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Economic Chapter 11: Labour economics

Labour

- **Labour** refers to physical and mental human effort used in the production process. Labour is rewarded by a wage in the factor market. Labour can be skilled, semi-skilled or unskilled.
- **Labour force.** This consists of economically active persons who are either employed or unemployed, aged between 16 - 64 years. The labour force excludes groups such as full time students, house wives and the disabled who are not involved in economic activities.

Characteristics (structure) of Uganda's labour force

1. It is a rapidly growing labour force. This is due to the high population growth rate.
2. It is dominated by the young group aged between 15 and 30 years.
3. It is characterized by high levels of unemployment and under employment.
4. It is dominated by unskilled, illiterate and semi-skilled labour.
5. It is dominated by job seekers rather than job creators. This is due to the theoretical nature of the education system.
6. It is characterized by low levels of productivity due to low levels of education and training.
7. It is full of target workers who aim at achieving their objectives in a given time and leave the job there after.
8. It is mainly employed in the agricultural sector.
9. There is high mobility of labour and high rates of brain drain. This is mainly common with the small fraction of highly skilled labour that prefers to look for greener pastures abroad.
10. The labour force is mainly employed in the public sector (government) with very few in the private sector and others are self-employed. The number of people employed in the private sector is steadily increasing due to privatization policy of parastatals.
11. There is high rural urban migration of the labour force especially the young group. This leads to massive urban unemployment due to excessive labour supply in urban areas.
12. There is limited female labour force as most of the women work as house wives, though the percentage is increasing due to increased number of females accessing higher education
13. It is characterized by weak trade unions due to poor organization of labour.
14. It is characterized by high rates of absenteeism from work. This is mainly due to poor health conditions

Labour supply

Labour supply refers to the number of individuals who are willing and able to work at the prevailing wage rate in a given time.

OR. It refers to the number of hours a worker is willing to work at a given wage rate in a given time

Determinants of Labour supply

1. **The health conditions of the worker.** Good health conditions of the worker increase labour supply while poor health conditions reduce labour supply.
2. **The level of education and skills.** The higher the level of education and the skills possessed by the workers, the higher the supply of skilled labour but the lower the level of education and skills the lower the supply of skilled labour.
3. **The rate of population growth.** The higher the rate at which the population grows, the higher the supply of labour and the lower the rate of population growth, the lower the supply of labour.
4. **The level of experience and expertise needed for a particular job.** When the job requires high experience, for example 20 years, the supply of labour for that job reduces. But when the level of experience required is low, then labour supply increases.
5. **The nature of the job.** The higher the risk on the job, the lower the labour supply and the lower the risk of the job, the higher the labour supply.
6. **Level of motivation at work.** High motivation in form of attractive wages, better working conditions etc. increase labour supply but poor motivation of workers in form of low payments and poor working conditions reduce labour supply.
7. **The rate of investment in the economy.** The higher the investment rate, the higher the labour supply. This is because an increase in investments increases the work activities hence an increase in labour supply. But the lower the investment rate, the lower the supply of labour.
8. **Degree of mobility of labour.** The higher the degree of labour mobility geographically and occupationally, the higher the labour supply and the lower the degree of labour mobility, the lower the labour supply.
9. **The government policy.** Government policies in form of early retirement age of workers, restrictions on child labour etc. reduce labour supply. But if the government policy is in support of labour supply for example recruitment of workers in civil service, high retirement age etc. increases labour supply.
10. **The degree of political stability.** The higher the degree of political stability in the country, the higher the labour supply and the lower the degree of political stability, the lower the labour supply.

Demand for labour

This refers to the quantity of labour desired by an employer at a given wage rate in a given time.

OR. It refers to the number of people employers are willing to offer jobs at a given wage rate in a given time.

