



**ECONOMICS DEPARTMENT  
S6 ECONOMICS NOTES**

**INSTRUCTIONS**

- 1. Copy the following notes in the second Economics book**
- 2. More notes will be sent when soon after these ones**

**Topic: Population and Labour**

**Sub Topic: Labour**

**WAGES:** This is a reward/payment to labour for its contribution/participation in the production process.

**The wage rate:** This is the wage paid to employees over a given period, such as an hour, or a week or per unit of work done/amount of work done.

**TYPES OF WAGES:**

**Nominal wage.** This is the wage expressed in monetary terms.

**Real wage.** This is the purchasing power of a worker's nominal wage. It is in terms of the basket of goods and services the nominal wage can buy/purchase.

**The factors that influence the amount of real wages:**

- The price levels for goods and services.
- The amount of goods and services available on the market.
- The level of taxation in the economy.
- The level of Money supply in the economy.
- The size of the subsistence sector /Level of monetisation in the economy.

**SUBSISTENCE WAGE.** This is payment to labour which is just sufficient to provide bare necessities of life.

**LIVING WAGE.** This is a wage that enables a worker to provide for him/her and his/her family not only the necessities of life but also some comfort for example giving children good education, healthcare, leisure.

## **OTHER CONCEPTS USED IN CONNECTION TO WAGES:**

**Wage freeze:** This is the legally backed holding of wages at their existing level for a specific period to check inflation.

**Wage restraint:** This is the voluntary restriction of wage increases where the government encourages trade unions to moderate their demand for wage increases and employers to refrain from paying higher wages to check inflation.

**OR:** This is where the government appeals to the employers in the private sector to stop increasing wages for sometime during inflation.

**The economy of high wages:** This is a situation when wages are increased in order to promote labour efficiency because when wages are low, workers become less efficient.

### **The factors that influence/Affect/ determine the level of wages in developing countries:**

- **The Demand for and supply of labour in the free labour market.** When the demand for labour exceeds its supply, the level of wages increase because the employers must give labourers an attractive wage in order to retain them. On the other hand when supply of labour exceeds its demand, the level of wages reduces because employers are not scared of acquiring labourers in case the current employees leave due to low pay.
- **The bargaining strength of an individual worker.** Workers with high bargaining strength are usually paid high wages because they are able to effectively negotiate to be paid high wages. On the other hand, workers with low bargaining power are paid low wages because they cannot effectively negotiate for high wages.
- **The bargaining strength of trade unions.** Trade unions with strong bargaining skills are able to bargain for better wages for their members hence leading to higher wages; on the other hand trade unions which are relatively weak with low bargaining skills fail to negotiate for better wages for their members leading to low wages.
- **The amount of work done by the worker in case the employer uses the piece rate system of wage determination.** The employer pays a high wage to labour that does a lot of work and a low wage to labour that does little work.
- **The number of hours worked in case the employer uses a time rate system to set the wage.** The worker who offers high number of hours towards work earns high wages while those who work for few hours earn low wages.
- **The level of cost of living.** Employers usually base wage determination on the level of the cost of living in the economy at the time to enable the workers sustain themselves; a high cost of living compels employers to pay higher wage than when the cost of living is low.
- **The level of education and skills/ Level of training.** Workers with high qualifications or skills earn high wages, this is so because highly skilled labourers are more efficient and productive at work, while workers with low level of education and training get low wages, this so because they are less efficient and productive at work.
- **The nature of the job(s).** Jobs that are highly risky attract high wages so as to attract people to take on such jobs as a compensation for the many risks involved. On other hand less risky

jobs attract low wages because people do not fear to take on such jobs and therefore it attracts high labour supply leading to low wages.

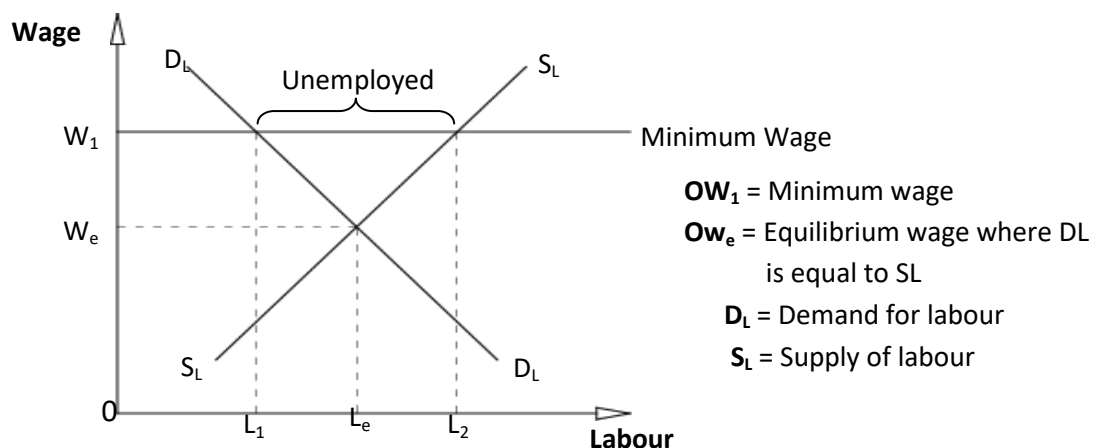
- **The employer's ability and willingness to pay.** Employers that are willing and able to pay usually pay high wages to labour because such employers have the financial ability/strength to do so, while employers whose willingness and ability to pay is low usually pay low wages to labour, this is so because such employers do not have the financial ability/ strength to afford paying high wages to the workers.
- **The level of talents and natural gifts of the workers.** Workers with unique talents usually get high wages due to the rare talent while those who are not gifted earn low wages.
- **The levels of experience/ expertise, or responsibility of the worker.** Employers usually associate experience and responsibility with efficiency and productivity. Employers pay experienced workers and those with many responsibilities high wages that correspond to their expertise and experience, and pay low wages to those with low experience and few responsibilities.

