

Chapter 20

Characteristics of Land and Labour

✓ 1. MEANING OF LAND

The term 'Land' in economics is often used in a wider sense. It does not mean only the surface of the soil, but it also includes all those natural resources which are the free gifts of nature. It, therefore, means all the free gifts of nature. These natural gifts include: (i) rivers, forests, mountains and oceans; (ii) heat of sun, light, climate, weather, rainfall, etc. which are above the surface of land; (iii) minerals under the surface of the earth such as iron, coal, copper, water, etc. According to Marshall, "By land is meant... materials and forces which nature gives freely for man's aid in land, water, air, light and heat." Therefore, land is a stock of free gifts of nature.

✓ 2. CHARACTERISTICS OF LAND

Land possesses the following characteristics.

1. *Free Gift of Nature.* Man has to make efforts in order to acquire other factors of production. But to acquire land no human efforts are needed. Land is not the outcome of human labour. Rather, it existed even long before the evolution of man.

2. *Fixed Quantity.* The total quantity of land does not undergo any change. It is limited and cannot be increased or decreased with human efforts. No alteration can be made in the surface area of land.

3. *Land is Permanent.* All man-made things are perishable and these may even go out of existence. But land is indestructible. Thus it cannot go out of existence. It is not destructible.

4. *Land is a Primary Factor of Production.* In any kind of production process, we have to start with land. For example, in industries, it helps to provide raw materials and in agriculture, crops are produced on land.

5. *Land is a Passive Factor of Production.* This is because it cannot produce anything by itself. For example, wheat cannot grow on a piece of land automatically. To grow wheat, man has to cultivate land. Labour is an active factor but land is a passive factor of production.

6. *Land is Immovable.* It cannot be transported from one place to another. For instance, no portion of India's surface can be transported to some other country.

7. *Land has some Original Indestructible Powers.* There are some original and indestructible powers of land, which a man cannot destroy. Its fertility may be varied but it cannot be destroyed completely.

8. *Land Differs in Fertility.* Fertility of land differs on different pieces of land. One piece of land may produce more and the other less.

9. *Supply of Land is Inelastic.* The demand for a particular commodity makes way for the supply of that commodity, but the supply of land cannot be increased or decreased according to its demand.

10. *Land has Many Uses.* We can make use of land in many ways. On land, cultivation can be done, factories can be set up, roads can be constructed, buildings can be raised and shipping is possible in the sea and big rivers.

2 FACTORS AFFECTING PRODUCTIVITY OF LAND

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6. CHARACTERISTICS OF LABOUR

Labour has the following peculiarities which are explained as under:

1. *Labour is Perishable.* Labour is more perishable than other factors of production. It means labour cannot be stored. The labour of an unemployed worker is lost forever for that day when he does not work. Labour can neither be postponed nor accumulated for the next day. It will perish. Once time is lost, it is lost for ever.

2. *Labour cannot be Separated from the Labourer.* Land and capital can be separated from their owner, but labour cannot be separated from a labourer. Labour and labourer are indispensable for each other. For example, it is not possible to bring the ability of a teacher to teach in the school, leaving the teacher at home. The

labour of a teacher can work only if he himself is present in the class. Therefore, labour and labourer cannot be separated from each other.

3. *Less Mobility of Labour.* As compared to capital and other goods, labour is less mobile. Capital can be easily transported from one place to other, but labour cannot be transported easily from its present place to other places. A labourer is not ready to go to far off places leaving his native place. Therefore, labour has less mobility.

4. *Weak Bargaining Power of Labour.* The ability of the buyer to purchase goods at the lowest price and the ability of the seller to sell his goods at the highest possible price is called the bargaining power. A labourer sells his labour for wages and an employer purchases labour by paying wages. Labourers have a very weak bargaining power, because their labour cannot be stored and they are poor, ignorant and less organised. Moreover, labour as a class does not have reserves to fall back upon when either there is no work or the wage rate is so low that it is not worth working. Poor labourers have to work for their subsistence. Therefore, the labourers have a weak bargaining power as compared to the employers.

5. *Inelastic Supply of labour.* The supply of labour is inelastic in a country at a particular time. It means their supply can neither be increased nor decreased if the need demands so. For example, if a country has a scarcity of a particular type of workers, their supply cannot be increased within a day, month or year. Labourers cannot be 'made to order' like other goods. The supply of labour can be increased to a limited extent by importing labour from other countries in the short period. The supply of labour depends upon the size of population. Population cannot be increased or decreased quickly. Therefore, the supply of labour is inelastic to a great extent. It cannot be increased or decreased immediately.

