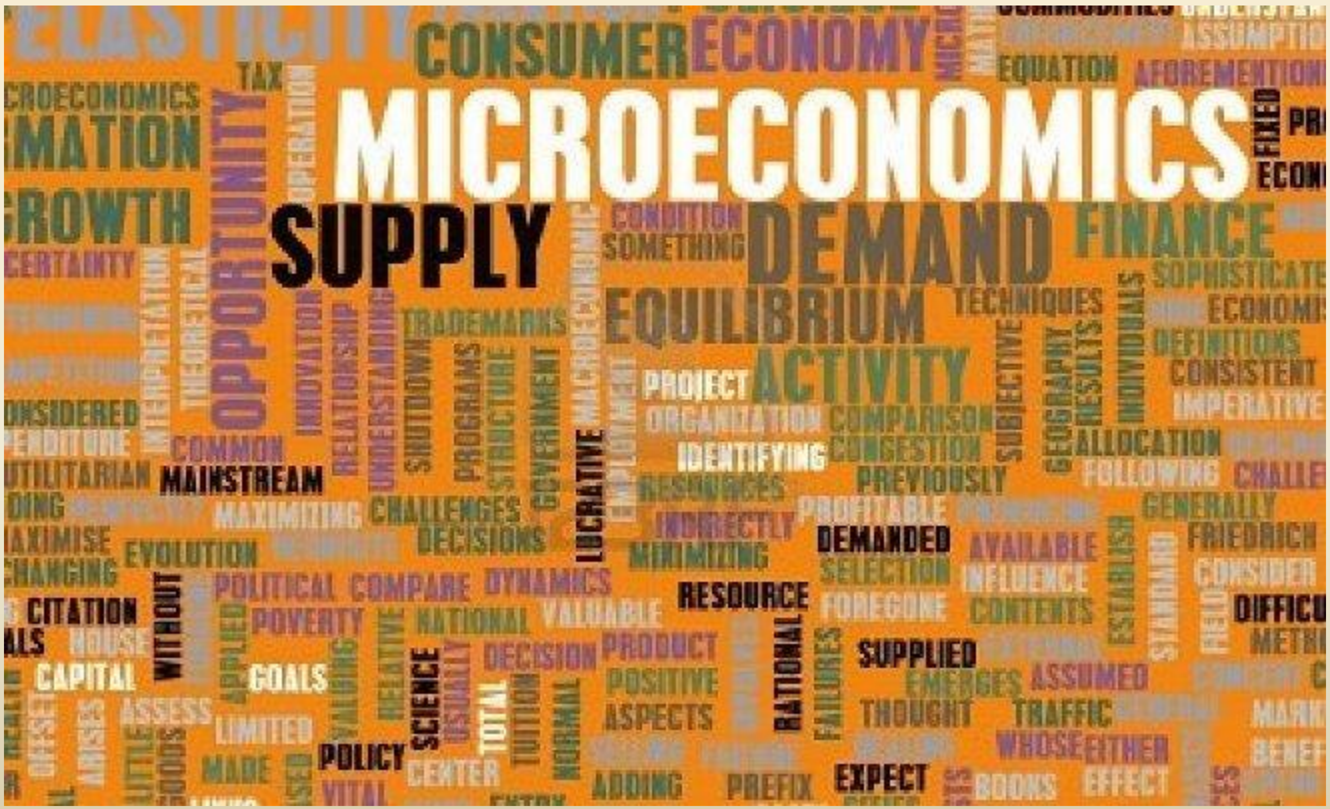
presentation 17
labor markets



Labor markets

There are two ways to approach the labor markets depending on the industries and business markets of an economy

Where industries are numerous (e.g. hospitality)

- Workers can change jobs freely and easily
- There is predominance of low-skilled jobs and low wages

Where industries are limited:

(1) by virtue of their specialization (e.g. pharma)

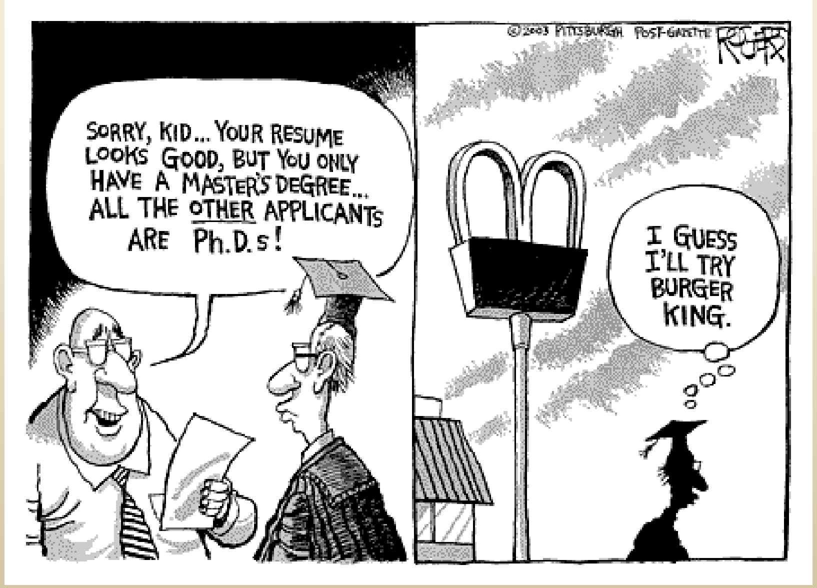
- Workers do not change jobs easily
- There is predominance of high-skilled jobs and high wages