### FORMS OF WAGE DETERMINATION/ METHODS OF WAGE DETERMINATION:

1. The market forces of demand and supply of labour. In a free labour market, the wage rate is automatically set where the demand for labour is equal to its supply.
2. **Through government policy of wage legislation/ through wage legislation:** This is the policy of setting/fixing a wage by the government above the equilibrium wage below which it is illegal for employers to pay their workers.

**Note:** A minimum wage is one set by the government above the equilibrium/ruling market wage and it is illegal to pay a worker below it.

#### An illustration of a minimum wage:



### **The reasons for setting a minimum wage:**

- **To protect employees from exploitation by employers.** This is because it becomes illegal to pay the worker below the wage fixed / set by the government i.e. the employers are bound by law not to pay workers below the legislated minimum wage.
- **To reduce labour unrest/ strikes/ To promote industrial peace.** This is because the set wage enables labour to sustain the needs of the family which gives job satisfaction hence reducing labour unrest in form of strikes which tend to be destructive.
- **To reduce income inequalities.** This is achieved by putting in place a reasonable minimum wage that reduces the wage gap between the highest and lowest wage earners hence bridging the income gap.
- **To increase the efficiency of labour.** This is because high minimum wage acts as an incentive for labour to perform better at their jobs.
- **To increase labour supply in the economy.** This is because the high minimum wage encourages labour to offer more hours of work.
- **To reduce the level of brain drain.** This is because a high minimum wage prevents skilled labour from looking for employment in other countries because labour is satisfied with the payments they get at home.
- **To induce government popularity/ win political support.** A high minimum wage indicates that the government in power identifies itself with workers' welfare which helps to win political support.
- **To help workers meet rising cost of living.** This by setting a high minimum wage it increases the purchasing power of workers that enables them to maintain a reasonable standard of living.
- **To fight malpractices like corruption and embezzlement.** This is achieved by putting in place a high minimum wage to make workers contented with what they earn and eliminate the temptation to misappropriate public funds and asking for bribes.

### **Positive effects/ Merits of a minimum wage:**

- It reduces industrial unrest/strikes.
- Builds a stable work force/Reduces labour turn over.
- It protects workers from exploitation by the employers.
- It increases labour efficiency.
- It reduces brain drain.
- It increases the purchasing power of the workers.
- Makes the government popular
- Reduces workers malpractices
- It ensures equitable/even distribution of income.

**The demerits/ Negative effects of a minimum wage:**

- **It leads to unemployment** .This is because the high wages forces the employers to reduce the workers or to resort to use of capital intensive technology since labour becomes very expensive.
- **It increases the cost of production due to high labour costs**. This is due to high cost of labour/ high wage bill which leads to cost push inflation.
- **It worsens the income inequality**. This arises when the minimum wage is not evenly implemented where certain category of workers earn much more than others, which widens the income gap between those that are paid a high minimum wage and those that are not.
- **It discourages investment/ It discourages entrepreneurship in the economy**. This due to high cost of production/ labour which reduces profits thereby scaring away potential investors.
- **It brings about rural urban migration and its associated evils**. This is because workers move to urban areas to take advantage of the high minimum wage where most job opportunities exist, unfortunately majority of such people fail to get the jobs and this leads to open urban unemployment and other social evils such increases crime rate.
- **It encourages inflation in the economy**. Businesses try to cover the high expenses on labour by raising the prices of the goods being sold.

3. **Collective bargaining**. In this case, wages are determined through round table negotiations between the employer and the trade union representatives and the employer's representatives.

4. **Bargaining by individual workers**. Individual workers are given opportunity by some employers to bargain for their pay.

5. **Employer setting the wage**. In this case, the worker is paid a wage which is already set by the employer and such a wage is not negotiable.

6. **The use of the piece rate system of wage payment**. Under this system, wages determined or paid according to the amount of work done/accomplished by the worker.

