

Edexcel (A) Economics A-level
**Theme 3: Business Behaviour &
the Labour Market**

3.5 Labour Markets

3.5.2 Supply of labour

Notes



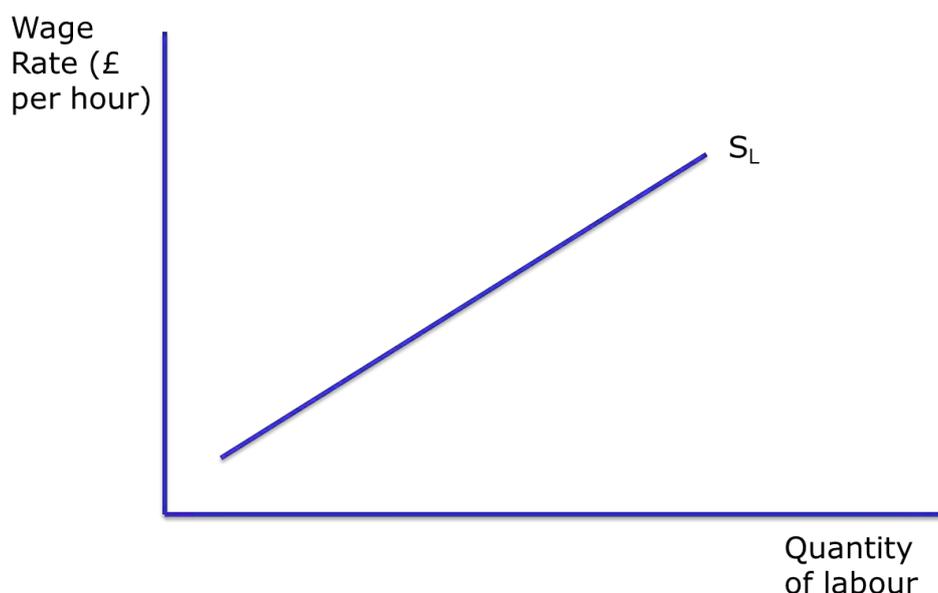
 **Factors that influence the supply of labour to a particular occupation:**

 The supply of labour is calculated by the number of workers willing and able to work at the current wage rate, multiplied by the number of hours they can work.

 The supply of labour is affected by:

 **The wage rate:**

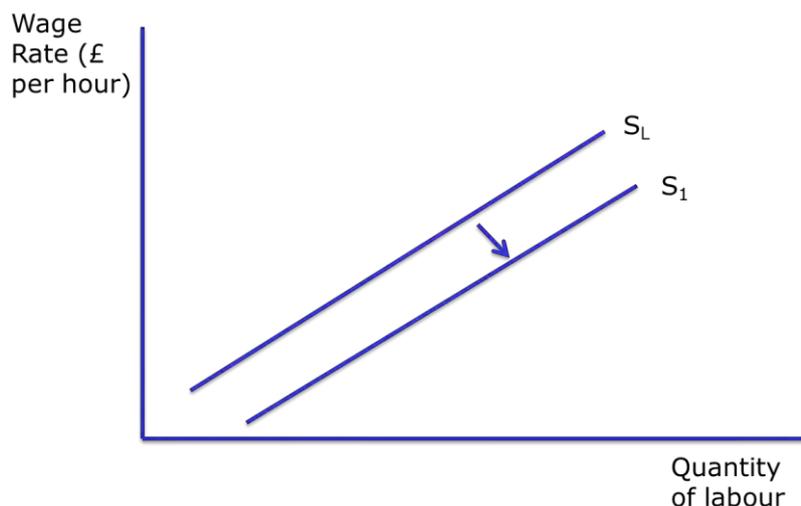
- The upward sloping supply curve shows the proportional relationship between how much the worker is paid and the number of workers willing and able to work.



 **Demographics of the population:**

- The more people there who are able and willing to work, the higher the supply of labour. This changes with retirement and school leaving ages, the number of university students and immigration.
- It can be illustrated with a shift to the right of the supply curve.





 **Migration:**

- Migrants are usually of working age, so the supply of labour at all wage rates tends to increase. Migration particularly affects the supply of labour at the lower wage rates, because migrants are usually from economies with average wages lower than the UK minimum wage.

 **Advantages of work:**

- This can influence how much people prefer to work, and is linked to non-monetary advantages. If the cost of working is lower, so families can afford childcare, people are more likely to work. If the benefits of working are high, such as holiday entitlements and the potential to be promoted, the supply of labour is likely to increase.

 **Leisure time:**

- Leisure is a substitute for work, which is why part-time work and early retirements are attractive options for some people.
- People have to choose whether to spend their time on work or leisure. This is influenced by age, the amount of taxes paid, how many dependents the worker has and income from not working.

 **Trade unions:**

- These could attract workers to the labour market, because they know their employment rights will be defended. However, the limits on workers, such as limiting their ability to strike, might cause some people to withdraw from the labour market.

 **Taxes and benefits:**



- If taxes are too high and benefits are too generous, people might be more inclined to withdraw from the labour market.

 **Training:**

- If a lot of training or high qualifications are required for a job, then the supply of labour may fall. However, if the government subsidise training, it is easier for workers to gain the necessary skills for a job, so the supply of labour could increase.

 **Market failure in labour markets- the geographical and occupational mobility of labour:**

-  The mobility of labour is the ability of workers to change between jobs.
 - The geographical immobility of the factors of production refers to the obstacles which prevent the factors of production moving between areas. For example, labour might find it hard to find work due to family and social ties, the financial costs involved with moving, imperfect market knowledge on work and the regional variations in house prices and living costs across the UK.
 - The occupational immobility of the factors of production refers to the obstacles which prevent the factors of production changing their use. For example, labour might find it difficult to change the occupation. This occurred in the UK with the collapse of the mining industry, when workers did not have transferable skills to find other work. The causes include insufficient education, training and skills.