Determinants of demand for labour

1. **Derived demand for labour.** The higher the derived demand for labour, the higher demand for labour and the lower the derived demand for labour, the lower the demand for labour.
2. **The degree of substitutability of labour.** The higher the degree of substitutability of labour by other factors of production, the lower the demand for labour but the lower the degree of substitutability of labour, the higher the demand for labour.
3. **The nature of technology used.** Use of capital intensive production techniques (where more units of capital are used as compared to labour) reduces the demand for labour while the use of labour intensive production techniques (where more units of labour are used as compared to capital) increase the demand for labour.
4. **The price of labour (Wage rate).** The higher the wage rate, the lower the demand for labour and the lower the wage rate, the higher the demand for labour.
5. **The marginal productivity of labour.** Marginal productivity of labour refers to the additional output resulting from employing an extra unit of labour. The higher the marginal productivity of labour, the higher the demand for labour and the lower the marginal productivity of labour, the lower the demand for labour.
6. **The price of substitutes for labour.** The higher the price of substitutes, the higher the demand for labour and the lower the price of substitutes, the lower the demand for labour.

7. **The degree of competition for labour among firms.** The higher the degree of competition for labour by firms, the higher the demand for labour and the lower the degree of competition for labour, the lower the demand for labour.
8. **The government policy.** The government policy of minimum wage legislation for workers reduces the demand for labour while the government policy of maximum wage legislation increase the demand for labour by the firms.
9. **The size of the production unit (firm).** The bigger the size of the firm, the higher the demand for labour and the smaller the size, the lower the demand for labour keeping other factors constant.
10. **The proportion of cost of labour to the total cost of production.** The smaller the cost, the higher the demand for labour and the higher the cost, the lower the demand for labour.

Productivity and efficiency of labour

- **Productivity of labour.** It refers to output produced per unit of labour employed in a given time.
- **Efficiency of labour.** It refers to the measure of quality and quantity of output a unit of labour can produce in a given time.

Determinants of efficiency and productivity of labour

1. **The quality of education and training.** The higher the level and quality of education and training, the higher the efficiency of labour and the lower the level and quality of education and training, the lower the efficiency of labour.
2. **The level of technology used.** Use of modern production techniques increases labour efficiency but in case of poor production techniques, efficiency of labour decreases.
3. **The nature of the working conditions.** Good working conditions and motivation of workers in form of higher wages, provision of lunch etc. increases the efficiency of labour while poor working conditions reduce the efficiency of labour.
4. **Availability and quality of the co-operant factors of production.** Labour combines with other factors of production to make the production process complete. Presence of such factors like capital increases the efficiency of labour while absence of such factors reduces the efficiency of labour.
5. **The degree of specialization and division of labour.** The higher the degree of specialization, the higher the efficiency of labour. This is because with division of labour, a right person is put in a right position. But the lower the level of specialization, the lower the efficiency of labour.
6. **The level of experience and seniority of the worker.** Experienced workers are more efficient than workers who have less experience.
7. **The health and physical conditions of the worker.** A worker who is healthy and in good physical conditions is more efficient than one who is sickly and physically handicapped.
8. **Prospects of promotion at the place of work.** Workers with high hopes of being promoted at the place work are more efficient than those with less prospects of being promoted.
9. **Personal qualities (abilities) of the worker.** Workers who are more innovative and hardworking at the place of work are more efficient than those who are lazy and less innovative.
10. **The strength and nature of the supervisory staff.** In organizations where there is efficient supervision by the administration, the efficiency of workers is higher than in organizations where there is no serious supervision.

Wages

A wage is a monetary reward to labour for the services it renders in the production process in a given time.

- **Nominal (Money) Wage.** This refers to the wage paid to the worker in monetary terms in a given time for example 50000/= paid to the worker per week.
- **Real Wage.** This refers to the basket of goods and services that a nominal wage can purchase in a given time.

$$\text{Real wage} = \frac{\text{Nominal wage}}{\text{Price index}}$$

- **Reserve wage.** This refers to the minimum wage below which the individual cannot accept a given job offer.

