppose wages rise. The higher wage increases the price of leisure. We saw in the chapter on consumer choice that consumers substitute more of other goods for a good whose price has risen. The substitution effect of a higher wage causes the consumer to substitute labour for leisure. To put it another way, the higher wage induces the individual to supply a greater quantity of labour.

We can see the logic of this substitution effect in terms of the marginal decision rule. Suppose an individual is considering a choice between extra leisure and the additional income from more work. Let MU_{Le} denote the marginal utility of an extra hour of leisure. What is the price of an extra hour of leisure? It is the wage W that the individual forgoes by not working for an hour. The extra utility of \$1 worth of leisure is thus given by MU_{Le}/W .

Suppose, for example, that the marginal utility of an extra hour of leisure is 20 and the wage is \$10 per hour. Then MU_{Le}/W equals 20/10, or 2. That means that the individual gains 2 units of utility by spending an additional \$1 worth of time on leisure. For a person facing a wage of \$10 per hour, \$1 worth of leisure would be the equivalent of 6 minutes of leisure time.

Let MU_Y be the marginal utility of an additional \$1 of income (Y is the abbreviation economists generally assign to income). The price of \$1 of income is just \$1, so the price of income P_Y is always \$1. Utility is maximized by allocating time between work and leisure so that:

$$MU_Y/P_Y = MU_{Le}/W$$

Now suppose the wage rises from W to W' . That reduces the marginal utility of \$1 worth of leisure, MU_{Le}/W , so that the extra utility of earning \$1 will now be greater than the extra utility of \$1 worth of leisure:

$$MU_Y/P_Y > MU_{Le}/W'$$

Faced with the inequality in Equation 1, an individual will give up some leisure time and spend more time working. As the individual does so, however, the marginal utility of the remaining leisure time rises and the marginal utility of the income earned will fall. The individual will continue to make the substitution until the two sides of the equation are again equal. For a worker, the substitution effect of a wage increase always reduces the amount of leisure time consumed and increases the amount of time spent working. A higher wage thus produces a positive substitution effect on labour supply.

But the higher wage also has an income effect. An increased wage means a higher income, and since leisure is a normal good, the quantity of leisure demanded will go up. And that means a *reduction* in the quantity of labour supplied.

For labour supply problems, then, the substitution effect is always positive; a higher wage induces a greater quantity of labour supplied. But the income effect is always negative; a higher wage implies a higher income, and a higher income implies a greater demand for leisure, and more leisure means a lower quantity of labour supplied. With the substitution and income effects working in opposite directions, it is not clear whether a wage increase will increase or decrease the quantity of labour supplied—or leave it unchanged.

Figure 2 "The Substitution and Income Effects of a Wage Change" illustrates the opposite pull of the substitution and income effects of a wage change facing an individual worker. A janitor, Meredith Wilson, earns \$10 per hour. She now works 42 hours per week, on average, earning \$420.

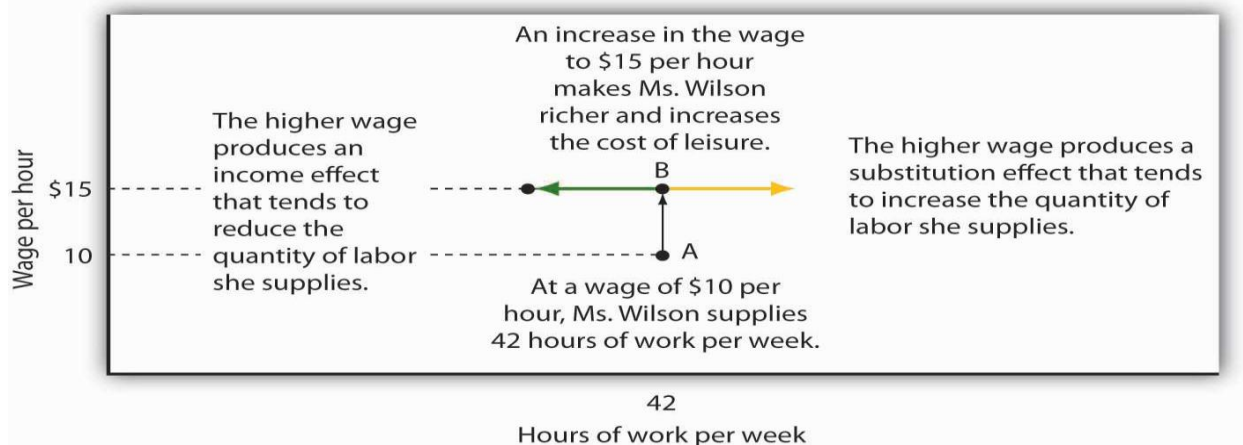


Figure 2: The Substitution and Income Effects of a Wage Change

The substitution and income effects influence Meredith Wilson's supply of labor when she gets a pay raise. At a wage of \$10 per hour, she supplies 42 hours of work per week (point A). At \$15 per hour, the substitution effect pulls in the direction of an increased quantity of labor supplied, and the income effect pulls in the opposite direction.

Now suppose Ms. Wilson receives a \$5 rise to \$15 per hour. As shown in Figure 2 "The Substitution and Income Effects of a Wage Change", the substitution effect of the wage change induces her to increase the quantity of labor she supplies; she substitutes some of

her leisure time for additional hours of work. But she is richer now; she can afford more leisure. At a wage of \$10 per hour, she was earning \$420 per week. She could earn that same amount at the higher wage in just 28 hours. With her higher income, she can certainly afford more leisure time. The income effect of the wage change is thus negative; the quantity of labor supplied falls. The effect of the wage increase on the quantity of labor Ms. Wilson actually supplies depends on the relative strength of the substitution and income effects of the wage change. We will see what Ms. Wilson decides to do in the next section.

SELF ASSESSMENT EXERCISE

1. Describe the concepts of work and leisure
2. Explain the income and substitution effects

4.0 CONCLUSION

In this unit, we concluded that, an economist always think of the supply of labor as a problem in which individuals weigh the opportunity cost of various activities that can fill an available amount of time and choose how to allocate it.

5.0 SUMMARY

In this unit, we have discussed the Income and Substitution Effects in relation to Work and Leisure which are the two aspects of the demand for leisure play a key role in understanding the supply of labour. That is to say, suppose wages rise. The higher wage increases the price of leisure.

6.0 TUTOR-MARKED ASSIGNMENT

1. What is the difference between work and leisure?
2. Explain the income and substitution effects of supply of labour
3. Describe the concepts of work and leisure
4. Explain the income and substitution effects
5. What is the relationship between work and leisure?

6. Explain the income and substitution effects of a wage change and how they affect the shape of the labour supply curve

7.0 REFERENCES/FURTHER READINGS

Borjas, G.J. *Labor Economics*. London: Irwin/McGraw-Hill.

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UNIT 3 Human Capital Investments

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 3.2 Investment in human Capital

 3.3 Returns to Investment in Human Capital

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1.0. INTRODUCTION

Human-capital theory is a modern extension of Adam Smith's explanation of wage differentials by the so-called net (dis)advantages between different employments. The costs of learning the job are a very important component of net advantage and have led economists such as Gary S. Becker and Jacob Mincer to claim that, other things being equal, personal incomes vary according to the amount of investment in human capital; that is, the education and training undertaken by individuals or groups of workers. A further expectation is that widespread investment in human capital creates in the labour-force the skill-base indispensable for economic growth. The survival of the human-capital reservoir was said, for example, to explain the rapid reconstruction achieved by the defeated powers of the Second World War.

2.0. OBJECTIVES

At the end of this unit, you should be able to:

1. Understand the theory behind human capital
2. How effective investment in human capital is in reality
3. To ascertain the benefit or otherwise the benefit of human capital investment

3.0 MAIN CONTENT

3.1 Human Capital Theory

Human Capital Theory refers to the aggregate stock of competencies, knowledge, social, and personal attributes embodied in the ability to create intrinsic and measurable economic value. Human Capital Theory views humans and individuals as economic units acting as their own economy. The role of human capital is widely discussed in economic development, productivity analysis, innovation, public policy, and education.

The basic concept of Human Capital Theory is that investments in individuals can be mathematically measured based on the economic value they are able to contribute to society. Human capital is often subdivided into categories such as cultural capital, social capital, economic capital, and symbolic capital. Human capital is developed in many ways. Economic capital is typically measured by the ability to perform labour which results in economic value. Education, job training, and marketable talents are all ways in which humans increase their ability to acquire knowledge and generate higher wages. Social capital and cultural capital refer to the relationships and influence individuals contribute to society. Although social, cultural, and symbolic capital are very difficult to measure, understanding their existence and value is still vital. Each type of human capital is important and the combination of all types generates total human capital.

The assumptions of human capital theory revolve around the immeasurable nature of its many forms. Economic capital can be measured by its ability to produce wages; however, an intrinsic value of human capital exists although it is not always measurable. Secondly, human capital may be stored but not fully utilized at all times therefore making it difficult to observe and study consistently.

Human capital is an intangible asset or quality not listed on a company's balance sheet. It can be classified as the economic value of a worker's experience and skills. This includes assets like education, training, intelligence, skills, health, and other things most employers value, such as loyalty and punctuality.

The concept of human capital recognizes that not all labor is equal. But employers can improve the quality of that capital by investing in employees—the education, experience, and abilities of employees all have economic value for employers and for the economy as a whole.

Human capital is important because it is perceived to increase productivity and thus profitability. Therefore, the more a company invests in its employees (i.e., in their education and training), the more productive and profitable it could be.

Understanding Human Capital

An organization is often said to only be as good as its people. Directors, employees, and leaders who make up an organization's human capital are critical to its success.

Human capital is typically managed by an organization's human resources (HR) department. This department oversees workforce acquisition, management, and optimization. Its other directives include workforce planning and strategy, recruitment, employee training and development, and reporting and analytics.

Human capital tends to migrate, especially in global economies. That's why there is often a shift from developing places or rural areas to more developed and urban areas. Some economists have dubbed this a brain drain, making poorer places poorer and richer places richer.

Since human capital is based on the investment of employee skills and knowledge through education, these investments in human capital can be easily calculated. HR managers can calculate the total profits before and after any investments are made. Any return on investment (ROI) of human capital can be calculated by dividing the company's total profits by its overall investments in human capital.

For example, if Company X invests \$2 million into its human capital and has a total profit of \$15 million, managers can compare the ROI of its human capital year-over-year (YOY) in order to track how profit is improving and whether it has a relationship to the human capital investments.

SELF ASSESSMENT EXERCISE

Explain the theory of human capital

3.2 Investment in Human Capital

In the long run, the stock of human capital depends on the rate at which individuals acquire knowledge, skills, competences and other attributes, as well as on the extent to which they manage to retain them once acquired. As with physical capital, therefore, both investment and depreciation rates are of interest. While the latter can be difficult to measure, the processes by which individuals build up various kinds of human capital in childhood and adulthood need to be understood by those seeking to strengthen the human capital base.

Investment in human capital takes place over the course of people's lives in a wide range of settings – including in the family, at school and at work. The quantity of human capital investment can most readily be measured through two resources devoted to learning: money and time. This chapter aims to complement Chapter 2 by providing evidence of the money and time being devoted to increasing the human capital stock.

The amount of money spent by individuals, companies and governments on training and education, and the time spent by participants in courses of study, serve as useful approximations of human capital formation. In practice, the concepts of time and money investments overlap, since forgone earnings can be an important element of the cost of learning that takes place beyond compulsory schooling. Both time and money expended are indirect measures of capital formation, since a dollar of spending or an hour of study produce highly variable types and quantities of human capital. They also take insufficient

account of learning outside formal programmes, for which resource investments are less visible. Such measures can, however, provide some idea of how different countries structure human capital investment, in terms of type, level and duration. A country may have a relatively low level of human capital stock as measured by years of schooling or educational attainment, for example, but nevertheless make large investments in each student, or have a relatively high level of participation in learning beyond schooling, including job-related training

SELF ASSESSMENT EXERCISE

Explain the concept of investment in human capital

3.3 Returns to Investment in Human Capital

Human capital investment confers benefits on individuals, enterprises and societies. These benefits may be economic in nature and accrue in the form of additional earnings, productivity or economic growth. Human capital investment can also give rise to a wide range of non-economic benefits including greater social cohesion, lower crime and better health. The widespread acknowledgement of the benefits of education and other forms of learning should not lead governments and others to invest indiscriminately in human capital. In deploying finite resources, they need to know which forms of investment produce the best value for money. This calculation has to take account of the postponement of returns, often over long periods after the investment has been made. To calculate the economic return, the cost of investments should be examined alongside the value of future benefits – “discounted” to take account of their postponement. To compare alternative investments, this information can be combined to produce in each case an annual “rate of return”. The difficulty in calculating rates of return on human capital investments is that even though some of the costs can be identified (see Chapter 3 above), it is hard to attribute, quantify and value the benefits that result, for two main reasons. First, while average benefits to individuals in terms of increased earnings and employment prospects are often clear, it is not always as easy to quantify benefits to society – which are highly relevant given that the cost of the investment is often borne in

large part by public money. Second, it is easier to look at the relative prospects on average of a person with a particular level of initial education than to do the same according to further investment over the lifecycle, because such investment is more heterogeneous in its nature, and its benefits are less generalized. So, information on returns tends to be skewed towards the benefits of formal education and training. Such data neglect deletes one of the fundamental characteristics of human capital, discussed in Chapter 1 above – its progressive accumulation over a lifetime. A company, whose capital accounts looked only at its founding investment, and not at depreciation or subsequent investments, would report a highly inaccurate rate of return on capital employed.

SELF ASSESMENT EXERCISE

Discuss the benefits/returns of investment in human capital

4.0. CONCLUSION

This section shows that investments broadly has the magnitude in initial education, there are marked differences in both spending on and participation in education and training across the lifespan. In all countries, there is a concentration of such investment among younger, economically active, better educated people. Many groups who have greater need for training are in practice less likely to participate, increasing their vulnerability on the labour market. The evidence also points to wide disparities in the intensity of different kinds of human capital investment. Funding levels differ greatly between levels of education and between formal and informal learning. The rationale for different levels of funding and mix of public and private funding vis-à-vis social and political objectives of governments is not always clear. The next chapter considers the evidence from existing data and research for evaluating the impact of investment and training in different settings.

5.0 SUMMARY

This chapter has reviewed some of the key evidence for the relationship between human capital and economic and social outcomes. Inevitably, because of data constraints, the most robust measures of benefit and of returns focus on market outcomes only, and are based on formal educational attainment rather than on wider definitions of human capital investment. Notwithstanding the variety of complex inter-linking factors which underpin economic growth, the evidence does point to a positive relationship between expenditure for education and macroeconomic performance. But the mechanisms that create this impact, and hence the most effective types of investments in human capital, remain poorly understood. The most substantial finding is that tertiary education constitutes a relatively high cost to the taxpayer (per student), but appears to yield relatively high benefit to tertiary graduates.

6.0 TUTOR MARKED ASSIGNMENT

1. Briefly discuss the concept of human capital theory.
2. What are the benefits of returns to human capital?
3. Explain the theory of human capital
4. Explain the concept of investment in human capital
5. Discuss the benefits/returns of investment in human capital

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UNIT 4: Is Education A Good Investment?

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1.0. INTRODUCTION

Education Is Worth the Investment. There is no greater financial investment in one's future than a college degree. ... The vast majority with degrees in the humanities and social sciences are employed, and at salaries significantly higher than those having earned only a high school diploma.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Understand why education is consider as an investment
- Whether education is important for future
- Ascertain value of going to school

3.0 MAIN CONTENT

- 3.1 Why education is considered as an investment?
- 3.2 Why education is important for future?
- 3.3 It is worth it to go to school?

3.1 Why Education is considered as an Investment?

Education is an Investment for the Future around the Globe. The road to better jobs, more money and improved lifestyles is paved by education, according to a new Nielsen survey. ... Likewise, three-fourths also believed that better employment (75%) and higher income (72%) are accessible because of educational opportunities. Education is not just to read and write but to make use of it for their own advantages and to utilize the knowledge for their growth. Also, one can lead their own life without depending on others. It is not about making people literate, as literacy is entirely different from education.

Literacy is meant as the ability to read and write, whereas education is finding out the reason behind everything and using the reading-writing skills to improve their lives. It helps the countries to grow economically and cherish with prosperity. To live a flawless life, education is very important for every individual. Let's discuss what are education and the importance of education.

SELF ASSESSMENT EXERCISE

Discuss why education is consider as an investment

3.2. Why education is important for future?

Education is important for children because they are the future of the world and they should be updated with current affairs. They are the pillars of the nation, to develop a country and the world the future should be secure and the children are the weapons to build the nation with all their knowledge and education. It gives an opportunity to learn different languages other than the mother tongue and the ability to survive anywhere in the entire world.

Education guides you to develop as good citizens of the society. It helps to protect ourselves from the other harmful events and helps you keep educating of current dangers, diseases and ways to face or prevent them.

Also, it will make us know what may cause danger to others and make us aware of not causing trouble to others. We are provided with beautiful resources naturally so education will help how to reserve them, how to sustain them and gives ideas for creating alternatives. Below are the reasons why education is important:

1. Comfortable and stable life:

It is expected by everyone that they need to live a life of comfort and luxury, but to make that happen either the person needs to be stable or educated. To earn a better life and live a comfortable life, a person needs to understand the value of education. Most of the people think education is a waste of time, as they have their own strong success stories which usually cannot be related to everyone practically. But if a person has even a small portion of knowledge, then it is possible that they can manage their life in a better way compared to uneducated people.

2. Improvement in standard of living:

Most of the people think that education can lead a person to a position where he/she can fulfill all of their dreams and expectations. But most of them do not believe in such thinking that education creates such a difference in one's life. Also, education alone can't make you successful unless he/she work really hard to get to that position. If a person starts dedicating himself/herself for quality of education then it is possible that the result of such dedication will be fruitful.