**NB (i) Piece rate**. This is a method of wage payment where labour or workers are paid according to the amount of work done or accomplished.

(ii) The piece rate system of wage payment is used where output can be quantified.

**The advantages of piece rate system:**

- **Tasks are completed faster**. Workers do their work within a short time because they work at high speed to produce as much as possible in order to earn more.
- **Encourages innovativeness among workers**. Workers become more innovative as they strive to increase their productivity to earn more.
- **Faster workers get more remuneration**. This is because workers who work hard earn more by producing more due to their hard work.
- **Calculation of wage rate is made easy**. This is because output is measurable on which the wage is based.

- **It limits disagreements/ conflicts over payments** since it is based on output thus minimising industrial unrest.
- **It eliminates the need for constant supervision.** This is because workers are self-motivated.
- **Workers do the work at their own pace.** This is because they are not pushed to do more as each is paid according to his effort; each worker performs according to his or her ability to do work.
- **Helps employers in identification of suitable employees.** This is done by judging from the amount of work done by individual workers.
- **Protects employers from falsified payments** since wages are directly related to output.
- **Lazy and dull workers are stimulated to work harder** in order to earn more.
- **Employers easily forecast output.** This is done by basing on the output produced by each worker.
- **Promotes team spirit among the workers.** Since the worker is done in groups, where workers co-operate with each other.
- **Higher output is realised.** This is because the workers put in more effort in order to earn more income.

#### **The disadvantages of piece rate system:**

- Reduces quality of work because of hurried work for higher pay.
- Workers tend to overwork themselves, which in the end negatively affect their well-being/ health.
- Slow but careful and efficient workers are discouraged. This is due to low wage payment arising from the low quantity produced by them.
- High risks of accidents occur at work. This arises as workers rush to do as much work as possible in order to earn more.
- The system brings about fluctuations/ instability in incomes of workers over time. This is due to changes in their productivity arising from variations in working conditions over time.
- It undermines trade union solidarity as worker's interest is on individual payment since each is paid according to his or her ability.
- The system is likely to cause labour unrest because the lazy workers tend to resent the hard working employees.
- The system causes income inequality among workers as the hardworking labour is paid much more than the lazy ones.
- It causes overproduction due to high output rates which results in wastage of resources.
- It is inappropriate where it is difficult or impossible to quantify work done, because the wage to be paid is calculated based on the amount of work done. It increases the cost of supervision in order to ensure high quality of output.

**7. Time rate system of wage payment.** This is where the wage is set depending on the amount of time (duration) the worker spends while at work e.g. the wage rate basing on hours, days, weeks etc.

**NB: Time rate:** This is a method of wage payment where workers are paid according to the time they worked e.g. per hour, per week but not per month.

### **The advantages of time rate system of wage payment:**

- It encourages hard work where people can work overtime to earn more.
- It benefits the inefficient and lazy workers where there is no supervision because the system guarantees payment even when they do little work.
- The employee is assured of a regular payment.
- It reduces conflict among workers hence ensuring industrial peace.
- It ensures high quality output under supervision.
- It is appropriate where output per worker is hard to measure.
- It minimises the risk of damage and accidents since workers take their time to do work.
- Employers are able to calculate correctly the wage bill in time because wage is paid per defined period of time, which helps in financial planning purposes.
- The system does not strain workers since they work at their own pace.
- Workers are able to plan their expenditure because they are aware of how much they earn per period.

### **The Disadvantages of time rate system of wage payment:**

- It encourages laziness and absenteeism among workers because the system guarantees payment to the workers per period irrespective of the volume of work done over that period.
- It discourages fast and enthusiastic workers. There is no incentive for greater efficiency on the part of workers since all are paid the same per period.
- It results into lower output since workers are paid according to time spent at work and not according to amount of work done.
- It increases the cost of supervision. Strict supervision is necessary to prevent sluggishness.
- It is difficult to estimate output in advance because productivity is not synonymous with time worked.
- The workers tend to slow down work in normal working hours in order to earn more due to overtime work.

### **THE THEORIES OF WAGE DETERMINATION:**

There are a number of wage theories developed over time to explain wage determination and these include the following:

- Subsistence theory of wages/Iron law of wages.
- Wage fund theory
- Residual claimant theory of wages
- Marginal productivity theory of wages

## **THE SUBSISTENCE THEORY OF WAGES/ THE IRON LAW OF WAGES:**

This theory was developed by French classical economists who had been influenced by the Malthusian population theory. It states 'that workers should be paid wages that enable them meet their bare subsistence needs so that they work harder after experiencing hardships like hunger.'

Any wage above the subsistence level raises the birth rate leading to an increase in population, which leads to oversupply of labour, which pulls down the wages back to the subsistence level.

If on the other hand, the wage were lower than the subsistence level, the standard of living would be too low leading to poor conditions of living and death hence a reduction in population that causes a shortage in labour supply such that the wage rises back to the subsistence level.