6. *Labourer is a Human being and not a Machine.* Every labourer has his own tastes, habits and feelings. Therefore, labourers cannot be made to work like machines. Labourers cannot work round the clock, like machines. After continuous work for a few hours, leisure is essential for them.

7. *A Labourer sells his Labour and not Himself.* A labourer sells his labour for wages and not himself. 'The worker sells work but he himself remains his own property'. For example, when we purchase an animal, we become owners of the services as well as the body of that animal. But we cannot become the owner of a labourer in this sense.

8. *Increase in Wages may Reduce the Supply of Labour.* The supply of goods increases, when their prices increase, but the supply of labourers decreases, when their wages are increased. For example, when wages are low, all men, women and children in a labourer's family have to work to earn their livelihood. But when wage rates are increased, the labourer may work alone and his wife and children may stop working. In this way, the increase in wage rates, decreases the supply of labourers. Labourers also work for less hours when they are paid more and hence again their supply decreases.

9. *Labour is both the Beginning and the End of Production.* The presence of land and capital alone cannot make production. Production can be started only with the help of labour. It means labour is the beginning of production. Goods are

produced to satisfy human wants. When we consume them, production comes to an end. Therefore, labour is both the beginning and the end of production.

10. *Differences in the Efficiency of Labour.* Labourer differs in efficiency. Some labourers are more efficient due to their ability, training and skill, whereas others are less efficient on account of their illiteracy, ignorance, etc.

11. *Indirect Demand for Labour.* The consumer goods like bread, vegetables, fruit, milk, etc. have direct demand as they satisfy our wants directly. But the demand for labourers is not direct, it is indirect. They are demanded so as to produce other goods, which satisfy our wants. So the demand for labourers depends upon the demand for goods which they help to produce. Therefore, the demand for labourers arises because of their productive capacity to produce other goods.

12. *Difficult to Find out the Cost of Production of Labour.* We can easily calculate the cost of production of a machine. But it is not easy to calculate the cost of production of a labourer i.e., of an advocate, teacher, doctor, etc. If a person becomes an engineer at the age of twenty, it is difficult to find out the total cost on his education, food, clothes, etc. Therefore, it is difficult to calculate the cost of production of a labourer.

13. *Labour creates Capital.* Capital, which is considered as a separate factor of production is, in fact, the result of the reward for labour. Labour earns wealth by way of production. We know that capital is that portion of wealth which is used to earn income. Therefore, capital is formulated and accumulated by labour. It is evident that labour is more important in the process of production than capital because capital is the result of the working of labour.

14. *Labour is an Active Factor of Production.* Land and capital are considered as the passive factors of production, because they alone cannot start the production process. Production from land and capital starts only when a man makes efforts. Production begins with the active participation of man. Therefore, labour is an active factor of production.

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2. CHARACTERISTICS OF CAPITAL

Capital has its own peculiarities which distinguish it from other factors of production. Capital possesses the following main characteristics:

1. *Man Produces Capital.* Capital is that wealth which is used in the production of goods. Capital is the result of human labour. Thus, every type of capital such as roads, machines, buildings and factories etc. are produced by man. It is a produced factor of production.

2. *Capital is a Passive Factor of Production.* Capital cannot produce without the help of the active services of labour. To produce with machines, labour is required. Thus, labour is an active, whereas capital is a passive factor of production. Capital on its own cannot produce anything until labour works on it.

3. *Capital is a Produced Means of Production.* The composition or supply of capital is not automatic, but it is produced with the joint efforts of labour and land. Therefore, capital is a produced means of production.

4. *Capital is Variable.* The total supply of land cannot be changed, whereas the supply of capital can be increased or decreased. If the residents of a country produce more or save more from their income, and these savings are invested in factories or capital goods, it increases the supply of capital.

5. *Capital is more Mobile than other Factors of Production.* Of all the factors of production, capital is the most mobile. Land is perfectly immobile. Labour and entrepreneur also lack mobility. Capital can be easily transported from one place to another.

6. *Capital Depreciates.* As we go on using capital, the value of capital goes on depreciating. When machines are used continuously for sometime, these depreciate and their value falls.

7. *Capital is Stored-up Labour.* Scholars like Marx admit that capital is stored-up labour. By putting in his labour man earns wealth. A part of this wealth is spent on consumption goods and the rest of it is saved. When saving is invested, it becomes capital. In other words, capital is the result of accumulation of savings of a man. Therefore, capital is stored-up labour.

8. *Capital is Destructible.* All capital goods are destructible and are not permanent. Because of the continuous use, machines and tools become useless with the passage of time.