

1.2 Factors of production

Name: _____ Class: _____ Date: _____

Total: 17 marks

KEY WORDS labour • capital • land • factors of production
• enterprise

Objective

Build the skills to answer exam questions on **factors of production** – land, labour, capital and enterprise, their rewards, and their mobility, quantity and quality.

You must be able to:

- name the four factors and the reward each earns
- explain the mobility of a factor
- explain how the quantity and quality of factors can change

1 Key knowledge and worked examples

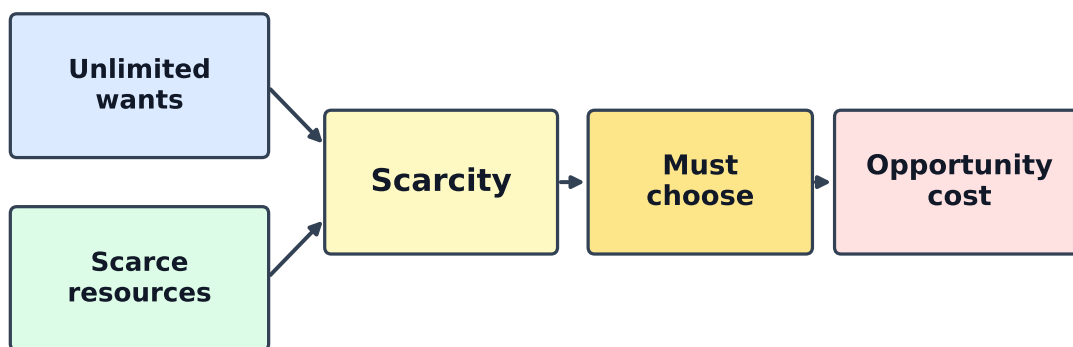
■ The four factors

Land	Labour	Capital	Enterprise
natural resources (fields, water, oil)	human work and effort	machines, tools, factories	organises the rest + takes the risk
→ Rent	→ Wages	→ Interest	→ Profit

Exam: name factor + reward together (land→rent, labour→wages, capital→interest, enterprise→profit)

Each factor earns income for being used

Factor	Reward
land	rent
labour	wages
capital	interest
enterprise	profit



Exam: scarcity forces choice — opportunity cost is the next-best alternative forgone

The factors are themselves scarce – which is the root of the economic problem

- **Mobility** : how easily a factor moves to a new use (a multi-skilled worker is mobile; a fixed factory is not).
- **Quantity** and **quality** can change – training and technology raise quality, so each factor produces more.

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State the reward earned by each of the four factors of production. [2]

2.2 Define the term *capital*. [2]

2.3 Define the term *mobility of labour*. [2]

3 Exam-style questions

3.1 The reward to the factor **enterprise** is:

[1]

☐

A rent

B wages

C interest

D profit

3.2 Explain two ways the quality of the factor labour could be improved.

[4]

3.3 Analyse why some workers are more occupationally mobile than others.

[6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

Each answer shows the steps, then the **result**.

2.1

- land → **rent**; labour → **wages**; capital → **interest**; enterprise → **profit** (K)

2.2

- **capital** is the **man-made** things used to produce goods and services (machines, factories) (K)

2.3

- **mobility of labour** is how easily a worker can **move from one job** to another (K)

3.1 D

- the reward to **enterprise** is **profit** (K)
- A is land; B is labour; C is capital

3.2

- for **each** of two ways: K + An
- e.g. **education and training** raise skills → workers produce more
- e.g. **better healthcare** keeps workers fit → they work more productively

3.3

- a worker with **transferable skills** can move easily; a **narrow skill** cannot (K + An)
- training raises mobility, but some jobs need **licences** that take years
- the more **general** the skills, the more occupationally mobile the worker is (An)