### **Criticisms/ Limitations/ inapplicability of the subsistence/Iron Law of wages:**

- The law/ theory approaches the problem of wage determination entirely from the supply side, it ignores demand for labour, labour and yet both the demand for and supply of labour influence the level of wages in a free labour market thus difficulty in using it.
- The theory relates wage rates to birth rates/population growth rate which is not the case in the labour market in developing countries.
- According to theory all workers should receive the same wage rate which is not the case in developing countries where wages differ.
- The theory does not consider the fact that the bare minimum needs varies from time to time depending on the price levels, conditions etc.
- The theory is only applicable to the subsistence sector/in the subsistence of living but not to the commercialised sectors of the economies of developing countries which use other considerations in wage determination.
- Trade union influence in wage determination is not taken into consideration by the theory, yet these greatly influence wage determination
- Contrary to the assertions of the law/theory employees work harder when paid higher wages or do not work hard when paid very low wages.

### **Relevancy/ applicability of the Iron Law/ Subsistence Theory of wages**

**Note: The theory is applicable to a smaller extent in developing countries in the following ways:**

- Casual workers/unskilled workers are paid basing on the level of their subsistence needs.
- In the subsistence sector of developing countries rewards to workers is based on basic needs hence applicability of the theory.
- Employers in bid to retain cheap labour tend to pay workers wages which are just enough to cater for their subsistence needs.
- Entrepreneurs due to profit maximisation goal pay workers wages which are just enough to meet their subsistence needs only.
- Employees due to high level of unemployment are willing to accept low wages rates as long as it covers their subsistence needs.



### **THE WAGE FUND THEORY:**

This theory was developed by J S Mill. According to this theory; wages are paid from a wage fund created by the employer even before employment.

The size of the wage fund is usually determined by the rate of capital accumulation. According to the theory, the wage rate depends on the size of the wage fund and number of workers

$$\text{So the Wage rate paid} = \frac{\text{Wage fund}}{\text{Number of workers}}$$

According to this theory, wage rate can only rise if the wage fund is increased or when the number of workers reduces.

#### **The criticisms of the wage fund theory:**

- In modern economies, there is no rigidly fixed wage fund. When employers find it necessary to increase the number of workers employed, they always look for funds to pay additional labour.
- The theory simply states that the wage rate is calculated by dividing the wage fund by the number of workers but does not show how the wage fund is arrived at and if it is necessary for the entire fund to be exhausted.
- The theory does not accommodate situations where an employer may want to raise labour efficiency and productivity by paying his workers highly.
- The theory goes about the order of operation wrongly because the employers usually consider the wage rate and then determine the number of workers to employ, then accumulate the wage bill and then look for the money to pay workers.
- It does not consider the possibility of employers raising wages in order to attract workers in a competitive labour market.
- The theory assumes that labour is homogenous and therefore earns the same wage, but in the real world, labour is not homogenous and therefore the existence of differences in wage rates.

**THE RESIDUAL CLAIMANT THEORY:** According to this theory, wages are paid from the residues left after the other agents of production, that is, capital, land and entrepreneur have been paid, making labour the residual claimant. The bigger the residue, the higher the wage paid, and the smaller it is the lower the wage

#### **Weaknesses of the theory:**

- In modern economies, the entrepreneur is the residual claimant because he gets his profits after catering for all the cost of production, including labour costs.
- The theory ignores trade union activities where trade union activities do not allow workers to be residual claimants.

## **THE MARGINAL PRODUCTIVITY THEORY OF WAGES:**

The theory states that the employer should pay labour a wage that is equal to the value of the labour's marginal product (MRPL) in order for the employer to maximise profits. That is,  $Wage = \text{marginal revenue product of labour (MRPL)}$ , where  $MRP = \text{marginal physical product of labour (MPP)}$

### **The assumptions of the theory of marginal productivity theory of wages:**

- It assumes a perfectly competitive labour market i.e. where there is no government interference in wage determination
- It assumes that all units of labour are homogeneous in that they have the same efficiency and productivity.
- It assumes that labour is perfectly mobile both geographically and occupationally so that a unit of labour can be easily employed where its productivity and pay are highest.
- It assumes that both the employers and the employees can easily calculate the marginal product and average product of labour in advance.
- It assumes that there is full employment in the labour market.
- It assumes that the law of diminishing returns operates such that as more units of labour are employed marginal product and average product reach a maximum beyond which productivity declines.
- It assumes that all factors of production are substitutable. For example, using labour instead of capital and vice versa.
- It assumes that the bargaining power of management and labour is equal.

