

Exercise walk-through

4.1

Firms, costs, growth and competition / IGCSE production and labour

Pearson Edexcel · International GCSE · Economics

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The method

Method — Worked example

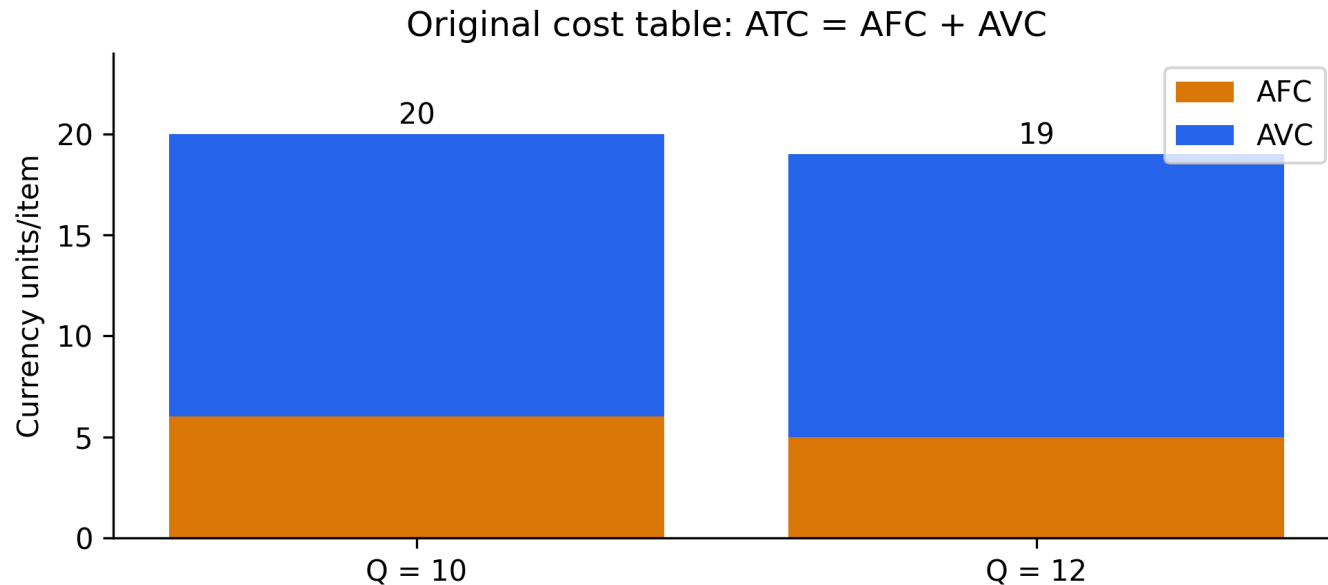
Productivity is output per unit of input. Division of labour can raise skill and reduce switching time, while dependence and repetition can create costs. Labour demand derives from demand for output; wages also depend on supply, skills, working conditions and institutions. Competition can influence price, quality and innovation but does not guarantee every desired outcome.

An original workshop makes 240 items using 30 worker-hours, then 300 items using 30 worker-hours after training. Calculate productivity and evaluate an inference about profit.

Labour productivity=output/labour input. Initial productivity=240 items/30 worker-hours=8 items/worker-hour. Later productivity=300/30=10 items/worker-hour. Percentage change= $(10-8)/8 \times 100\% = 25\%$. Higher output per hour does not establish higher profit: training cost, wages, saleable quality, price and demand matter. Distinguish increased output from increased productivity and a private business from public ownership; either can face resource constraints.

Method — Worked example

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Exercises 2.1·3.1

2.1 For the worked case, state the method, show its application and give a limitation.[3]

3.1 Demand for a product rises while a training programme expands relevant labour supply. Predict the wage only if justified and evaluate who benefits. [3]

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3.1 Demand for a product rises while a training programme expands relevant labour supply. Predict the wage only if justified and evaluate who benefits. [3]

3.1 Higher derived labour demand tends to raise wages; increased labour supply tends to lower them, other factors constant. Their combined wage effect is ambiguous without relative shifts. Employment may rise in the simple model. Explain timing, skills, working conditions and institutions before generalizing. Authored points for judgement, case-linked reasoning and justified qualification. Accept supported alternatives.