3. Provides safety and security:

If a person needs a life with safety and security, then he/she needs to understand the value of education in our daily life. To lead a life of safety and security the person needs to take active participation in educational activities. These educational activities will provide them the knowledge which can help them live a better life. These kinds of drastic change can be initiated with the help of education in one's life.

4. Equality:

This is the only way where a person of any caste and region will maintain a respectable position with the help of education. There are different kinds of personalities who have different opinions but still acquire the success holding their respect. All these can take

place with the help of education. It maintains equality between people even if they are holders of different sets of opinions.

5. Provides confidence:

Education is only a matter of thinking which can provide change in one's level of confidence. Sometimes it happens that people experience embarrassment because of lack of education. And to overcome such embarrassment, people need to come forward and accept the benefits of education which can change their life with full of confidence. Eventually, it changes the opinions among people's work and their stability.

6. Prevents unlikely events:

Sometimes when we are unaware of things it can create a certain level of change in our life. Therefore, it would be advisable that a person needs to educate himself/herself about the things which they are unaware of. And eventually, education can make us self-reliant and confident enough to face such unlikely situations.

SELF ASSESSMENT EXERCISE

State the reasons why education is important for future

3.3. It is worth it to go to school?

College is definitely "worth it." There's simply zero evidence that getting a college degree is anything but "worth it." ... For those with a high school diploma and no college, it was 3.5%, which is also great. But there's no doubt you're more likely to have a job if you have a college degree. Colleges and universities are still the best, most direct path to a good career that pays well.

It's possible to believe otherwise, of course, because so many seemingly credible people and sources keep implying, if not outright saying, that, career-wise, college may not be a good investment. The New York Times, Wall St. Journal and Washington Post all ran pieces this year asking whether college was worth it. Literally all three used the phrase "worth it" in their headlines. Here too is a video from *The Economist* from September of this year that begins, "Is University worth It?"

Nonetheless, the questions persist as to whether colleges help people get good jobs. If they didn't, you may expect there to be large numbers of college graduates who cannot find work, but the unemployment rate among college graduates is historically low – just 2.2% as of November 2018. For those with a high school diploma and no college, it was 3.5%, which is also great. But there's no doubt you're more likely to have a job if you have a college degree.

SELF ASSESSMENT EXERCISE

It is worth it to go to school?

4.0. CONCLUSION

We concluded that, living in a society, one should have knowledge of their rights, laws and regulations. This knowledge will help to build boundaries around us to follow the rules so that we have a peaceful life. Education will help to interact with different kinds of persons and exchange knowledge and ideas and live in harmony. To be an active participant in society and to gain respect from the world, one should always learn new things.

5.0. SUMMARY

This section summarized with asking questions. Is education a good investment; why education is considered as an investment; Why is education important for future and it is worth it to go to school?. To answer these questions, student need to understand that, education is an Investment for the future around the globe and that education is not just to read and write but to make use of it for their own advantages and to utilize the knowledge for their growth. And also, education is important for children because they are the future of the world and they should be updated with current affairs. Therefore, Education guides you to develop as good citizens of the society.

6.0. TUTOR-MARKED ASSIGNMENT

1. How college knowledge does is worthy?

2. Outline and explain the reasons why education is important for future
3. Discuss why education is considered as an investment.
4. Why education is considered as an investment?
5. Why is education important for future?
6. It is worth it to go to school?
7. Discuss why education is considered as an investment
8. State the reasons why education is important for future

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MODULE TWO: Demand for Labour in Competitive and Non-Competitive Markets

UNIT 1 Demand for labour when market is competitive

UNIT 2 Labour Demand when market is non-competitive

UNIT 3 Monopsony in the labour market

UNIT 1: Demand for Labour when market is Competitive

CONTENT

1.0 Introduction

2.0 Objectives

3.0 Main Contents

3.1 Concept of demand for labour

3.2 Factors affecting demand for labour

3.3 Shift in the demand for labour

3.4 Demand for labour in competitive market

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Readings

1.0 INTRODUCTION

The labor market is the term that economists use for all the different markets for labor. There is no single labor market. Rather, there is a different market for every different type of labor. Labor differs by type of work (e.g. retail sales vs. scientist), skill level (entry level or more experienced), and location (the market for administrative assistants is probably more local or regional than the market for university presidents). While each labor market is different, they all tend to operate in similar ways. For example, when wages go up in one labor market, they tend to go up in others too. When economists talk about the labor market, they are describing these similarities.

The labour market includes the supply of labour by households and the demand for labour by firms. Wages represent the price of labour, which provide an income to

households and represent a cost to firms. In a hypothetical free market economy, wages are determined by the unregulated interaction of demand and supply. However, in real mixed economies, governments and trade unions can exert an influence on wage levels.

2.0 OBJECTIVE

At the end of this unit, students are expected to understand the term labour market

3.0 MAIN CONTENT

3.1 Meaning of demand for labour

The demand for labour is a derived demand. It is derived from demand for the commodities it helps to produce. The greater the consumers' demand for the product, the greater the producers' demand for the labour required in making it. Hence an expected increase in the demand for a commodity will increase the demand for the type of labour that produces this commodity.

The elasticity of demand for labour depends, therefore, on the elasticity of demand for its output. Demand for labour will generally be inelastic if their wages form only a small proportion of the total wages. The demand, on the other hand, will be elastic if the demand for the commodity it produces is elastic or if cheaper substitutes are available.

Markets for labor have demand and supply curves, just like markets for goods. The law of demand applies in labor markets this way: A higher **salary** or **wage**—that is, a higher price in the labor market—leads to a decrease in the quantity of labor demanded by employers, while a lower salary or wage leads to an increase in the quantity of labor demanded.

The demand for labour also depends on the prices of the co-operating factors. Suppose the machines are costly, as is the case in India, obviously more labour will be employed. The demand for labour will increase. Another factor that influences the demand for labour is the technical progress. In some cases, labour and machinery are used in a definite ratio. For instance, the introduction of automatic looms reduces the demand for labour.

After considering all relevant factors, e.g., demand for the products, technical conditions, and the prices of the co-operating factors, the wages are governed by one fundamental factor, viz., and marginal productivity. Just as there is a demand price of commodities, so there is a demand price for labour.

The demand for labour, under typical circumstances of a modern community, comes from the employer who employs labour and other factors of production for making profits out of his business. The demand price of labour, therefore, is the wage that an employer is willing to pay for that particular kind of labour.

Suppose an entrepreneur employs workers one by one. After a point, the law of diminishing marginal returns will come into operation. Every additional worker employed will add to the total net production at a decreasing rate. The employer will naturally stop employing additional workers at the point at which the cost of employing a worker just equals the addition made by him to the value of the total net product.

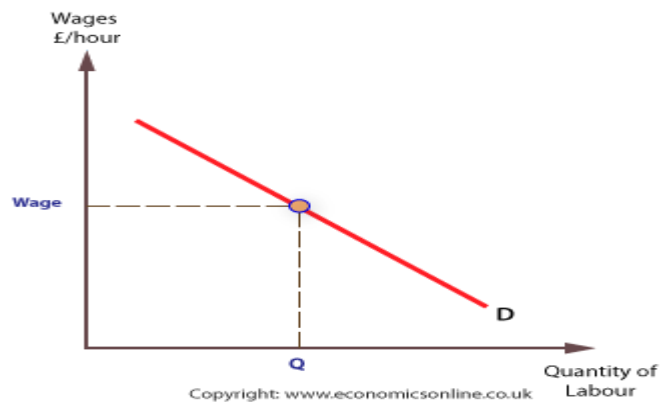
Thus, the wages that he will pay to such a worker (the marginal unit of labour) will be equal to the value of this additional product or marginal productivity. But since all the workers may be assumed to be of the same grade, what is paid to the marginal worker will be paid to all the workers employed.

3.2.The main factors affecting the demand for labour

The Wage Rate

The higher the wage rate, the lower the demand for labour. Hence, the demand for labour curve slopes downwards. As in all markets, a downward sloping demand curve can be explained by reference to the *income* and *substitution* effects.

At higher wages, firms look to substitute capital for labour, or cheaper labour for the relatively expensive labour. In addition, if firms carry on using the same quantity of labour, their labour costs will rise and their income (profits) will fall. For both reasons, demand for labour will fall as wages rise.



Marginal productivity

The demand for labour, and other factors of production, is derived from the demand for the products these factors make. For example, if mobile phones are in greater demand, then the demand for workers in the mobile phone industry will increase, *ceteris paribus*.

The demand for labour will vary inversely with the wage rate. To understand this we need to consider the law of diminishing returns. This states that if a firm employs more of a variable factor, such as labour, assuming one factor remains fixed, the additional return to extra workers will begin to diminish. To explore this process, we need to consider the total physical product (output) produced by a series of workers, which will enable us to measure the individual output from each additional worker – the *marginal physical product* (MPP).

Consider the following data for a small firm producing handmade wax candles.

Workers	Total physical product	Marginal physical product
1	1000	
2	1900	900
3	2700	800
4	3400	700
5	4000	600

6	4500	500
7	4900	400
8	5200	300

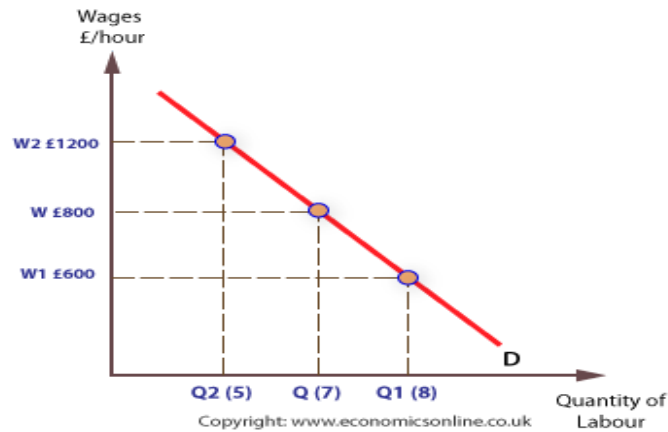
Demand is based on the value to the firm of the marginal physical product produced by each worker. For example, if candles are £2 each, the firm can calculate the revenue derived from each worker's physical output. The value of the extra output is called *marginal revenue product* (MRP), and this is calculated by multiplying MPP and price, as follows:

Workers	Total physical product	Marginal physical product	Marginal revenue product
1	1000		
2	1900	900	1800
3	2700	800	1600
4	3400	700	1400
5	4000	600	1200
6	4500	500	1000
7	4900	400	800
8	5200	300	600

Deriving a demand curve

We can now find the number of workers that would be employed by a profit maximizing firm at various wage rates. The profit maximizing firm will employ workers up to the point where the marginal benefit, in terms of the MRP, equals the marginal cost of labour (MCL), which in this case is the wage rate (W).

For example, at a wage rate of £1,200, the firm will employ 5 workers, because at 5 workers, $MRP = MCL$. At a lower wage of £800, the firm will employ 7 workers, and so on. This means that a demand curve can be derived. In labour market theory, the demand for labour is identified as $MRP=D$.



Other factors affecting the demand for labour include:

The demand for the products

The demand for labour is a *derived* demand, which means it is ultimately based on demand for the product that labour makes. If consumers want more of a particular good or service, more firms will want the workers that make the product.

Productivity of labour

Productivity means output per worker, and If workers are more productive, they will be in greater demand. Productivity is influenced by skill levels, education and training, and the use of technology.

Profitability of firms

If firms are profitable, they can afford to employ more workers. In contrast, falling profitability is likely to reduce the demand for labour.

Substitutes

The extent to which labour is indispensable also affects the demand. If substitutes, such as capital machinery, become cheaper or more expensive, the demand curve for labour will shift to the left or right. For example, if the price of new technology falls there may be a reduction in demand for labour.

The number of ‘buyers’ of labour

The number of buyers in a market can influence total demand in a given market. A single buyer in a market is called a monopsonist, and these are relatively common in labour markets. For example, London Underground is the only firm in the UK to employ underground tube drivers. In general, when a labour market is dominated by one employer the demand for labour is less than if there are many employers. In addition, there is a tendency for the wage rate to be lower in such markets, which is one reason why trade unions form, and exert pressure for higher wages.

SELF ASSESSMENT EXERCISE

Explain the concept of demand for labour

Discuss the main factors affecting the demand for labour

3.3 Shifts in the demand for labour

The demand curve for labour shows the quantity of labour employers wish to hire at any given salary or wage rate, under the *ceteris paribus* assumption. A change in the wage or salary will result in a change in the quantity demanded of labour. If the wage rate increases, employers will want to hire fewer employees. The quantity of labour demanded will decrease, and there will be a movement upward along the demand curve. If the wages and salaries decrease, employers are more likely to hire a greater number of workers. The quantity of labour demanded will increase, resulting in a downward movement along the demand curve.

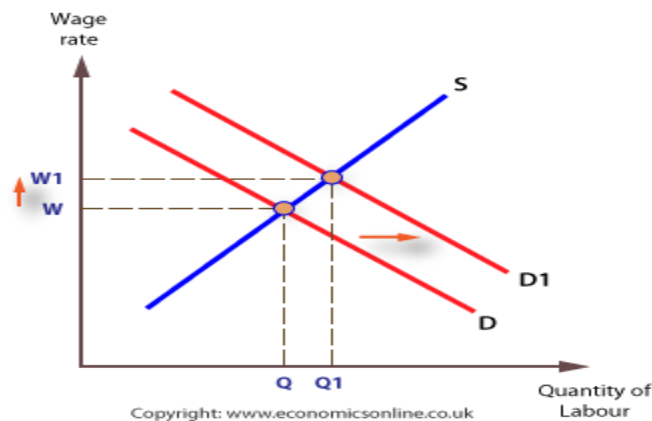
Shifts in the demand curve for labour occur for many reasons. One key reason is that the demand for labour is based on the demand for the good or service that is being produced. For example, the more new automobiles consumers demand, the greater the number of workers automakers will need to hire. Therefore, the demand for labour is called a “derived demand.”

The demand curve for labour will shift following any change in a determinant of demand, other than the wage rate. If the wage rate changes there will be a movement along the existing demand curve.

The number of people employed at each wage level can change and in the next diagram we see an outward shift of the labour demand curve. The curve shifts when there is a change in the conditions of demand in the jobs market. For example:

1. A rise in the level of consumer demand for a product which means that a business needs to take on more workers (see below on the concept of derived demand).
2. An increase in the productivity of labour which makes using labour more cost efficient than using capital equipment,
3. A government employment subsidy which allows a business to employ more workers.

The labour demand curve would shift inwards during a recession when sales of goods and services are in decline, business profits are falling and many employers cannot afford to keep on their payrolls as many workers. The result is often labour redundancies and an overall decline in the demand for labour at each wage rate.



Examples of changes that can cause a shift in the demand curve include:

1. Changes in the productivity of labour.
2. Changes in the skill level of labour (hitch also affects supply).

3. Changes in the prices of the goods or services produced.
4. An increase or decrease in the demand for goods or services.
5. Changes in the prices of substitutes, including technology.

3.4 Demand for labour in competitive markets

An explanation of how wages are determined in a perfectly competitive labour market. A perfectly competitive labour market will have the following features

1. Many firms
2. Perfect information about wages and job conditions.
3. Firms are offering identical jobs
4. Many workers with the same skills

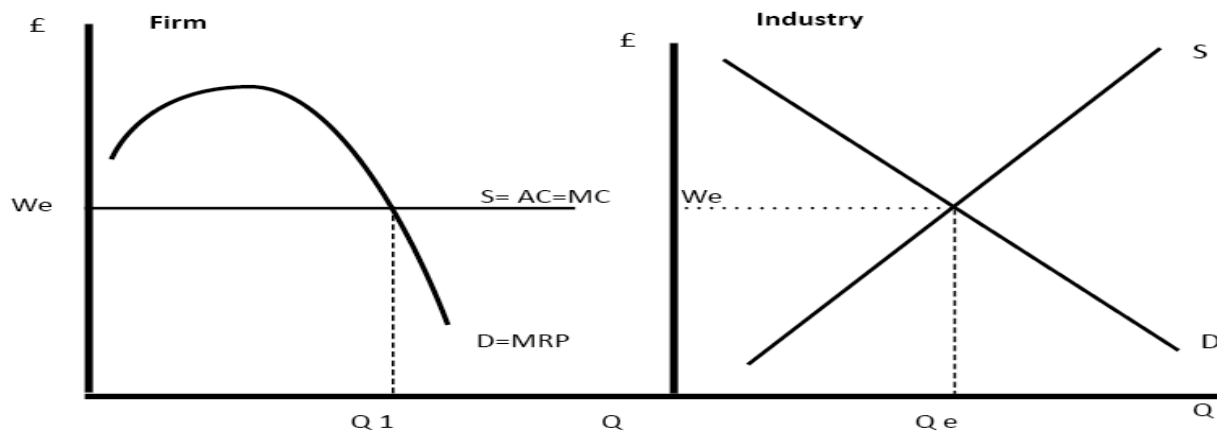


Fig.5: Labour market in a competitive market

1. The equilibrium wage rate in the industry is set by the meeting point of the industry supply and industry demand curves.
2. In a competitive market, firms are wage takers because if they set lower wages, workers would not accept the wage.
3. Therefore, they have to set the equilibrium wage We .
4. Because firms are wage takers, the supply curve of labour is perfectly elastic therefore $AC = MC$.

5. The firm will maximize profits by employing at Q_1 where MRP of Labour = MC of Labour

Comparing wage of lawyers and McDonalds workers

Lawyers get higher pay for two reasons.