### **The relevance of the Marginal productivity theory of wages to developing countries:**

The theory is relevant to a small extent in the following ways:

- The demand for labour usually depends on its productivity such that the highly productive labour is paid a higher wage than the less productive labour, especially where the piece rate system of wage payment is used.
- Supply of labour is usually determined by the wage level. Labour supply tends to be high where the wage level is high and low when the wage level is low as explained by the theory that labour supply reduces in case the employer pays a wage below the MRP of labour, which would force the employer to raise the wage to increase labour supply.
- Demand for labour varies inversely with the level of wages. The higher the wage level, the lower the demand for it.
- Most employers aim at maximising profits, therefore cannot pay labour a wage above its MRP.
- In some cases, Marginal product of labour can be determined, for example in case of piece rate system of wage payment.

**However, the marginal productivity theory of wages is largely irrelevant to developing countries in the following ways;**

- There is no economy with conditions of perfect competition, yet perfect competition is the basis of this theory.

- It ignores government influence in fixing wages for labour regardless of the marginal revenue product of labour. The government may set a high or low wage basing on her social, political, or economic objectives, not basing on marginal productivity of labour.
- Labour and employers cannot determine the exact value of marginal product since output is produced by many factors. Moreover, the MRP of labour cannot be constant.
- Labour is not homogenous as assumed by the theory. It varies in both efficiency and productivity.
- Production is not a result of labour only, but also other factors employed in the production process, which makes it difficult to isolate the contribution of labour to be able to determine its payment.
- The theory does not explain wage differences in an economy among individuals, occupations, and between regions, not based on marginal productivity of labour.
- The theory ignores the fact that employers/capitalist sometimes exploit labour by paying wages that are less than the marginal revenue product of labour.
- Labour is not perfectly mobile/labour tends to be mobile, this is because of a number of factors such as specialisation of labour and geographical barriers which prevent labour from moving to where it is most productive and best paid.
- The theory ignores the role of trade unions in bargaining for high wages. Strong trade unions usually influence the level of wages paid to their members not necessarily basing on Marginal revenue product of labour.
- Employers at times use subsistence level (cost of living) as the basis of wage determination, yet the cost of living maybe below or above the marginal revenue product of labour which is the basis for wage determination according to the marginal productivity theory of wages.
- It ignores the historical factors in wage determination. Wage rate in developing countries depends on historical factors rather than on marginal productivity of labour. The salary structure used to pay labour is inherited from the colonial times and not based on MRPL.
- The law of diminishing returns, on which the theory is based, does not hold all the time; there may be increasing returns instead which makes the theory inapplicable since it only applies where the law operates.
- Wages are usually determined by the level of education, training, or special talent of individual workers where the highly educated or those with special talent earn much more than those who are not instead of basing on the level of marginal productivity of labour.
- It is difficult to determine/measure the marginal product of labour in some sectors such as the services sector, such that employers base on other criteria other than the marginal revenue product of labour to determine wage paid to labour.

### **THE CAUSES OF WAGE DIFFERENTIALS IN DEVELOPING COUNTRIES:**

- **Differences in the nature of jobs.** Highly risky jobs attract higher wages so as to attract people to take on such jobs as a way of compensating for such risks, yet less risky jobs attract low wages because very many people can take on such jobs which leads to excess supply of labour and thus low wages. At the same time those working in 'hard to reach' areas are usually paid more than their counterparts in easy to reach areas as a compensation for the inconveniences.

- **Differences in the level of skills/ level of education and training.** Workers with higher skills and training are usually paid higher wages because they are more productive and efficient at work, while those with less skills and training are paid fewer wages because they are less productive and efficient at work
- **Differences in bargaining strength of individual workers.** Workers with higher bargaining strength are usually paid higher wages because they can effectively negotiate and induce their employers to pay them higher wages than workers with lower bargaining strength who are unable to effectively negotiate and thus earn low wages.
- **Government policy on income/wages tends to be non-matching (not consistent).** There are wage differences among workers at the same levels of employment in different sectors and regions because of the government salary scales that vary with sectors.
- **Differences in the cost of living.** Employers usually set wages in line with the cost of living to enable workers enjoy a reasonable standard of living despite changes in general price level; High wages are paid to people working in areas where the cost of living is high, and low wages are paid to employees in regions where the cost of living is relatively low.
- **Differences in the employers' ability and willingness to pay.** Some workers earn high wages because their employers have the financial strength and the will to pay higher wages, while other workers are paid less because their employers do not have the financial strength/ability to pay high wages and/or do not have the will to pay higher wages.
- **Differences in the number of hours worked –for the case of time rate system.** Workers who devote more time to work tend to earn more than those who work for fewer hours since payment depends on the time spent at work.
- **Differences in talents and natural gift.** Individuals with rare talent in particular fields tend to earn more due to their rare talent that attracts high level of earning while those without rare talents or gifts earn low incomes.
- **Discrimination in the labour market based on race, gender, age, religion, etc.** This is due to the employers bias basing on issues like race and gender when determining how much to pay workers, those who are favoured tend to earn higher wages and those who are not favoured are paid low yet they may be in the same field or doing the same kind of work.
- **Differences in elasticity of supply of labour.** Labour with high elasticity of supply (elastic supply) usually earns low wage since it is easily availed while labour with low elasticity of supply (inelastic supply) is usually paid higher wages due to its relative scarcity.
- **Differences in the people's/ workers' ability to do work – for the case of piece rate system.** Workers who are able to do more work/produce more output earn higher wages than those who do less/produce less output.
- **Difference in strength of trade unions.** Workers who are members of strong trade unions earn higher wages since the trade unions are able to bargain/negotiate for higher wages while the workers who belong to weaker trade unions are paid less because of the inability of their trade unions to effectively bargain/negotiate for higher wages.
- **Differences in the workers experience, expertise, responsibility or seniority.** Workers are usually paid wages basing on experience, expertise, or seniority at their job, such that those who are more senior or those with greater expertise are paid higher wages

