

INTRODUCTION

In Book One, we discussed about labour as a factor of production, division of labour and specialization, and we also discussed the importance of population as it involves people who are the suppliers of labour, which is the primary factor in the production of all commodities. People are also the consumers who are the beneficiaries of the products of development. Labour as a factor of production consists of efforts of human beings.

Only the services of labour are bought and sold and not the worker who is the source of labour service. In this chapter, we will look at the supply of and demand for labour, the major determinants of the supply of labour and other considerations affecting the supply of labour. The supply of labour means the different amount of hours or days of a given type of labour will be offered for hire at different wage rates.

OBJECTIVES

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

- ◆ Explain what demand and supply of labour means;
- ◆ Discuss the factors that influence the demand and supply of labour;
- ◆ Mention and explain the factors that affect the supply of labour;
- ◆ Explain the meaning of wage determination;
- ◆ Explain how wage is determined under the perfect competitive market;
- ◆ Discuss the causes of wage differences in the labour market;
- ◆ Discuss the role of government in the determination of wages;
- ◆ Define the following wage concepts: minimum wage, real wage and nominal wage;
- ◆ Explain the development of trade union in West Africa and specifically Nigeria;
- ◆ List the characteristic features, categories, functions and problems of trade union;
- ◆ Explain the concepts, types, causes, effects, solutions of unemployment.

7.1 Demand and Supply of Labour

The demand for labour in a firm indicates the different quantities of labour which will be employed by the firm at different wages. As far as the demand for labour is concerned, the producer considers the marginal physical productivity of labour calculated in monetary terms. The demand curve for labour will be expressed in terms of marginal revenue product (marginal physical product × marginal revenue), which according to the law of variable proportions, will fall after a certain stage. A firm will employ only the necessary number of labourers such that the marginal revenue product is equal to the marginal outlay incurred by the firm on hiring the workers. The total demand for any given type of labour is the sum of the demand schedules of the various firms. Under a perfect competition, a firm will employ labour up to the point where the value of the marginal product (marginal physical product × price of product) is equal to the wage rate. The supply of labour means the different amount of hours or days of a given type of labour will be offered for hire at different wage rates.

Normally, the higher the wage rate offered, the larger will be the amount of labour supplied. The factors which govern the supply of labour differ fundamentally from those of other commodities and factors, since labour services are supplied by individuals who can make their own decisions, the fundamental determinant of labour supply is the psychology of the individual, that is his attitude towards work and leisure and between various possible employment and places will be fundamental determinant of how much labour will be supplied at a

given wage.

Economic and non-economic factors are major determinants of supply of labour. Apart from money income, other considerations, such as tradition, culture and habit, play significant roles in determining labour supply. The size and the age distribution of population, which are non-economic in character, are also the basic potentials in the supply of labour.

Finally, the analysis of labour supply is comprehended by the problems of the definition of the units of labour service, for example changes in actual effective labour supply may occur as a result of changes in the number of workers available, the hours worked, the intensity of work and the skill of the workers. All these points prove that the shape of a typical individual's supply curve of his own services is not definitely known, but it is generally thought to slope upwards to the right. This indicates a willingness to supply more man-hours of work per day if the wage rate per hour is higher.

7.2 Factors Influencing the Demand for and Supply of Labour

- **Level of industrialisation:** The industrial sector of an economy is the sector responsible for the production of commodities in that economy. The level of industrialization in an economy will determine greatly the demand for labour in that economy given that labour is required in industries as a major factor of production. Thus, the higher the level of industrialization in an economy, the higher the demand for labour and vice-versa.
- **Technology:** The technology for the input-output relationship in the firm affects the demand for labour, for example the use of tractor, which is driven by one person, in a farm will bring about an output requirement of over 50 men even within a shorter period of time. Therefore, the level of technology applied in a firm will determine the demand of labour in the firm. Thus, most firms have become more capital intensive and less labour intensive.
- **Level of wage rate:** The wage rate is obviously a cost of production. No employer of labour wants to hire labour for their own commodity which he sells. Therefore, the higher the wage of labour, the lower the demand for it and vice-versa.
- **Demand for product:** The demand for labour is derived from the demand for its products. The greater the consumer demand for the product, which labour helps to produce, the greater the produce demand for the labour involved in making it. Although it can be stated that the elasticity of demand for labour will depend on the elasticity of demand for the firms' product, it will be wrong to infer that the two elasticities of demand will be the same.
- **Supply conditions of other factors of production:** The demand for labour is also influenced by the supply of other factors of production, which serves as co-operating inputs with labour. For instance, if the supply of other inputs is inelastic than the demand for labour - ceteris paribus - will be inelastic and vice-versa.
- **Relative prices of other factors of production:** The demand schedule for labour will be influenced by the relative prices of other factors of production and also the degree of substitution between labour and other factors of production. If the other factors of production are costly, there will be a natural substitution in favour of labour (given, of course, the technological possibilities). If the price falls, the demand for labour may decline.
- **Level of unemployment:** The level of unemployment in an economy is a function of the level of utilization of factors of production. And the demand for labour is partly dependant on the utilization of the factors of production. Therefore, if an economy is underutilizing its factors of production, there is every tendency that there will be a demand for labour and vice versa. One of the challenges of demand for labour in this kind of situation is if the labour

