

8.3 Labour market forces and government intervention

Name: _____ Class: _____ Date: _____

Total: 26 marks

KEY WORDS minimum wage • national minimum wage
 • discrimination • monopsony • derived demand

Objective

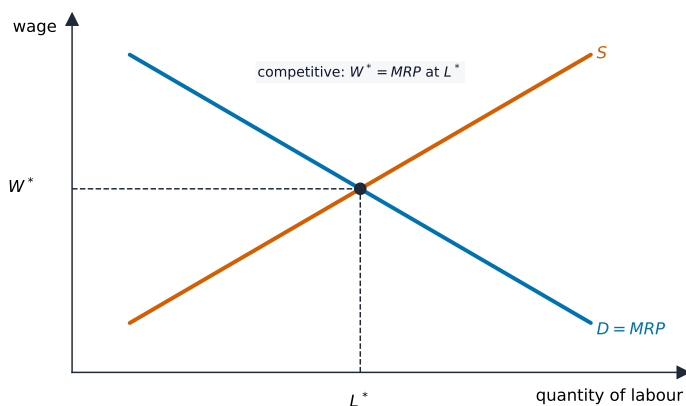
Build the skills to answer exam questions on **labour markets** – the **demand for labour** (derived demand, **MRP**), the **supply of labour**, **monopsony**, **trade unions**, the **minimum wage**, and **wage differentials**.

You must be able to:

- explain labour demand as a derived demand based on MRP
- draw a competitive labour market and a minimum wage
- analyse monopsony, trade unions and wage differentials

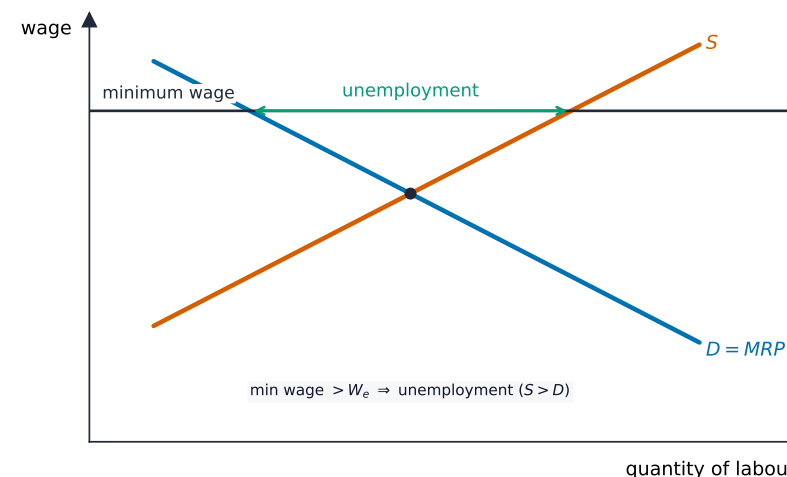
1 Key knowledge and worked examples

■ The competitive labour market



A wage is the price of labour – set by demand and supply

- **Demand for labour** = a **derived demand** based on the **marginal revenue product** (MRP).
- **Monopsony** : a single dominant **buyer** of labour → lower wage, fewer hired.
- **Trade union** : can raise the wage above the competitive level (but may cut jobs).
- **Minimum wage** above equilibrium → unemployment; but in a monopsony it can raise **both** wage and jobs.



A minimum wage in a competitive market: the gap between labour supplied and demanded is unemployment

Answer shapes: an **Explain** [up to 8] answer may use a labour-market diagram (AO3); **Discuss** [12] adds a judgement (AO4).

2 Practice

2.1 Define the term *derived demand*.

[2]

2.2 Define the term *monopsony*.

[2]

2.3 State one reason for a wage differential between two jobs. [1]

3 Exam-style questions

3.1 The demand for labour is described as a **derived demand** because it depends on:[1]

- A** the wage rate alone
B the demand for the goods that labour produces
C the number of trade unions
D the minimum wage

3.2 Using a diagram, explain the effect of a minimum wage set **above** the equilibrium wage in a competitive labour market. [8]

3.3 Discuss whether a national minimum wage is good for an economy. [12]