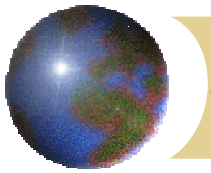


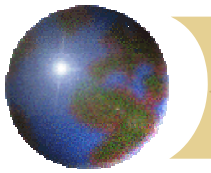
Chp. 7: labour market models

- Overview
 - Labour market models
 - Competitive & segmented labour market models
 - Economic impact: unions & collective barg.
 - Labour market flexibility
 - Flexible firm model & flexibility typologies
 - Flexibility in New Zealand
 - Flexibility & productivity: the NZ 'example'



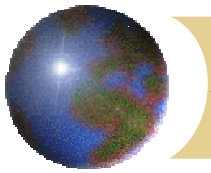
Labour market models

- Two opposing models: competitive & segmented labour market models
- The competitive labour market model
 - Labour market is similar to other types of market: competitive forces reign supreme
 - Wage rates are price signals & they determine supply & demand adjustments
 - Key assumptions – see pp 142-143.



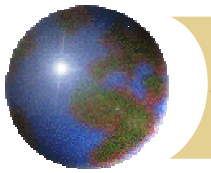
Competitive labour market model

- Factors affecting labour demand
 - Marginal productivity, elasticity, demand for goods & services (derived demand)
 - New technology, service society & globalisation
- Factors affecting labour supply
 - Substitution & income effects
 - Long-term supply – see factors, pp 145-6
 - There have been significant changes to these factors in NZ, post 1984.



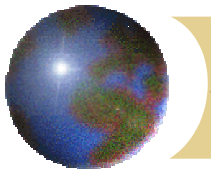
Segmented labour market model

- Questions the 'market view' & smooth transitions of the competitive model
 - Barriers: institutional, social, firm-specific
 - Dual labour market theory: primary & secondary labour markets
 - Internal labour markets
- Demand side > supply side
- Policies countering segmentation (p. 147)
 - These policies are mainly discussed in chp 14



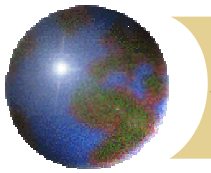
Economic impact of unions

- Rich empirical driven research agenda
- Lekachman: unions are 'theoretical nuisances' for economists
- 3 very different perspectives of unions
 - Rejection: unions as monopolies
 - Accommodation: adjusting market results
 - Advocacy: unions' positive contributions



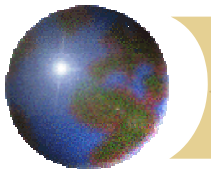
Economic impact of unions II

- Recent theoretical clash: rejection v/s advocacy (including accommodation)
- Economic impact depends on what type of unions & what actions they take
 - Few generalisations can be made
 - Analyses mainly based on USA data
 - Countries with high union density have also high productivity & living standard levels



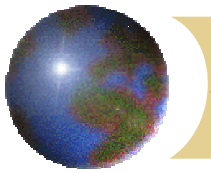
Labour market flexibility

- Problems with flexibility discussion
 - Normative, blurr macro-micro effects, processes (choice) & 'who wins' overlooked
- Flexible firm – see fig. 7.4
 - Easy to understand & provides several illustrations of various types of flexibility
 - Prescriptive or descriptive?
 - How can various types of flexibility co-exist?



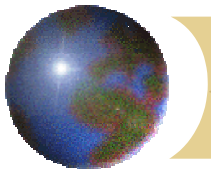
Labour market flexibility II

- Flexibility typologies – a growth industry
 - Why suddenly so popular?
 - Pressures to increase flexibility
 - Changes to 'traditional' employment patterns
 - What changes do typologies focus on?
- One typology & associated NZ trends
- Is more flexibility & equity possible?



Flexibility & productivity

- Economic performance => productivity
=> increased flexibility (for employers)
- Basis of NZ reforms, esp. the ECA
 - Narrow view of productivity & unions' role
 - Expectation: detrimental union practices
 - Outcome: disappointing productivity levels overall, but many firm reports of rises
 - Why this macro-micro difference?



Flexibility & productivity II

- NZ: employer-driven flexibility has not given rise to major lift in productivity
 - Insufficient workplace reform & rise in employment of low productivity workers
 - Lack of investment in infrastructure, training & development, high-tech org.
 - Lack of reform synergy & rise in compliance costs
 - Could it just be a matter of time-lag?