

CHAPTER 16 :The supply of labour

Key terms

1. Activity of participate rate : the percentage or proportion of any given population in the labour force
2. Ageing population : where there is an upwards shift in the average age of the population of a country so that there is a growing number of people who are older than the standard working age
3. Economically active : the number of workers in the workforce who are in a job or are unemployed
4. Net migration : the difference between emigration and immigration
5. Supply of labour to an occupation : the number of workers willing and able to work in a particular job or occupation for a given wage rate
6. Underemployment : where people are not able to work as many hours as they would like, or are in jobs that are below their skill level
7. Welfare benefits : money paid by government to give financial benefits to people who are ill, unemployed, on a low income or too old to work
8. Working population : Size of the population aged between the school leaving age and the state retirement age

1. The supply for labour

: amount of workers that that they willing and able to work in a particular job

Diagram



- Wage and supply of labour are positive relationship
- Higher wage brings to higher supply for labour while lower wage brings to lower

Supply for labour

2. Factors affecting supply for labour to shift

2.1 Demographic of the population eg. Higher ageing population will be less supply of labour

2.2 Migration

2.3 Advantages of working condition eg. Non-monetary benefits

2.4 Trade unions

2.5 Tax and unemployment benefits

2.6 Training and qualification

2.7 Labour participate rate

3. The elasticity of supply for labour

: the responsiveness of quantity supply to a change in wage

The elasticity supply for labour = % change in quantity supply
for labour / % change in wage

4. Factors that determine elasticity of supply for labour

4.1 Available of suitable labour in other industries

: If firms would like to recruit unskilled workers, workers will be able to attract relatively easily from other business as there is large pool of unskilled worker spread across other industries. It is relative elastic

4.2 Time

: Elasticity of supply is likely to be less elastic or more inelastic, in short run than in long run.

4.3 The extent of unemployment

: Higher level of unemployment, the more elastic the elasticity of supply is likely to be. With high unemployment, firms are more likely to be able to recruit workers at the existing real wage rate from the pool of the unemployed