is required as a skilled factor to function in the area where it is being demanded.

7.2.1 Factors Affecting the Supply of Labour

- i. **Occupational shifts:** The supply of labour depends upon the degree of possibility of occupational shifts. It may be easy to enter into or come out of certain industries, while it may be difficult to do so in certain other industries. It is possible to induce workers to transfer from one occupation to another, provided such workers are offered higher salaries. This occupational shift will depend on the following factors:
 - i. Extent to which persons in other occupations possess or can acquire the necessary skills.
 - ii. Relative importance of non-monetary advantages such as prestige, job security, pension scheme etc of the various occupations.
 - iii. Cost of transfer which affects the willingness of labour to shift from trade to another occupation.
- ii. **Higher wages:** This induces workers to shift from the lowly-paid to the comparatively highly-paid occupational mobility. There are two possible, apparently opposite, effects of changes in wage rate on the supply of labour. A rise in wage rate will encourage substitution of work (income) for leisure on the part of workers. That is, when workers put in additional man-hours, wages rises.
- iii. **Population of the economy:** Basically the population size of an economy determines the level of labour supplied in that economy. Ceteris paribus, the higher the production size, the higher will be the supply of labour and vice-versa. The supply of labour based on population size will depend on the following:
 - § **The age structure of the population size:** The working-class age group lies between 18 and 60 years, and the dependant age group is between 0 and 17 years and those above 60 years. If there are a lot of people in the working age, this will bring about an increase in the supply of labour and vice-versa.
 - § **The number of incapable persons or disabled persons in the economy:** Most countries that experience civil war or natural disasters are likely to have an increase in the number of physically or mentally disabled persons and this in turn affects the supply of labour in such an economy.
 - § **The attitude of women towards paid employment:** In most economies, women tend to respond negatively towards paid employment due to cultural or religious beliefs. Considering their population size in an economy and their willingness to take up paid employment will affect the supply of labour in that economy.

7.3 Wage Determination

Wages can be defined as the reward for labour. It can also be referred to as salaries and it can be paid hourly, daily, weekly or monthly. Wage determination is the interaction of the forces of demand and supply of labour in regard to the price of labour in a free market economy.

Diagram of wage determination is represented in the figure next page:

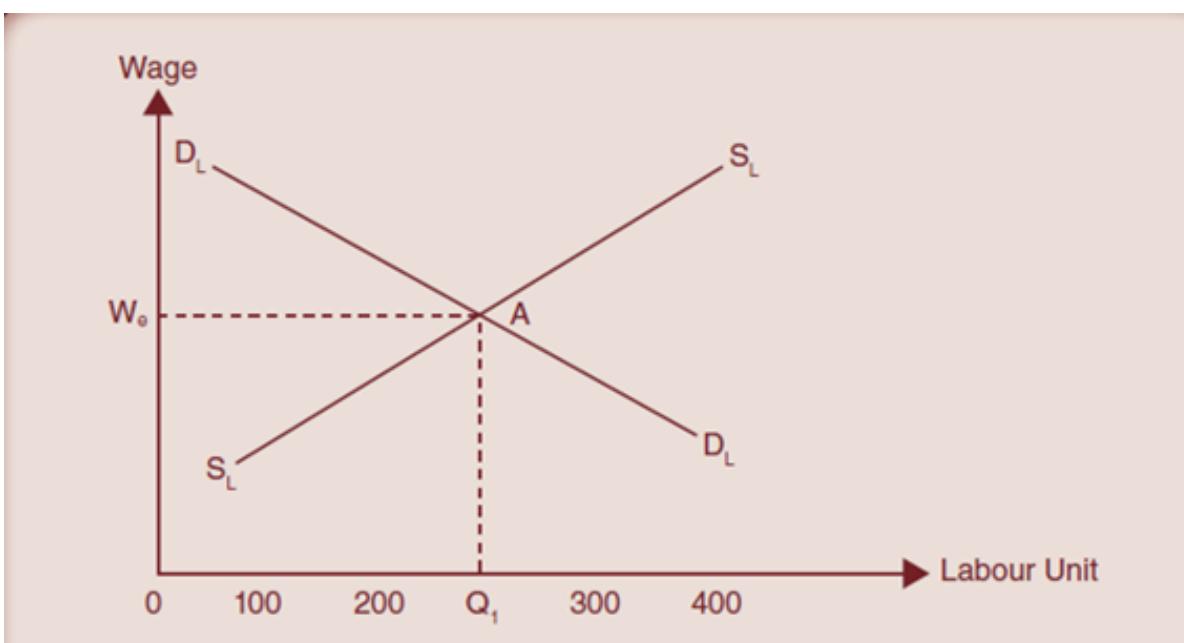


FIG. 7.1a Diagram of Wage determination under industry

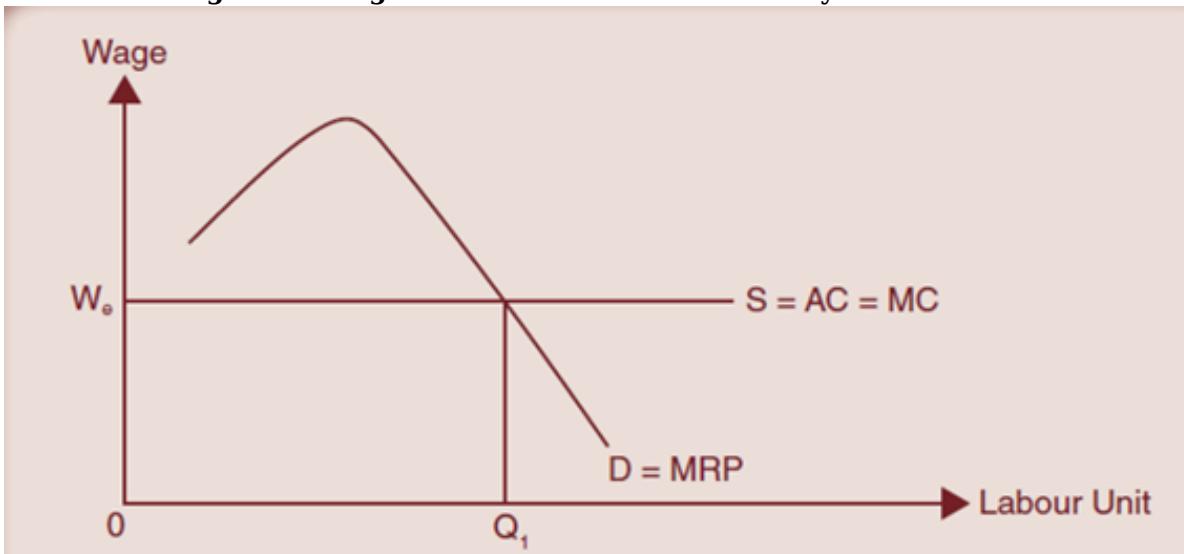


FIG. 7.1b Diagram of Wage determination under firm

The equilibrium wage rate in the industry is set by the meeting point of the industry supply and industry demand curves as shown above in Fig. 7.1a. In a competitive market, firms are wage takers because if they set lower wages, workers would not accept the wage. Therefore, they have to set the equilibrium wage W_e . Because firms are wage takers the supply curves of labour is perfectly elastic therefore, $AC = MC$. The firm will maximize profits by employing at Q_1 where MRP of Labour = MC of Labour.