since such workers are more productive and efficient than their counterparts who are less experienced.

- **Differences in elasticity of demand for the products produced by labour.** Workers who produce products with inelastic demand earn higher wages, this is so because the employer is in position to charge high prices for the products in order to increase the workers pay. On the other hand workers who produce products with elastic demand get low wages, this is because the employers are not in position to increase the prices of the products so as to raise money necessary to increase the workers pay.

**TRADE UNIONS/ LABOUR UNIONS:** This is an association of/ an organisation formed by workers to collectively bargain for increased wages, improved conditions of work, improved skills of members etc.

**The Types of trade unions:**

**Industrial unions:** This is the union for workers in a particular industry regardless of jobs done in that industry for example, the Uganda medical workers association which includes all medical workers.

**Craft union:** This refers to one that brings together workers of a particular skill across the industry, for example accountants.

**An open shop trade union:** This refers to one which does not discriminate against any type of workers irrespective of skills, religion etc.

**Closed shop trade union.** This refers to one which restricts membership to only those with special qualifications, i.e. they block employment of non members e.g. UNATU.

**General trade union.** This refers to one which accepts all workers and embraces all trade unions e.g. NOTU.

**Examples of trade unions in Uganda:**

- Uganda National Association of Teachers' Union (UNATU).
- Makerere University Academic Staff Association (MUASA).
- The Uganda Medical Workers' Association (UMWU)
- The Uganda Hotel, Food, Tourism and Allied Workers' Union( UHFTAWU)

**Characteristics of trade unions in Uganda:**

- Most trade unions are financially weak.
- Most trade unions have an amorphous membership.
- The workers mostly lack unity.
- Most of them have small membership.
- They are mainly urban based. .
- Most trade unions have poor leadership. .
- They are largely politically motivated.

- Trade unions do not enjoy autonomy.

### **The Objectives of trade unions:**

- **To bargain for higher wages and other allowances through collective bargaining.** They aim at negotiating for an increase in wages especially when the cost of living increases which is hard with an individual worker. This is achieved through collective bargaining.
- **To negotiate for improvement in the working conditions.** They aim at improving working conditions so as to improve workers' welfare or standards of living e.g. securing better housing facilities, favourable working hours etc.
- **To protect workers against unfair dismissal by employers.** Trade unions aim at ensuring that there is some degree of job security for their members. They use tools like court action when members are unfairly dismissed, sexually harassed, etc which reduces unfair treatment.
- **To improve the skills of the members/workers by organising refresher courses.** They aim at improving efficiency of their workers through training so that they are employable and paid highly
- **To advise government on manpower planning.** Trade unions aim at advising the government on issues concerning the manpower needs of the country, such that the man power trained matches the demand in the various sectors of the economy.
- **To forge unity among the members.** Trade unions are formed to devise ways of creating unity or a sense of togetherness by ensuring consistence and adequacy of membership so as not to be exploited by profit minded employers.
- **To provide an effective means of expression for the workers on problems of society and politics.** They agitate for the basic rights for the workers and other people in society on issues such as political independence, democracy and good governance as stipulated by labour law based on international labour organization standards.
- **To persuade government to pass legislation in favour of the working class.** They advise the government on issues concerning workers like on wage legislation policy.

### **The conditions under which workers are justified to demand for wage increases include the following:**

- **When there is rising cost of living in the economy due to inflation.** In this case, the workers are justified to demand for higher wages to be able to maintain their standard of living.
- **When there is an increase in profits/When high/abnormal profits are earned by the employer.** The workers are justified to demand for higher pay to benefit from the increased profitability.
- **When there is improved productivity of workers/ where workers have high skills to offer.** The workers are justified to demand for higher wages to reward the workers' effort for their contribution towards the increase in the firm's profits.