Factors affecting reserve wages

- **Changes in the individual's overall wealth.** Rich employee cannot not accept low wage
- **Length of unemployment.** A person who has been on lengthy unemployment accepts low minimum wage
- **Marital status.** When a spouse has a higher wage, reserve wage increases
- **Health and disability issues.** Disabled people are willing to accept low reserve wages
- **Credentials.** The higher the education the higher the reserve wage
- **Experience and skill.** The higher the experience the higher the reserve wage
- **Job tasks.** The higher the risk of the job the higher the reserve wage
- **Cost of living.** The higher the cost of living, the higher the reserve wage
- **Labour mobility.** The higher the labour mobility the higher the reserve wage
- Success and performance.

Methods of wage determination in Uganda

1. **Collective bargaining.** This refers to round table negotiations between the representatives of the trade union and the employer aimed at improving wages and other working conditions of the workers. The stronger the trade union, the higher the wage and the weaker the trade union, the lower the wage
2. **Government wage determination.** This is where the government sets the wage which is to be paid to the employees by the employers. This can either be a minimum wage or maximum wage.
 - (a) **Minimum wage legislation (wage floor).** This is where the government sets a wage above the equilibrium wage below which the employer is not allowed to pay the workers. This is done to protect the workers from being exploited by the employers.
 - (b) **Maximum wage legislation (Wage ceiling).** This is where the government sets a wage below the equilibrium wage above which the employer is not allowed to pay the workers. This is done to protect the employers from being exploited by the workers, especially through their trade unions.

Note. For the implications of fixing maximum and minimum wages, relate to the effects of fixing maximum and minimum prices.

3. **Piece rate.** This is where wages are paid according to the amount of work done by the employee for example 10,000/= for 2000 bricks made. This is common with unskilled labour.
4. **Time rate.** This is where wages are paid to employees according to the number of hours worked for example 1000/= per hour, 10,000/= per day or 500,000/- per month. This is common with skilled labour.
5. **Signing contracts between employers and employees.** In this case, contracts are signed which specify the wage to be paid to the employee for a given time.
6. **Wage leadership.** This is where small firms set their wages following the wages paid by large firms to their workers. Therefore large firms determine the wage which is to be paid to the workers by small firms.
7. **Market forces of demand and supply of labour.** This is where the wage paid to the employees is determined by the market forces of demand and supply in the labour market.
8. **Individual bargaining.** This is where individual workers bargain with employers the wage they are supposed to be given in a given time.

Note

- (a) **Wage freeze.** This is where the government directly and deliberately keeps down the wages paid to the workers for some time to check on the aggregate demand and control inflation in the economy.

- (b) **Wage restraint.** This is where the government indirectly influences private employers and trade unions to keep down the wages paid to the workers to check on aggregate demand and control inflation in the economy.

Methods of wage payment

- (a) **Sliding scale method (Wage index system).** This is where wage payment is related to the cost of living. Workers are paid more if the cost of living is high and are paid less if it is low.
- (b) **Bonus system (Wage drift).** This is where workers are paid extra pay for the work done in addition to their normal pay rate for the minimum work they are supposed to do.
- (c) **Payment in kind.** This is where a worker is paid in terms of goods for the work done for example giving bunches of bananas to those working in a banana plantation.
- (d) **Time rate system.** This is where a fixed wage is paid to a worker after working for a given time for example a month, a week etc. OR This is where a worker is paid a fixed wage according to the number of hours the worker allocates to the job.

Advantages of time rate system

1. **It is easy to understand and calculate by both parties that is the employer and the employees for example 200,000/= per month.**
2. **It can be applied where output cannot be easily measured quantitatively for example the services of a doctor, teacher**
3. **A worker is assured of a regular and defined payment even in case of absence from duty.** This enables the worker to plan effectively.
4. **It leads to high quality work.** This is because employees are motivated by the regular payment.
5. **It reduces income inequalities among workers in the same firm.** This is because all the workers are paid a uniform wage basing on the number of hours worked not the amount of work done.
6. **It is suitable for organizations where team work is emphasized as opposed to individual effort.**