(2a) by virtue of their size (e.g. Coca)

(2b) by virtue of their small number (e.g. cement business)

(2c) because of their topographical situation (e.g. Volkswagen factories)

- Workers cannot change jobs easily
- There is predominance of low-skilled jobs and low wages (shop-floor) and high-skilled jobs and high wages (engineers, management)



Size: Ford 1930s

Labor market intervention

If wages are deemed too low

- Either the state may intervene with min wage legislations
- Or unions may resort to industrial action

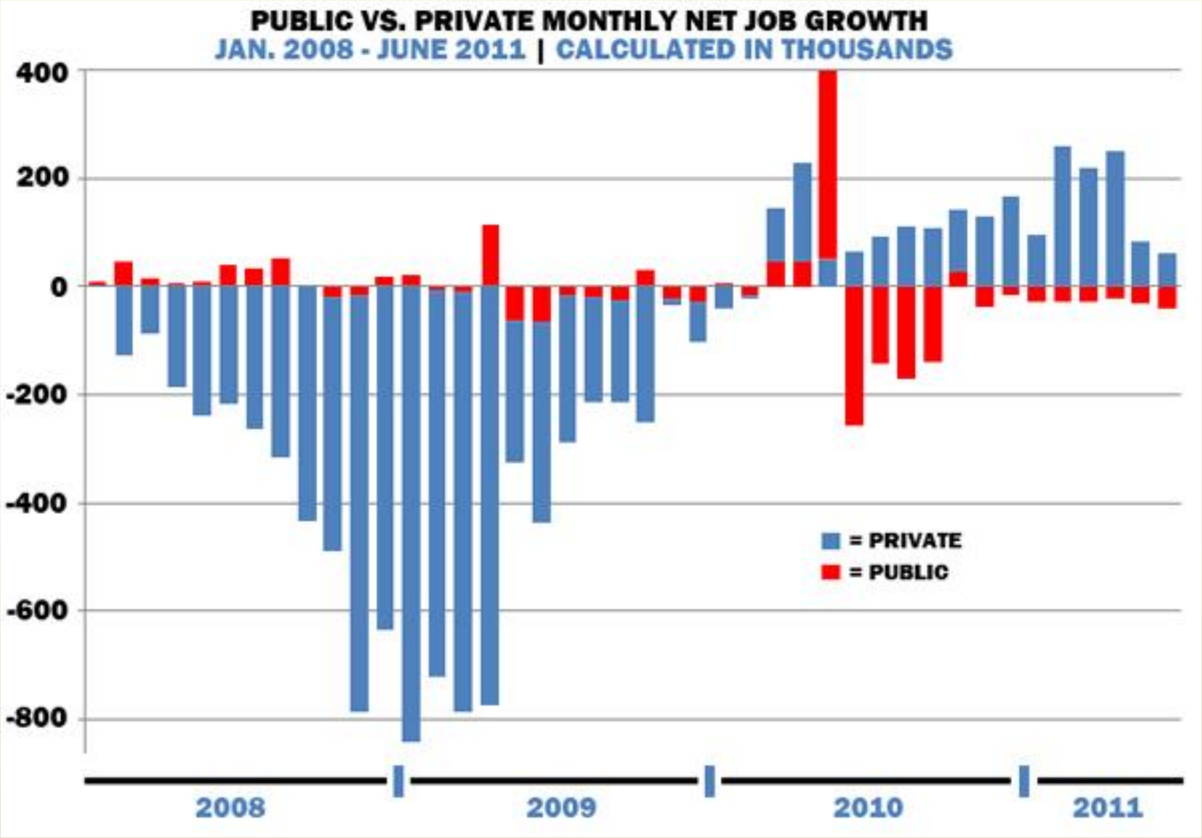
a/ state

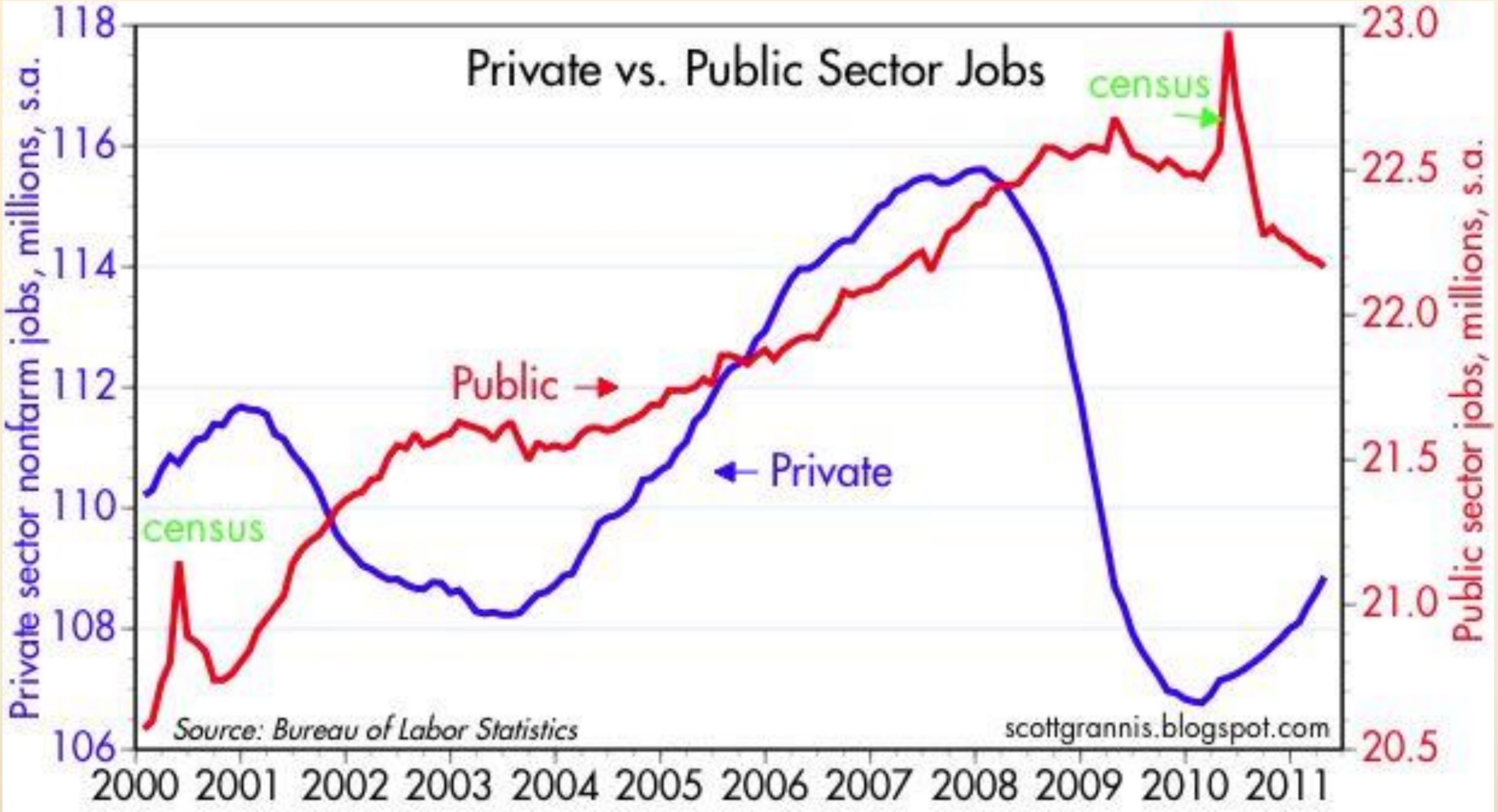
But not knowing where the market wage is, the state may impose a wage the firm will not accept, thus seek other ways so as to reduce costs: the delocalization of production – unless the state is willing to subsidize the difference (e.g. Renault’s 1970’s & 1980’s history).

Overall, wage differentials persist because workers and states lack the economic power the firms have with a *monopsonist* leverage.

And which economic actor has the highest *monopsonist* leverage?

The state!




Private vs. Public Sector Jobs
Private sector nonfarm jobs, millions, s.a.
Public sector jobs, millions, s.a.
118
116
114
112
110
108
106
23.0
22.5
22.0
21.5
21.0
20.5
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011
census
census
Public
Private
Source: Bureau of Labor Statistics
scottgrannis.blogspot.com

b / Unions

Typically, labor unions seek to improve wages, working conditions, and worker productivity and to maintain full employment.

Solidarity, June 30, 1917. The Hand That Will Rule the World—One Big Union.

But labor unions are not without their critics: trade unions are seen to contribute to unemployment and slow down innovation and productivity.

Worker participation in trade unions has decreased – why?