

## 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

## The Good Soldier: Schweik



Hašek, Jaroslav. 1937. *The Good Soldier: Schweik*. Translated by P. Selver. Garden City New York: The Sun Dial Press, Inc., Publishers

### 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 ( $0 \leq e \leq 1$ )

### Conflict of Interests

	Interest of capitalists	Interest of workers
<b>Wage (<math>w</math>)</b>	LOW	HIGH
<b>Work intensity (<math>e</math>)</b>	HIGH	LOW
<b>Labour productivity (<math>f</math>)</b>	HIGH	CONDITIONAL

**Cost of Job Loss**

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

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

$$= 2,080 + 31,200$$

$$= \$33,280$$

where:

$cjl$  = cost of job loss (\$)

$w$  = 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)

### Fallback Wage

$$cjl = (\underline{w} - ui) \times ud + (\underline{w} - nw^*) \times njd^*$$

$$0 = \underline{w} \times ud - ui \times ud + \underline{w} \times njd^* - nw^* \times njd^*$$

$$0 = \underline{w} \times (ud + njd^*) - (ui \times ud + nw^* \times njd^*)$$

$$\underline{w} \times (ud + njd^*) = (ui \times ud + nw^* \times njd^*)$$

$$\underline{w} = \frac{ui \times ud + nw^* \times njd^*}{ud + njd^*}$$

$$\underline{w} = \frac{8 \times 1040 + 7 \times 10400}{1040 + 10400}$$

$$\underline{w} = \$7.09$$

where:

$cjl$  = cost of job loss (\$)

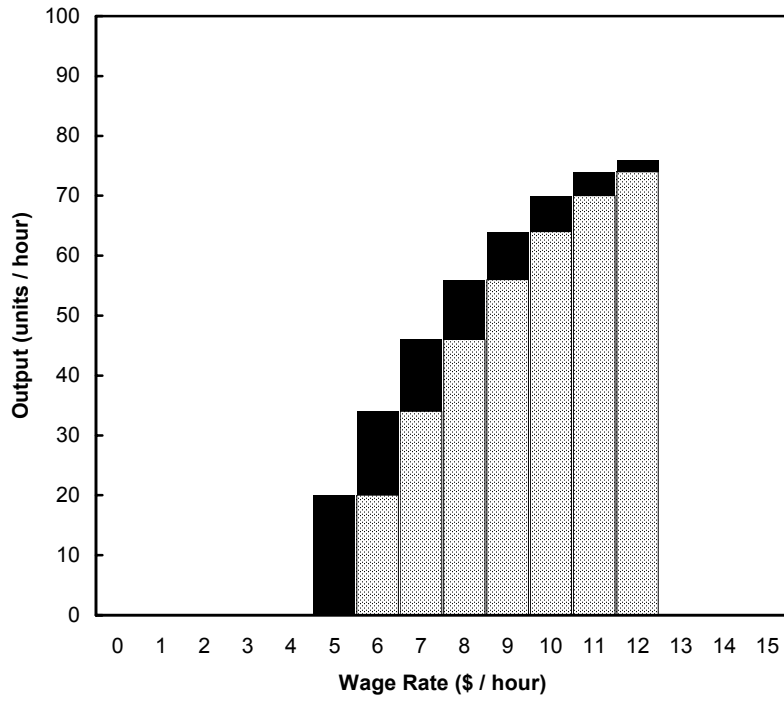
$\underline{w}$  = fallback wage rate (\$/hour)

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

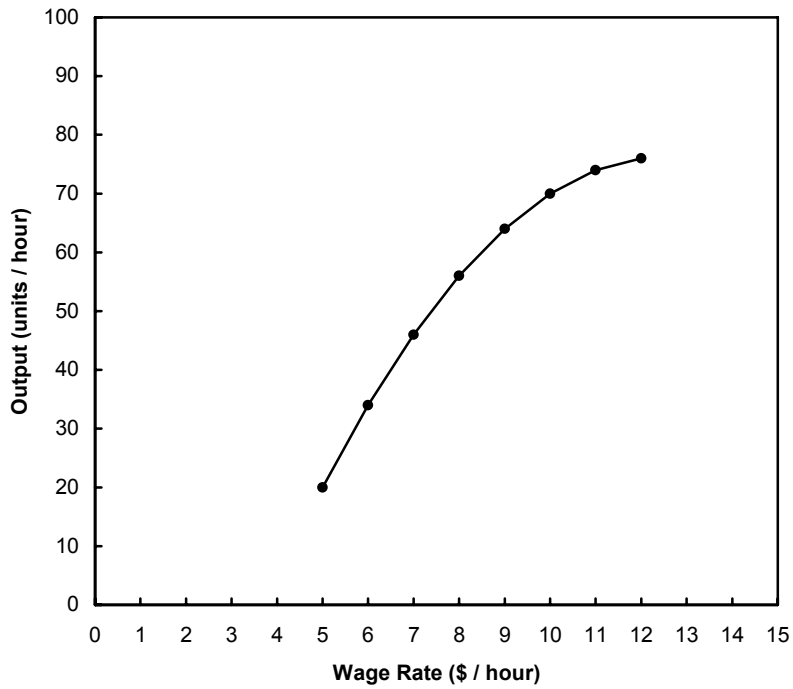
$ud$  = unemployment duration (employable hours)