Disadvantages of time Rate System

1. **It requires a lot of supervision to see how the work is being done.** This is costly to the management.
2. **It promotes work inefficiency among the hardworking employees** especially when they discover that they are earning the same or less wage as compared to the lazy ones.
3. **It leads to low output.** There is a tendency of workers to dodge or do little work since they are assured of their wages at the end of the period.
4. **It leads production of low quality products.** This is because it does not consider how work is done but rather the period worked.
5. **It is not suitable to use in a situation where there is need to increase output very fast** for example when a firm is supplying a certain product to a given company and there is a sharp increase in demand.
6. **It is difficult to identify the hard working employees** when using the time rate mode of payment.

- (e) **Piece rate system.** This is where the worker is paid according to the amount of work done in a given time. For example sales persons are often paid a commission basing on the volume of their sales, cotton harvesters are paid according to the number of baskets harvested. The more the effort and output, the more the wage paid to the worker.

Advantages of piece rate system

1. **Output of the firm can easily be increased.** This is because workers aim at maximizing their income and therefore they devote much of their time working hence increase in output.
2. **It minimizes the cost of supervision** as compared to the time rate mode of payment. This is because it ties payment directly to performance.
3. **There is less time wastage as workers use most of their time working to earn more.** This helps to obtain

high levels of effort from the workers which increase their productivity

4. **It is suitable where the quantity of work can easily be estimated (measured).** For example in cotton harvesting where the number of baskets harvested is considered.
5. **It helps to identify the most able workers.** The employer can easily identify the abilities of different workers by considering the quantity of work done.
6. **It increases the innovativeness and creativity workers.** This increases their productivity in the production process.
7. **It helps to minimize discrimination and nepotism involved during payment.** This is because workers are paid according to their abilities.

Disadvantages of Piece Rate System

1. **It worsens the health conditions of workers.** Workers tend to overwork themselves in order to earn more. This also lowers their standards of living due to leisure foregone.
2. **Fluctuations in the workers' earnings overtime.** The workers are not assured of a regular and defined income and therefore they cannot plan effectively that is, in the case the worker is absent from duty.
3. **It is not appropriate to some occupations which involve the provision of services** for example doctors, teachers etc.
4. **There is a possibility of trading off quality for quantity.** Quality of output declines as workers are more interested in quantity other than quality.
5. **It leads to over production which results into excess supply in the market.** These forces the prices and profits to reduce and eventually a reduction in the wage.
6. **It increases income inequalities among workers of the same firm.** This is because those with more ability to work earn more than those with less ability.