1. Supply of lawyers is inelastic because of the qualifications required.
2. The Marginal Revenue Product (MRP) of lawyers is high. If they are successful, they can make firms a lot of revenue.

McDonald's workers, however, get lower pay because:

1. Supply of cleaners is elastic because there are many thousands of people who are suitable for working, qualifications are not really required.
2. The MRP of a McDonald's worker is much lower because there is a limited profit to be made from selling Big Macs.

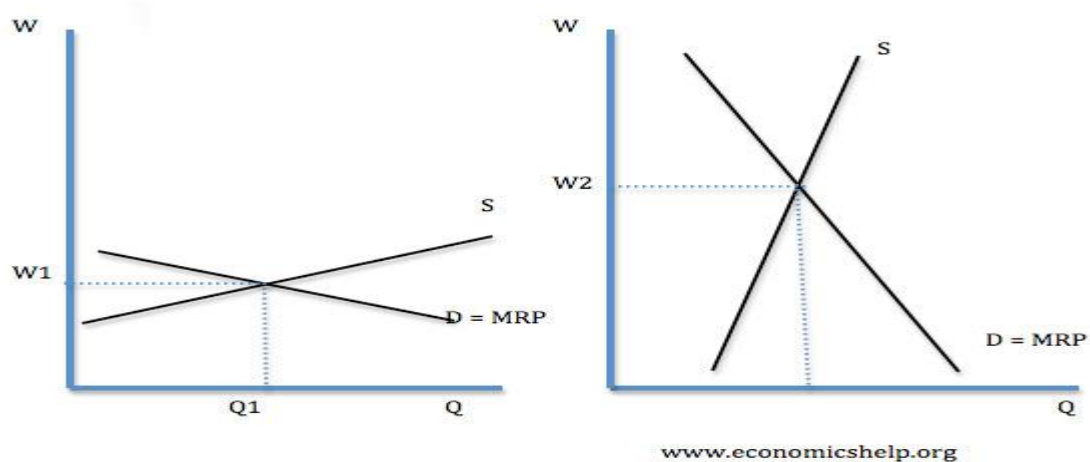


Fig. 6: wage determination for lawyers and McDonald's workers

The wage rate on the right is higher because supply is more inelastic and demand is higher.

How realistic is the model of perfect competition in labour markets?

1. In practice, it is difficult for workers to shift between employers.
2. There are significant costs and immobility to moving between jobs.
3. Firms have a degree of monopsony power which enables them to pay wages lower than a competitive equilibrium
4. Existence of unemployment gives firms more monopsony power
5. Some workers have only a limited choice of employer. For example nurses, firemen, train-drivers will face one main employer (monopsony power).

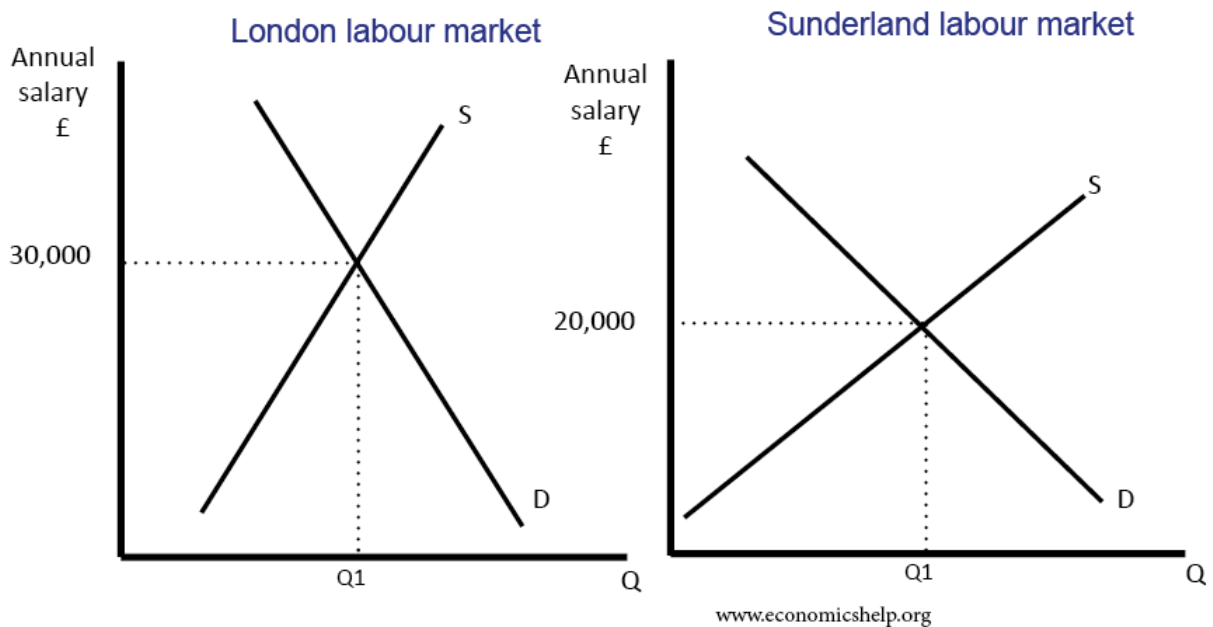


Fig. 7: Wage determination by geographical area

SELF ASSESSMENT EXERCISE

Use diagram to show how wage is determined in labour market

4.0 CONCLUSION

Although labour has certain peculiarities and cannot be regarded as a commodity, still wages are very largely determined by the interaction of the forces of demand and supply.

5.0 SUMMARY

This section examined the demand for Labour in Competitive and Non-Competitive Markets. Under which, Concept of demand for labour is determined by; Shift in the demand for labour, and demand for labour in competitive market. The labor market is the term that economists use for all the different markets for labor. There is no single labor market. The demand for labour is a derived demand. It is derived from demand for the commodities it helps to produce.

The elasticity of demand for labour depends, therefore, on the elasticity of demand for its output. It also examined the main factors affecting the demand for labour and Deriving a demand curve, the demand for the products, Shifts in the demand for labour and Demand for labour in competitive markets

6.0 TUTOR-MARKED ASSIGNMENT

1. Explain the term labour market
2. Discuss the main factors affecting the demand for labour
3. Explain the term demand for labour
4. Explain the causes of the shift in demand for labour
5. Use diagram to show how wage is determine in labour market

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UNIT2: Labour Demand When Market non-competitive

CONTENT

1.0 Introduction

2.0 Objectives

3.0 Main Contents

3.1 Market Imperfection

3.2 Demand for Labour when the labour market is not competitive

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 INTRODUCTION

In the world of reality there exists imperfect competition rather than perfect competition. Therefore, Mrs. Joan Robinson and Prof. Pigou gave the wage rate determination under the conditions of imperfect competition.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Understand the term market imperfection
- Explain Labour demand when the product market is not competitive

3.0 MAIN CONTENT

3.1 Market Imperfection

An imperfect market refers to any economic market that does not meet the rigorous standards of a hypothetical perfectly or purely competitive market, as established by Marshallian partial equilibrium models.

An imperfect market is one in which individual buyers and sellers can influence prices and production, where there is no full disclosure of information about products and

prices, and where there are high barriers to entry or exit in the market. It's the opposite of a perfect market, which is characterized by perfect competition, market equilibrium, and an unlimited number of buyers and sellers.

Imperfect markets are found in the real world and are used by businesses and other sellers to earn profits. All real-world markets are theoretically imperfect, and the study of real markets is always complicated by various imperfections. They include the following:

1. Competition for market share
2. High barriers to entry and exit
3. Different products and services
4. Prices set by price makers rather than by supply and demand
5. Imperfect or incomplete information about products and prices
6. A small number of buyers and sellers

For example, traders in the financial market do not possess perfect or even identical knowledge about financial products. The traders and assets in a financial market are not perfectly homogeneous. New information is not instantaneously transmitted, and there is a limited velocity of reactions. Economists only use perfect competition models to think through the implications of economic activity.

The term *imperfect market* is somewhat misleading. Most people will assume an imperfect market is deeply flawed or undesirable, but this is not always the case. The range of market imperfections is as wide as the range of all real-world markets—some are much more or much less efficient than others.

Implications of Imperfect Markets

Not all market imperfections are harmless or natural. Situations can arise in which too few sellers control too much of a single market, or when prices fail to adequately adjust to material changes in market conditions. It is from these instances that the majority of economic debate originates.

Some economists argue that any deviation from perfect competition models justifies government intervention to promote increased efficiency in production or distribution. Such interventions may come in the form of monetary policy, fiscal policy, or market regulation. One common example of such interventionism is anti-trust law, which is explicitly derived from perfect competition theory.

Other economists argue that government intervention may be necessary to correct imperfect markets, but not always. This is because governments are also imperfect, and government actors may not possess the right incentives or information to interfere correctly. Finally, many economists argue government intervention is rarely, if ever, justified in markets. The Austrian and Chicago schools notably blame many market imperfections on erroneous government intervention.

Structures of Imperfect Markets

When at least one condition of a perfect market is not met, it can lead to an imperfect market. Every industry has some form of imperfection. Imperfect competition can be found in the following structures:

Monopoly

This is a structure in which there is only one (dominant) seller. Products offered by this entity have no substitutes. These markets have high barriers to entry and a single seller who sets the prices on goods and services. Prices can change without notice to consumers.

Oligopoly

This structure has many buyers but few sellers. These few players in the market may bar others from entering. They may set prices together or, in the case of a cartel, only one takes the lead to determine the price for goods and services while the others follow.

Monopolistic Competition

In monopolistic competition, there are many sellers who offer similar products that can't be substituted. Businesses compete with one another and are price makers, but their individual decisions do not affect the other.

Monopsony and Oligopoly

These structures have many sellers, but few buyers. In both cases, the buyer is the one who manipulates market prices by playing firms against one another.

Imperfect Markets versus Perfect Markets

No serious economist believes that a perfectly competitive market could ever arise, and very few consider such a market desirable. Perfect markets are characterized by having the following:

1. An unlimited number of buyers and sellers.
2. Identical or substitutable products.
3. No barriers to entry or exit.
4. Buyers have complete information on products and prices.
5. Companies are price takers meaning have no power to set prices.

In reality, no market can ever have an unlimited number of buyers and sellers. Economic goods in every market are heterogeneous, not homogeneous, as long as more than one producer exists. A diverse range of goods and tastes are preferred in an imperfect market.

Perfect markets, though impossible to achieve, are useful because they help us think through the logic of prices and economic incentives. It is a mistake, however, to try extrapolating the rules of perfect competition into a real-world scenario. Logical problems arise from the start, especially the fact that it is impossible for any purely competitive industry to conceivably attain a state of equilibrium from any other position. Perfect competition can thus only be theoretically assumed—it can never be dynamically reached.

SELF ASSESSMENT EXERCISE

1. Briefly explain the term market imperfection
2. Explain the Structures of Imperfect Markets
3. Distinguish between Imperfect Markets and Perfect Markets

3.2 Demand for Labour when market is non-competitive

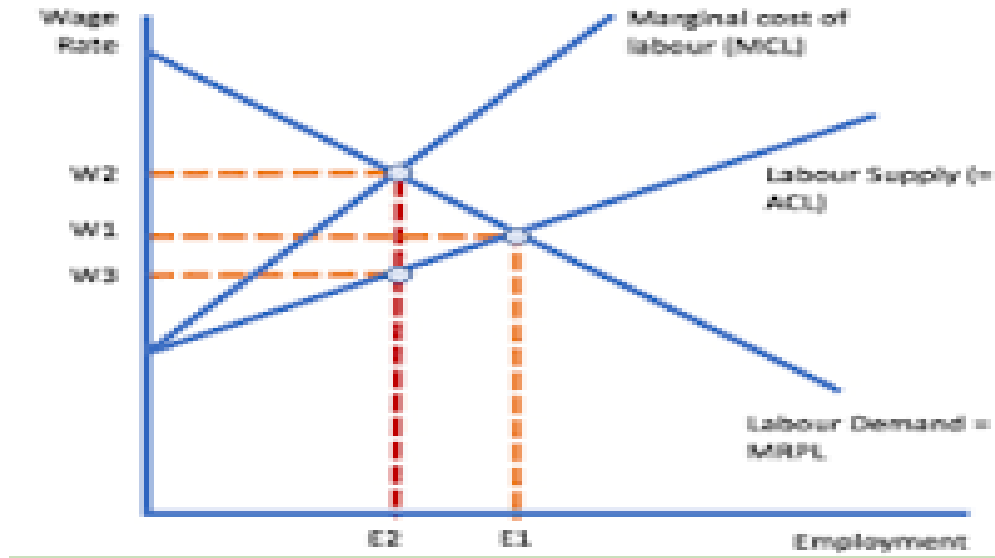
In the real world, labour markets are rarely perfectly competitive. This is because workers or firms usually have the power to set and influence wages and therefore wages may be set to levels different than anticipated by Marginal Revenue Product (MRP) theory. Imperfections in the labour market cause wages to differ from a competitive equilibrium.

Different Imperfections in the Labour Market

1. Monopsony
2. Trade unions
3. Discrimination
4. Difficult to measure productivity
5. Firms, not profit maximisers
6. Geographical immobility
7. Occupational immobility
8. Poor information

1. Monopsony

Monopsony occurs when there is just one buyer of labour in a market. This gives the firm market power in employing workers. The monopsony can set (lower) wages and limit the quantity of workers.

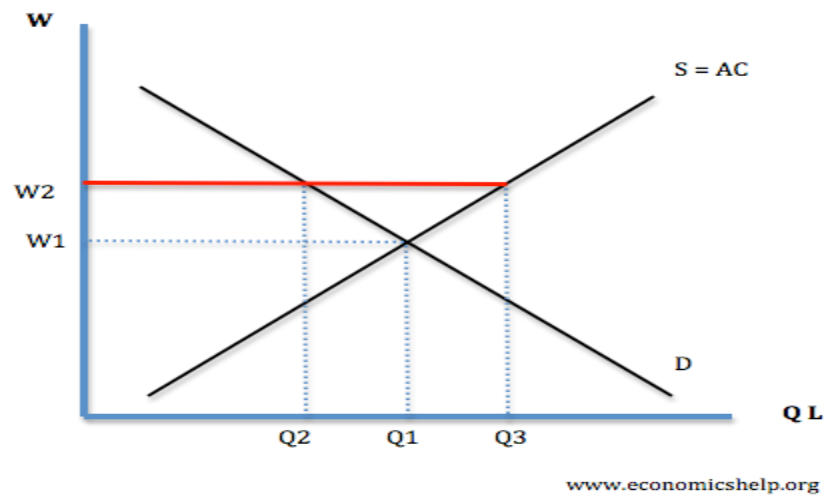


1. The marginal cost of employing one more worker will be higher than the average cost because to employ one extra worker the firm has to increase the wages of all workers.
2. To maximise the level of profit the firm employs E2 of workers where $MC = MRP$
3. Therefore the firm only has to pay a wage of W2. This is less than the competitive wage.

Even if there is more than one employer, firms may still have the ability to set wages and have a degree of monopsony power. For workers, there are significant costs and difficulties in moving between employers. This means that if wages are low, it is costly to give up the job and work for a firm with slightly higher wages.

2. Trades Unions

Under certain conditions, Trades unions can bargain for wages above the competitive equilibrium. This can be achieved by restricting the supply of labour (e.g. closed shops) or threatening to go on strike.



Trades Unions can cause higher wages, however, in competitive markets, this can have the effect of causing unemployment of $Q1 - Q2$. However, Trades Unions can be beneficial if:

1. They operate in an industry with a Monopsonist employer
2. They help to increased productivity by bringing in new working practices
3. Demand for labour is inelastic
4. Efficiency wage theories – when higher wages lead to higher productivity.

3. Discrimination

Firms may not be rational but pay some workers different wages on the grounds of age, race, or gender.

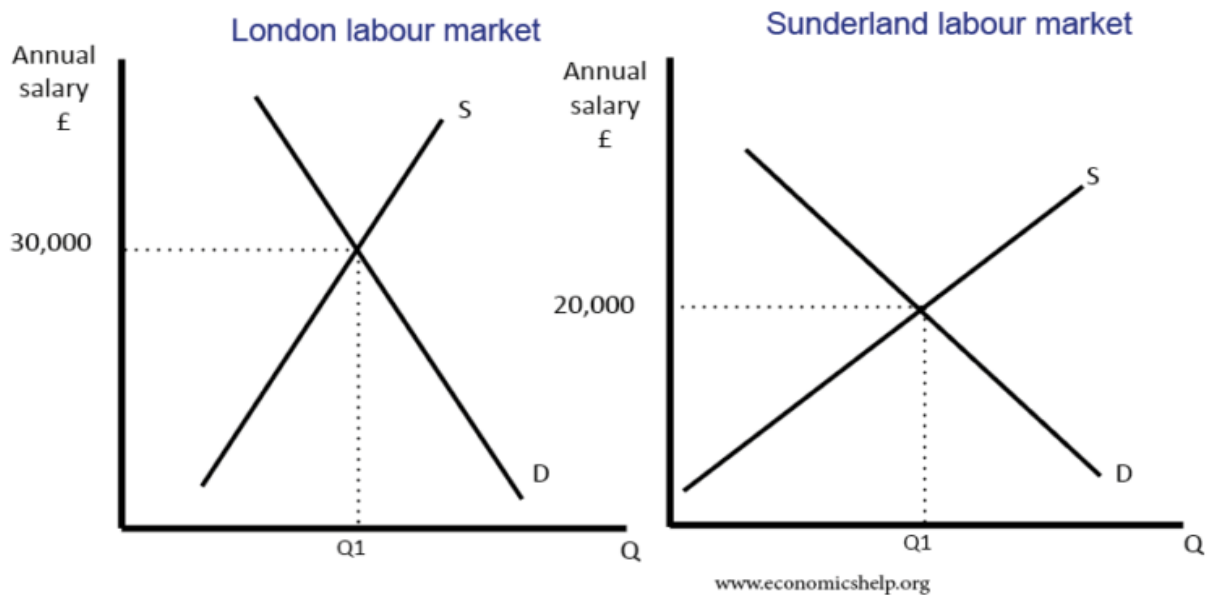
4. Difficult to measure productivity

The theory of MRP assumes firms can measure the MPP of a worker however in practice this is difficult because in many jobs, especially in the service sector productivity cannot be measured precisely. e.g. how do we measure the productivity of nurses and teachers? Therefore, wages may be set due to different reasons other than MRP.

