MARKET LABOR

Introduction

Organizations uses different criteria in determining the number of workers that they can require to run their daily production operations. Following the previous experience, I have gathered by working with various organizations, currently many firms globally are putting more emphasis on the amount of money they can make rather than the number of workers. For instance, the marginal product shows the increase of the organization’s output by increasing labor per unit time. On the other hand, the demand for labor depends on the size of the profit the firm makes. If the firm makes a higher profit it need to increase the number of workers in order to maintain the rising profit. Some of the factors depending on what type of products the firm is dealing with will lead to shift in the demand of labor in either positive or negative way.

Production function and the marginal labor product

As indicated from above the marginal labor product is an indicator of increase in output by increasing the labor per unit time. If 10 workers in the firm can produce 1oo units band the company makes a good profit out of this production, then it will tend to increase the number of workers say to 12 and the output will be 120. The two added workers have recorded an additional of 20 units on top of the existing one thus doubling the yield of the firm. The production function deeply depends on the amount of labor available to increase or decrease the amount of production.

Marginal product of labor and marginal value

From above sentiments, the marginal value in the organization is the increase of revenue by increasing the number of staff members in the organization. The two are highly related in such a way that in the process of increasing the marginal product of labor, one needs also to take into consideration the number of workers that can meet the targeted increase. Calculating the marginal revenue that can be used by the administration to make crucial decisions is the marginal labor product earned less the salary of the added workers. The result is the marginal revenue that is the advantage of the firm by its action of increasing the staff. Under normal operations the marginal labor product needs to be higher that the marginal value recorded by the company. Higher marginal value enables the firm to meet the labor costs without affecting any account for the same reason and also remain with the profit.

Marginal product and demand for labor

Considering the above explanations on the marginal product, the demand for labor is highly depend on it in a way that an increase in the marginal product will cause an i9ncrease in the demand for the amount of labor supplied. The CEO of the firm should take into consideration the amount of profit generated by the marginal product by computing the total revenue generated by the employees of the firm, less the total cost of production where the amount of labor payed is counted here. In graphical comparison, the downward curve shows that the marginal product is diminishing as the number of workers steadily increases and other way round. At this point the marginal product is equal the wages paid to the workers.

Labor demand supply

In an organization the amount of labor demanded and supplied at particular time varies due to some factors listed below.

consumer’s demand

An increase in the demand of the goods produced by the firm results to a demand for more workers by the company to meet the rising demand. Reduction in the consumer’s demand will also reduce the amount of labor demand by the organization hence reducing the supply.

Price of co-operating factors

In the case where the firm considers the cost of machinery to be expensive then the demand for labor will be high. If the price for machinery is low, then demand for labor will reduce.

Attitude to work

If the workers have a negative attitude towards work, then labor supply will be low, and if they have the positive attitude supply will be increased.

Age of the workers

The supply of labor in the organization consisting of youths will be slightly high than that is made of the aged people. The young people are energetic and can deliver more than the old people.

Reasons for higher wages

The wages of the workers under some circumstances may turn to be a little bit higher than the one that balances the demand and supply of labor. In situations where the number of employees working in a certain firm is more below the required one, the firm is forced to pay them the higher amount of salary above the balanced one. Also if the company has some few skilled professionals in a certain field than the expected number, they will demand for higher wages for them to deliver the same amount of work that was to be delivered by the actual number if experts. During the peak season of the product the company is producing, workers will work till part time and they will demand for extra wages other than the normal one.

Impact of government policy on labor demand and supply

Minimum wage policy

The government as set the minimum wage that a low income earner that should be paid by the company. The policy may limit some companies from using the country’s labor due to high costs of salaries and wages as demanded by the government, this reduces the demand and supply of labor from a particular country and the vice versa.

Equality in part-time pay

Some firms pay differently on the basis of the work done during the part-time hours. The government may demand for an equal pay under this occasion. This will reduce the demand of labor by the company due to fear of high costs of production hence reducing the supply.

Same value of work

The government demands the university graduates to be paid same amount and the college, and technical college graduates differently from the non-skilled workers. This will increase the demand of the non-skilled workers leaving aside the skilled one.

In conclusion the management should take into consideration on matters of marginal labor product, marginal value with a lot of care before they make any decision of the business. Also the demand and supply of labor must be given a lot of attention when addressing their issues so that to maintain the yield recorded by the firm.