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Meaning, importance and scope of Labour Economics

Meaning of Labour Economics

Labour economics is the branch of economics which studies the workings and outcomes of the market for labour services, labour economics deals with the behavior of employers and employees to the pecuniary (wages, prices, profits) and non-pecuniary (working conditions, work environmental) aspects of the employment relationship firms operate in three markets as they pursue their objectives of profit maximization; the labour markets, the capital market and the product market.

It is the study of the labour force as an element in the process of production. Labour force comprises a part of the population which is employed or available for work.

The labour force is made up of all those who work for gain whether as employees, employers or as self-employed. It also includes the unemployed who are seeking for employment.

Labour economics is therefore the study of the factors affecting efficiency of workers, their development between different industries and occupations and the determination of their pay.

IMPORTANCE OF LABOUR ECONOMICS:

The study of labour economics is importance for the following reasons.

1. It helps economists to understand labour related problems e.g Issues on fair wage or salaries workers, welfare of workers, labour productivity, workers safety, gender related matters, job security and Job satisfaction.
2. The study important in providing data for economic planning and policy e.g. It helps economists to know the contribution of labour services to peoples income (wages and salaries). There is evidence that in most economy, labour input is the most of economic resources.

3. The study of labour economics helps us to understand the nature of the market in which labour services are bought and sold.

SCOPE OF LABOUR ECONOMICS

Labour economics is concerned with issues that affect or concern the labour force. Issues that concerns labour forces include;

1. Labour mobility and migration
2. Labour markets
3. Supply of labour
4. Unions and collective bargaining
5. Work leisure decision
6. Government and institutions
7. Participation rates of Labour
8. Wage structure
9. Quality of labour
10. Personal distribution of earning
11. Labour productivity
12. Wages and inflation
13. Employment and unemployment

Most of the above issues are discussed under topics in micro economics theory and macroeconomics.

IMPORTANCE OF SOME OF THE SCOPES OF LABOUR ECONOMICS:

1. Mobility of labour/worker mobility and Migration – it refers to the ease with which labour can move from one occupation or geographical area to another. It has two components or aspects namely:

• **Geographical mobility of labour**: is the movement of labour between geographical locations or areas. That is mobility of workers from one region, country and location to another. If the present value of the benefits associated with mobility exceeds the costs, both monetary and psychic, we assume that labour will decide to change jobs or move, or both. Also if the discounted stream of benefits is not as large as the costs, then people will decide not to change jobs.

2. Occupational mobility of labour – it measures the extent to which workers change occupation or skills in response to differences on their wages or job availability.

Migration is highly selective in the sense that it is not an activity in which all people are equally likely to be engaged. To be specific, mobility is much higher among the young and better educated than the old.

