

## CHAPTER 18 : Workers

### Key terms

1. Earnings : the total pay received by a worker.
2. Wage rate : a payment which an employer contracts to pay a worker. It is the basic wage a worker receives per unit of time or output.
3. National minimum wage (NMW) : a minimum rate of wage for an hour's work, fixed by the government for the whole economy.
4. Primary sector : agriculture, fishing, forestry, mining, and other industries which extract natural resources.
5. Secondary sector : manufacturing and construction industries
6. Tertiary sector : industries which provide services.
7. Elasticity of demand for labour : a measure of the responsiveness of demand
8. for labour to change in the wage rate.
9. Elasticity of supply of labour : a measure of the responsiveness of supply of labour to change in the wage rate.
10. Specialisation : the concentration on particular products or tasks
11. Division of labour : workers specialising in particular tasks.

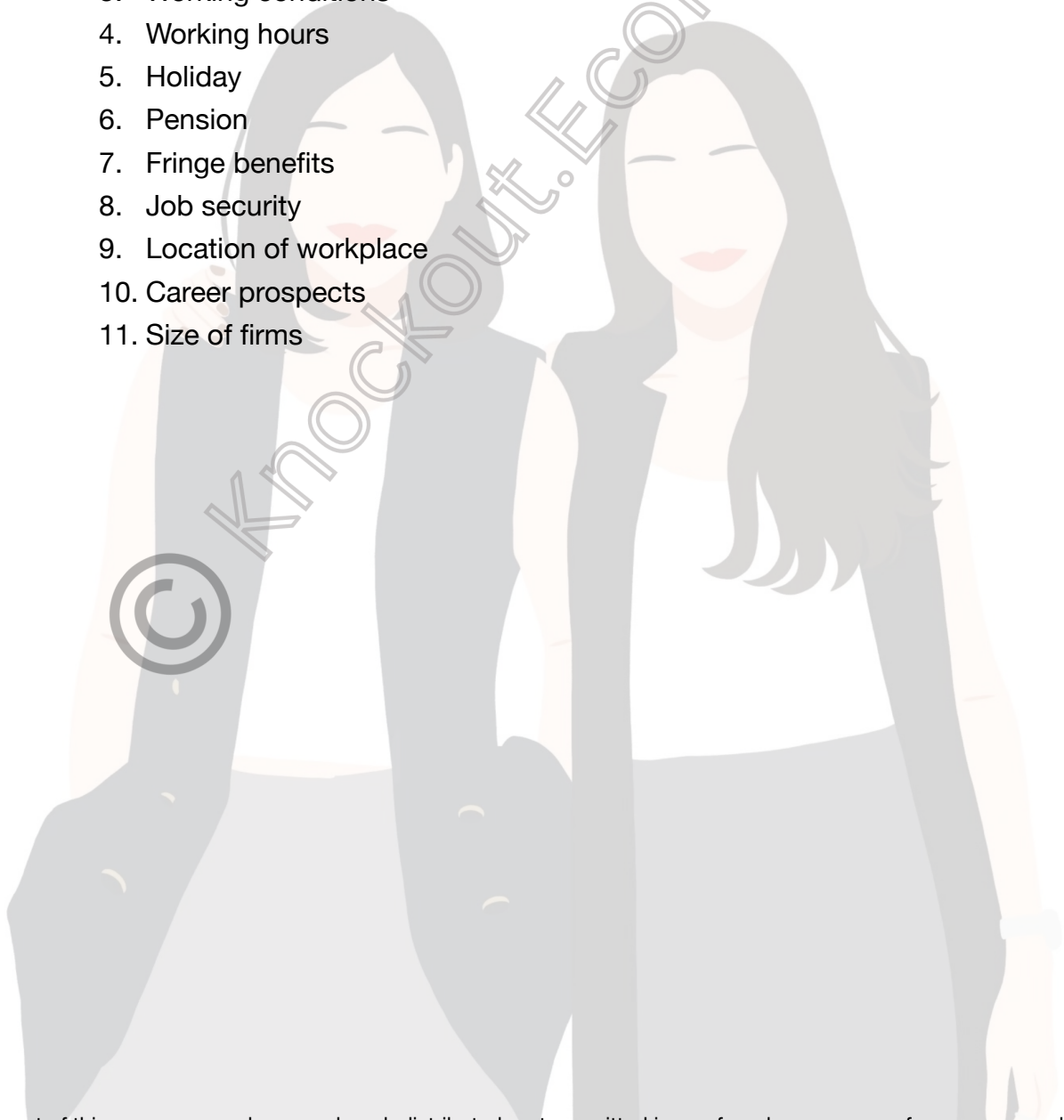
## 1. Factors that influence an individual's choice of occupation

### 1. Wage factor

1. **Salary** : fixed amount of inamegermenjfudy salary
2. **Wage** : the amount of payment based on piece or working hour
3. **Overtime payment** : payment to workers who work in excess of the standard working week.
4. **Bonus** : extra payment based on performance
5. **Commission** : payment based on sales made by workers