- Wage determination under perfect competition:** In a perfectly competitive labour market, we assume a large number of small employers, each requiring a very insignificant proportion of the total labour forces and all acting independently in their demand for it. At the same time, there are a large number of workers of the same kind, who are not organized and, hence, offer their services individually. Furthermore, we assume perfect mobility of labour between different firms and regions. Finally, we also assume that perfectly competitive conditions are present in the labour market and also in the product market. In such a market, the equilibrium wage rate will be determined at that level where the demand for a particular type of labour is equal to its supply.
- Wage determination under imperfect competition:** Many economists have pointed out that purely competitive markets are very rare, if not completely absent. Although there are many types of imperfectly competitive situations in labour, only two are important. The first type is a certain labour market where the employer wields a superior bargaining position in determining wages. This is a case of monopsony. In the second

type, most labour markets are characterized by the existence of strong labour unions, which control the supply of labour, and employer organizations, which exercise monopsonistic control over the demand after labour services. Wage is determined by the bargaining of these two organizations. This is a case of bilateral monopoly or monopsony. In all types of imperfect competitions, the wage of labour will be less than labour's marginal revenue product. This is so because the supply curve of labour for a firm under imperfect competition, oligopsony or monopsony, is a rising curve, which indicates that the firm will be able to secure the larger supply of labour only by offering higher wages, and the quality of the marginal labour cost and marginal revenue product of labour will take place at a higher level.

7.3.1 Causes of Wage Differences

- i. **Difference in labour demand:** The demand for any type of labour is derived from the demand for the product it helps to produce. There is greater demand for some products than for others. This implies that those labour units which help in the production of goods that are much in demand will command higher price. Thus, differences in demand for the product and through it, for labour services, are not adequate explanations of the prevailing difference in wages.
- ii. **Immobility of labour:** This had considerable influence on the differences on relative wages. There are many types of labour mobility:

Inherentability/talent:

Some occupations (e.g. film stars, musicians and footballers etc.) require a high degree of inherent ability that is very rare. Consequently, these occupations carry very large monetary rewards without attracting others into them.

Geographical considerations:

Most people get accustomed to certain localities, and they find it difficult to change their place of residence. Familiar surroundings, a close circle of relatives and friends, children and schools, ownership of a house, cost of moving both family and belongings, difficulty of obtaining accommodation, all, individually or collectively, make it difficult for a worker to shift from one area to another.

Existence of non-competing groups of workers:

Different grades of labour within which movement is very difficult or very slow are responsible for the persistence of inequalities in the wage levels as between different occupations. An unskilled worker finds it difficult to move up because of lack of ability, lack of means to train himself/herself and lack of family and social connection.

Specificity:

This is also responsible for occupational immobility of labour. A particular grade of labour becomes specific when it has been used continuously for some years in some specific use. It may become difficult or even impossible to transfer it to another occupation.

Higher risk and cost of training:

In many cases, differences in wages between different occupations may be described as the differences of risk, cost of training or other features.

Whenever occupations require higher and specialized training or whenever they involve risk to health and life itself, they carry higher remuneration to compensate for these special features. This is why medical doctors earn higher salaries than other hospital workers.

Customs and traditions:

These may be responsible for the fixing of fees in certain skilled professional occupations, such as medicine and law. In such cases, the rate of remuneration is based on an old established practice and tradition and is not adjusted by competitive forces in accordance with the net advantages of the

occupations or with the relation between the demand for such services and their supply.

Artificial restriction and barriers:

These are imposed on entry into certain occupations. Artificial barriers are imposed by persons who are already in the particular profession or even by government. These restrictions are of various kinds, such as the imposition of heavy fees, demand for qualification and insistence on a certain standard of general education and social fitness.

7.3.2 The Role of Government in Determining Wages

The government usually intervenes in the determination of wages, mostly for the public services sectors. They do these through some instituted agencies or commissions and they consider the following:

- a. **The cost of living in the country:** When the cost of living in a society is very high, the citizen spends a lot to maintain a good standard of living. The government most times intervenes in the circumstances to help the people by meeting their needs for higher wages.
- b. **Productivity level of the economy:** The level of productivity in an economy determines the level of wages paid in that economy. In Nigeria, there have been an increase in the level of productivity over the years and the government has several times increased the level of wages of labour in the economy to compliment the increased efforts in productivity.
- c. **Different occupations in wage structure:** There are differences in wage structures of various occupations. Thus, we can see in the case of Nigeria with different wage structure for different occupations under the civil service e.g. the political elected/appointed officers have a different wage structure different from the military, which also differs from that of lecturers, doctors, etc. These differences are based on the level of importance of the occupation, the level of risks involved in the occupation, the level of skills required for the occupation etc.