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

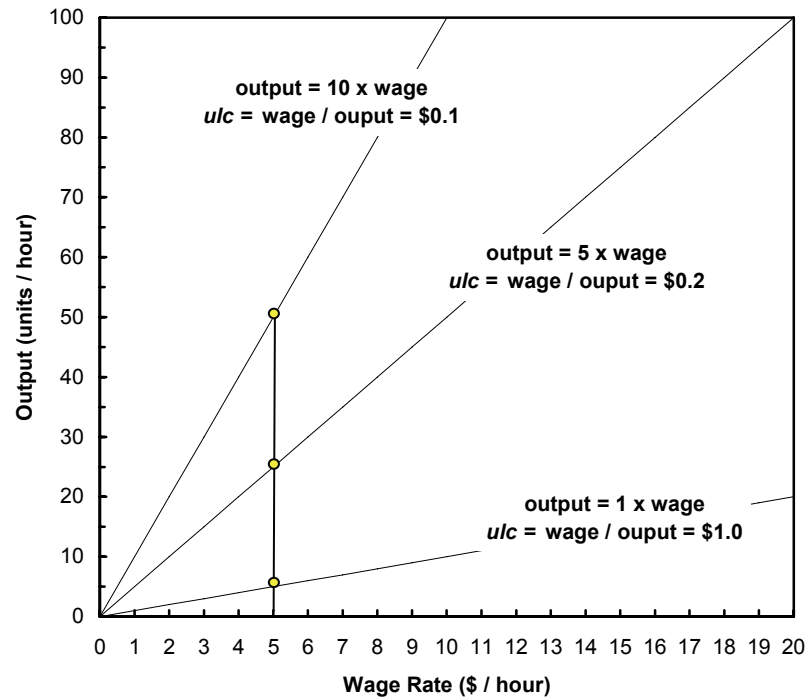
$njd^*$  = expected duration of the new job, after which a job equivalent to the old job is found (employed hours)



**FIGURE 1** Output vs. the Wage Rate



**FIGURE 2** Output vs. the Wage Rate



**FIGURE 3** Computing Unit Labour Cost

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

$$\frac{1}{\text{slope}} = \frac{w}{q} = \text{ulc}$$

where: \_\_\_\_\_

$ulc$  = unit labour cost (\$)

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

$q$  = output per hour (units/hour)

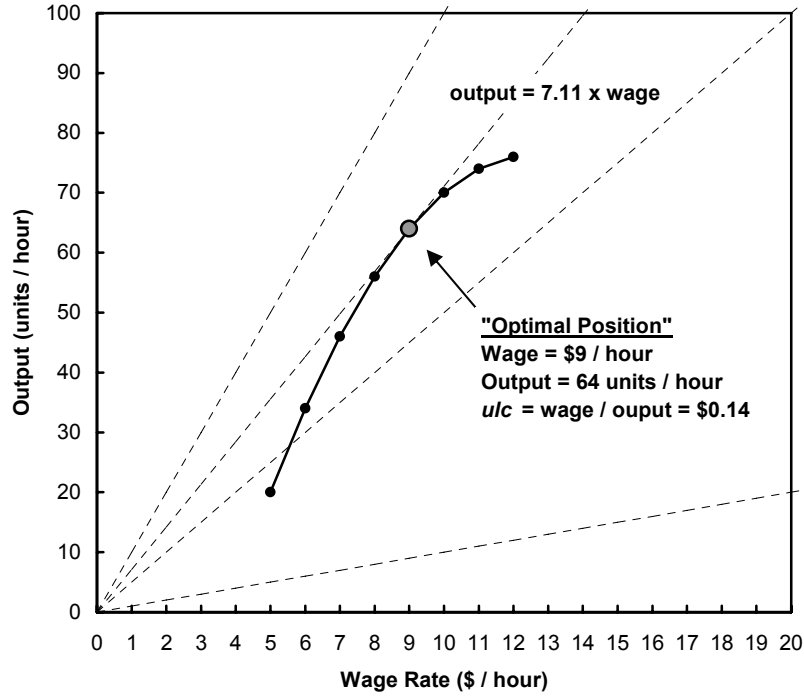


FIGURE 4 "Optimal Position"