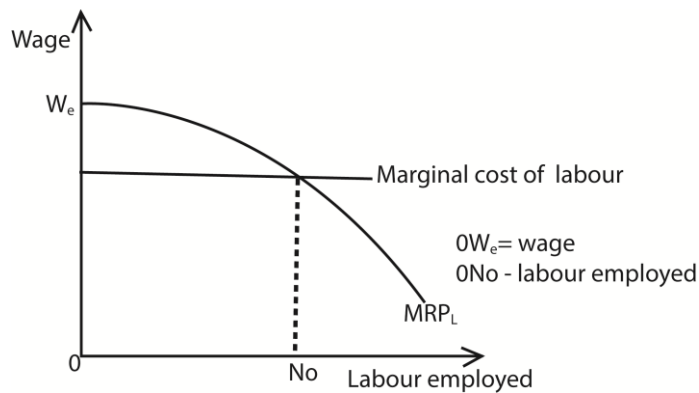
Theories of wage determination

- (a) **Subsistence theory of wages (Iron law of wages).** According to this theory, workers are given a wage which is just enough to enable them acquire the basic needs/necessities for example housing, clothes and food.
- (b) **Wage fund theory.** According to this theory, a wage fund is created out of which the wages are paid. This wage fund is accumulated from profits realized from production.
- (c) **Residual theory of wages.** According to this theory, the wages are the residues (left overs) after other factors of production have been rewarded. The more the left overs, the higher the wage.
- (d) **Bargaining theory of wages.** This theory states that wages are determined by the relative strength of the trade union and the concerned employer. To arrive at a given wage involves negotiations between the employer and the trade union representatives.
- (e) **Market theory (Modern theory) of wages.** According to this theory, wages are determined by the market forces of demand and supply for labour in the labour market. If there exists excessive supply of labour in the market, wages fall and if there is excessive demand for labour, wages increase.
- (f) **Marginal productivity theory of wages (labour).** This states that labour should be paid a wage which is equal to the value of its marginal product, that is, the value of additional unit of output produced by extra unit of labour employed.

Value of marginal product of labour = Marginal product of labour x price of output (MPL X P)

Wage = Value of marginal product of labour (V.M.P_L)

= marginal revenue product of labour (MRP_L)



Assumptions of the Marginal productivity theory of wages (labour)

1. Perfect competition in the labour market.
2. Homogenous units of labour employed.
3. There is no government intervention in the labour market.
4. Employers know the marginal product of their workers
5. Labour can measure its marginal product.
6. Labour is perfectly mobile
7. There is equal bargaining power between the employer and the employees.
8. It assumes the law of diminishing returns in the production process.
9. It assumes existence of excess capacity in the production process.

Criticisms (Limitations) of the marginal productivity theory of wages (Labour)

1. It assumes no government intervention yet governments especially in developing countries, being the major employers interfere in the labour markets by fixing the wages paid to the workers.
2. It assumes perfect mobility of labour yet there exists high levels of geographical and occupational immobility which exists in the labour markets.
3. Most employers do not have enough information to assess the marginal productivity of their workers.
4. It is not easy for workers to determine their marginal productivity as the theory assumes.
5. The theory assumes conditions of perfect competition which does not exist in the real world.
6. Units of labour are not homogenous as the theory assumes. This is because of the differences in educational levels, abilities and skills.
7. It is very difficult to measure the marginal productivity of labour as an individual factor. This is because marginal product is as a result of all factors of production.
8. The theory fails to put into account the exploitative habits of employers which makes them to under pay their workers below the value of their marginal product.
9. The bargaining power varies between employers and employees due to differences in bargaining skills and qualities.
10. It does not consider the high levels of unemployment and underemployment which tend to force the workers to accept wages even below their marginal product.
11. The theory assumes free and fair competition among the workers for jobs yet there is a lot of discrimination in the labour market based on sex, religion, tribe, political differences etc.
12. The theory is irrelevant under conditions of full employment where there is no room for the extra worker to add on to the total output.
13. Marginal productivity change over time due to economies and diseconomies of scale. Therefore it can lead to instabilities in wages if it is used as a basis of wage determination.
14. At times wages are greater than the marginal productivity due to pressure from the trade unions.

Wage differentials

This is where different workers earn different wages in the labour market that is, where some workers earn more wages than others.