5. Firms may be non-profit maximizers

If demand for a product falls, MRP theory suggests wages are likely to fall. However, firms may be reluctant to cut wages or make people redundant therefore they may keep paying high wages despite this.

6. Wages will vary due to geographical differences



In the north (e.g. Sunderland), wages tend to be lower because there are less demand, higher unemployment and more elastic supply curve of labour. In the South, wages tend to be higher for the opposite reason – firms are more profitable and are willing to pay higher wages.

In theory, workers from the north could move to the south to take advantage of better employment opportunities. However, there are likely to be geographical immobility – e.g. it is difficult for workers to move. Geographical immobility can include

1. Workers have attachments to their local communities – friends, children at local schools.
2. Difficult to find housing in the south.
3. Poor information about jobs elsewhere

7. Occupational immobility

Even at periods of full employment (strong economic growth) workers can be unemployed due to occupational immobility. This involves having inadequate skills for the labour market. In a fast-changing economy, some workers can be left behind when old industries close down and their former skills are not transferable to new jobs. For example, manual workers from manufacturing may struggle in a high-tech service sector based economy. This can lead to structural unemployment.

8. Poor information

Workers or firms may suffer from poor information. E.g. workers may be unaware of better-paid jobs elsewhere. Poor information is one factor that enables firms to have monopsony power.

SELF ASSESSMENT EXERCISE

Explain the demand for labour in non-competitive market.

4.0 CONCLUSION

In conclusion, an imperfect market is one in which individual buyers and sellers can influence prices and production, where there is no full disclosure of information about products and prices, and where there are high barriers to entry or exit in the market. It's the opposite of a perfect market, which is characterized by perfect competition, market equilibrium, and an unlimited number of buyers and sellers.

5.0 SUMMARY

In summary, in the world of reality there exists imperfect competition rather than perfect competition. Therefore, Mrs. Joan Robinson and Prof. Pigou gave the wage rate determination under the conditions of imperfect competition. This section examined the Labour demand when the labour market is not competitive, Implications of Imperfect Markets, Structures of Imperfect Markets, Imperfect Markets versus Perfect Markets,

Demand for Labour when market is non-competitive and Different Imperfections in the Labour Market.

6.0 TUTOR-MARKED ASSIGNMENT

1. Briefly explain the term market imperfection
2. Explain the Structures of Imperfect Markets
3. Distinguish between Imperfect Markets and Perfect Markets
4. Explain the demand for labour in non-competitive market.

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UNIT 3: Monopsony in the Labour Market

CONTENT

1.0 Introduction

2.0 Objectives

3.0 Main Contents

3.1 Monopsony in Product Market

3.2 Monopsony in the Labour Market

3.3 Determination of Wages under Monopsonist Market

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignments

7.0 References/Further Readings

1.0 INTRODUCTION

A monopsony occurs when there is a sole or a dominant employer in a labour market. This means that the employer has buying power over their potential employees. ... Monopsony is a potential cause of labour market failure. For a monopsony employer, the supply curve of labour equals the average cost of labour.

Most examples of monopsony have to do with the purchase of workers' time in the labor market, where a firm is the sole purchaser of a certain kind of labor. ... The classic example of a monopsony is a company town, where the coal company acts as the sole employer and therefore the sole purchaser of labor in the town.

2.0 OBJECTIVES

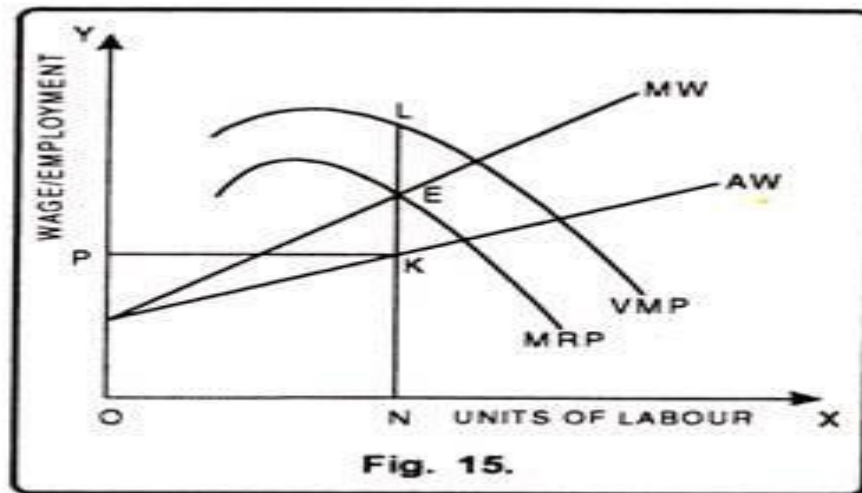
At the end of this unit, students are expected to:

- Explain the concept of monopsony in the labour market

3.0 MAIN CONTENT

3.1 Monopoly in Product Market

When there exist monopoly in product market and monopsony in labour market then there is difference between marginal revenue product and value of marginal product. Value of marginal product refers to the product of MPP and the price of the commodity. It can be explained with the help of a figure.



In Fig. 15 MRP is the marginal revenue product curve and VMP is the value of marginal product curve. The VMP curve is above the MRP curve. The monopsonist is in equilibrium at point E. The monopsonist employs ON units of labour and wage rate OP is determined in the market.

Monopoly in the product market and monopsony in the factor market leads to the double exploitation of labour, i.e., monopolistic exploitation and Monopsonistic exploitation. At this equilibrium level monopolistic exploitation is EL while the Monopsonistic exploitation is equal to EK.

SELF ASSESSMENT EXERCISE

1. Describe the concept of monopsonist

3.2 Monopsony in Labour Market

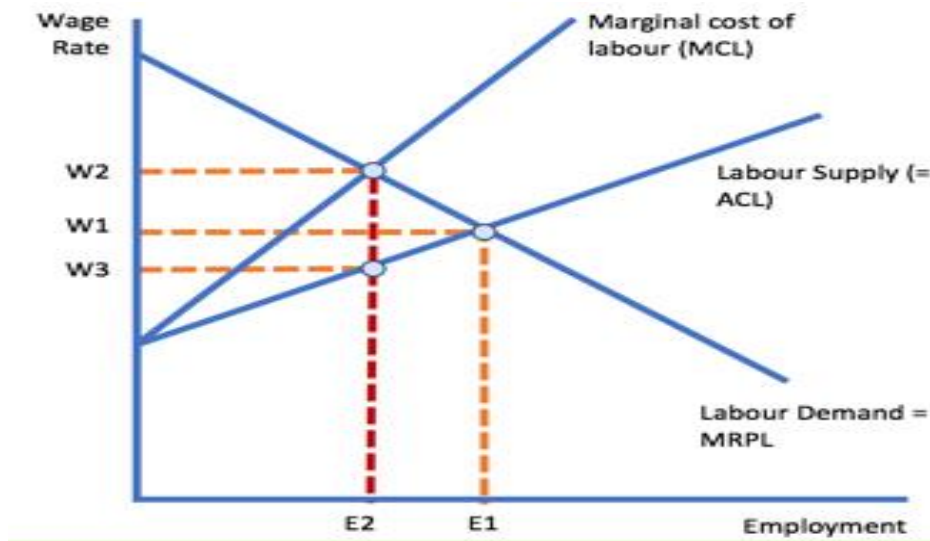
This means that the employer has buying power over their potential employees. This gives them wage-setting power in the industry labour market.

Monopsony is a potential cause of labour market failure. For a monopsony employer, the supply curve of labour equals the average cost of labour. The monopsony employer will have to bid up wages in order to attract new workers. However, the wage they pay will not necessarily be equal to the true marginal revenue product of people they have employed.

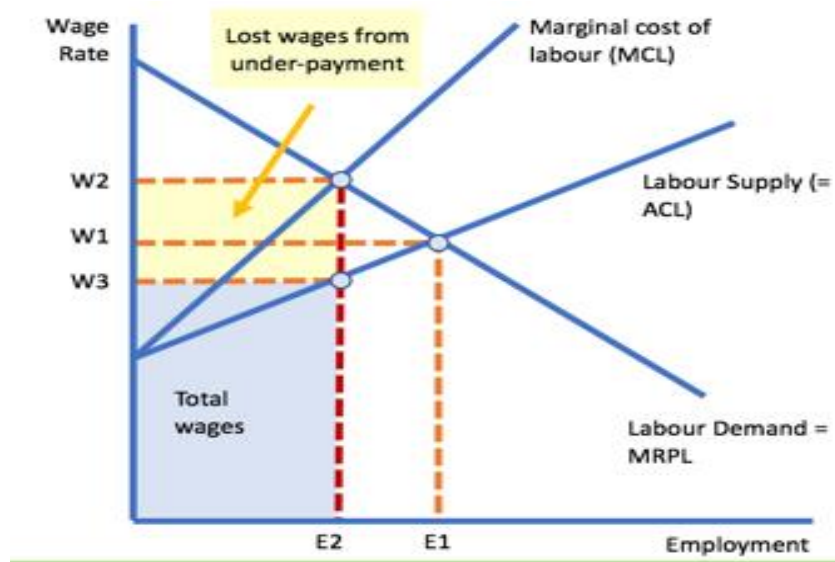
3.3 Determination of Wages under Monopsonist Market

A monopsony exists if there is only one buyer of labor in the resource market. The monopsonist pays as low a wage as possible to attract the number of workers needed. The interaction of market demand (D) and supply (S) determines the wage and the level of employment. A monopsony exists if there is only one buyer of labor in the resource market. The monopsonist pays as low a wage as possible to attract the number of workers needed.

Profit maximizing employment level is where $MCL=MRPL$ i.e. E2 number of people are employed. Their marginal revenue product is valued at $W2$. Monopsony power of the employer allows them to pay a wage rate $W3$.



Monopsony employer can use their buying power to pay a wage lower than the value of the marginal revenue product of workers employed at E2. Monopsony power can therefore lead to exploitation of employed workers.



SELF ASSESSMENT QUESTION

1. Explain the concept of monopsony in the labour market
2. Use diagram and explain how Wages are determination under Monopsonist Market

MODULE THREE: Labour Unions and Determination of Equilibrium Wages

UNIT 1 Evolution of unions and collective bargaining

UNIT 2 Determination of equilibrium wages

UNIT 1 Evolution of Unions and Collective Bargaining

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Evolution of Labour Unions

3.2 Trade Union in Nigeria

3.3 Collective Bargaining

3.4 Classification of Bargaining

3.5. Characteristics of collective bargaining

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 INTRODUCTION

Trade unions and collective bargaining were outlawed from no later than the middle of the 14th century, when the Ordinance of Laborers was enacted in the Kingdom of England, but their way of thinking was the one that endured down the centuries, inspiring evolutions and advances in thinking which eventually gave workers their necessary rights. As collective bargaining and early worker unions grew with the onset of the Industrial Revolution, the government began to clamp down on what it saw as the danger of popular unrest at the time of the Napoleonic Wars. In 1799, the Combination Act was passed, which banned trade unions and collective bargaining by British workers. Although the unions were subject to often severe repression until 1824, they were already widespread in cities such as London. Workplace militancy had also manifested itself

as Luddism and had been prominent in struggles such as the 1820 rising in Scotland, in which 60,000 workers went on a general strike, which was soon crushed. Sympathy for the plight of the workers brought repeal of the acts in 1824, although the Combination Act 1825 severely restricted their activity.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Understand the process of Collective Bargaining
- Identify types of Collective Bargaining
- Evolution of Trade Unions

3.0 MAIN CONTENT

3.1. Evolution of Labour Unions

The origins of trade unions can be traced back to 18th century Britain, where the rapid expansion of industrial society then taking place drew women, children, rural workers and immigrants into the work force in large numbers and in new roles. They encountered a large hostility in their early existence from employers and government groups; at the time, unions and unionists were regularly prosecuted under various restraint of trade and conspiracy statutes. This pool of unskilled and semi-skilled labour spontaneously organized in fits and starts throughout its beginnings,^[2] and would later be an important arena for the development of trade unions. Trade unions have sometimes been seen as successors to the guilds of medieval Europe, though the relationship between the two is disputed, as the masters of the guilds employed workers (apprentices and journeymen) who were not allowed to organize

A trade union (or a labor union in the U.S.) is an association of workers forming a legal unit or legal personhood, usually called a "bargaining unit", which acts as bargaining agent and legal representative for a unit of employees in all matters of law or right arising from or in the administration of a collective agreement. Labour unions typically fund the formal organization, head office, and legal team functions of the labour union through

regular fees or union dues. The delegate staff of the labour union representation in the workforce is made up of workplace volunteers who are appointed by members in democratic elections.

Today, unions are usually formed for the purpose of securing improvement in pay, benefits, working conditions, or social and political status through collective bargaining by the increased bargaining power wielded by the banding of the workers.^[1] The trade union, through an elected leadership and bargaining committee, bargains with the employer on behalf of union members (rank and file members) and negotiates labour contracts (collective bargaining) with employers. The most common purpose of these associations or unions is "maintaining or improving the conditions of their employment".^[2] This may include the negotiation of wages, work rules, occupational health and safety standards, complaint procedures, rules governing status of employees including promotions, just cause conditions for termination, and employment benefits.

Unions may organize a particular section of skilled workers (craft unionism), a cross-section of workers from various trades (general unionism), or attempt to organize all workers within a particular industry (industrial unionism). The agreements negotiated by a union are binding on the rank and file members and the employer and in some cases on other non-member workers. Trade unions traditionally have a constitution which details the governance of their bargaining unit and also have governance at various levels of government depending on the industry that binds them legally to their negotiations and functioning.

Originating in Great Britain, trade unions became popular in many countries during the Industrial Revolution. Trade unions may be composed of individual workers, professionals, past workers, students, apprentices or the unemployed. Trade union density, or the percentage of workers belonging to a trade union, is highest in the Nordic countries

3.1.1 Trade Union in Nigeria

A trade union organises the working people and their struggles within industry. There are other types of organisations which perform similar roles in communities and educational institutions. Examples are student unions.

Government and business entrepreneurs generally seek to limit attainment of the aims and purposes of trade unions. In terms of the Nigerian Trade Union Act (Section 1 of the Trade Union Act of 1973, as amended in 2005), the major aim and purpose of a union is the representation of workers in the regulation of wages and working conditions within industry.

Trade unions are also concerned about the political life of the country, the economy and the social position of workers in terms of education, health care, welfare, etc. Acting alone or together with communities, students and social movements, the trade union is a major centre of people's power.

Wherever capitalist industrialists expand their profit-seeking activities across the globe, the idea of trade unionism follows. By the late 1800s and early 1900s British capitalists set up industries in many countries in South, East and West Africa and several other places. In all these countries waged workers who were engaged in place of the forced labour previously used by the colonialists were employed under terrible conditions and for very low wages. As workers do in all such situations, they resisted their exploitation.

The first industrial action of workers in Nigeria was recorded in 1897. The trade union movement in Nigeria emerged out of this early resistance. The first formal trade union was established on 19th of August, 1912. It was called the Nigeria Civil Service Union. However, this union was not recognised and therefore suffered harassment by employers until 1938 when the Trade Union Ordinance was enacted. This law opened the way for the registration of trade unions in the country.

SELF ASSESSMENT EXERCISE

1. What is Collective Bargaining?
2. Identify Types of Collective Bargaining

3. Discuss Evolution of Unions

3.2 Collective Bargaining

Collective bargaining is a process of negotiation between employers and a group of employees aimed at agreements to regulate working salaries, working conditions, benefits, and other aspects of workers' compensation and rights for workers. The interests of the employees are commonly presented by representatives of a trade union to which the employees belong. The collective agreements reached by these negotiations usually set out wage scales, working hours, training, health and safety, overtime, grievance mechanisms, and rights to participate in workplace or company affairs.

Collective bargaining involves discussions and negotiations between two groups as to the terms and conditions of employment. It is called 'collective' because both the employer and the employee act as a group rather than as individuals. It is known as 'bargaining' because the method of reaching an agreement involves proposals and counter proposals, offers and counter offers and other negotiations. Thus, collective bargaining:

1. is a collective process in which representatives of both the management and employees participate?
2. is a continuous process which aims at establishing stable relationships between the parties involved?
3. not only involves the bargaining agreement, but also involves the implementation of such an agreement.
4. attempts in achieving discipline in the industry is a flexible approach, as the parties involved have to adopt a flexible attitude towards negotiations.

3.2.1 The main characteristics of collective bargaining are:

1. **Collective Process:** The representatives of both the management and the employees participate in it. Employer is represented by its delegates and on the

other side employees are represented by their trade union. Both the groups sit together at the negotiating table and reach at some agreement acceptable to both.

