

OCR Economics A-level

Microeconomics

Topic 5 – The Labour Market

Definitions and Concepts

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5.1 – Demand for labour

Productivity - Output per worker per unit of time.

Unit labour costs - The cost of labour per unit of output.

5.2 – Labour supply

Economic rent - Income earned which is more than transfer earnings.

Transfer earnings - The minimum reward that is needed to keep labour in the current occupation.

Transfer payments - Welfare payments from the government to provide a minimum standard of living for those on low incomes.

5.3 – The interaction of labour markets

Bilateral monopoly - Where there is only one buyer and one seller in the market.

Collective bargaining - Negotiation between employers and a collective group of employees.

Geographical mobility of labour - The ease and speed at which labour can move from one area to another.

Individual bargaining - Negotiation between a single employee and the employer.

Labour force - All those who are economically active; those people who are in work or are actively seeking work.

Labour market flexibility - The willingness and ability of labour to respond to changes in market conditions.

Living wage - The wage the government believes is necessary to cover the basic cost of living; paid to everyone over 25.

Maximum wage - A ceiling wage which people cannot earn above.

Minimum wage - A floor wage which people cannot earn below.

Monopsony - A single buyer in the market.

Occupational mobility of labour - The ease and speed at which labour can move from one type of job to another.

Productivity bargaining - An agreement where employees agree to make changes which improve productivity in order to receive higher wages.

Trade unions - An organisation that protects the rights and pay of workers through a process of collective bargaining.



Wage differentials - When different workers are paid different amounts.

Working population - Those who are economically active, the labour force.