7.3.3 Introduction of Minimum Wage

Minimum wage as an act or law, is introduced in countries in order to prevent the exploitation of workers by their employers. The Nigerian government through its wage commission (e.g. The Ani Commission, the Adebo Commission and the Udoji Commission etc.) has reviewed the wages of workers in the country on several occasions since 1966. These include the numerous salary adjustments between 1966 and 1970, the salary adjustment of April, 1979. Following the minimum wage act of 1981, there has been an upward review of salaries till date.

7.3.3.1 Real Wages and Nominal Wages

A real wage is the actual commodity that the earnings or salary of a worker can buy. It can also be referred to as the purchasing power of the workers. The nominal wage or money is the amount of money that the worker earns or the money value of the workers' salary, e.g. N 50,000.00

7.4 Trade Unions and Other Related Institutions

Trade unionism is a concept that applies to the wage sector of the labour market, where wages and salaries of the working population are settled by some kinds of collective bargaining procedure. To an employer, labour is a factor of production whose service must be secured as cheaply as possible. To the worker, the amount of his labour, his economic security and his work condition are so important to him that he wants the highest wages for his labour. The employer wants to manage his business in the way he thinks best, but the worker wants a choice in determining the policies that affect his welfare, so problems of relations between the employer and the worker always arise in which case the worker is often in a weaker position to extract much advantage/benefits single-handedly. This is why workers come together to form trade unions in order to strengthen their bargaining power.

We can therefore define a trade union as a productive organization set up by workers to bargain collectively with their employers, having for its purpose the improvement of the conditions under which they work. Collective bargaining is the process whereby representatives of the employer negotiate with representatives of the workers in respect of wages and working conditions of the workers.

7.4.1 Development of Trade Unions in West Africa (Nigeria)

In West Africa, trade unions were generally encouraged by the former colonial government. They have chiefly displayed among workers engaged in government services. This is because governments are generally the largest employers (apart from agriculture) of all types of paid labour; whether unskilled, skilled technical, clerical or professional.

Trade unions are quite few in West Africa. The reason for this is because of large proportions of the working population is in the primary sector, while the proportion in wage employment is considerably small. Since trade unionism in West Africa is closely linked with wage employment, its origin too can be traced to the development of wage employment in the regions.

The first trade union in Nigeria, the Nigerian Civil Service Union, was set up in 1912. In its formative years, the union acted more or less like an elite organization. It is important to note that the union was not formed by a group of disaffected workers who wanted a platform from which to fight for grievances, or for the improvement of specific conditions of employment. Rather, by the end of the First World War, the Nigerian Civil Service Union had assumed the true functions of a trade union. For example, it fought and won salary increase for its members after the war and intensified the indigenization of the civil service which was then full of expatriates.

Between 1912 and now, the number of registered trade unions in Nigeria is more than 1,000, with a membership of many millions of workers in industries and governments. Some of the most important ones are the civil service union, the rail workers union, the Port Authority Workers' Union, the National Electric Power Authority Union, the Nigerian Union of Teachers, The Nigerian Motor Driver and Mechanics Union, Clerical and Allied Workers Union, The Nigerian Medical Association, Academic Staff Union of Universities(ASUU), the Non-Academic Staff Union of Universities(NASU), the Nigerian Road Transport Workers Union, etc.

Like Nigeria, the steep rise in the cost of living, together with the rise in the earnings power of workers, and the economic depressions of some periods which resulted in unemployment, etc. promoted the formation of trade unions and the expansion of the membership of existing ones in West Africa. The result is that the number of registered trade unions has multiplied tremendously in the former British Colonies of Nigeria, Ghana, Sierra Leone and the Gambia.

The development of trade unionism was rather late and slow in the French speaking West African Countries. This is because the colonial masters, particularly the French, had a firmer grip on these economies as the main posts in their public service and because the sectors were for a long time helped by expatriates.

