

Hello everyone, welcome to my
presentation on wage determination
through demand and supply.

So this module is a part of
the fourth unit on income
distribution and factor pricing.

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Of Saint Xavier's college mapusa,
goa and now let us begin
with the presentation.

The outline I will be discussing about
the meaning of wage demand for labor,
supply of Labor, and the wage
determination diagram and explanation.

Learning outcomes.

At the end of the day,
module students will be able to
understand the concept of wage
determination through demand and supply.

And to relate the concept of wage
determination in real life situations.

The first part that is meaning of wage.

So wages are the remuneration paid

to labor for its productive services.

The modern theory of wages states that,

like all other prices,

the price of Labor,

that is the wage rate is determined

by the interaction of the forces

of demand and supply of Labor

in a given market situation.

Demand for labor refers to the amount

of Labor of a given type that will be

employed by firms at a given wage rate

in a given region per unit of time.

The demand for labor is a derived

demand because it is dependent

upon the demand for the product

which the labor helps to produce.

The major determinants of demand for labor

are productivity of Labor technology.

Demand for the products and

the price of capital inputs.

Now let us try to understand each of

these determinants of demand for labor.

The first one,

productivity of Labor productivity,

especially marginal productivity of Labor,

determines the firm's demand price of Labor.

The marginal productivity of Labor

is measured as the marginal revenue

product of Labor in terms of money.

The second point, technology.

The nature of production and the

corresponding use of factor proportions

depends on the techniques of production.

If the firm adopts labor intensive technique,

it has to employ a large proportion

of Labor in relation to the

capital intensive technique.

The Third Point, demand for the products.

Higher the consumer demand for the product,

the greater would be the producer.

Demand for labor used in its production.

Therefore, it is said that the

demand for labor is a derived demand.

4th point price of capital inputs.

Suppose if the price of machinery rises,

then the employer will have a tendency

to substitute man for machines and

consequently the demand for labor would rise.

Similarly, if capital becomes cheap,

it will be substituted for labor and hence

the demand for labor tends to decrease.

Next, the supply for labor.

It refers to the number of hours which

will be offered at different wage rates.

There is a direct relationship between the

wage rate and the labor hours supplied.

At high wages,

a large amount of Labor will be offered,

and at low wages a smaller amount

of Labor will be offered.

The major determinants of

supply for labor are.

Firstpoint occupational mobility and

the second point work leisure ratio.

Occupational mobility.

If the occupation mobility of

Labor is high between industries,

the labor supply to a particular

industry will tend to be elastic,

as higher wages will attract a

large number of workers from other

industries to this industry.

The second point, work leisure ratio.

The supply of Labor in any occupation

is affected by the work leisure ratio.

The work leisure ratio, in turn,

is significantly affected by

the change in the wage rates.

In fact, the supply of Labor in a

particular industry is affected

by the way changes on the number

of laborers presenting for work

and the number of hours they are
willing to work per day or per week.

Now we will be using these concepts
of demand for labor and supply of
Labor in order to derive the wage
determination to demand and supply.

So yo we have the diagram explaining
or indicating the equilibrium
between demand for and supply of the
labor to determine the wage rate.

In the given diagram,
we can see that the quantity of
Labor is measured on the X axis.

The wage rate is measured on the Y axis.

DD is the curve indicating
the demand for labor.

SS is the curve indicating
the supply of Labor.

The point at which bodys
curves intersect each other.

We derive the equilibrium point

east and at this point the wage
rate is and the quantity of Labor
demanded and supplied is at OL.

However,

what if the wage rate rises from OW to OW 1?

We can see in the figure that at

OW 1 the demand for labor is 1G

and this supply of Labor is 1 H.

It is seen that the supply of Labor is

more than the demand for labor, and thus

there is excess supply at this level.

Because of the excess supply of Labor,

there will be a lot of competition

among the unemployed workers.

And this will force the wage rate to

go back to its level of OW. Likewise.

If the wage rate is at level oh W 2 at OW 2,

the supply of Labor is at 2 R.

And the demand for labor is at W2T.

So at this level we can see that the demand

for labor is more than the supply of Labor,

and thus there is excess demand.

Because of this,

there will be a lot of competition

among the producers trying to

employ the labor that they wish to

have for their production process.

And again, this will push the

wage back to the level of OW.

Thus, we can conclude that OW is the

level at which the wage is determined

given the demand for and supply of Labor

where both equal each other at this point.

And to conclude.

Which determination is an important

element to give efforts and performance

towards organizational goals?

Wage is a regular payment,

usually monthly made to employees

as their contributions to the

service for the organization.

Wage is a motivator to

the organizational goals.

It is a factor about which the

employees are most sensitive wage

in an organization is fixed in

the context to various categories

of job performed by the employee.

Then this is the glossary of

terms wage derived demand,

productivity, technology, mobility.

So you can read more on these concepts

and try to get a better understanding.

These are the references.

The books that I have referred to.

And thank you for your patient listening.