Causes of wage differences among workers

1. **Differences in the levels of education.** The higher the level of education, the higher the wage paid to the worker and the lower the level of education, the lower the wage. This is true especially in public service where workers are paid basing on the salary scale.
2. **Differences in skills and experience.** Highly skilled and experienced workers receive higher wages than their counterparts doing the same job for example a senior teacher or engineer earns more than a newly qualified teacher or engineer.
3. **Differences in the bargaining power between employers and employee's (Trade unions) trade unions.** Workers in trade unions with strong bargaining power are paid more than those in trade unions with weak bargaining power.
4. **Differences in the cost of living.** In areas where the cost of living is high, the workers are likely to be paid higher wages than where the cost of living is low. For example urban versus rural areas.
5. **Differences in the nature of the job (that is temporary or permanent).** Workers employed in temporary jobs (contracts) are paid higher wages than those employed in permanent jobs .
6. **Differences in working conditions.** Worker in risky jobs such as mining are paid higher wages as compared to those employed safe jobs.
7. **Differences in job status and responsibilities.** Workers in high positions with more responsibilities are paid higher wages than those in lower positions with fewer responsibilities e.g. a manager is paid more than the cleaner working in the same organization.
8. **Differences in elasticity of supply of labour.** Labour that has inelastic supply is paid a higher wage as compared to labour with elastic supply. For example skilled labour versus unskilled labour.
9. **Differences in demand for products.** Labour involved in the production of the product with high demand is paid a higher wage as compared to labour involved in the production the product with low demand.
10. **Differences in the health conditions.** A worker who is strong and healthy has the ability to do more work hence earning more money than a weak and sickly worker especially under piece rate system.
11. **Government policy.** The government can deliberately fix higher wages for employees in certain sectors and low wages for employees in other sectors. This creates wage differences among workers.
12. **Differences in mobility of labour.** Labour which is highly mobile is likely to earn more than labour which is immobile.
13. **Differences in sex .**Generally, male workers earn more wages than their female counterparts.
14. **Differences in talents.** Workers with special talents earn more wages than workers who are not talented. For example musicians, footballers etc.
15. **Nepotism.** Some workers are favored with higher wages compared to their counterparts

Trade unions

Trade unions are labour organizations formed to maximize the well-being of their members by negotiating for better wages and improved working conditions through collective bargaining with employers.

Examples of Trade unions in Uganda

- Uganda Medical Workers' Association
- Uganda National Teachers' Union.
- Uganda Law Society etc.

Objectives of Trade Unions

1. To bargain for better wages for their members.
2. To demand for improved working conditions for their members.
3. To organize workshops, seminars and refresher courses for their members.
4. To protect workers from unfair dismissal from the jobs. (Job security).
5. To advise the government on policies concerning manpower planning, employment policies and wage determination.
6. To create friendly social relations between employers and employees.
7. To provide an effective means of expression for the workers on problems of society and politics.
8. To help and look for employment opportunities for their members when they are laid off from other firms.

Types of Trade unions

1. **Closed shop Trade Unions (Monopoly unions).** These are trade unions which require employers to employ only the workers who are members of the trade union for example Uganda Law Society.
2. **Open shop Trade Unions.** These are trade unions where workers are free to get employment irrespective of whether they are members of the trade union or not.
3. **Craft unions.** These are trade unions formed to organize the workers according to their particular skills for example doctors, lawyers, teachers etc.
4. **Industrial unions.** These are trade unions which attempt to organize workers in a particular industry regardless of the type of job done by the workers. Members are accepted regardless of their place of work, nature of work and qualifications etc. for example Uganda National Teachers' Union etc.

Determinants of the membership and strength of Trade Unions

1. **The nature of leadership skills, organization and management.** If the trade union has leaders who have the necessary training and skills to manage the union and present the workers' aspirations, the union becomes stronger as compared to one with leaders poor or inadequate leadership skills.
2. **Amount of funds and financial strength of the union.** The stronger the financial state of the union, the stronger the union and the weaker the financial state, the weaker the union.
3. **Level of unemployment in the country.** The higher the level of unemployment in the country, the weaker the trade union and the lower the level of unemployment, the stronger the union.
4. **The cost of joining the union.** The higher the cost of joining the union in form of membership and subscription fees, the smaller the size of the union and the lower the costs, the bigger the size.
5. **The cost of organizing the work force to join the union.** In situations where it is difficult to organize members for example in the agricultural sector, it becomes hard to unionize as compared to other sectors like industry.
6. **Legal environment regulating employer-union relationships.** For example, clear labour laws, right-to-work laws, etc. If the legal environment promotes the activities of unions in the country, they become stronger, unlike in situations where the legal environment does not favour trade unions.
7. **Nature of employment (that is either full time or part time employment).** Full-time employment encourages the workers to join the union unlike part time employment.
8. **The prevailing economic situation in the country.** High levels of inflation in the country increases the chances of members to join trade unions due to a decline in real wages as compared to a situation where there are low levels of inflation in the country.
9. **Nature of the political climate in the country.** Political stability motivates workers to form unions due to relative peace, unlike in situations when the country is politically unstable.
10. **Elasticity of demand for labour.** Labour with inelastic demand for example skilled labour is likely to form a stronger trade union than labour with elastic demand (unskilled labour).
11. **Level of productivity of workers.** The higher the productivity of workers the stronger the trade union, and the lower the productivity of workers, the weaker the trade union.