Another development on trade unionism is the emergence of a trade union federation. Today, we have central labour bodies such as; the trade union congress, the Limited Labour Congress, the Labour Unity Front, the Joint Action Committee, etc, all in Nigeria, and also the Central Labour Organization of Ghana.

7.4.2 Characteristics of Trade Unions

The essential characteristics of trade unions are:

- a.** The permanence and continuity of its life.
- b.** The inclusion of only wage - earners in its ranks.
- c.** A more or less militant attitude, mostly when fighting for their right.
- d.** The substitution of collective for individual bargaining, thereby seeking to

protect interest of workers.

7.4.3 Categories of Trade Unions

Generally, unions fall into three categories which are the following:

- a. **Craft unions:** This is historically the oldest type of union, with many dating back to the early days of the industrial revolution. They are organization of workers performing the same craft and trained in the same skills, like shoe-making, blacksmithing or music, etc. They form the most numerous types but their average size is relatively small. With the decline in traditional craft in the last century, there had been a corresponding decline in the numerical strength of the crafty unions.
- b. **General Workers unions:** Towards the end of the last century, unskilled and semi-skilled workers formed their own union. An example is that formed by the dockers and gas workers. Various processes of amalgamation have, however, brought such unions together. Skilled workers are not excluded by the less-skilled predominate.
- c. **Industrial unions:** When a union speaks for almost all workers in an industry, covering the whole range of types of work, then it is termed the industrial union. This form of union exists extensively in West Africa, USA, Japan and West Germany. It facilitates the work of negotiation when an employer or employers' association has to strike a bargain with one union rather than several and in this sense, industrial unionism has great advantages.

7.4.4 Functions of Trade Unions

West African Trade Unions perform two functions which are:

- a. Bargaining on behalf of their members for a better working conditions and increase in wages. These demands are usually based on the following:
 - i. **Cost of living:** A rise in the cost of leaving has reduced the real income of workers. Just like price cutting can destroy a business enterprise, so can wage cutting or inflation depress the workers real income.
 - ii. **Difference in wages:** Improvement in labour productivity can be another justifiable reason for a trade union to make demands for wage increase. Trade unions also work for improvement in the working conditions of their work which includes: hours of employment, holiday vacation, rules and benefits, safety and health, pension schemes and procedures for setting disputes and grievances.
- b. Persuading the government to pass legislation in favour of the working class. The importance of this function has been felt in Ghana for quite some time when the Ghana Central Labour Organisation and its affiliates became an integral part of the ruling convention people's party.

7.4.5 Problems of Trade Unions

- a. **Lack of adequate finance and stability:** Many of the West African trade unions lack adequate financial resources and stability and this can hardly meet the essential administrative expenses. The poor financial position of the unions stems from the following:
 - i. Failure of many members in paying their dues regularly.
 - ii. Small sizes of many unions.
 - iii. Lack of, or inadequate, government financial involvement in union matters. Except for Nigeria, where the labour congress enjoys some supports from the federal government.
- b. **Poor leadership and ineffective involvement:** This is the other problems found among the rank and file union members. Poor leadership has often regulated in bad management, inability to articulate union needs, and to press hard for the realization of union needs from the employers. Many of the union members are illiterate or semi-illiterate and therefore, are unable to appreciate the aims, goals and objectives of trade unions.

- c. **Pressure from the government:** The trade unions are most times pressured by the government through laws that ban strikes or imposing a wage freeze on the member of the union when they go contrary to this ban this making it difficult for these unions to achieve their goals.

7.5 Concept of Unemployment

A person is said to be unemployed if he/she is willing to work but there is no work that he is capable of doing that is available to him.

Unemployment of people may necessarily arise out of lack of vacancies in the economy as a whole. He/she may not be employed because he/she may be unaware that the vacancies exist. For example, vacancies for pharmacists cannot really be filled by unemployed teachers without pharmaceutical training. It is the specialization in training and skills that has compounded the problem of unemployment in West Africa and the world in general. A change in consumer's demand or technological changes in production have aided the course of unemployment.

