

Good example of research paper on free labor market and talent differences

[Literature](#), [Russian Literature](#)



American Public University

Introduction

The labor markets are an essential part of the economies where the demanders meet the workers selling their labor. Because the labor markets have a large number of workers and employees and the productivity has a high importance in terms of producing sustainability, the labor markets are close to being perfect competition markets. The main task completed by the labor markets is to determine the wage as a result of the negotiation between the workers and the employees. When the workers and the employees reaches an agreement on the market wage for certain of hours, any worker can find a job by accepting the market hourly wage. Considering that each worker has similar productivity levels, the different workers receive almost same amount of wage. (Borjas, 2005)

Theoretically, the story of the labor market is very smooth; however; in the real world, it is impossible to satisfy the assumptions. Most importantly, the productivities of the workers are different due to the differences in their talents. Therefore, it is not possible to claim that all the workers receive the same wage that is determined in the market. It might be possible that the market creates a wage/productivity schedule, and every worker receives a wage equals to his or her marginal contribution to the production (Langer, 2013).

Even though the free labor market might become cleared and create sustainability theoretically, the differences in the workers' productivities create problems in terms of providing sustainability in the real world (Langer, 2013). As a result, intervention to the labor markets is required, and the

governments mostly prefer regulating the labor markets. In this paper, I will analyze how the differences in the productivity matters and how the governments intervene.

Talent Differences and Relevant Opportunities under Perfect Competition

It is not possible to assume that every worker has the same capabilities. The capability of a worker depends on many factors. Some of these factors are given and cannot be improved while some other could be developed through education, training, and experience. Also, the social environment and the physical environment a worker is in might make an important difference in terms of developing his or her talent (Frölich & Haile, 2011). The empirical studies indicate that there might exist heterogeneity among the workers. Therefore, assuming that a labor market in a country is close to being a perfect competition condition, we might take some imperfections into consideration where talent differences have an essential place in this accounting (Borjas, 2005).

Talent differences do not have to be human made. Education, or economic conditions for workers might create human-centric differences; however; some differences are given in the nature of humans (Sher, 2011). For instance, some people have relatively better hands to achieve certain jobs and other non-talented people relatively cannot reach their productivity levels (Frölich & Haile, 2011). The most striking example of this is musicians. Some people are talented, and they can play many instruments easily and relatively better or they can sing relatively better. The other non-talented people cannot compete with them (Sher, 2011).

The given talent differences in nature might create different marginal contributions, and the marginal contribution is very essential to the workers because it determines their wages. Under the reality of the differences between the talents, some workers can make relatively higher wages in the market, and that looks fair according to the theoretical setting (Sher, 2011). In the short run, the talent differences and the wage differences accordingly do not create any influence on the labor market and we might assume that the free labor market is sustainable in the short run. However, is it true for the long term?

A theoretical approach might assume that the markets always clear; however; we need to check whether the assumptions of a free labor market holds under the talent differences condition. The talent difference and the wage difference might create some influences on the long run equilibrium in the labor market. Firstly, the talented workers who receive this advantage from nature can accumulate relatively more financial resources in time, and the inequality in the talent differences might cause income inequality in the long term (Kuštepelj, 2006). Secondly, the income inequality might influence the next generation and the workers with the relatively lower talents might be able to provide education opportunities less compared to the talented workers because of the disadvantages created by the income inequality (Kuštepelj, 2006). Thirdly, the talent differences might create a difference to access the labor markets for the next generations. The offspring coming from the talented parents can easily access to the job opportunities with the relatively better incomes while others coming from the relatively less talented parents will not be able to reach the high income generating jobs.

These three facts might come true in the long term and a few generations later, the workers will be classified according to their income levels. This kind of a hidden caste system in the society might determine the available job opportunities for the different people with different talents.

Considering that the efficiency of the labor market is essential in terms of economic development because the labor productivity is one of the main factors in the economic development, and it is determined in the labor markets (Krugman & Wells, 2009). If the labor markets cannot create efficiently and productively working labor force, the productivity loss in the labor might create an undesired decrease in the general productivity level in the national economy (Langer, 2013). The dominance of some talented workers and their offspring in the labor market cancels the assumption of large labor suppliers. While the number of the potential workers who can access to the labor markets decreases, the productivity level of the labor force decreases and that might create a huge disadvantage in terms of economic development (Krugman & Wells, 2009).

Inequality to Access to the Opportunities in the Labor Market

Many examples of the inequality to access to the labor markets can be given from the real world. For instance, the gypsies are one of the main disadvantaged groups in many countries and the free labor markets where the entry is free cannot develop any solution for these people. There is a strong prejudice about the productivity level of the gypsy workers (Casa-Nova, 2007).

Taking the low productivity level of the gypsy workers from the history, the

gypsies are immigrants coming from India to the European countries. When they arrived on the European continent, they were used as slaves, and they could not find the opportunities to improve their talents in time. Considering that they came to Europe more than 100 years ago, the labor markets in the European countries have developed over time, and they have got more close to the being perfect competition markets. However, these markets never helped the gypsies to develop their talents.

In almost all the countries, it is possible to observe similar inequalities access to the labor markets for some individuals or some disadvantaged groups. Therefore, it is not possible to claim that the free labor markets cannot create sustainability.

Intervention to the Labor Markets for Creating Equality

The imperfections in the free labor markets require some interventions to create sustainability in the labor markets. As a result of this, the governments mostly prefer regulating the labor markets. One of the most important regulations is the minimum wage implementation. Minimum wage laws guarantee the workers a certain amount of payment monthly.

Considering that a worker needs to reproduce his or her energy to work the next day, the minimum wage guarantees that the worker will survive the next day in working.

Many regulations are developed by the governments. Almost every country has a labor law that forces the companies to follow the rules strictly.

Depending on this idea, we might claim two different facts: 1) there is no perfectly competitive and efficiently working labor market in the world, or 2)

the free labor markets always require intervention for providing the efficiency and the productivity.

Conclusion

The classical economic theory claims that the free markets can clear all the markets and help the societies to develop their economies. This assumption depends on a hidden hand that regulates the markets perfectly (Borjas, 2005). However, after experiencing many economic and global financial crises, the world economies have learned that it is not possible to have a perfectly competitive market in any industry or labor. In another word, the free markets do not guarantee a perfectly developing economy for the people. Especially, the most recent global financial crisis has started a discussion among the economists and the economy managers about that the government intervention is always necessary for a healthy economic development. The free markets might cause imperfections.

The labor markets are an essential example of how a free market might create imperfections. Even a talent difference given in nature might cause inefficiently working labor market and an inefficiently working labor market might ruin the economic development efforts. Therefore, the governments have to regulate the free labor markets and the labor markets become regulated, not “ free” anymore.

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