12. **Elasticity of labour supply.** Labour with elastic supply is likely to form a weaker union as compared to labour with inelastic supply.
13. **The size of membership.** The bigger the number of workers in the trade union, the stronger the union and the smaller the number, the weaker the union.

Tools (Methods) used by Trade Unions to achieve their objectives

There are mainly two ways through which trade unions can use to achieve their objectives.

- (a) Peaceful settlement
- (b) Use of Force (strikes)

(a) Peaceful settlement includes the following;

1. **Collective bargaining.** This refers to the round table negotiations between employers and the members of the trade union through their representatives concerning the conditions of work and wage rates paid to the workers.
2. **Mediation.** This is an intervention in an industrial dispute by an independent and impartial third party who examines the arguments of both sides and makes a recommendation for resolving the dispute.
3. **Arbitration.** This is where both parties present their offers to an objective and impartial third party (arbitrator), who is effectively the judge. In this case he/she compares the two offers. After studying the both sides, he comes up with a recommendation for resolving the dispute which then binds both parties.

(b) Settlement by force

If the union fails to come to an agreement with the employer through peaceful settlement, it may resort to use of force in the following ways;

1. **Violence (Sabotage).** This involves putting down tools, destruction of buildings, machines etc. so as to compel employers to accept the demands of the workers.
2. **Slow down strike.** In this case, workers report for work but work at a slow pace. They may decide to work either for less hours or do less amount of work.
3. **Sit down strike.** Here, workers report to their places of work to do nothing. They may also refuse to leave the place where they are employed.
4. **Boycotting the product of that industry.** The union members may boycott the consumption of the products of the industry (primary boycott) or they may decide to convince the public not to buy the products of the industry (Secondary boycott)
5. **Picketing.** This is where those who want to work are prevented from doing so. It is done by deploying members of the union to punish those who want to work (strike police)

Conditions (Circumstances) that force workers to demand for higher wages

1. **When there is a rise in the cost of living.** This is because a rise in the cost of living reduces the real wage of the workers which forces them to demand for wage increases.
2. **When workers compare their wages with workers in another sector or industry.** Trade unions may want their members to get high wages as their counterparts doing similar jobs in another industry. This is based on the conviction that it is fair for workers doing similar jobs to get similar rewards. For example workers in rural and urban areas working in the same industry.
3. **When there is an increase in the profitability the industry.** An increase in the profits made by the industry may force the union members to demand for higher wages.
4. **When there increase in productivity of the workers.** The increase in the productivity of workers in form of additional training and other qualifications may force the union to demand for higher wages
5. **When the government sets a high minimum wage.** Trade unions may demand for higher wages when the private employer is paying a wage which is below the one set by the government.
6. **When there is increased job risk.** Workers can be forced to demand for higher wages when the risk on

the job increases for example digging a pit latrine, mining, constructing a stored building etc.

7. **When the employer fails to pay the wage agreed upon in the contract.** This can force the workers to demand for higher wages.
8. **When there is increased workload or number of hours of worked.** This can also force workers to demand for higher wages.

