

# JOBS



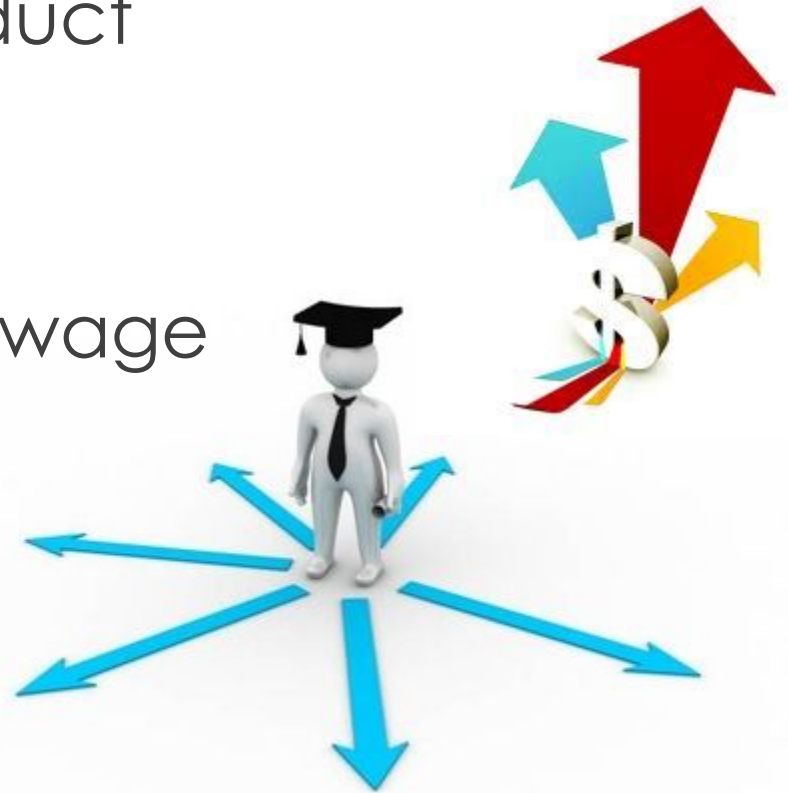
# The Labour Market



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Maya B1-3



- Demand for labour
- Marginal Revenue Product
- Productivity
- Supply of Labour
- The factors influencing wage differentials



- The market for a factor of production - labour
- Refers to the **demand** for labour – by employers and the **supply** of labour (provided by potential employees)
- Demand for labour is a **derived demand** - not wanted for its own sake but for what it can contribute to production



**JOBS**



# Demand for Labour

- Influenced by:

- Cost of hiring labour
- Wages/salaries
- National Insurance contributions
- Pension contributions
- Administration costs associated with tax payments and adhering to employment laws and regulations