2. **Continuous Process:** It is a continuous process. It does not commence with negotiations and end with an agreement. It establishes regular and stable relationship between the parties involved. It involves not only the negotiation of the contract, but also the administration or application of the contract also. It is a process that goes on for 365 days of the year.
3. **Flexible and Mobile:** It has fluidity. There is no hard and fast rule for reaching an agreement. There is ample scope for compromise. A spirit of give-and-take works unless final agreement acceptable to both the parties is reached.
4. **Bipartite Process:** Collective bargaining is a two-party process. Both the parties—employers and employees—collectively take some action. There is no intervention of any third party. It is mutual give – and –take rather than a take-it-or-leave it method of arriving at the settlement of a dispute.
5. **Dynamic:** Collective bargaining is a dynamic process because the way agreements are arrived at, the way they are implemented, the mental make-up of parties involved keeps changing. As a result, the concept itself changes, grows and expands overtime. It is scientific, factual and systematic.
6. **Industrial Democracy:** It is based on the principle of industrial democracy where the labor union represents the workers in negotiations with the employer or employers. It is a joint formulation of company policy on all matters affecting the labor.
7. **Complementary Process:** Collective bargaining is essentially a complementary process, i.e., each party needs something which the other party has, namely, labor can put greater productive effort and management has the capacity to pay for that effort and to organize and guide it for achieving the organizational objectives.
8. **It is an Art:** Collective bargaining is an art, an advanced form of human relations.
9. **Discipline in Industry:** Collective bargaining is an attempt in achieving and maintaining discipline in the industry.

10. Industrial Jurisprudence: It is an effective step in promoting industrial jurisprudence.

3.2.2 Steps in the Collective Bargaining Process

There are three distinct steps in the process of collective bargaining; (1) the creation of the trade agreement, (2) the interpretation of the agreement, and (3) the enforcement of the agreement. Each of these steps has its particular character and aim, and therefore, each requires a special kind of intellectual and moral activity and machinery.

1. The Creation of the Trade Agreement

In negotiating the contract, trade unions representatives and management present their demands to each other, compromise their differences, and agree on the conditions under which the workers are to be employed for the duration of the contract. The coverage of collective bargaining is very uneven; in some industries almost all the workers are under agreement, while in others only a small portion of the employees of the firms are covered by the agreement.

The negotiating process is the part of collective bargaining more likely to make headline news and attract public attention; wage increases are announced, ominous predictions about price increases and reduction in employment are made. And it is in the negotiating process that strikes and threats of strikes are most liable to occur, particular strikes which shut down an entire industry.

2. The Interpretation of the Agreement

The administrative process is the day-to-day application of the provisions of the contract to the work situation. At the time of writing the contract, it is impossible to foresee all the special problems which will arise in applying its provisions. Sometimes, it is a matter of differing interpretations of specific clause in the contract, sometimes, it is a question of whether the dispute is even covered by the contract. Nevertheless, each case must somehow be settled. The spirit of the contract should not be violated. The methods that management and the union jointly adopt for this purpose constitute the administrative process.

3. Enforcement of the Agreement

Proper and timely enforcement of the contract is very essential for the success of collective bargaining. If a contract is enforced in such way that it reduces or nullifies the benefits expected by the parties, it will defeat basic purpose of collective bargaining. It may give rise to fresh industrial disputes. Hence, in the enforcement of the contract the spirit of the contract should not be violated.

However, new contracts may be written to meet the problems involved in the previous contract. Furthermore, as day-to-day problems are solved, they set precedents for handling similar problems in future. Such precedents are almost as important as the contract in controlling the working conditions. In short, collective bargaining is not an on-and-off relationship that is kept in cold storage except when new contracts are drafted. Rather it is continuously, going relationship that takes on new dimensions each day.

The basic objective of collective bargaining is to arrive at an agreement between the management and the employees determining mutually beneficial terms and conditions of employment.

3.3 The collective bargaining process involves five core steps:

1. Pre-negotiation: This is the first stage involved in a bargaining process is also known as 'preparation for negotiation'. ...
2. Negotiators: On the company side, the particular negotiator may be any one of a number of persons. ...
3. Negotiation: ADVERTISEMENTS: ...
4. Agreement or Contract: ...
5. Implementation of Agreement:

3.4 Classification of bargaining

There are three main classifications of bargaining topics: mandatory, permissive, and illegal. Wages, health and safety, management rights, work conditions, and benefits fall

into the mandatory category. A collective bargaining topic, such as wages, that must be discussed in the agreement.

3.5. The main characteristics of collective bargaining are:

1. Collective Process: The representatives of both the management and the employees participate in it. ...
2. Continuous Process: It is a continuous process. ...
3. Flexible and Mobile: It has fluidity. ...
4. Bipartite Process: Collective bargaining is a two-party process.

SELF ASSESSMENT EXERCISE

How does externality make market inefficient?

What are the benefits of positive externality especially education?

4.0. CONCLUSION

In this unit, we can conclude that, collective bargaining involves discussions and negotiations between two groups as to the terms and conditions of employment.

5.0 SUMMARY

In this unit, we have discussed the collective bargaining process, the main characteristics of collective bargaining, Steps in the collective bargaining Process, classification of bargaining and the main characteristics of collective bargaining.

6.0. TUTOR-MARKED ASSIGNMENT

1. Understand the process of Collective Bargaining
2. Identify Types of Collective Bargaining
3. Evolution of Trade Unions
4. How does externality make market inefficient?
5. What are the benefits of positive externality especially education?

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UNIT 2: Determination of Equilibrium Wages

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Equilibrium Determination
 - 3.2 Labor Union Impacts on Equilibrium wage
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Classical economists argue that wages—the price of labor—are determined (like all prices) by supply and demand. They call this the market theory of wage determination. When workers sell their labor, the price they can charge is influenced by several factors on the supply side and several factors on the demand side. The most basic of these is the number of workers available (supply) and the number of workers needed (demand). In addition, wage levels are shaped by the skill sets workers bring and employers need, as well as the location of the jobs being offered.

The interplay between all of these factors will eventually cause wages to settle—that is, the number of workers, the number of jobs, the skills involved, and the location of the jobs will eventually lead workers and employers to reach a series of wage agreements. If employers (demand) cannot find enough workers to meet their needs, they will keep raising their wage offers until more workers are attracted. If workers are in abundance (supply), wages will fall until the surplus labour decides to go elsewhere in search of jobs. When supply and demand meet, the **equilibrium wage rate** is established.

Long story short: the price of labour is determined in the free market just like every other price, by the intersection of supply and demand.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Explain the equilibrium determination of wage

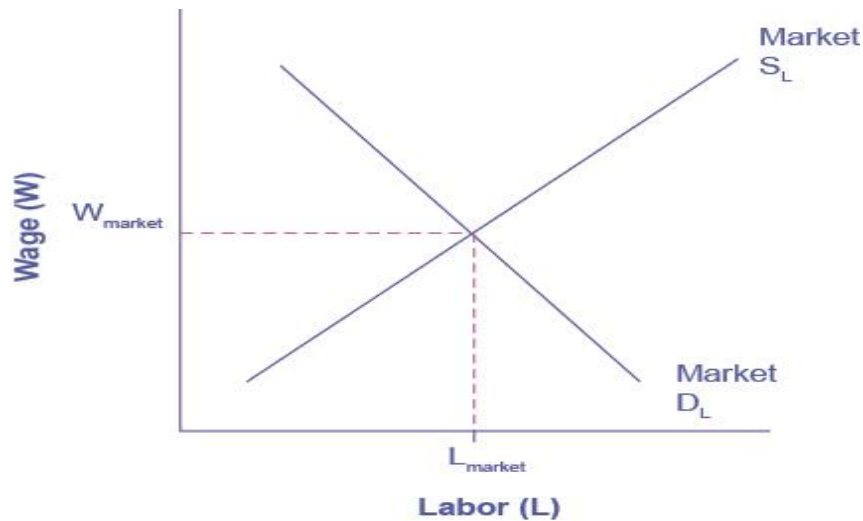
3.0 MAIN CONTENT

3.1 Equilibrium Determination

The equilibrium market wage rate is at the intersection of the supply and demand for labour. Employees are hired up to the point where the extra cost of hiring an employee is equal to the extra sales revenue from selling their output.

In the chapter on Labor and Financial Markets, we learned that the labor market has demand and supply curves like other markets. The demand for labor curve is a downward sloping function of the wage rate. The market demand for labor is the horizontal sum of all firms' demands for labor. The supply for labor curve is an upward sloping function of the wage rate. This is because if wages for a particular type of labor increase in a particular labor market, people with appropriate skills may change jobs, and vacancies will attract people from outside the geographic area. The market supply for labor is the horizontal summation of all individuals' supplies of labor.

Under perfect competition, equilibrium wage rate is determined where demand for labour is equal to supply of labour. In other words, under perfect competition, a labourer will get wage equal to its marginal revenue productivity in the long run.



Like all equilibrium prices, the market wage rate is determined through the interaction of supply and demand in the labor market. Thus, we can see in (Figure above) for competitive markets the wage rate and number of workers hired.

Comparing wage of lawyers and McDonalds workers

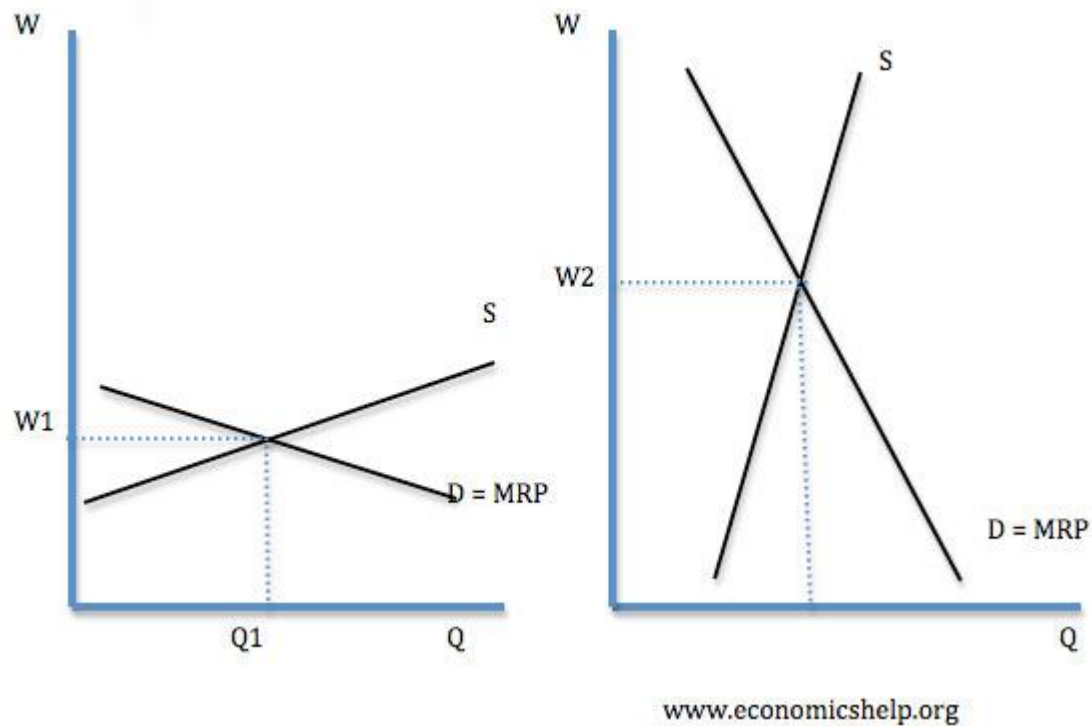
Lawyers get higher pay for two reasons.

1. Supply of lawyers is inelastic because of the qualifications required.
2. The Marginal Revenue Product (MRP) of lawyers is high. If they are successful, they can make firms a lot of revenue.

McDonald's workers, however, get lower pay because:

1. Supply of cleaners is elastic because there are many thousands of people who are suitable for working, qualifications are not really required.
2. The MRP of a McDonald's worker is much lower because there is a limited profit to be made from selling Big Macs.

Diagram of wage determination for lawyers and McDonald's workers

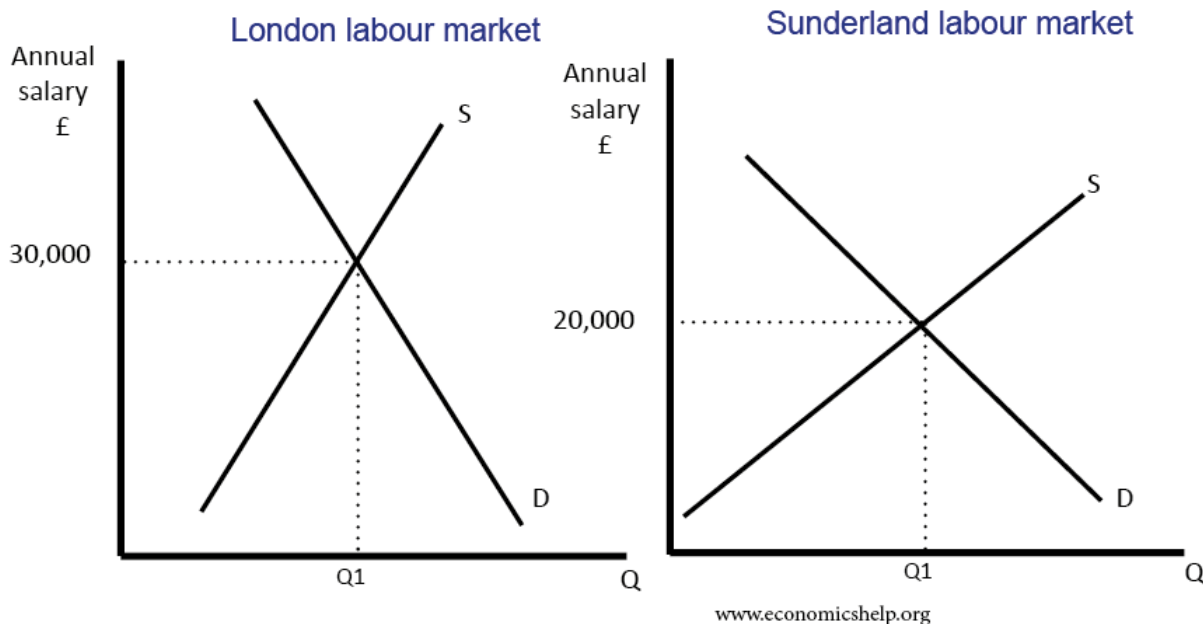


The wage rate on the right is higher because supply is more inelastic and demand is higher.

How realistic is the model of perfect competition in labour markets?

1. In practice, it is difficult for workers to shift between employers.
2. There are significant costs and immobilities to moving between jobs.
3. Firms have a degree of monopsony power which enables them to pay wages lower than a competitive equilibrium
4. Existence of unemployment gives firms more monopsony power
5. Some workers have only a limited choice of employer. For example, nurses, firemen, train-drivers will face one main employer (monopsony power).

Wage determination by geographical area



3.2 Labour Union impact on equilibrium wage

Unions are organizations of workers that seek to improve working conditions and raise the equilibrium wage rate.

A labor union is an organization of workers who have banded together to achieve common goals. The primary activity of the union is to bargain with the employer on behalf of union members and negotiate labor contracts. The most common purpose of associations or unions is maintaining or improving the conditions of employment, which may include the negotiation of wages, work rules, complaint procedures, promotions, benefits, workplace safety, and policies.

In order to achieve these goals, unions engage in collective bargaining: the process of negotiation between a company's management and a labor union. When collective bargaining fails, union members may go on strike, refusing to work until a firm addresses the workers' grievances.

3.2.1 Union Impacts on Equilibrium

Fundamentally, unions seek higher wages for its member workers (though, here “wages” encompasses all types of compensation, not just cash paid to the workers by the employer). The effect of unions on the labor market equilibrium can be analyzed like any other price increase. If employers (those who demand labor) have an inelastic demand for labor, the increase in wages (the price of labor) will not translate into a drop in employment (quantity of labor supplied). If, however, their demand is elastic, employers will simply respond to union demands for higher wages by hiring fewer workers.

However, the reality of unions is more complex. As an organized body, unions are also active in the political realm. They can lobby for legislation that will affect the market not only for labor, but also for the goods they produce. For example, unions may advocate for trade restrictions to protect the markets in which they work from foreign competition. By preventing domestic firms from having to compete with unrestricted foreign firms, they can ensure that consumers do not have lower cost alternatives which would drive employers who pay a higher union wage out of business.

SELF ASSESSMENT EXERCISE

1. Use diagram and explanation to show equilibrium is determine in labour market.
2. Explain the equilibrium determination of wage

4.0. CONCLUSION

In this unit, we can conclude that, Classical economists argue that wages—the price of labor—are determined (like all prices) by supply and demand. They call this the market theory of wage determination. When workers sell their labor, the price they can charge is influenced by several factors on the supply side and several factors on the demand side. In the section, is it also concluded that, on Labor and Financial Markets, we learned that the labor market has demand and supply curves like other markets.

5.0 SUMMARY

This section gives the summary on how equilibrium wage rate is determined under Labor Union. It also gives the summary in comparing wage of lawyers and McDonalds workers and its diagrammatical expression on how wage rate is determined for lawyers and McDonald's workers; how realistic is the model of perfect competition in labour markets and wage determination by geographical area

6.0. TUTOR-MARKED ASSIGNMENT

1. Use diagram and explanation to show equilibrium is determine in labour market.
2. Explain the equilibrium determination of wage

7.0 REFERENCES/FURTHER READINGS

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MODULE FOUR: Wage Discrimination (Gender, Race, and Inequality in Earnings)

UNIT 1 Why wage differentials exist amongst similar workers

UNIT 2 Theories of Market Discrimination

UNIT 3 Programs to end discrimination

UNIT 1 Why wage differentials exist amongst similar workers

CONTENTS

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1.0 INTRODUCTION

In economics, the price paid to labour for its contribution to the process of production is called wages. Labour is an important factor of production. If there is no labour to work, all other factors, be it land or capital, will remain idle. Thus, Karl Marx termed labour as the “creator of all value”.

However, labour alone cannot produce as most of the production is the result of joint efforts of different factors of production. Therefore, the share of the produce paid to labour for its production activity is called wage.