Problems facing Trade unions in Developing countries

1. **Poor leadership.** There is lack of well qualified and experienced leaders to put forward the workers problems and aspirations. Such leaders fail to present their problems properly to the management.
2. **Limited capital and other financial resources.** This is as a result of high levels of poverty among the workers due to little payment. Therefore such members cannot sustain the activities of the trade unions.
3. **High levels of unemployment.** There are high levels of unemployment in developing countries which make trade unions weak. Workers fear to go on strike for fear of losing their jobs
4. **Lack of interest by the workers.** Many workers lack interest in the activities of trade unions. This makes trade unions to be in a weak bargaining position.
5. **Government interference in the activities of trade unions.** Strikes are made illegal, government workers lose their jobs or are put in prison once they stage strikes.
6. **High levels of corruption and embezzlement of union funds by the leaders.** This discourages the members hence weakening the unions.
7. **Poor communication network inform of inaccessible roads.** This makes it hard for the workers to be properly coordinated and organized in fulfilling the activities and objectives of the trade unions.
8. **Over ambitious plans.** Trade unions in developing countries are over ambitious and therefore their demands cannot easily be achieved and met by the employers.
9. **Dominance of Agricultural sector in economies of developing countries.** Most workers especially in rural area mind less about the little salaries because they supplement them with agricultural incomes
10. **Tribal, political, religious and regional differences among workers.** This makes the organization and leadership of trade unions very difficult. This also weakens the unity of members and their bargaining power.
11. **Temporary nature of employment.** Most of the workers are employed on probation or contract and therefore their conditions are fixed and cannot form trade unions.
12. **Interfering the activities of trade unions with politics.** Trade union leaders tend to use them to achieve big posts in the government. This makes trade unions political groups and render them inactive.
13. **High levels of illiteracy among members.** Most members are illiterate and ignorant of the benefits of trade unions
14. **In most developing countries, the government is the biggest employer.** Governments always refuse to increase wages as an anti-inflationary measure. This weakens the activities of trade unions.
15. **Small membership.** Membership may too small to be significant.
16. **Weak industrial sector.** Most people are employed in agricultural sector where workers are scared and cannot easily be organized into Trade Unions

Revision questions

Section A questions

1. (a) Define the term labour force.
(b) Outline three characteristics of Uganda labour force.
2. (a) Distinguish between labour productivity and labour efficiency
(b) Suggest any two ways increasing labour productivity and labour efficiency in your country
3. (a) What is meant by demand for labour'?

- (b) State any three determinants of labour demand in the economy
4. (a) State the marginal productivity theory of distribution.
(b) Outline three assumptions underlying the marginal productivity theory of distribution.
 5. (a) Differentiate between labour freeze and labour constraint.
(b) Give any two causes of wage differentials in your country
 - 6 (a) what is meant by minimum wage legislation?
(b) State any two reasons for minimum wage legislation in your country
 - 7 (a) Distinguish between Money wage and Real wage
(b) Give two determinants of real wage in an economy.
 - 8 Mention four circumstances under which time rate is preferred to piece rate system of wage payment
 - 9 (a) What is meant by a reserve wage
(b) Mention three determinants of reserve wage in your country
 - 10 (a) Distinguish between "time rate" and 'piece rate" methods of wage payment
(b) Mention two merits and two demerits of time rate method of wage payment.
 - 11 (a) Differentiate between a closed shop and open shop trade unions
(a) Give any two settlements by force tools used by trade unions to achieve their objectives.
 - 12 Mention four objectives of trade unions.
 - 13 (a) State the "iron law of wages"
(b) Give three peaceful tools used by trade unions to achieve their objectives
 - 14 (a) What are Trade Unions?
(b) Distinguish between closed shop and open shop trade unions.

Section B questions

- 1 (a) Explain the Marginal Productivity theory of labour
(b) What are the limitations of the Marginal Productivity theory of labour in the determination of wages?
- 2 (a) How are wages determined in your country
(b) Account for wages differences in your country
- 3 (a) Under what circumstances may trade Unions demand for higher wages.
(b) What are the problems facing trade Unions in your country
- 4 (a) What role do trade unions play in the development of an economy
(b) Explain the factors that determine the strength and success of trade unions in an economy
(c) What is the basis for higher wage claims by trade unions in your country?
- 5 (a) What is meant by collective bargaining?
(c) Explain why trade unions are increasingly becoming un popular in your country.
- 6 (a) Describe the features of your country's labour force
(b) Explain the determinants of labour supply in an economy