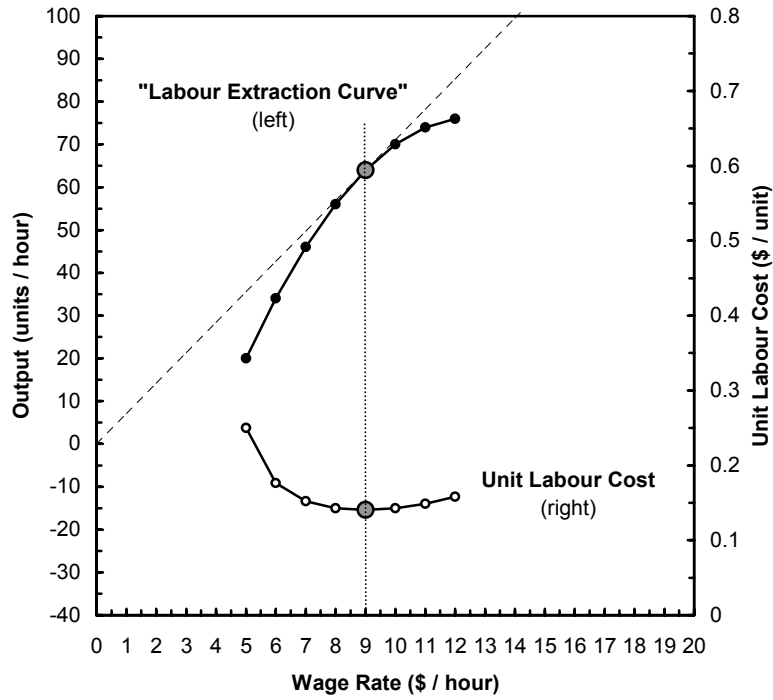
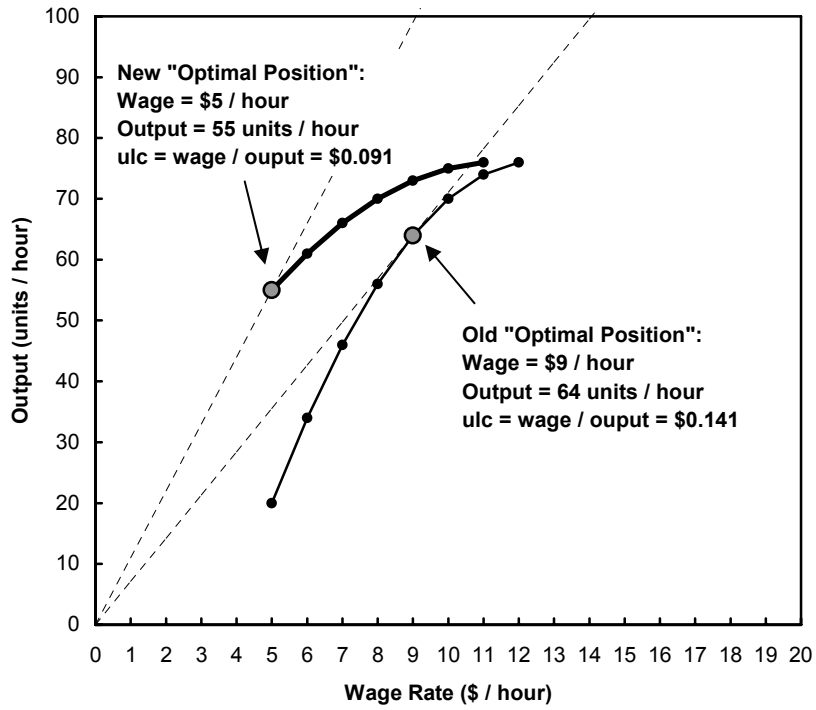
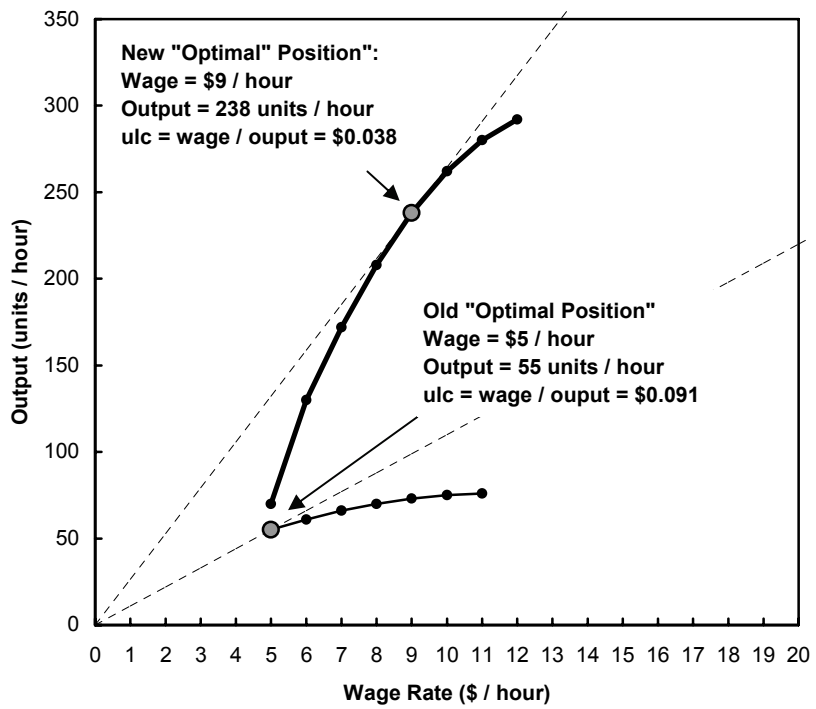


