In organising resources to produce for the wants of consumers, the firm will have to pay attention to the advantages of specialisation, the economies of producing on a large scale, its own internal organisation, and combining resources in order to obtain as much output as possible from its limited means.

I The division of labour

Specialisation is the fundamental principle upon which modern production is organised. Here, we examine it with particular reference to labour, though, as we shall see, it is equally applicable to machines, the distribution of goods to the consumer, localities and even countries.

Where workers are organised so that each specialises on a particular task, increased production results. This is because:

1) Each man is employed in the job in which his superiority is most marked. Suppose that, in one day, Smith can plane the parts for twenty tables or cut the joints for ten, whereas Brown can either plane ten tables or cut the joints for twenty. If each do both jobs and spend the same amount of time on them, their combined production in a day will be fifteen tables planed and fifteen table joints cut. But Smith is better at planing, while Brown is better at cutting joints. If they specialise on what they can do best, their combined production will be twenty tables planed and twenty table joints cut – an increase in output of a third. Even if initially workers were equally proficient at the different jobs, it might still pay to specialise.

2) Practice makes perfect, and so particular skills are developed through repetition of the same job.

3) Economy in tools allows specialised machinery to be used.

This is illustrated in Figure 9.1, where in part (b) division of labour has been introduced. Not only are specialised tools in
constant use but their output is much greater. Thus division of labour sets free talented men for research – and allows their inventions to be used profitably.

(4) *Time is saved through not having to switch from one operation to another.*

(5) *Less time is taken in learning a particular job.*

(6) *The employer can estimate his costs of production and output more accurately.*

**Disadvantages of the division of labour**

While the division of labour leads to lower costs of production, it may have disadvantages both to the worker and to society. The worker may find his job monotonous, while with some occupations such as paint-spraying there is a risk of occupational disease. Moreover, the skilled specialist may face redundancy if demand falls, while a strike by a few key workers can lead to widespread unemployment. Finally, standardised products tend to replace individual craft work.

**Limitations to the division of labour**

Naturally the scope for the division of labour varies from one industry to another. Countries like Switzerland having too few workers to permit a high degree of specialisation concentrate on manufacturing a narrow range of products. Again, in industries such as agriculture and building where the same operations are not taking place each day many 'Jacks of all trades' are required. Moreover, an exchange system is essential: we must first unite in exchange before we can divide in production. Finally, the division of labour has to be related to current demand for the product. It is no use specialising in making something which nobody wants, while minute division of labour requires a large demand. The complex organisation of car production, for instance, is possible...