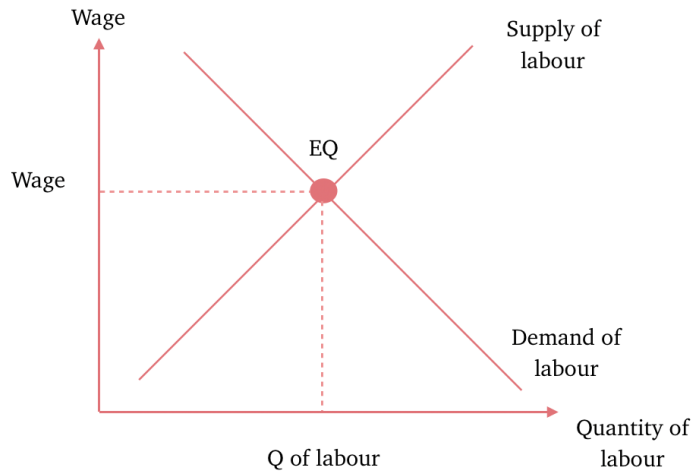
### 2. Non wage factors

1. Job satisfaction
2. Type of work
3. Working conditions
4. Working hours
5. Holiday
6. Pension
7. Fringe benefits
8. Job security
9. Location of workplace
10. Career prospects
11. Size of firms



## 2. Wage determination and the reasons for differences in earnings

- Wage is determined by demand for and supply of labour.
- Demand for labour ; the amount of workers that firms would like to employ at any wage level.
- Supply of labour ; labour force.



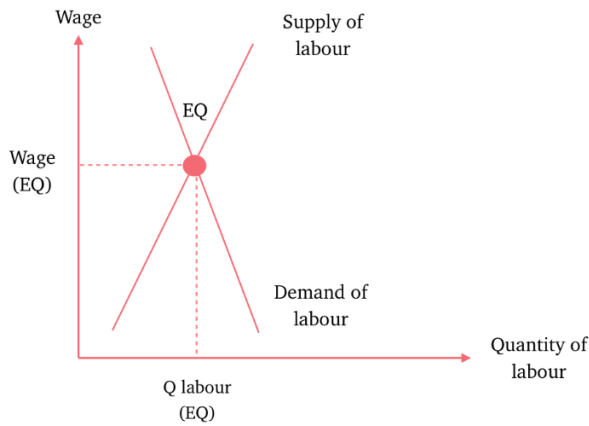
### Factors cause demand for labour to increase

1. Demand for product  $\uparrow$   $\Rightarrow$  firms have to employ more labour  $\Rightarrow$  demand for labour  $\uparrow$
2. Labour's productivity  $\uparrow$   $\Rightarrow$  firms have lower cost  $\Rightarrow$  demand for labour  $\uparrow$
3. Price of capital  $\uparrow$   $\Rightarrow$  firms replace capital by workers  $\Rightarrow$  demand for labour  $\uparrow$

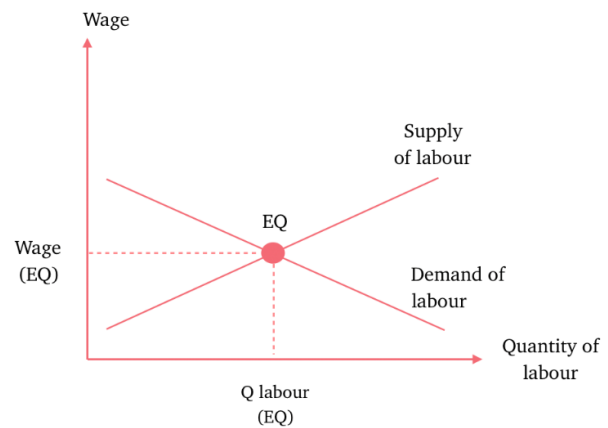
### Factors cause supply of labour to decrease

1. A fall in population and labour force  $\Rightarrow$  supply of labour  $\downarrow$
2. A rise in qualification and length of training  $\Rightarrow$  supply of labour  $\downarrow$
3. A fall in non wage benefits e.g. car service, job promotion  $\Rightarrow$  supply of labour  $\downarrow$

#### 4. Elasticity of demand for labour and supply of labour.



**Inelastic**



**Elastic**

#### The determinants of elasticity of demand for labour.

**1. The proportion of labour cost in total costs is large**

⇒ Demand for labour is elastic.

**2. The ease of labour can be substituted by capital**

⇒ If it is easy to find substitute of labour

⇒ Demand for labour is elastic.

**3. The elasticity of product is elastic then demand for labour is elastic too.**

⇒ When wage increases, firms have to maintain profit by raising the price of products.

⇒ This makes demand for the product falls by the large proportion and demand for the labour will fall in the same way.

⇒ Demand for labour is elastic.

**4. Demand for labour is more elastic in the long run.**

⇒ As firms have time to arrange the production methods.

#### The determinants of elasticity of supply of labour

1. The qualification and skills required ; the more qualifications and skills needed, the more inelastic supply of labour.

2. The long period of training required causes supply of labour to be wage inelastic.

3. The immobility of labour causes supply of labour to be wage inelastic.

4. High degree of vocation attaches workers to their jobs and becomes inelastic.

5. The longer time period allows workers to recognise higher wages and undertake the jobs. Then supply of labour is wage elastic in the long run.

### 5. Specialisation and division of labour.

- **Specialisation** means the concentration on a particular products or tasks
- **Division of labour** means a worker carries out one particular task and everyone contributes to the whole production process.

Advantages	Disadvantages
<ol style="list-style-type: none"><li>1. More outputs are created.</li><li>2. Unit costs are lower due to specialisation.</li><li>3. Worker can do the task they are best at.</li><li>4. Better quality of products produced.</li></ol>	<ol style="list-style-type: none"><li>1. Workers have to depend on each other. Other workers cannot cover up for those specialised staff who are absent.</li><li>2. Workers may feel bored leading to lower productivity and high unit cost.</li><li>3. Workers have limited skills and have</li><li>4. Risk of being unemployed when their skills are no longer wanted.</li></ol>