7.5.1 Types of Unemployment

- a. **Functional Unemployment:** This is the type of unemployment that is associated with switching from one job to another. At any point in time, there will be several people in between jobs and thus, in search of other jobs. Some would be involuntarily unemployed; having lost their former jobs without yet finding a new one. Others will voluntarily quit their former jobs in order to seek better ones. The chief characteristics of frictional unemployment is its short duration in contrast with the much longer period of unemployment suffered by those thrown out of work because of insufficient aggregate demand or because of structural maladjustment.
- b. **Structural Unemployment:** This is a particular serious type of frictional unemployment and it arises when a major industry suffers a permanent decline in the demand for its product. This occurs when a change in demand requires the structure of the industry to be modified. Change in demand in this situation occurs as a result of change in taste and fashion. Factor immobility causes structural unemployment.
- c. **Seasonal unemployment:** This type of unemployment is experienced in many outdoor occupations such as family, building and construction, tourism where work has to be suspended at some period of the year. It is the most important source of unemployment in West Africa. It is also referred to as underemployment.
- d. **Voluntary unemployment:** This can occur when workers are unwilling to work, for example, because the wage rate is low or when workers voluntarily withdraw from the labour market for non-wage reasons. A good example of the latter situation is when housewives voluntarily (and temporarily) leave the labour market to care for their families.
- e. **Residual unemployment:** This class of unemployment includes the physically and mentally handicapped. Examples include the imbecile, the blind and the physically. In a country like Nigeria where there is wage legislation for payment of standard wages, this makes it difficult for this group to be gainfully employed.
- f. **Cyclical unemployment:** This is often referred to as mass unemployment. It is the most serious type and it is characterized by a general deficiency in demand. This is usually caused by economic recession or depression. The general result is that it affects all sectors of the economy thereby, producing widespread unemployment. The conflict here is how to reconcile full employment with stable prices, since the higher the level of aggregate demand, the higher the level of employment but the more rapid the rate of inflation.
- g. **Unemployment due to technological progress:** This is caused by the process of growth and it results from the installation of labour - saving machinery. Technological changes may eliminate many unskilled or semi-skilled workers while creating demand for persons with specialized

training.

7.5.2 Causes of Unemployment

- a. **General deficiency in the purchasing power of demand of the population:** Generally, the per-capital income level of the West African population is low. It is worse in periods of depression when demand becomes so deficient, the effect of which is mass retrenchment of workers in the private and public sectors.
- b. **Low level of income:** In the face of rapidly increasing population, most West African countries still lack markets which is as a result of low income limits production. Majority of the family can only afford to spend a few naira a year, upon industrial goods and services; this situation offers little opportunity for business enterprises. Low income resulting from low productivity, high costs and lack of markets set interlocking constraints upon economic development.
- c. **Low level of education:** Most of the working class people in the West African countries do not have the required basic skills that is needed for them to be employed. This is because of the low level of education in this part of the world.
- d. **Use of modern technology:** The introduction of modern technology in the production of commodities has brought about more use of capital in production process and less labour. This has contributed to the level of unemployment as a job that can be done by many people can be done by machines which can be controlled by an individual who has the skills required in controlling the machine. Thus, leaving others unemployed.

7.5.3 Effects of Unemployment

- a. Where there is mass unemployment, other factors of production besides labour will be unemployed.
- b. Unemployment discourages initiatives
- c. Structural unemployment brings about changes in the country's industrial sector which entails the growth of some industries and decline of others.
- d. It makes total spending in a country insufficient to absorb the total output of goods and services
- e. Classical unemployment brings about a situation where there is lack of the co-operative factors of production with which labour is combined in order to produce goods and services.
- f. Deficiency unemployment causes a general deficiency in the purchasing power. Generally, the per-capital income level of the country will be low.

7.5.4 Solutions to Unemployment

Keynes once said that if government wanted full employment, it would have to intervene in the activities of the economy. It would have to manage the level of spending or demand, to make sure that it was just enough to buy full employment output. A deflationary gap can be filled by the government in the following ways:

- § Government can increase the disposable income of consumers, firms and foreigners through cuts in taxation.
- § Government can increase its own spending on provision of public utilities like road construction, building etc.
- § Government should introduce an intermediate technology which is much more productive than the traditional methods, but must be less expensive than the modern technology of the rich industrial nations.

Summary

This chapter has discussed:

- ❖ Labour as a factor of production which consists of efforts of human beings. It is only the services of labour that is bought and sold and not the worker himself who is the source of labour service.
- ❖ The economic and non-economic factors that determine the supply of labour.