2.0 OBJECTIVES

At the end of this unit, you should be able to Understand the:

- Meaning of Wages
- Types of wages
- Concept of wages
- Difference between real and money wages
- Reasons for wage differential

3.1. Meaning of Wages

“A wage may be defined as the sum of money paid under contract by an employer to worker for services rendered.” -Benham

“Wages is the payment to labour for its assistance to production.” -A.H. Hansen

‘Wage rate is the price paid for the use of labour.’ -Mc Connell

“A wage is price, it is the price paid by the employer to the worker on account of labour performed.” -J.R. Turner

3.1.1 Types of Wages:

In real practice, wages are of many types as follows:

1. Piece Wages:

Piece wages are the wages paid according to the work done by the worker. To calculate the piece wages, the number of units produced by the worker is taken into consideration.

2. Time Wages:

If the labourer is paid for his services according to time, it is called as time wages. For example, if the labour is paid Rs. 35 per day, it will be termed as time wage.

3. Cash Wages:

Cash wages refer to the wages paid to the labour in terms of money. The salary paid to a worker is an instance of cash wages.

4. Wages in Kind:

When the labourer is paid in terms of goods rather than cash, is called the wage in kind. These types of wages are popular in rural areas.

5. Contract Wages:

Under this type, the wages are fixed in the beginning for complete work. For instance, if a contractor is told that he will be paid Rs. 25,000 for the construction of building, it will be termed as contract wages.

3.1.2 Concepts of Wages:

The following are the two main concepts of wages:

A. Nominal Wage:

B. Real Wage:

A. Money Wages or Nominal Wages:

The total amount of money received by the labourer in the process of production is called the money wages or nominal wages.

B. Real Wages:

Real wages mean translation of money wages into real terms or in terms of commodities and services that money can buy. They refer to the advantages of worker's occupation, i.e. the amount of the necessities, comforts and luxuries of life which the worker can command in return for his services. An example will make the things clear. Suppose 'A' receives Rs. 500 p.m. as money wages during the year. Suppose also that midway through the year the prices of commodities and services, that the worker buys, go up, on the average, by 50%.

3.1.3 Distinction between Real and Money Wages:

Adam Smith has distinguished the money wages and real wages on the following basis:

1. Relation with Price:

Keeping all other things constant, there exists inverse relation between real wages and price i.e. with the increase in price level real wages tend to decline and vice-versa.

2. Money and Real Wages:

Ceteris paribus, an increase in money wages will lead to an increase in real wages. It is due to the reason that with the increase in money wages, a labourer can purchase more goods and services than before.

3. Basic Difference:

According to Adam Smith, money wages are paid in terms of the quantity of money whereas real wages are paid in terms of necessities of life. Therefore, money wages are expressed in terms of money and that of real wages in terms of goods and services.

SELF ASSESSMENT EXERCISE

1. Explain the concept of wages
2. Distinction between Real and Money Wages
3. Outline and explain the types of wages known to you

3.2 Reasons for wage differential

Even in countries where market forces primarily set wage rates, studies show that there are still differences in remuneration for work based on sex and race. For example, according to the U.S. Bureau of Labor Statistics, in 2007 women of all races made approximately 80% of the median wage of their male counterparts. This is likely due to the supply and demand for women in the market because of family obligations. Similarly, white men made about 84% the wage of Asian men, and black men 64%. These are overall averages and are not adjusted for the type, amount, and quality of work done.

The five causes of wage differentials are as follows: 1. Occupational Differences 2. Inter-firm Differentials 3. Regional Differences 4. Inter-Industry Differences 5. Personal Wage Differences.

As there are individual differences, so are wage differentials also. An organisation offers different jobs, thus, differentials in wages for different jobs are inevitable. Wage

differentials are also known as inter-industry, inter-firm, inter-area or geographical differentials.

Wage differentials may be due to following causes:

1. Occupational Differences:

Occupations in an organization widely differ from one another in terms of skill requirement and the extent of requirement and the extent of responsibility. Accordingly, wages vary from occupation to occupation. Such differences in occupations induce people/workers to undertake more challenging jobs, encourage workers to develop their skills by way of education and training. It is varying skill requirement for different occupation that shapes the manpower planning in an organization-be it an industrial organization or educational institution.

2. Inter-firm Differentials:

There are wage differentials of workers in different plants in the same area and occupation. Factors like differences in quality of labour employed by different firms, imperfections in the labour market and differences in the efficiency of equipment's and supervision result in inter-firm wage differentials. Added to these are differences in technological advance, managerial efficiency, financial capability, firm's age and size, availability of raw material, power and transport facilities also account for differences in wages among firms.

3. Regional Differences:

Not only wages differ among occupations, but these also differ in case of workers working in the same occupation at different geographical regions. These differences are the result of working conditions prevalent in different regions of the country. For example; the Central Government employees serving in the remote and disturbed areas like the North Eastern States of India are paid additional remuneration in the form of the Remote Area Allowance. Sometimes, such wage differentials are used to attract people to serve in particular regions.

4. Inter-Industry Differences:

These differences in wages surface in case of workers working in the same occupation and the same area but in different industries. These differences are the result of varying skill requirements, level of unionization, nature of product market, ability to pay, the stage of development of an industry, etc.

5. Personal Wage Differences:

These differences arise because of the differences in the personal characteristics (age or sex) of workers working in the same unit and occupation. Though provision of 'equal pay for equal work' is certainly there, but it is still not the reality. Instances are there when woman worker is paid less than her male counterpart for doing the same job. Of course, there are other reasons also which cause wage differentials between male and female workers.

After all, what is the rationale behind wage differentials? There are two views about it. One, in view of the principles of socialistic pattern of society in which the object of the representative. Government is to minimize inequalities, in incomes and distribution of wealth.

Two, wage differentials are justified given the wide differences in demand and supply of jobs along with wide variations in job requirements like skill, ability, aptitude, knowledge, experience and so on. That wage differentials full exploitation of the national resources is yet another justification given in support of wage differentials.

SELF ASSESSMENT EXERCISE

1. What is wage differential?
2. Why wages differ in different occupations?

4.0. CONCLUSION

In this unit, we can conclude that, in economics, the price paid to labour for its contribution to the process of production is called wages. Labour is an important factor of

production. If there is no labour to work, all other factors, be it land or capital, will remain idle.

5.0 SUMMARY

In this unit, we have discussed why wage differentials exist amongst similar workers. Types of Wages; Concepts of Wages; distinction between Real and Money Wages; Reasons for wage differential; and lastly wage differentials may be due to following causes:

6.0 TUTOR-MARKED ASSIGNMENT

1. Explain the concept of wages
2. Why wage differs in similar occupations
3. Distinction between Real and Money Wages
4. Outline and explain the types of wages known to you
5. What is wage differential?
6. Why wages differs in different occupations?

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UNIT 2: Theories of Market Discrimination

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Meaning of Market Discrimination

3.1.1 Types of Discrimination

3.1.2 Discrimination - Effect on Demand and Supply

3.2 Theories of labour Market Discrimination

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 INTRODUCTION

Labour Market Discrimination is defined as a situation where workers or groups of workers are treated differently in terms of recruitment, pay, benefits and promotion from other workers or groups due to their non-economic characteristics, including gender, race, religion and age.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Understand the meaning of labour market discrimination
- List some types of labour market discrimination
- Explain the effects of discrimination on demand and supply

3.0 MAIN CONTENT

3.1 Meaning of Labour Market discrimination

Labor discrimination as defined by Kenneth Arrow is “the valuation in the market place of personal characteristics of the worker that are unrelated to worker productivity”. It can

be thus understood as the differentiation of workers based on characteristics such as color, race, origin, gender etc. that can be classified as factors that do not have a role in determining his or her productivity. There are multiple dimensions that need to be considered when discussing such discrimination. The most obvious is that the group discriminated against is paid less for identical jobs. This is known as wage discrimination and is the most prevalent form of discrimination. The attempt to combat such a form of discrimination can be seen in increasing equal pay legislation in different countries. Examples of this are the Equal Pay Act (1970), Sex Discrimination Act (1975), and Employment Protection Act (1975), but the effectiveness of such legislation is subject to much debate. Secondly, that the level of unemployment for the disadvantaged group in general is higher than that of other groups that do not face such discrimination. Thirdly, there is discrimination based on the kind of jobs that they have access to, the discriminated group given preference for repetitive and menial tasks. This is known as employment discrimination, where an individual is excluded from a job that is worked on by a person with equal productivity. When this happens, the disadvantaged group is employed for a job he or she is over-qualified for, simply because the group does not have access to better paying jobs in part to their counterparts and are denied opportunities of recruitment and promotion. A general misconception prevails that discrimination is only practiced by the employer. This is not true. In addition to employer discrimination, customer discrimination can also exist in the market. Customers may prefer to transact with only a certain kind of people.

Labour market discrimination is defined as a situation where workers or groups of workers are treated differently in terms of recruitment, pay, benefits and promotion from other workers or groups due to their non-economic characteristics, including gender, race, religion and age. This means that while workers may be equally productive, they are not treated the same. Treatment may be positive, where certain groups are favored, or negative, where groups are treated less favourable.

3.1.1 Types of Discrimination

1. Age.
2. Carer and parental status.
3. disability (including physical, sensory and intellectual disability, work related injury, medical conditions, and mental, psychological and learning disabilities)
4. Employment activity.
5. Gender identity, lawful sexual activity and sexual orientation.
6. Industrial activity.
7. Marital status.

3.1.2 Discrimination - Effect on Demand and Supply

In terms of demand, negative discrimination will lead to employers downgrading the expected value of employment of a particular group, and hence reducing the expected MRP, and shifting the demand curve to the left. The effect of this is to reduce the wage rate of the group discriminated against, as well as reducing employment prospects.

Also, some workers who fear they may be discriminated against may not seek employment in those firms that they perceive practice discrimination. Hence, they do not supply their labour to those types of firms. This shifts the potential supply curve to the left, and raises the relative wage rate of the favoured group.

Despite various Acts of Parliament, including the Equal Pay Act (1970), Sex Discrimination Act (1975), and Employment Protection Act (1975), considerable pay differences exist - though not all can be attributed to discrimination.

There are several policies that could be used to help reduce discrimination. Below are the following:

1. Long-term investment in education and training to prepare people better for the labour market.

2. Structural reforms to promote stronger and more sustainable economic growth which can boost demand for workers, creating a more competitive environment that forces managers to drop discriminatory hiring and promotion practices.
3. Specific anti-discrimination legislation backed up by effective enforcement.
4. Enforcement agencies should be empowered, even in the absence of individual complaints, to investigate companies and sanction employers when they find evidence of discrimination.

SELF ASSESSMENT EXERCISE

- With the aid of diagram explain Effect on Demand and Supply.
- Outline and explain the any five (5) types of discrimination

3.2 Theories of Labour Market Discrimination

Neoclassical Theories of Discrimination

Under this section, we shall basically deal with labour discrimination under the neoclassical label which builds on the human capital theory. To deal with the problem of such discrimination, it becomes important to answer two basic questions (i) To what extent is there a difference in the employment structure of various group based on differences in education and training and in contrast, to what extent are similarly qualified individuals belonging to different groups unequally treated? (ii) If such discrimination, as suggested, does exist, what are the explanations that can be provided to justify these?

Consumer Discrimination

Customer discrimination is a manifestation of personal prejudice of consumers such that they prefer to trade with individuals belonging to a certain group over others. A prevalent fact states that customers do not like being served by minorities or women.^[5] For example, a white customer may like to be served by a white worker. This leads to two consequences (i) There is a reduction in the demand for good that are sold by African-American workers and (ii) If the cost of the product is P , the customer acts like he is paying $P(1 + d)$, where Pd is the cost of discrimination.^[citation needed] The fact that customer

discrimination is still prevalent in the market leads to a number of consequences, one, that it leads to segregation of jobs such that minorities and women are segregated into jobs that do not require a high level of personal contact with customers and two, the decline in the manufacturing industry and a growth in the service sector will only aid in increasing the effects of this discrimination with a growth of jobs requiring face-to-face contact.

Statistical Discrimination

Statistical discrimination is said to occur when an employer projects group characteristic upon an individual which leads to him or her being discriminated against in the employment market. In the process of selecting a suitable candidate for a job, the employer has access to only that information which defines the productivity of the individual such as education, training, experience, age etc. These although do play a role, are not perfect measurements of productivity. In such cases, the employer supplements such information with other information that is prominent of the group he or she belongs to, for example, one's race and sex is easily identifiable from an interview. Thus, the employer may attach the characteristics of his/her race or sex to quantify or guess his productivity. This, thus, is a form of discrimination that arises not because of a deep-rooted personal prejudice that an employer holds against a prospective employee. Consider an example to illustrate this: Women, on an average, tend to have a shorter career life than males do and thus, even if they possess equal qualification as men, they tend to be less valuable to the company. Now, a career minded woman with equal qualifications as a man may be disadvantaged when applying for a job, because the employer may take into consideration the prevalent characteristics of the average women when comparing the two applications. Hence, the career minded woman is discriminated against. Statistical discrimination leads to a systematic preference of a worker over other individuals with the same characteristics, and leads to a situation where women or minorities equal to their counterparts in qualifications are paid less. The manifestation of the stigma is not due to personal preference but it has the same effects as if prejudice was present.

SELF ASSESSMENT EXERCISE

Explain the theories of labour discrimination

4.0. CONCLUSION

In this unit, we can conclude that, labour market discrimination is defined as a situation where workers or groups of workers are treated differently in terms of recruitment, pay, benefits and promotion from other workers or groups due to their non-economic characteristics, including gender, race, religion and age.

5.0 SUMMARY

In this unit, we have discussed different theories of Labour Market Discrimination; Types of Discrimination and Effect on Demand and Supply of Discrimination.

6.0. TUTOR-MARKED ASSIGNMENT

1. Understand the meaning of labour market discrimination
2. Explain the theories of labour discrimination
3. With the aid of diagram explain Effect on Demand and Supply.
4. Outline and explain the any five (5) types of discrimination

7.0 REFERENCES/FURTHER READINGS

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UNIT 3: Policies to End Labour Discrimination

CONTENTS

- 1.0 Introduction
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- 3.0 Main Content
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 - 3.2 Policies to end discrimination
- 4.0 Conclusion
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1.0 INTRODUCTION

The laws enforced by EEOC makes it unlawful for Federal agencies to discriminate against employees and job applicants on the bases of race, color, religion, sex, national origin, disability, or age. A person who files a complaint or participates in an investigation of an EEO complaint, or who opposes an employment practice made illegal under any of the laws that EEOC enforces is protected from retaliation.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Understand the meaning of labour discrimination
2. Identify the Policies to end labour discrimination

3.0 MAIN CONTENT

3.1. Labour Discrimination

Discrimination at work can occur in many different settings, from high-rise office buildings to rural villages, and in a variety of forms. It can affect men or women on the basis of their sex, or because their race or skin colour, national extraction or social origin, religion, or political opinions differ from those of others. Often countries decide to ban distinctions or exclusions and forbid discrimination on other grounds as well, such as

disability, HIV status or age. Discrimination at work denies opportunities for individuals and robs societies of what those people can and could contribute.

Eliminating discrimination starts with dismantling barriers and ensuring equality in access to training, education as well as the ability to own and use resources such as land and credit. It continues with fixing conditions for setting up and running enterprises of all types and sizes, and the policies and practices related to hiring, assignment of tasks, working conditions, pay, benefits, promotions, lay-offs and termination of employment. Merit and the ability to do a job, not irrelevant characteristics, should be the guide.

Discrimination in employment or occupation may be direct or indirect. Direct discrimination exists when laws, rules or practices explicitly cite a particular ground, such as sex, race, etc. to deny equal opportunities. For instance, if a wife, but not a husband, must obtain the spouse's consent to apply for a loan or a passport needed to engage in an occupation, this would be direct discrimination on the basis of sex.

Indirect discrimination occurs where rules or practices appear on the surface to be neutral but in practice lead to exclusions. Requiring applicants to be a certain height could disproportionately exclude women and members of some ethnic groups, for example. Unless the specified height is absolutely necessary to perform the particular job, this would illustrate indirect discrimination.

Equality at work means that all individuals should be accorded equal opportunities to develop fully the knowledge, skills and competencies that are relevant to the economic activities they wish to pursue. Measures to promote equality need to bear in mind diversity in culture, language, family circumstances, and the ability to read and to deal with numbers. For peasants and owners of small or family enterprises, especially the women and ethnic groups, equal access to land (including by inheritance), training, technology and capital is key.

In the case of both employees and self-employed or (own-account) workers, non-discrimination at work depends on equal access to quality education prior to entering the labour market. This is of chief importance for girls and disadvantaged groups. A more

equal division of work and family responsibilities in the household would also permit more women to improve their work opportunities.

Effective avenues are needed to permit meaningful challenges to discrimination when it occurs. ILO principles fix minimum thresholds. National laws and practices may well be broader and include more comprehensive approaches for the elimination of discrimination at work.

SELF ASSESSMENT EXERCISE

Briefly explain the meaning of labour discrimination.

3.2 Policies to end Discrimination

This is a list of anti-discrimination acts (often called discrimination acts or anti-discrimination laws), which are laws designed to prevent discrimination. Below are some of the policies setting aside to eliminate labour discrimination:

1. **Title VII of the Civil Rights Act of 1964.** Title VII of the Civil Rights Act, as amended, protects employees and job applicants from employment discrimination based on race, color, religion, sex and national origin. Title VII protection covers the full spectrum of employment decisions, including recruitment, selections, terminations, and other decisions concerning terms and conditions of employment. *See* EEOC guidance on race/color, religion, sex, sexual harassment, pregnancy, and national origin discrimination.
2. **Equal Pay Act of 1963.** The Equal Pay Act of 1963 protects men and women from sex-based wage discrimination in the payment of wages or benefits, who perform substantially equal work in the same establishment. *See* EEOC guidance on equal pay and compensation discrimination.

