6.1 Labour markets

Name: _____ Class: _____ Date: _____ **Total: 21 marks**

KEY WORDS derived demand • trade union

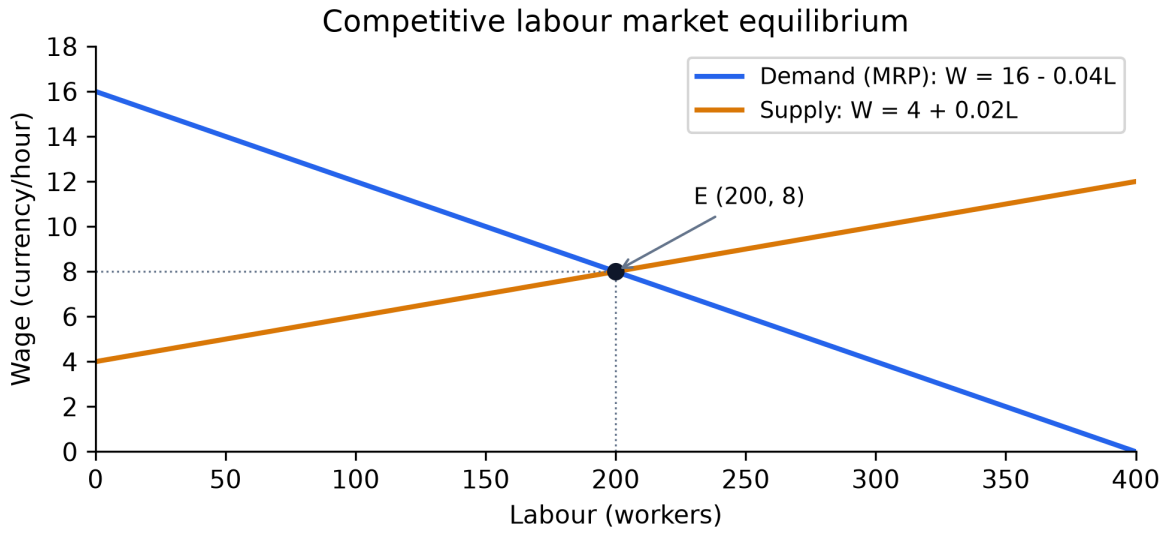
Labour markets

Objective

Apply derived demand and its elasticity factors, labour supply influences, competitive wage determination and the mobility failures (spec 3.3.4, rows 1–4). Model: supply $W = 4 + 0.02L$, demand $W = 16 - 0.04L$.

1 Key knowledge and worked examples

The labour market. Demand for labour is derived from product demand, productivity, product price and the wage-relative-to-capital. Supply responds to population, migration, tax, benefits, regulation and unions. Equilibrium solves $4 + 0.02L = 16 - 0.04L$: $L = 200$, $W = 8$. Geographical and occupational immobility keep vacancies and unemployment side by side.



Original model; the equilibrium is computed in the worked examples.

2 Practice

2.1 Explain why the demand for bricklayers is called a derived demand, and name one further influence on it. [2]

2.2 Name any four of the six influences on the supply of labour to an occupation. [2]

2.3 Solve the model equilibrium for L and W. [3]

2.4 House-building demand rises. Which curve shifts, in which direction, and what happens to the equilibrium wage and employment? [2]

2.5 Distinguish geographical from occupational immobility with one cause of each. [2]

2.6 Give one reason public-sector wages may not equal the market-clearing wage. [2]

3 Exam-style questions

3.1 *(Original.)* Net migration raises the labour supply so that supply becomes $W = 2 + 0.02L$. Find the new equilibrium and the change in wage and employment. [4]

3.2 *(Original.)* Analyse two consequences of occupational immobility for an economy losing its manufacturing base. [4]