- **When the wages being offered are lower than/below the government set minimum wage.** Workers are justified to demand for the wage increment to conform to the minimum wage level.
- **In case the employer has failed to implement/effect an agreed upon periodical wage increment** as expected in earlier negotiations with the workers.
- **If there is an increase in the risks associated with the job.** This necessitates a higher pay to workers as compensation for the increase in the job risks.
- **When workers doing a similar job or in similar employment elsewhere are being paid a higher wage,** such workers are justified to demand for a wage increment to be at the same level with their counterparts.
- **When there is general prosperity in the economy,** workers are justified to demand for wage increment because entrepreneurs are in position to pay higher wages due to high incomes and prosperity in the economy.
- **In case of inelastic demand for goods of that particular industry.** The workers are justified to demand for wage increase because the employer is able to raise the market price in order to cover the extra cost due to the wage increase without negatively affecting sales.
- **If there is increased workload/hours of work.** The workers are justified to demand for higher pay to compensate for the extra work.
- **When there has been an increase in prices of products produced by the workers.** The workers are justified to demand for a wage increase because they are sure the employer can easily raise that money to pay them.
- **When labour has inelastic supply or where there is full employment in the economy,** the workers bargaining strength is high since the employers cannot easily find workers to replace existing labour in case they move to better paying jobs.
- Where labour has high skills to offer which must be highly paid for.

#### **METHODS/TOOLS USED BY TRADE UNIONS TOACHIEVE THEIR OBJECTIVES/ SETTLE THEIR DISPUTES:**

- **Collective bargaining/ Round table discussions.** This is the process of negotiations between trade union representatives and the employer's representatives on the conditions of work and wages of the workers
- **Industrial arbitration/Mediation.** This is when neutral/ an independent body/ third party act as an arbitrator or a mediator to settle disputes between the workers and their employers e.g. the minister for labour and social welfare.
- **Closed shop:** This is when trade unions stringently restrict employers to employ only the workers who are members of the trade union/labour in a given field or not to employ more workers beyond a certain limit. This makes the required skills in the labour market scarce forcing the employer to meet the demands of the workers
- **Go slow tactics.** This is when trade unions instruct their member to put in less effort at their work so as to reduce the level of output and profitability. With reduced output and profits, the employer may be forced to meet the demands of the workers. .
- **Sit down strike.** This is when workers put down their tools and refuse to work in order to force the management to consider their demands. During the time of strike, the employer

loses a lot of revenue and consequently he/she may be forced to meet the demands of the workers.

- **Sabotage/ Press/media wars/boycott/decampaigning.** This is when trade unions persuade consumers/ the public not to buy or to boycott the products of a particular industry so as to cause losses until their demands are met. Workers may also embark on black mailing the employer through the newspaper, television sets and other public means.
- **Using industrial court/court action.** This is where trade union members lodge in a case with the industrial court seeking judgment of the court.
- **Strikes/ Go on strike/ violent strike.** This is when workers get involved in destruction of property like machines, buildings, vehicles, etc. to compel / force the employer to meet their demands. This is usually a tool of last resort.
- **Picketing/ Lock out.** This is when a group of workers physically position themselves at the entrance/ gate of the business premises or place of work during a strike to persuade others not to go to work and sometimes punishing those who want to continue working.
- **Abduction of top management officials/ key members of management of the business.** A key member of management or the employer's family member is abducted and treated as a hostage which action forces the management/ employer to meet or respect the demands of the workers.
- **Staging Demonstrations:** This involves protests of workers against the employer intended to force the employer to comply with their demands. This is done using banners/placards.

#### **Factors that influence/Affect/ determine the strength of trade unions in an economy:**

- **The amount of funds the trade union has to finance its activities.** Having enough funds enables the trade union to adequately finance its activities as well as sustain its members during a strike for a time enough to induce the employer to submit to the trade union's demands, hence having high bargaining power. While, trade unions that lack adequate funds to run their activities have low bargaining strength because they cannot adequately finance industrial action i.e. they cannot sustain a strike.
- **The level of interference by government into trade union affairs.** High government interference brings about low bargaining strength of the trade unions because their ability to negotiate for higher wages is undermined by government restrictions, on the other hand, absence of or minimal government interference in the operations of trade unions strengthens their bargaining power since they are free to carry out their activities as they wish.
- **The management and leadership skills.** High leadership skills ensure high bargaining strength of the trade unions due to efficient management of the affairs of the trade unions by the highly skilled trade union leadership, while absence of or low leadership skills result in inefficiency in management of trade union affairs that weakens the trade unions.
- **The size of membership of the trade union.** Trade unions with a sizable membership have a strong bargaining power because they are able to raise adequate funds from



members' subscriptions and other contributions to finance Union activities, which is not possible in case of trade unions with small membership.

