

Example of essay on labor market

[Business](#), [Marketing](#)



Labor Market

The labor market is a nominal market where workers seek work in exchange for payment; employers seek for willing individuals to work. The wage rates are usually determined by the labor market forces of demand and supply. Labor markets could be national, local or international. All the three scopes of labor markets are composed of small labor markets. The small markets interact in terms of aspects such as skills, qualifications or geographical locations. The labor markets rely on the information exchange between potential employees and employers concerning wage rates, competition levels, and conditions of employment and the location of the jobs.

The labor markets all over the world face various issues. Some of the most common labor issues include unemployment, employment, wages and participation rates. The recent changes in population trends have led to an ageing workforce and the composition of people seeking employment keeps changing. In most cases, outcomes in the labor markets are affected by processes and institutions of collective bargaining such as trade unions and employer's organizations.

Unemployment is a major issue in the labor market because it influences even the people who are employed. Unemployment is the number of people who part of the labor force but are not employed at that particular time. Unemployment rate is the unemployed people divided by the economy's total labor force. Therefore, a high unemployment rate implies that a big percentage of the labor force is unemployed. There are four kinds of

unemployment; structural unemployment, frictional unemployment, demands deficient unemployment and natural rate unemployment.

Frictional unemployment is caused by the time taken to get and settle in new jobs. Therefore, it is a temporary unemployment reflector. Structural unemployment is caused by the failure to match the demands of employers with the attributes of employees such as skills. If an employer does not find the qualities he wants in employees, he will not employ any of the applicants. Natural rate of unemployment is the total of structural and frictional unemployment. However, this kind of unemployment does not include unemployment caused by factors such as recessions. Demand deficient unemployment is unemployment as a result of insufficient demand for labor services by employers in that economy.

Unemployment leads to a skewed labor market because it influences the wage rates in the economy. Wage rates are determined by demand and supply of labor services. When the rate of unemployment is so high, the supply for labor services will be higher than the demand. Employers take advantage to pay less for employee services. When the chances of getting employed are very slim, job seekers may decide to take lower pay than normal in order to increase their chances of getting employed. This causes ethical issues in the labor market as well as destabilizing the market.

There are several causes of unemployment in an economy. One such cause is the rapid increase in population. If population increase is higher than the rate of economic growth or industrialization, there is likely to be an employment crisis. Unemployment can also be caused by the qualification

levels demanded by employers. At times the level of education or the skills of potential employees are below the employer expectations. This may prompt employers to import labor force while the individuals in the economy remain unemployed. Unemployment may have devastating effects on the economy because it could also lead to social evils such as theft, robbery and many others.

Wages is another major factor in the labor market. Wages are determined by the marginal revenue product. An employee who contributes a lot of revenue to the employer earns more than one who contributes less. For instance, a chef and a marketing manager in a five star hotel and resort earn different wages. The manager contributes more revenue to the hotel than the chef hence the wage difference. Wages in the labor market can also be influenced by demand and supply. The employers can decide to offer high wages to attract employees from other competitor employers. This occurs in cases where the skills and attributes of employees are rare especially in technically demanding jobs. The employers could also set the wage rates very low because of the high unemployment jobs. This is because the supply for labor services is high hence; the job seekers will have no option but to take up the low paying jobs.

The wage rates influence the amount of work an employee is willing to work per day. Wage rates influence employees' decisions on work in two ways. When wage rates are reduced, the employee may decide to increase their work hours to compensate for the lost utility or income. The employees will increase their work hours if they believe it increases their utility. To raise

their utility levels back to their desired levels, employees may be inspired to work for longer hours per day. However, if the employees feel that their utility levels are not affected by further working hours, they may opt to increase their leisure time. This is when they feel that the wages they earn for extra work hours do not increase their utility as much as if they allocated that time to leisure. Therefore, employee preference plays a big role when deciding the amount of time allocated to leisure and work.

There are several kinds of challenges in the labor market. One such challenge is the matching of jobs and employee skills. The labor market can only function efficiently when the demand matches the supply. However, the demand in the labor case does not mean the people who are willing to work for a certain amount of wages. It means the people with the required skills and qualifications willing to work at a given wage rate. This turns out to be a challenge because in some cases the qualifications the employers are seeking are not available among the labor force or are very few. In such cases, employers have to incur high costs to train their own employees or hire the few available people who qualify and pay them very high wages in order to stop them from moving away to work for rival employers.

In order to avoid cases of mismatch between skills and jobs, the education system can be revamped to incorporate more technical studies. The students, who will be part of the labor force in the near future, will learn a wider variety of skills to meet the employers' demands. There is also need for the wage rates to be determined based on comprehensive and fair

criteria. This will help avoid cases where employers underpay their workers or where workers demand excessive pay without substantial concerns.

Other challenges experienced in the labor market include the issue of immigrants. Immigrants pose a threat to the balance in the labor market. They increase the rate of unemployment in the economy. The fact that immigrants could be willing to get meager wages for any job will destabilize the wage rates in the economy. Another challenge is the gender imbalances in the labor market. Gender imbalance has always benefitted male employees. However, employers have started considering gender balance as one of the important issues to consider when employing new workers. Any other form of discrimination on the basis of age, color, race and nationality are also issues that need to be addressed by employers to promote fairness and professionalism in the labor market.

Therefore, the labor market is composed of three major factors; wages, employment and unemployment. Employers seek for individuals who can perform well at the lowest possible wage while job seekers look for employers who can pay them the highest income possible for their services and skills. Therefore, the labor market also has equilibrium where employers and job seekers agree on a certain wage rate. The outcomes of labor market are determined by institutions such as trade unions and employer organizations. Unemployment can result from several reasons and it has negative effects on the labor market. Wage rates are influenced by employers, trade unions and demand and supply forces of the labor market. Challenges in the labor market include gender imbalance, mismatch

between jobs and required skills, low wage rates and discrimination on the basis of nationality or race.

References

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