3. **Age Discrimination in Employment Act of 1967.** The Age Discrimination in Employment Act (ADEA), as amended, protects persons 40 years of age or older from age-based employment discrimination. The Older Workers Benefit Protection Act amends several sections of the ADEA and establishes conditions for a waiver of ADEA protections. *See* EEOC guidance on age discrimination.
4. **Rehabilitation Act of 1973.** Sections 501 and 505 of the Rehabilitation Act, as amended, protect employees and job applicants from employment discrimination based on disability. This law covers qualified employees and job applicants with disabilities. It also requires Federal agencies to make reasonable accommodation of any known disabilities unless such accommodation would cause an undue hardship. *See* EEOC guidance on disability discrimination.
5. **The Civil Rights Act of 1991.** The Civil Rights Act of 1991 amends several sections of Title VII to strengthen and improve Federal civil rights laws and provide for the recovery of compensatory damages in Federal sector cases of intentional employment discrimination.

Additional information about unlawful discriminatory and retaliatory practices and the remedies is available to Federal employees and applicants who believe they have been subjected to such practices.

Other laws enforced by both the Office of Special Counsel (OSC) and the Merit Systems Protection Board (MSPB) protect Federal employees from certain *prohibited personnel practices*. According to Section 2302(b) of Title 5 of the United States Code, any employee who has authority to take, direct others to take, recommend or approve personnel actions may not:

1. Discriminate on the basis of race, color, religion, sex, national origin, age, disability, marital status, or political affiliation.
2. Solicit or consider employment recommendations based on factors other than personal knowledge or records of job-related abilities or characteristics.

3. Coerce an employee's political activity or take action against any employee as reprisal for refusing to engage in political activity.
4. Deceive or willfully obstruct a person's right to compete for employment.
5. Influence any person to withdraw from competition for a position to improve or injure the employment prospects of any other person.
6. Give unauthorized preference or advantage to any person to improve or injure the employment prospects of any particular employee or applicant.
7. Engage in nepotism.
8. Retaliate against an employee or an applicant because of an individual's legal disclosure of information evidencing wrongdoing ("whistleblowing").
9. Retaliate against an employee or applicant for exercising an appeal, complaint or grievance right; testifying or assisting another in exercising such a right, cooperating with an Inspector General or the Special Counsel, or refusing to obey an order that would break a law.
10. Discriminate against an employee based on conduct which is not adverse to on-the-job performance of the employee, applicant, or others. The Office of Personnel Management (OPM) has interpreted the prohibition of discrimination based on "conduct" to include discrimination based on sexual orientation. See *Addressing Sexual Orientation Discrimination in Federal Civilian Employment*.
11. Violate veterans' preference requirements.
12. Violate any law, rule, or regulation which implements or directly concerns the merit principles.

For additional information about Federal employee and applicant protection regarding prohibited personnel practices, you may call the FTC Office of Inspector General (202) 326-2800, the Office of Special Counsel (202) 653-7188 or visit its website, or you may call the Merit Systems Protection Board (202) 653-6772 or visit its website. You may also contact the FTC's Office of Human Resources Management at (202) 326-2021.

SELF ASSESSMENT EXERCISE

1. What is labour discrimination?

2. What are the policies to end labour discrimination?

4.0. CONCLUSION

Discrimination in employment or occupation may be direct or indirect. Direct discrimination exists when laws, rules or practices explicitly cite a particular ground, such as sex, race, etc. to deny equal opportunities. For instance, if a wife, but not a husband, must obtain the spouse's consent to apply for a loan or a passport needed to engage in an occupation, this would be direct discrimination on the basis of sex. While indirect discrimination occurs where rules or practices appear on the surface to be neutral but in practice lead to exclusions. Requiring applicants to be a certain height could disproportionately exclude women and members of some ethnic groups, for example. Unless the specified height is absolutely necessary to perform the particular job, this would illustrate indirect discrimination.

The unit also highlighted the list of anti-discrimination acts (often called discrimination acts or anti-discrimination laws), which are laws designed to prevent discrimination in an occupation.

5.0 SUMMARY

In this unit, we have examined the different Policies to End Labour Discrimination under which Labour Discrimination and Policies to end discrimination were discussed.

6.0. TUTOR-MARKED ASSIGNMENT

1. What is labour discrimination?
2. What are the policies to end labour discrimination?

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MODULE FIVE: LABOUR POLICIES

UNIT 1 Minimum Wage Laws

UNIT 2 Labour Welfare Reform

UNIT 3 Trade Union Policies

UNIT 1: Minimum Wage Laws

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Informal minimum wages
 - 3.2 Setting minimum wage
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

A minimum wage is the lowest remuneration that employers can legally pay their workers—the price floor below which workers may not sell their labor. Most countries had introduced minimum wage legislation by the end of the 20th century.

Although minimum wage laws are in effect in many jurisdictions, differences of opinion exist about the benefits and drawbacks of a minimum wage. Supporters of the minimum wage say it increases the standard of living of workers, reduces poverty, reduces inequality, and boosts morale. In contrast, opponents of the minimum wage say it increases poverty, increases unemployment because some low-wage workers "will be unable to find work...[and] will be pushed into the ranks of the unemployed" and is damaging to businesses, because excessively high minimum wages require businesses to

raise the prices of their product or service to accommodate the extra expense of paying a higher wage.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Understand the meaning of minimum wage
2. The politics of minimum wage in Nigeria

3.0 MAIN CONTENT

3.1. Informal minimum wages

Customs and extra-legal pressures from governments or labor unions can produce a *de facto* minimum wage. So can international public opinion, by pressuring multinational companies to pay Third World workers' wages usually found in more industrialized countries. The latter situation in Southeast Asia and Latin America was publicized in the 2000s, but it existed with companies in West Africa in the middle of the 20th century.

SELF ASSESSMENT EXERCISE

Briefly explain the meaning of Informal minimum wage.

3.2 Setting minimum wage

Among the indicators that might be used to establish an initial minimum wage rate are ones that minimize the loss of jobs while preserving international competitiveness.^[29] Among these are general economic conditions as measured by real and nominal gross domestic product; inflation; labor supply and demand; wage levels, distribution and differentials; employment terms; productivity growth; labor costs; business operating costs; the number and trend of bankruptcies; economic freedom rankings; standards of living and the prevailing average wage rate.

In the business sector, concerns include the expected increased cost of doing business, threats to profitability, rising levels of unemployment (and subsequent higher government expenditure on welfare benefits raising tax rates), and the possible knock-on effects to the

wages of more experienced workers who might already be earning the new statutory minimum wage, or slightly more.^[30] Among workers and their representatives, political considerations weigh in as labor leaders seek to win support by demanding the highest possible rate. Other concerns include purchasing power, inflation indexing and standardized working hours.

In the United States, the minimum wage has been set under the Fair Labor Standards Act of 1938. According to the Economic Policy Institute, the minimum wage in the United States would have been \$18.28 in 2013 if the minimum wage had kept pace with labor productivity. To adjust for increased rates of worker productivity in the United States, raising the minimum wage to \$22 (or more) an hour has been presented.

SELF ASSESSMENT EXERCISE

Explain how minimum wage is set.

4.0. CONCLUSION

In this unit, we can conclude that a minimum wage is the lowest remuneration that employers can legally pay their workers—the price floor below which workers may not sell their labor.

5.0 SUMMARY

In this unit, we have discussed the concept of Minimum Wage Laws in relations to Informal minimum wages and Setting minimum wage.

6.0. TUTOR-MARKED ASSIGNMENT

1. Understand the meaning of minimum wage
2. Discuss the politics of minimum wage in Nigeria
3. Explain how minimum wage is setting?
4. Briefly explain the meaning of Informal minimum wage.

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UNIT 2 Labour Welfare Reform

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1. Welfare Reform and the Labour Market
 - 3.2 Is welfare reform working?
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Welfare reforms are changes in the operation of a given welfare system, with the goals of reducing the number of individuals dependent on government assistance, keeping the welfare systems affordable, and assisting recipients to become self-sufficient. Classical liberals and conservatives generally argue that welfare and other tax-funded services reduce incentives to work, exacerbate the free-rider problem, and intensify poverty. On the other hand, socialists generally criticize welfare reform because it usually minimizes the public safety net and strengthens the capitalist economic system. Welfare reform is constantly debated because of the varying opinions on the government's determined balance of providing guaranteed welfare benefits and promoting self-sufficiency.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Understand the meaning of wage
2. Structure of wages

3.0 MAIN CONTENT

3.1. Welfare Reform and the Labour Market

One measure of opportunity in any society is its ability to provide jobs for everyone who wants to work. With the enactment of welfare reform in 1996 this issue has taken on new salience. This brief addresses whether enough jobs are available for all those who are thrust into the labour market by welfare reform, whether former welfare recipients can compete successfully for those jobs, and—if they do find jobs—what their chances are of ever earning enough to become self-sufficient.

We conclude that in today's strong economy many welfare recipients are successfully making the transition from welfare to work. Recent job growth and tougher welfare policies together have pulled and pushed into the job market many of those who would otherwise have remained dependent on government assistance. In the future, however, if the economy slows, the push may become stronger than the pull, and we could see as many as 100,000 to 150,000 additional new workers per year competing for a less rapidly growing number of jobs. Almost regardless of the state of the economy, the most disadvantaged are likely to encounter real difficulties in securing steady employment.

Most of those who are able to find full-time employment should stay above the poverty line with the help of subsidized child care and other government assistance (such as the Earned Income Tax Credit and food stamps). And opportunities do exist for low-wage workers to move up the economic ladder rather quickly. But given their characteristics, many former welfare recipients who find entry-level jobs are unlikely to experience this upward mobility.

SELF ASSESSMENT EXERCISE

Briefly explain the meaning of labour welfare reform.

3.2 Is welfare reform working?

The "experts" are scratching their heads. Today was the day, we were told, when we'd see a sharp rise in poverty as official figures included the full impact of welfare cuts for the first time. But, instead, the numbers have remained broadly flat and the government is

able to claim that "the proportion of individuals with low income is now at the lowest level since the mid-1980s".

Lobbyists and economic forecasters have been hurriedly rewriting their press releases. The Institute for Fiscal Studies (IFS), which checks the numbers for the government, had forecast a rise. Today they conceded the lack of an increase might "come as a surprise" and would be analyzing the data.

"It's good news for people on low incomes that the benefits freeze has not yet pushed more people into poverty," the Joseph Rowntree Foundation conceded, while arguing that "thirteen million people in poverty is still too many in the world's seventh richest country".

The Child Poverty Action Group said the figures still made grim reading. "Make no mistake, we are facing a child poverty crisis in the years ahead," it said. But one cannot help but think their statement would have been rather different if the expected rise had come to pass.

So, what is going on? Is it time to ask if welfare reform is working?

It would be foolish to claim any kind of success on the basis of one set of figures. There are still 2.3 million children in poverty in the UK and the government looks increasingly unlikely to meet its targets to get poverty down. The next set of numbers, of course, might tell a different story.

But ministers claim that the welfare reforms, far from pushing people into poverty, are helping them escape it by encouraging them into work.

The number of workless households is at a record low and the proportion of lone parents in work is at a record high of over 63%.

It won't have been easy for many, but the offer of working tax credits if you are employed for more than 16 hours a week has encouraged tens of thousands of lone parents into jobs. That is what welfare-to-work policy is all about.

"Work is the best route out of poverty," the Prime Minister has said. But David Cameron is not the first PM to make such a claim. Tony Blair used those exact same words in the late 90s as his government introduced the "New Deal" and promised to bring the "workless class back into society and into useful work".

Indeed, New Labour described itself as the "welfare-to-work government", having taken its cue from Bill Clinton who introduced radical reform of the US benefits system. The American model, originally championed by Republicans, saw welfare switch from being an entitlement to a time-limited benefit that would disappear if the recipient didn't get a job.

It was highly controversial - three members of the department of health and human services resigned. One said the legislation would destroy the welfare safety net, increase poverty and create widespread homelessness. Many predicted disasters for the most vulnerable in America.

But disaster didn't come. US welfare and poverty rates fell during the late 1990s, leading many commentators to declare the approach a success. There are still arguments about the legacy of America's welfare-to-work policy, but the approach was enthusiastically embraced by both Labour and Conservative politicians in Britain worried about a rising benefits bill.

The challenge for government is to make changes that encourage people off benefits and into jobs but without tipping them over into deprivation and hopelessness. It is a balancing act made more precarious if the economy is struggling. Clinton's reforms were introduced against a background of increasing prosperity rather than post-recession austerity.

That's why today's poverty figures were seen as so important - they offer evidence on whether the benefit reforms, represented fully in the data for the first time, are encouraging people up or pushing them down.

Politicians of all stripes will agree that child poverty rates in Britain remain too high. But today's statistics do not provide much ammunition to those who claim the welfare strategy is the problem rather than the solution.

SELF ASSESSMENT EXERCISE

Is labour welfare adequate in your country?

4.0. CONCLUSION

In this unit, we can conclude that in today's strong economy many welfare recipients are successfully making the transition from welfare to work. Recent job growth and tougher welfare policies together have pulled and pushed into the job market many of those who would otherwise have remained dependent on government assistance. In the future, however, if the economy slows, the push may become stronger than the pull, and we could see as many as 100,000 to 150,000 additional new workers per year competing for a less rapidly growing number of jobs.

5.0 SUMMARY

In this unit, we have discussed welfare reform and the labour market in an economy. We also examined the meaning and structure of wages and whether welfare reform working in the economy or not.

6.0. TUTOR-MARKED ASSIGNMENT

1. Is labour welfare adequate in your country?
2. Briefly explain the meaning of labour welfare reform.
3. Explain the concept of wage

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UNIT 3: Trade Union Policies

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1. Concept of Trade Union
 - 3.1.1 Characteristics of Trade Unions
 - 3.1.2 Need for Trade Unions
 - 3.1.3 Nature and Scope of Trade Unions
 - 3.1.4 Purpose of Trade Unions
 - 3.1.5 Functions of a Trade Union
 - 3.2 Trade Union Policies/Act/Law**
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

A trade union is an organization made up of members (a membership-based organization) and its membership must be made up mainly of workers. One of a trade union's main aims is to protect and advance the interests of its members in the workplace. ... Trade unions: negotiate agreements with employers on pay and conditions.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Understand the concept of trade union
2. Formation of the trade union
3. Trade union Act in Nigeria

3.0 MAIN CONTENT

3.1. Concept of Trade Union

A trade union (or a labor union in the U.S.) is an association of workers forming a legal unit or legal personhood, usually called a "bargaining unit", which acts as bargaining agent and legal representative for a unit of employees in all matters of law or right arising from or in the administration of a collective agreement. Labour unions typically fund the formal organization, head office, and legal team functions of the labour union through regular fees or union dues. The delegate staff of the labour union representation in the workforce is made up of workplace volunteers who are appointed by members in democratic elections.

Today, unions are usually formed for the purpose of securing improvement in pay, benefits, working conditions, or social and political status through collective bargaining by the increased bargaining power wielded by the banding of the workers. The trade union, through an elected leadership and bargaining committee, bargains with the employer on behalf of union members (rank and file members) and negotiates labour contracts (collective bargaining) with employers. The most common purpose of these associations or unions is "maintaining or improving the conditions of their employment".^[2] This may include the negotiation of wages, work rules, occupational health and safety standards, complaint procedures, rules governing status of employees including promotions, just cause conditions for termination, and employment benefits.

Unions may organize a particular section of skilled workers (craft unionism),^[3] a cross-section of workers from various trades (general unionism), or attempt to organize all workers within a particular industry (industrial unionism). The agreements negotiated by a union are binding on the rank and file members and the employer and in some cases on other non-member workers. Trade unions traditionally have a constitution which details the governance of their bargaining unit and also have governance at various levels of government depending on the industry that binds them legally to their negotiations and functioning.

Originating in Great Britain, trade unions became popular in many countries during the Industrial Revolution. Trade unions may be composed of individual workers, professionals, past workers, students, apprentices or the unemployed. Trade union density, or the percentage of workers belonging to a trade union, is highest in the Nordic countries.^[4]

The **trade union** is an association, either of employees or employers or of independent workers. It is a relatively permanent combination of workers and is not temporary or casual. It is an association of workers engaged in securing economic benefits for its members.

According to Section 2(b) of the Trade Unions Act of 1926, “a **trade union** is any combination of persons, whether temporary or permanent, primarily for the purpose of regulating the relations between workers and employers, or between workers and workers and for imposing restrictive conditions on the conduct on the conduct of any trade or business, and includes the federation of two or more trade unions.”

3.1.1 Characteristics of Trade Unions

1. **Association of employees:** A trade union is essentially an association of employees belonging to a particular class of employment, profession, trade or industry. For example, there are unions for teachers, doctors, film, artistes, weavers, mine workers and so on.
2. **Voluntary Association:** An employee joins the trade union out of his free will. A person cannot be compelled to join a union.
3. **Permanent Body:** A trade union is usually a permanent body. Members may come and go but the trade union remains.
4. **Common Interest:** The member of a trade union has certain matters of common interest-job security, better pay and working conditions and so on, which bring them together.
5. **Collective Action:** Even when an individual employee has any grievance over certain management decisions, the matter is sorted out by the intervention of the

trade union Employees are able to initiate collective action to solve any problem concerning any particular employee or all the employees.

6. **Rapport with the Management:** The trade union seeks to improve relations between the employees and employers. The officials of the trade union hold talks with the members of the management concerning the problems of the employees in order to find an amicable solution. It is thus possible for the employees to have better rapport with the management.