- **The elasticity of demand of the commodity the members of a given trade union produce.** The trade union's bargaining power is strong in case the commodity has inelastic demand because the employer is more willing to meet the union's demand for higher wages. The employer is able to pay the higher wage by charging higher price for the commodity; however, elastic demand for the commodity leads to a low bargaining strength because it the employer is reluctant to raise wage level since he cannot extend the cost to his consumers.
- **The level of unemployment in the economy.** High level of unemployment results in low bargaining strength of labour for wage increases because their employers can easily find other workers willing to work given the existing working conditions.
- **The level of productivity of the workers.** The trade union is strong where its members are highly productive because the employer is more willing to pay a higher wage while low labour productivity results in low bargaining strength of the trade union because are less productive at work.
- **The degree of organisation of a trade union.** Good, efficient organisation of a trade union ensures efficiency in management and negotiation for higher wages hence a strong bargaining strength while poor management lowers bargaining strength of the trade union.
- **The prevailing economic conditions in the country.** Poor economic conditions weaken the bargaining strength of trade union because employers are reluctant to raise wages due to low economic activity, high level of unemployment, and low profitability associated with such economic conditions. Good economic conditions associated with high level of economic activity, and high profitability raise the bargaining strength of workers since employers can afford, and are more willing to pay higher wages.
- **Level of unity among members.** Disunity among members limits the strength of trade unions because they cannot have joint action since they have varying views. On the other hand unity among members makes trade unions strong because they are able to carry out joint actions since the views are the same.
- **Level of development of infrastructure.** Poor infrastructure limits the strength of trade unions since it becomes difficult to organise members for industrial action. On the other hand good infrastructure e.g. good communication makes trade unions strong because they easily mobilise members for industrial action
- **Level of accountability of leaders.** High level of corruption limits strength of trade unions because leaders easily accept bribes from employers and give up on the cause of trade union while transparency among leaders promotes trade union because they cannot easily be bribed and therefore remain strong on the cause of trade union
- **Level of demand for the product produced by the members.** High demand for the product makes the trade union strong because the employer is willing to increase wages since his revenue is high. On the other hand low demand for the product produced by the members makes trade unions weak because the employer cannot accept to increase wages since his revenue is low.

- **Level of awareness of the workers for their rights.** Trade unions are made strong where workers are aware of their rights because workers participate actively in the activities of trade unions e.g. strike, worker shops e.t.c. It builds cohesion in the trade union while lack of awareness of their rights makes trade unions weak because most workers don't participate in trade union activities such as strikes.
- **Availability alternative sources of income/transitory incomes.** Having incomes from side jobs limits the strength of trade unions because workers are not committed to trade union activities since they have alternative sources of income, while lack of side incomes makes trade unions strong because members get committed to trade union activities since the job is their only source of livelihood.
- **Proportion of the wage bill to total cost.** High proportion of the wage bill to total cost limits the strength of trade unions because the employer finds it costly to increase wages while small proportion of wage bill to total cost makes trade union successful because the employer easily increases wages when demanded by workers since it is cheap.

#### PROBLEMS/CHALLENGES FACED BY TRADE UNIONS IN DEVELOPING COUNTRIES:

- Limited membership/low level of unionisation.
- Limited funds.
- Limited leadership skills.
- High level of unemployment.
- Political interference. .
- Poor/ weak economic performance. .
- Poor infrastructure/poor communication.
- Existence of transitory incomes/ Availability of alternative sources of income/Limited commitment of members.
- Disunity of the members/poor organisation of trade unions
- Low level of accountability. .
- Limited skills of members.
- Low demand for products produced by members.
- Apathy/ ignorance of the workers of their rights
- High proportion of the wage bill to the total costs.

#### **The extent to which trade unions have achieved their objectives in Uganda**

To greater extent trade unions in Uganda have failed to achieve their objectives reasons being;

- **Failure to improve wages and fringe benefits to the desirable level.** e.g. UNATU for salary of teachers. This is because of low bargaining power with the government and private entrepreneurs.
- **They have failed to improve working conditions.** Workers still live in poor and hazardous working conditions e.g. poor housing and other facilities.
- **Failure to protect all members against unfair treatment.** There is still unfair dismissal of workers in case of sickness, disagreements at work, etc.

- **Failure to improve skills and productivity of members through training.** This is due to high costs of training involved, corruption among trade unions' leaders, etc.
- **They have failed to advise the government on development process.** e.g employment policy, manpower planning etc.
- **They have failed to maintain consistent membership.** There are still migrant labourers and target workers leading to temporary membership.
- **They have failed to fully forge unity among members.** There are still elements of religious, tribal and political differences making it hard for them to achieve their objectives.
- **They have failed to protect the rights of their members as laid down in the labour law.**

To a lesser extent, trade unions in Uganda have managed to achieve some objects reasons being that:

- **There has been some improvement in wages of their members** e.g. medical workers' union and MUASA who have fully bargained for increase in salaries of members.
- **There has been some improvement in working conditions** e.g. MUASA have negotiated for better pay for its members.
- **There has been improvement in skills of members.** To some extent there has been training and capacity building workshops and seminars which have improved of members.
- **They have tried to advise the government on wage policy and manpower planning.** This is the case with MUASA.
- **They have tried to create unity among workers from different areas of the country.** This has increased cohesion among members.
- **They have tried to seek, promote and maintain human rights of members.** This is through courts of laws, etc.