FIGURE 5 Labour Extraction Curve and Unit Labour Cost

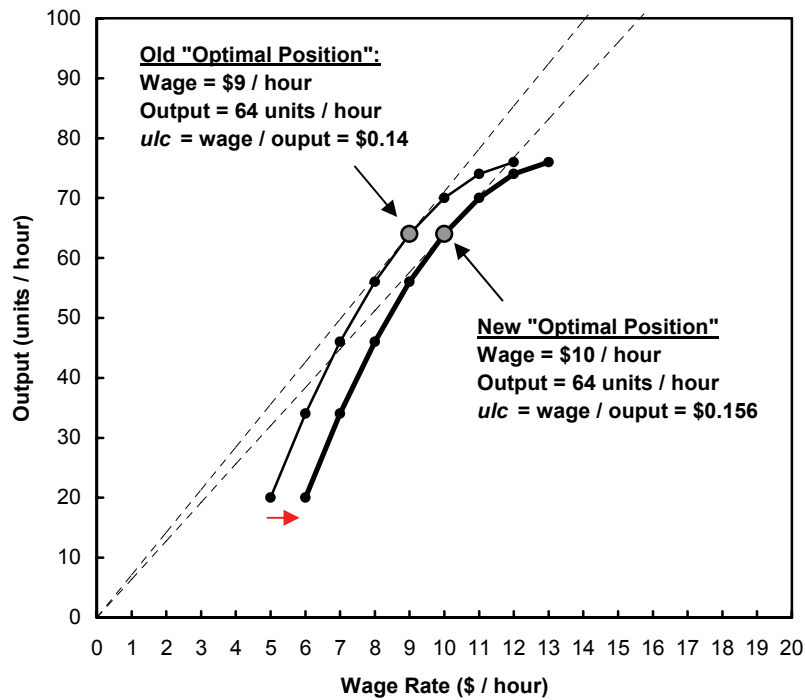




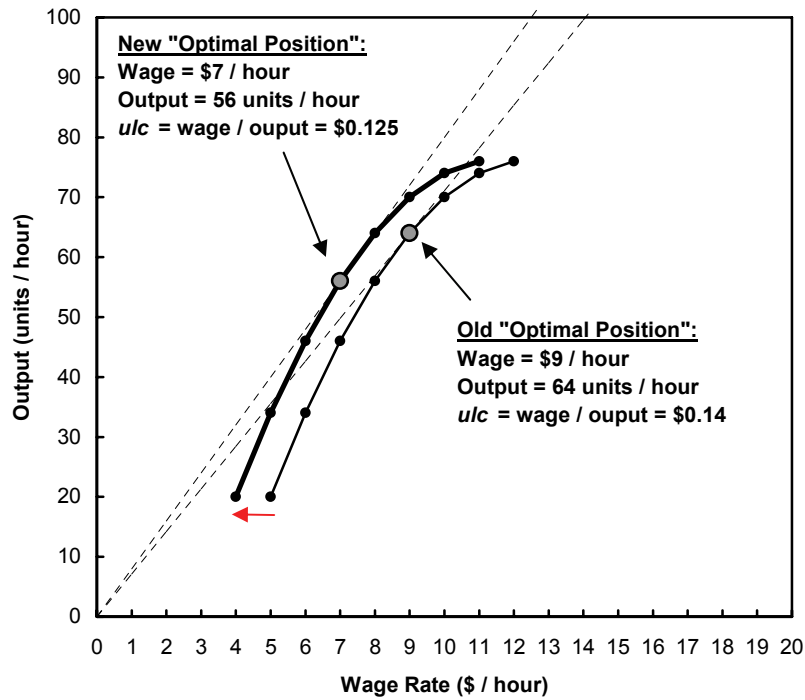
**FIGURE 6** The Stick Method



**FIGURE 7** The Carrot Method



**FIGURE 8** Shift Right/Down



**FIGURE 9** The Left/Up