3.1.2 Need for Trade Unions

Workers join trade unions to achieve certain objectives that they may not be able to achieve in their personal capacity. Trade unions are necessary.

1. **To ensure job security and right pay for the members:** One of the basic needs of any employee is security of service. The main reason why an employee joins a union is to get him secured. Apart from job security and employees need to get pay commensurate with their qualifications and skills. Trade unions strive to get both job security and correct pay for all employees.
2. **To ventilate the grievances of employees to the management:** When the employees in general or some in particular have any grievance, they may not be able to convey the same to the management in their personal capacity. Such grievances may be brought to the knowledge of the management through the trade union. The members of the management may be indifferent to the demands of the individual employees but they cannot be so when it comes to union demands.

3.1.3 Nature and Scope of Trade Unions

The employer's association or professional bodies were not included in any of the above definitions. The employee's unions are different from that of the employers or professional bodies. The employee's unions are primarily concerned with the terms and conditions of employment of their members. The employer's associations on the other hand are concerned among other things with influencing the terms of purchase of services in favour of their members. Hence, the two should not be placed in one category. The

associations of professional members also differ fundamentally from employees' unions. Professional associations include self-employed as well as the employees whereas trade unions consist only of the people who are employed by others. In India the term Trade Union refers besides employee's organizations to employer's association also. Similarly, in Britain, even the associations of professional people such as Artists Federation or Musicians Unions are also recognized as Trade Unions.

Thus, trade unions are a major component of the modern industrial relation system. A trade union of workers is an organization formed by workers to protect their interests. i.e. improve their working conditions etc. All trade unions have objectives or goals to achieve, which are contained in their constitution and each has its own strategy to reach those goals.

Trade Unions are now considered a sub-system which seeks to serve the specific sub-groups interest and also considers itself a part of the organization, in terms of the latter's viability and contribution to the growth of the community of which it is a part.

3.1.4 Purpose of Trade Unions

Trade unions came into being for a variety of purposes. Individual workers found it more advantageous to band together and seek to establish their terms and conditions of employments. They realized that if they bargained as individuals, the employer would have a better leverage, for an individual would not matter as much as a group in terms of the running of the enterprise. A group's contribution is much larger than an individual's so are the effects of its withdrawal. An individual may not be able to organize and defend his interests as well as a group can. Therefore, workers saw the advantages of organizing themselves into groups to improve their terms and conditions of employment. Employers also found it advantageous to deal with a group or a representative of a group rather than go through the process of dealing with each individual over a length of time. Precisely, the major objectives of trade union are the following:

1. Better wages

2. Better working conditions
3. Protection against exploitation
4. Protection against victimization
5. Provide welfare measures
6. Promote industrial peace
7. Take up Collective Bargaining
8. Look after the interest of trade

3.1.5 Functions of a Trade Union

The important basic functions of unions listed by National Commission on labour are:

- (i) To secure fair wages to workers.
- (ii) To safeguard security of tenure and improve conditions of service.

Freedom to Join and Form a Union

Constitution of Nigeria provides freedom to join and form unions. Every person is entitled to assemble freely and form association with political party, trade union or any other association for the protection of their rights. Exception includes workers of armed forces; police; customs, Immigration and the prison service; the Nigerian Security Printing and Minting Company Limited; the Central Bank of Nigeria; the Nigerian Telecommunications Limited; and certain other government organizations. Young workers under the age of sixteen may not join a union.

Labour law states that the contract of employment must not make it a condition of employment to join or leave the trade union. An employer must not dismiss any worker due to his association with the trade union and the activities of the union.

Trade union is any combination of workers or employers, whether temporary or permanent, the purpose of which is to regulate the terms and conditions of employment of workers. Trade unions may not operate without being registered with the official registrar of trade unions, provided that the application of registration is supported by at least fifty members of the union. This registration must be approved by the government.

Trade union may not be registered if a properly functional union is already operating in the organization.

Trade unions must also have registered rules that include provisions dealing with matters such as the union's purpose, funds, accounts, membership dues, officers and discipline. The mandatory rule is that no member of the union may take part in a strike unless a majority of members have voted in favour of the strike in a secret ballot.

Source: §40 of the Constitution of the Federal Republic of Nigeria 1999, §9(6) of the Labour Act (Cap L1 LFN 2004); Trade Unions Act (Cap. T14 2004)

Freedom of Collective Bargaining

Labour Law defines collective bargaining as the process of arriving at, or attempting to arrive at, a collective agreement. Collective agreement is an agreement in writing regarding working conditions and terms of employment concluded between one or more trade unions or other organizations of, or representing, workers (or an association of such organizations); and an employer, a group of employers, or an organization of, or representing, employers (or an association of such organizations). A collective agreement is interpreted by a National Industrial Court.

Collective bargaining takes place when a trade dispute arises. Trade unions elect a representative to negotiate with the employer. Both parties must try to settle the dispute by any agreed dispute resolution mechanism. In absence or failure of it, parties must appoint a mediator (mutually agreed on and appointed by the parties), within seven days to settle the dispute.

If the mediator fails to settle the dispute within seven days, it is then reported to the Government within three days. Government appoints a mediator to bring about a settlement within seven days, otherwise the Government refers it to the Industrial Arbitration Panel. The panel establishes an arbitration tribunal to make an award within twenty-one days. Government can refer back an award for reconsideration. Once the award is accepted the parties have seven days to object to the award. In case of no

objection, the award is published and becomes binding in the employers and workers to whom it relates.

In case of objection, the dispute is referred to the national Industrial Court for the final decision. The Government can refer directly to the court without going through arbitration tribunal stage.

The National Labour Advisory Council (NLAC) is the national tripartite consultative mechanism that provides consultation and co-operation between the government and the organizations of workers and employers at the national level on matters relating to social and labour policies and international labour standards. The Council was reconstituted in 2009 in line with the provisions of Convention 144.

Source: §91 of the Labour Act (Cap L1 LFN 2004); §3, 16 & 48 of the Trade Disputes Act (Cap.432 LFN 1990)

Right to Strike

Strike is the cessation of work by a body of employed persons acting in combination, or a concerted refusal or a refusal under a common understanding of any number of persons employed to continue to work for an employer in consequence of a dispute, done as a means of compelling their employer, or to aid other workers in compelling their employer or any persons or, to accept or not to accept terms of employment and physical conditions of work.

No individual, trade union or employer may take part in a strike or lockout if that person, trade union or employer is engaged in the provision of essential services; the strike or lockout concerns a labour dispute that constitutes a dispute of right (rights already specified in law, collective agreement or employment contract); the strike or lockout concerns a dispute arising from a collective and fundamental breach of contract of employment or collective agreement on the part of the employee, trade union or employer; and a ballot has been conducted in accordance with the rules and constitution

of the trade union at which a simple majority of all registered members voted to go on strike.

Any person, trade union or employer who are found guilty of offence, are liable to a fine of N 1,000 or to imprisonment for a term of six months or to both.

Workers, who take part in strike, are not entitled to any wages or other remuneration during this period and this period is also not considered as the period of continuous employment and all rights dependent on continuity of employment shall be prejudicially affected accordingly.

SELF ASSESSMENT EXERCISE

- Briefly explain the concept of Trade Union.
- Outline and explain any 5 Trade Union Policies/Act/Law in Nigeria
- Briefly outline and explain any 5 most powerful trade unions in Nigeria.

3.2 Trade Union Policies/Act/Law

Some of the national policies and laws enacted by government to regulate the formation, administration and operation of trade unions in Nigeria include the Trade Union Ordinance 1938, Trade disputes (Arbitration and Inquiry) Act, 1941, The Wage Board Act 1958, Trade Union Act 1969, Trade Union Act 1973, Labour Policy.

Constitution of Nigeria provides freedom to join and form unions. ... Labour law states that the contract of employment must not make it a condition of employment to join or leave the trade union. An employer must not dismiss any worker due to his association with the trade union and the activities of the union.

Today, the NLC has 29 affiliated unions. In total, it boasts of around four million members, according to its own figures, making the association one of the largest trade unions in Africa.

Nigeria's 10 most powerful trade unions

Trade Unions have become an integral part of many professional bodies across the world. In Nigeria, workers have various unions which serve as the mouthpiece of members within the profession. The major aim of such unions is to defend the rights of members.

There are numerous trade unions in Nigeria under the larger coalition of two unions – The Nigeria Labour Congress, NLC, and the Trade Union Congress, TUC.

However, in recent years, some professional unions, because of their strategic roles, have been more heard in the public space than others. Their threats and industrial actions always bring tension to the nation thus making them receive quick attention and intervention from the public and government.

Some are so powerful that they can hold the government to ransom, either by crippling the economy or paralysing service delivery in strategic areas.

Here are 10 of such influential unions.

1. NLC: Nigeria Labour Congress

NLC is an umbrella organisation for trade unions in Nigeria. It was founded in 1978 following a merger of four different organisations: Nigeria Trade Union Congress, NTUC; Labour Unity Front, LUF; United Labour Congress, ULC; and Nigeria Workers Council, NWC.

The numerous affiliated unions were restructured into 42 industrial unions. Its founding President was Wahab Goodluck.

The NLC was dissolved twice due to conflicts with military regimes. First in 1988 under President Ibrahim Babangida and the second in 1994, under the regime of Sani Abacha.

Under Nigeria's military governments, labour leaders were frequently arrested and union meetings disrupted.

Today, the NLC has 29 affiliated unions. In total, it boasts of around four million members, according to its own figures, making the association one of the largest trade unions in Africa.

NLC has had various clashes with the government especially on salaries, reduced subsidies and plans to deregulate the purchase and

The last national strike which NLC embarked upon which crippled the nation was on January, 2, 2012 when the union joined other socio-political groups to protest then President Goodluck Jonathan's decision to remove subsidy on petroleum products.

The action lasted twelve days.

The NLC state chapters have also had confrontations with their state governments from time to time over salaries and staff welfare.

2. NUPENG: National Union of Petroleum and Natural Gas Workers

The National Union of Petroleum and Natural Gas Workers, NUPENG, is one of the 29 industrial unions that are formally affiliated with the Nigeria Labour Congress.

It was also one of the former 42 industrial unions that emerged during the restructuring exercise between 1976 –1977.

The union comprises workers in the petroleum and natural gas sector especially tanker drivers whose role is crucial for a country dependent on road transport.

NUPENG like PENGASSAN, its sister association, cripples the economy whenever it declares a strike.

The last strike threat by the association was on July, 29.

3. PENGASSAN – Petroleum and Natural Gas Senior Staff Association of Nigeria

This is one union that holds the country by the jugular when it embarks on strike. It comprises senior members of staff in the oil and gas sector, which is the hub of the Nigerian economy.

PENGASSAN is one of the 24 senior staff associations in Nigeria. It was formally registered as a trade union on August 15, 1978.

The association usually works closely with its sister association, NUPENG.

4. NMA: Nigeria Medical Association

The Nigerian Medical Association, NMA is the professional association for registered Nigerian doctors and dentists.

The NMA has more than 35,000 members from 36 state branches and the federal capital territory, including those registered in the diaspora.

NMA's membership spans all six major specialities of Internal Medicine, Surgery, Obstetrics and Gynaecology, Paediatrics, Public Health and Laboratory Medicine/Pathology.

The NMA was established in 1951 and its headquarters is located in Abuja with over 30 branch offices throughout Nigeria.

The National Executive Council, NEC is the governing body of the NMA and it has full powers to act on its behalf and make policy decisions.

This body is a strong union which when on industrial action paralyses all major activities in the health sector.

It is a body that both the government and the public dreads because its strike action leads to numerous preventable deaths especially in secondary and tertiary hospitals.

5. ASUU: Academic Staff Union of Universities

The ASUU was formed in 1978, a successor to the Nigerian Association of University Teachers formed in 1965 and covering academic staff in all of the federal and state universities in the country.

After the return to democracy in 1999, the union continued to defend the rights of its members and improved funding for universities.

The association has always elicited mixed reactions among Nigerians due to its frequent industrial actions either locally or nationally.

In 2007, ASUU went on strike for three months.

In May 2008, it held two one-week “warning strikes” to press home a range of demands, including an improved salary scheme and reinstatement of 49 lecturers who were dismissed many years earlier.

In June 2009, ASUU ordered its members in federal and state universities nationwide to proceed on an indefinite strike over disagreements with the Federal Government on an agreement it reached with the union about two and a half years earlier. In October 2009, the union and other staff unions signed a memorandum of understanding with the government and called off the industrial action.

On July 1, 2013, ASUU embarked on another strike which lasted five months and 15 days and was called off on December 16, 2013.

Claims made by ASUU in regards to the strike are centred largely on funding and revitalisation of Nigerian public universities.

The association recently called off a nationwide strike which it started on August 13, 2017.

6. NUT: Nigeria Union of Teachers

The Nigeria Union of Teachers, NUT, was founded in July 1931 by the amalgamation of the first two teachers' associations in Nigeria, namely, Lagos Union of Teachers, LUT, formed in 1925 with its founding President as Canhon Lucas and the Association of Headmasters of Ijebu Schools, AHIS, led by I.O. Ransome-Kuti, and formed in 1926.

The union was formally inaugurated in 1931. It came about partly as a result of vulnerabilities exposed by the great depression which led to cuts in teachers' salaries and a seeming lack of job security.

The association, which rarely goes on strike, has one of the highest numbers of members in the country as it comprises of teachers across primary and secondary schools.

7. NASU: Non-Academic Staff Union of Universities

The Non-Academic Union of Allied and Education Institutions (NASU) is the association that represents the junior non-teaching staff in Nigerian universities. The union came into existence in 1977 as one of the house unions, and in 1978 it was strengthened by Decree No. 22 (Davison 1977).

It was formally recognised as one of the 42 registered unions affiliated to the NLC.

The principal objectives of the union are the regulation of relations between workers and the Governing Councils of the university.

NASU, like ASUU has fought a number of pitched battles mainly in the interest of its members.

In 1992, when Babatunde Fafunwa was the minister of education, the federal government approved a separate university salary table that favoured members of the ASUU. When NASU heard of the disparity in the salary table, they embarked on a 42-day nationwide strike to demonstrate their disapproval of the action of the federal government.

Apart from strikes, NASU has been able to improve the welfare of its members by introducing lots of life-changing benefits such as financial life-lines.

Like most trade unions, NASU is frequently at loggerheads with the management, government, or themselves and this usually affects the operation of the universities

8. ASUP: Academic Staff Union of Polytechnics

The Academic Staff Union of Polytechnics, Nigeria is a registered Trade Union (CAP 437 of 1990). The Union is an affiliate of the NLC.

Membership of the union covers all academic staff (lecturers, technologists, instructors and librarians) in all public polytechnics and monotechnics in Nigeria.

Activities of the union are regulated through provisions in the union's constitution approved and gazetted by the Registrar of Trade Unions, Federal Ministry of Labour and Employment, Abuja; provisions of the Trade Union's Act and provisions of the Nigerian Constitution.

The industrial action at the state or national level from this union usually paralyses educational activities at polytechnics.

The effect is however not as far-fetched as its university counterpart, ASUU.

9. NARD: National Association of Medical Doctors

The Association of Resident Doctors is one of the largest medical association comprising resident doctors undergoing training in various specialities, medical officers and house officers.

The NARD is an affiliate of the NMA. The union also cripples medical activities when it embarks on strike as its members do the bulk of the consulting jobs at secondary and tertiary hospitals.

The association recently called off an industrial action lasting 11 days which it used to urge the government to pay members' salary arrears.

10. TUC: Trade Union Congress

TUC was registered as a labour centre in 2005. According to its website, the TUC had gone through various transformations starting in 1980, first as Federation of Senior Staff Associations of Nigeria (FESSAN), then as Senior Staff Consultative Association of Nigeria (SESCAN) and, finally, TUC.

The union is a coalition of various senior staff unions of different sectors. It is the equivalent of the NLC for senior civil servants and workers in various sectors. It is also less powerful and influential than the NLC. Some of its member associations include Association of Senior Civil Servants of Nigeria, ASCSN, and Association of Senior Staff of Banks, Insurance & Financial Institutions, ASSBIFI.

SELF ASSESSMENT EXERCISE

Mention and explain any 5 influential unions in Nigeria.

4.0. CONCLUSION

In this unit, we can conclude that, today, unions are usually formed for the purpose of securing improvement in pay, benefits, working conditions, or social and political status through collective bargaining by the increased bargaining power wielded by the banding of the workers. The trade union, through an elected leadership and bargaining committee, bargains with the employer on behalf of union members (rank and file members) and negotiates labour contracts (collective bargaining) with employers. The most common purpose of these associations or unions is "maintaining or improving the conditions of their employment". This may include the negotiation of wages, work rules, occupational health and safety standards, complaint procedures, rules governing status of employees including promotions, just cause conditions for termination, and employment benefits.

5.0 SUMMARY

In this unit, we have discussed trade Union Policies. Under this we understand the concept of trade union, formation of the trade union and Trade union Act in Nigeria. We also be familiar with the Characteristics of Trade Unions; Need for Trade Unions; Nature and Scope of Trade Unions; Purpose of Trade Unions; Functions of a Trade Union and Trade Union Policies/Act/Law.

6.0. TUTOR-MARKED ASSIGNMENT

1. Outline and explain any 5 Trade union Act in Nigeria
2. Mention and explain any 5 influential unions in Nigeria.
3. Briefly explain the meaning of Trade Union.

7.0 REFERENCES/FURTHER READINGS

S.N.Mishra, Labour and Industrial Laws (2004) p.265

ChamanlalRevri, The Indian Trade union Movement (1972) p. 117.

46Report of the Royal Commission on Labour (1931) p. 318.

V.G.Ghoswamy, Labour and Industrial Laws (2008) p.192