- ❖ Factors that determine demand for labour which include:
 - i. Level of industrialization
 - ii. Technology
 - iii. Level of wage rate
 - iv. Demand for product
 - v. Supply conditions of other factors of production
 - vi. Relative prices of other factors of production
 - vii. Level of unemployment

- ❖ Factors affecting the supply of labour which include:

- i. Occupational shifts
 - ii. Higher wages
 - iii. Population of the economy

Wage determination is the interaction of the forces of demand and supply of labour in regard to the price of labour in a free market economy.

- ❖ Causes of wage differences which include:

- i. Difference in labour demand
 - ii. Immobility of labour

The development of the trade unions in West Africa and especially as related to Nigeria was examined in this chapter. The characteristics of the trade union was highlighted, while the categories of the trade unions were examined. The functions and the problems that confront the trade unions were also looked at in this chapter, while the concept of unemployment was further examined.

- Types of unemployment was x-rayed. The types were:
Functional unemployment, Structural unemployment, Seasonal unemployment, Voluntary unemployment, Residual unemployment, Cyclical unemployment, unemployment due to technological progress.
- Causes of unemployment were found to be: General deficiency in the purchasing power of demand of the population, low levels of income, low levels of education, use of modern technology, etc.

- ❖ Effects of unemployment which are as follows:

- i. Unemployment discourages initiatives
 - ii. Negative changes in the industrial sector of the economy
 - iii. It discourages initiative
 - iv. Low per capita income
- Some solutions to unemployment are: government's increase in the disposable income of consumers, firm and foreigners through cuts in taxation, government can increase its own spending on provision of public utilities like road construction, building etc., and government's increase in its spending on provision of public utilities like road construction, building etc.

Class Activities

- i. The teacher should share his unemployment experience with his students and how he was able to overcome such problem.
- ii. Students should be instructed to ask their parents at home about their unemployment experiences before they were able to get employed on their job.

Revision Questions

Objective Questions

1. Which of the following could be used to measure the efficiency of labour?

- (a) Education and training (b) Rate of inflation
- (c) Level of unemployment (d) Input-Output ratio (**SSCE 2003**)

2. One characteristic of labour is that it is:

- (a) fixed in demand (b) fixed in supply
- (c) mobile (d) untrainable (**SSCE 2007**)

3. Trade unions in West Africa have achieved the following for the workers except:

- (a) increased wages
- (b) better conditions of service
- (c) competitive determination of wage rates
- (d) improved welfare facilities **(SSCE 2008)**

4. Labour can be efficient when there are:

- (a) adequate tools to work with
- (b) high levels of employment
- (c) limited vacancies
- (d) government restrictions **(SSCE 2009)**

5. An efficient weapon used in resolving disputes between employers and employees is:

- (a) co-operation
- (b) collective bargaining
- (c) display of placards
- (d) legal action **(SSCE 2010)**

Essay Questions

1. Explain the factors that influence the level of employment in your country. **(SSCE 2002)**
2. A) Define the term unemployment. B) Highlight the effects of unemployment on an economy. **(SSCE 2003)**
3. The table below relates to the supply of labor in response to the given wage rates. Use the information in the table to answer the questions that follow.

Wage Rate (\$ per hour)	Hours worked (per day)	Income per day (\$)
10	-	10
20	-	60
30	-	150
40	6	-
50	4	-
60	2	-

(a) Determine the number of hours of work per day if the wage rate is:

- (i) \$10 per day
- (ii) \$20 per day
- (iii) \$30 per day

(b) Calculate the income per day when the wage rate is:

- (i) \$ 40
- (ii) \$50
- (iii) \$60

(c) (i) Which wage rate per hour attracts the highest earnings?

(ii) Name the type of supply curve that be associated with the data in the table.

(iii) Explain the nature of the supply curve named in 2(c)(ii). **(SSCE 2005)**

4. (a) (i) Distinguish between labour and labour force.

(ii) State **four** reasons for the differences in earnings among workers **(SSCE 2007)**

(b) (i) Define labour.

(ii) Give **four** factors that affect the efficiency of labour in your country. **(SSCE 2009)**

Glossary

Labour: It is as a factor of production consists of efforts of human beings.

Demand for Labour: It is the different quantities of labour which will be employed by the firm at different wages.

Supply of Labour: It means the different amount of hours or days a given type of labour will be offered for hire at different wage rates.