Eight Lecture

Production

The labour contract
- Length of the working day
- Intensity / effort
- Alienation
- Labour vs. labour power
- Etymology: labour and slavery
- Command
- Supervision
- Piece rate

Conflict
- Unit cost and unit labour cost
- Cost of job loss
- Fallback wage rate
- Livelihood vs. profitability
- Workers vs. capitalist: fighting over two different things
- Labour extraction curve

Forms of control and opposition
- Mechanization, supervision and zapping labour
- Deskilling and labour disunity
- Bureaucracy and the structure of incentives
- Technical change
- “Technical efficiency” vs. “economic efficiency”
- Unions
- Unemployment insurance
- Macro policies
- Capital mobility
- Discrimination
Unit Labour Cost

\[
\text{unit labour cost} = \frac{\text{wage rate per hour}}{\text{output per hour}}
\]

\[
ulc = \frac{w}{q} = \frac{w}{e \times f}
\]

\[
$2 = \frac{10}{0.5 \times 10}
\]

where:
- \( ulc \) = unit labour cost ($)
- \( w \) = wage rate ($/hour)
- \( q \) = output per hour (units/hour)
- \( f \) = output per worker at “full effort” (units / hour)
- \( e \) = effort coefficient \((0 \leq f \leq 1)\)

Conflict of Interests

<table>
<thead>
<tr>
<th></th>
<th>Interest of capitalists</th>
<th>Interest of workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage (w)</td>
<td>LOW</td>
<td>HIGH</td>
</tr>
<tr>
<td>Work intensity (e)</td>
<td>HIGH</td>
<td>LOW</td>
</tr>
<tr>
<td>Labour productivity (f)</td>
<td>HIGH</td>
<td>CONDITIONAL</td>
</tr>
</tbody>
</table>
Cost of Job Loss

\[ c_{jl} = (w - ui) \times ud + (w - nw^*) \times njd^* \]

\[ = (10 - 8) \times 1,040 + (10 - 7) \times 10,400 \]

\[ = 2,080 + 31,200 \]

\[ = $33,280 \]

where:
$\ c_{jl} = \text{cost of job loss ($)}$

$\ w = \text{wage rate ($/hour)}$

$\ ui = \text{unemployment insurance benefits ($/unemployed hour)}$

$\ ud = \text{unemployment duration (employable hours)}$

$\ nw^* = \text{expected new wage rate at the new job ($/hour)}$

$\ njd^* = \text{expected duration of the new job, after which a job equivalent to the old job is found (employed hours)}$
**Fallback Wage**

\[ cjl = (w - ui) \times ud + (w - nw^*) \times njd^* \]

\[ 0 = w \times ud - ui \times ud + w \times njd^* - nw^* \times njd^* \]

\[ 0 = w \times (ud + njd^*) - (ui \times ud + nw^* \times njd^*) \]

\[ w \times (ud + njd^*) = (ui \times ud + nw^* \times njd^*) \]

\[ w = \frac{ui \times ud + nw^* \times njd^*}{ud + njd^*} \]

\[ w = \frac{8 \times 1040 + 7 \times 10400}{10400 + 1040} \]

\[ w = 7.09 \]

**where:**

- \( cjl \) = cost of job loss ($)
- \( w \) = fallback wage rate ($/hour)
- \( ui \) = unemployment insurance benefits ($/unemployed hour)
- \( ud \) = unemployment duration (employable hours)
- \( nw^* \) = expected new wage rate at the new job ($/hour)
- \( njd^* \) = expected duration of the new job, after which a job equivalent to the old job is found (employed hours)
FIGURE 1  Output vs. the Wage Rate

FIGURE 2  Output vs. the Wage Rate
output = 10 x wage
$ulc = \frac{w}{q} = 0.1$

output = 5 x wage
$ulc = \frac{w}{q} = 0.2$

output = 1 x wage
$ulc = \frac{w}{q} = 1.0$

FIGURE 3  Computing Unit Labour Cost

\[
slope = \frac{\text{"rise"}}{\text{"run"}} = \frac{q}{w}
\]

\[
\frac{1}{\text{slope}} = \frac{w}{q} = ulc
\]

where:

$ulc$ = unit labour cost ($)

$w$ = wage rate ($/hour$)

$q$ = output per hour (units/hour)
output = 7.11 \times \text{wage}

"Optimal Position"
Wage = $9 / \text{hour}
Output = 64 \text{ units / hour}
ulc = \text{wage / output} = \$0.14

FIGURE 4  "Optimal Position"

"Labour Extraction Curve" (left)
Unit Labour Cost (right)

FIGURE 5  Labour Extraction Curve and Unit Labour Cost
New "Optimal Position":
Wage = $5 / hour
Output = 55 units / hour
ulc = wage / output = $0.091

Old "Optimal Position":
Wage = $9 / hour
Output = 64 units / hour
ulc = wage / output = $0.141

FIGURE 6  The Stick Method

New "Optimal Position":
Wage = $9 / hour
Output = 238 units / hour
ulc = wage / output = $0.038

Old "Optimal Position":
Wage = $5 / hour
Output = 55 units / hour
ulc = wage / output = $0.091

FIGURE 7  The Carrot Method
Old "Optimal Position":
Wage = $9 / hour
Output = 64 units / hour
ulc = wage / output = $0.14

New "Optimal Position"
Wage = $10 / hour
Output = 64 units / hour
ulc = wage / output = $0.156

FIGURE 8  Shift Right/Down

New "Optimal Position":
Wage = $7 / hour
Output = 56 units / hour
ulc = wage / output = $0.125

Old "Optimal Position":
Wage = $9 / hour
Output = 64 units / hour
ulc = wage / output = $0.14

FIGURE 9  The Left/Up