

# Informative essay on labour economics

[Economics](#)



**ASSIGN  
BUSTER**

Trade unions are also known as Labour unions. It is the association of labourers in a particular trade, industry, or company, created for the purpose of securing improvements in pay, benefits, working conditions, or social and political status through collective bargaining. It's an organization whose membership consists of workers and union leaders who are united to protect and promote their common interests. What do you mean by Collective Bargaining?

It is a formalized process by which employers and independent trade unions negotiate terms and conditions of employment and the ways in which certain employment " related issues are to be regulated at national, organizational and workplace levels. It is a collective and a continuous process. The principle of 'give and take' has been infused in the principle of Collective Bargaining. It is a technique that has been adopted by the unions and the managements to reconcile their conflicting interests.

It is called 'collective' because the employees as a group select representatives to meet and discuss differences with the employer. It is known as bargaining' because the method of reaching an agreement involves proposals and counter proposals, offers and counter offers and other negotiations. Definition of collective Bargaining by Byar & Rue (1991) It is a process that involves the negotiation, drafting, administrative and interpretation of a written agreement between an employer and a union for a specific period of time.

Collective Bargaining:- To Employees:- Importance of 1 . CB helps to develop a sense of responsibility and accountability among the employees. 2. CB

increases the morale and productivity of employees. 3. It helps in securing a prompt and fair settlement of grievances. 4. Effective collective Bargaining machinery strengthens and gives value to the trade union movement. 5. The discrimination and exploitation of workers, if any, is constantly monitored and addressed. To Management:- 1 .

It helps in reducing labour problems to the minimum and in maintaining cordial relations labour and management 2. It opens up the channel of communication between the workers and management thus increasing worker participation in decision making. 3. CB helps to create a sense of job security among employees. . It makes simpler for the management to resolve issues at the bargaining level rather than taking up complaints of individual workers. MINIMUM WAGES AND FAIR WAGES It is the lowest wage permitted by the law or by a special government.

The minimum wage attempts to protect employees from the exploitation, allowing them to afford the basic necessities of life such as clothing, water, food and shelter. The minimum wage rate fluctuates between countries, and sometimes between states or provinces. It must provide not only for the bare subsistence but also for the preservation of the efficiency of the workers by providing some measures of education, medical care, etc Criteria: It must be calculated for a family of 4 units.

It must be able to provide 2700 calories per adult per day. It should be sufficient for 18 yards of cloth per unit per annum. There should be a provision for reasonable house rent, light, fuel and miscellaneous items. The Minimum Wages Act, 1948 is an Indian legislation enacted by the Parliament

of India for statutory fixing of minimum wages paid to skilled unskilled labourers. Under the act, a tripartite committee " the Tripartite Committee of Fair Wage" was appointed that et definitions and guidelines for formulating a wage structure in India.

The objectives of this act were :- To provide minimum wages to the workers working in the organized sector. To stop exploitation of the workers by paying them lower wages and making them work for longer hours. To empower the government to take steps for fixing the minimum wages and to revise it in a timely manner. A Living wage is a wage that is high enough to maintain a normal standard of living. It is not only for the bare essentials for the worker and his family, but also for comfort, protection against ill-health, social needs, etc.

Fair Wages refers to wage levels or company practices regarding wages that provide a living wage for workers while still complying with all national regulations (such as minimum wage, overtime payments, provision of paid holidays, etc. ) It is in between minimum wages and living wages, but below the living wage. With a fair wage, employees should be able to maintain a decent standard of living for themselves and their families.

**CHARACTERISTICS OF INDIAN LABOUR MARKET** The Indian labour market can be categorized into three sectors: Rural workers

Organized of the formal sector Urban unorganized or informal structure Two-third of India's workforce is employed in agriculture and rural industries.

One- third of the rural households are agricultural labour households, subsisting on wage employment. The unorganized sector has low

productivity and offers lower wages even though 94% of India's working population is engaged in this sector. Wage determination for organized sector:- The 'day, Week' and 'month' are the basic units for wage calculation. Normal working week is 5 days (for government) or five half days/ six days.

'Hour' is generally not a unit for wage calculation in the organized sector.

Wage determination for unorganized sector:- 'Day is the common unit of calculation for unorganized sector. In certain cases, piece rate wages (it is the pay for each item produced) is in vogue, as well as hourly wages.

**MODERN THEORY OF WAGES** The modern economists are of the view that just as the price of a commodity is determined by the interaction of forces of demand and supply, the wage rate of specific types of workers can also be determined in the same way with the help of usual demand and supply analysis.

This is why modern theory is also known as demand and supply theory of Wages. Now the demand for labour is a derived demand. It is derived from the demand for goods which it produces, along with other factors of production. The marginal revenue product of labour (MRP) means the addition to the firm's revenue which it obtains by hiring one additional worker. The entrepreneur will continue hiring workers up to the point at which the cost of employing a worker is just equal to the marginal revenue product of the labour.

Now due to the law of diminishing returns, the marginal revenue productivity of labour decreases as more and more workers are employed and hence the demand curve for labour is downward sloping. If we add up the demand

curves for the labour of all the individual firms, we get the demand curve of the industry which determines the wage rate for labour. Now the supply of labour means the number of workers ready to work at the existing wage rate. Unlike the supply of other goods, the supply of labour cannot be increased with the increase in demand.

Under perfect competition, the supply curve of a firm is perfectly elastic and the firm cannot influence the price/ wage. The supply curve of an industry is upward rising from left to right, this means that an industry can get more labourers at higher wages. Determination of the equilibrium wage level: Wage rate is determined by the supply of and demand for labour. Equilibrium wage state is said to be determined at the point where supply and demand are equal. In the figure below, at point N, the supply curve and demand curve cut each other. WN is the equilibrium wage rate.