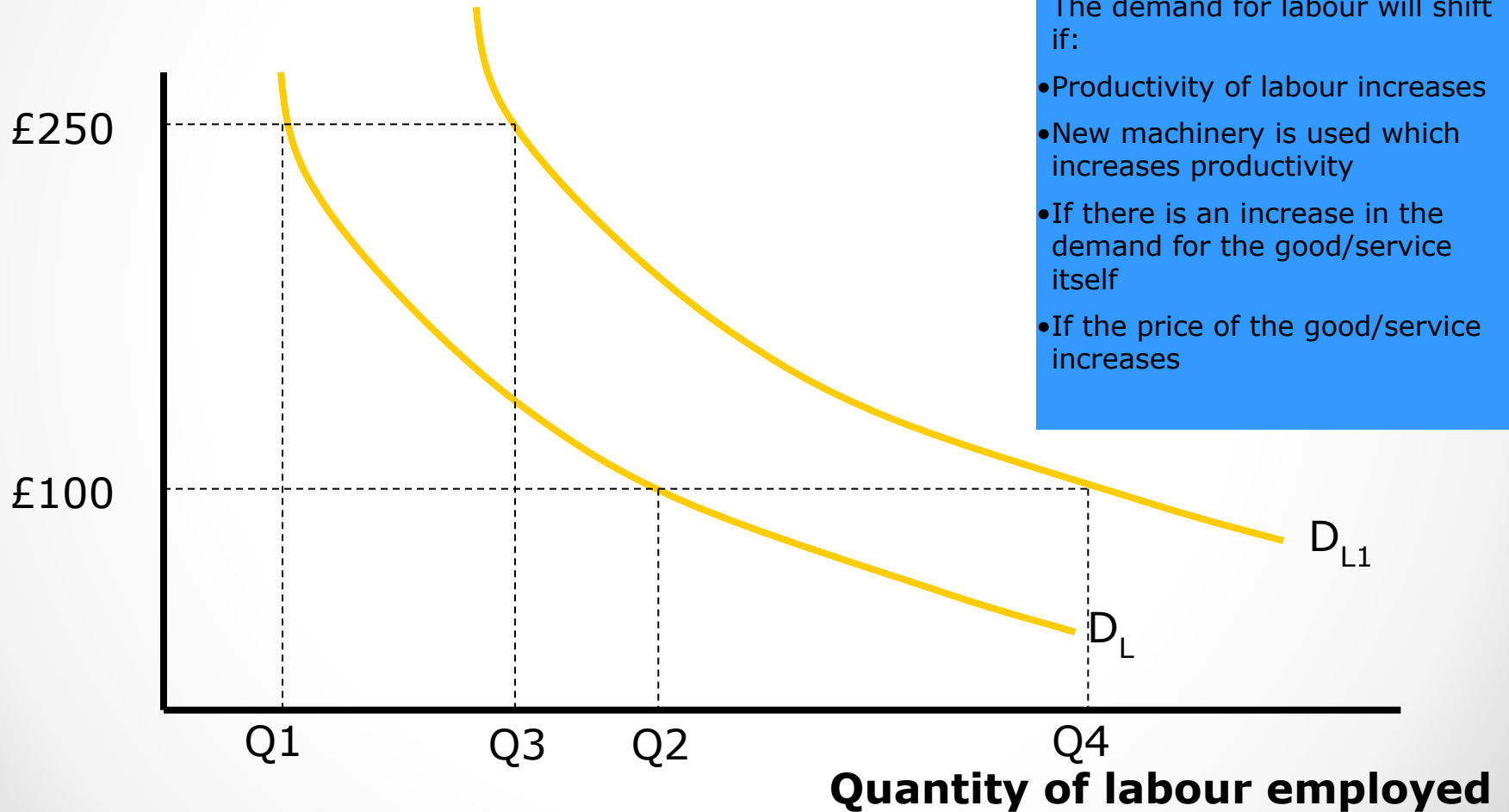
# Marginal Revenue Product

$$\text{MRP} = \text{MPP} \times P$$

MPP = Marginal Physical  
Product



Wage Rate (£ per week)



The demand for labour will shift if:

- Productivity of labour increases
- New machinery is used which increases productivity
- If there is an increase in the demand for the good/service itself
- If the price of the good/service increases

# Productivity

- A measure of output per person per time period

PRODUCTIVITY



Productivity = -----

Total Output

Quantity of Factor



# Supply of Labour

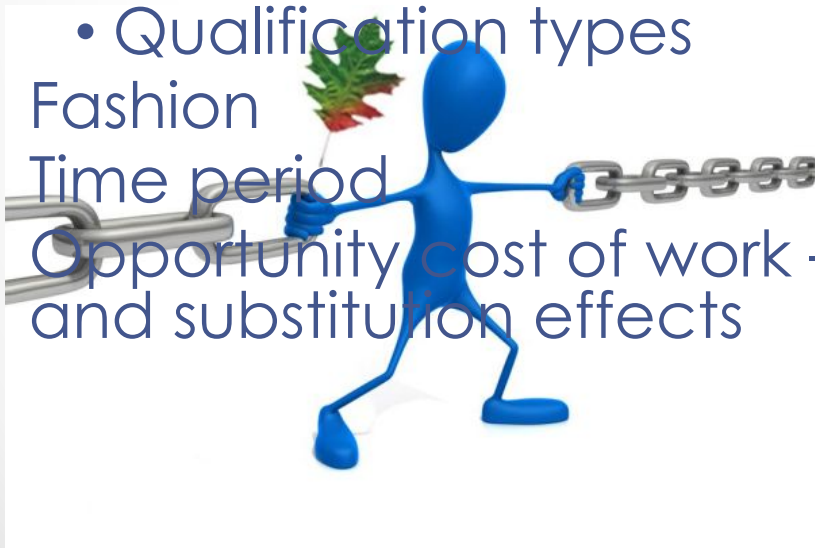
- The amount of people offering their labour at different wage rates.



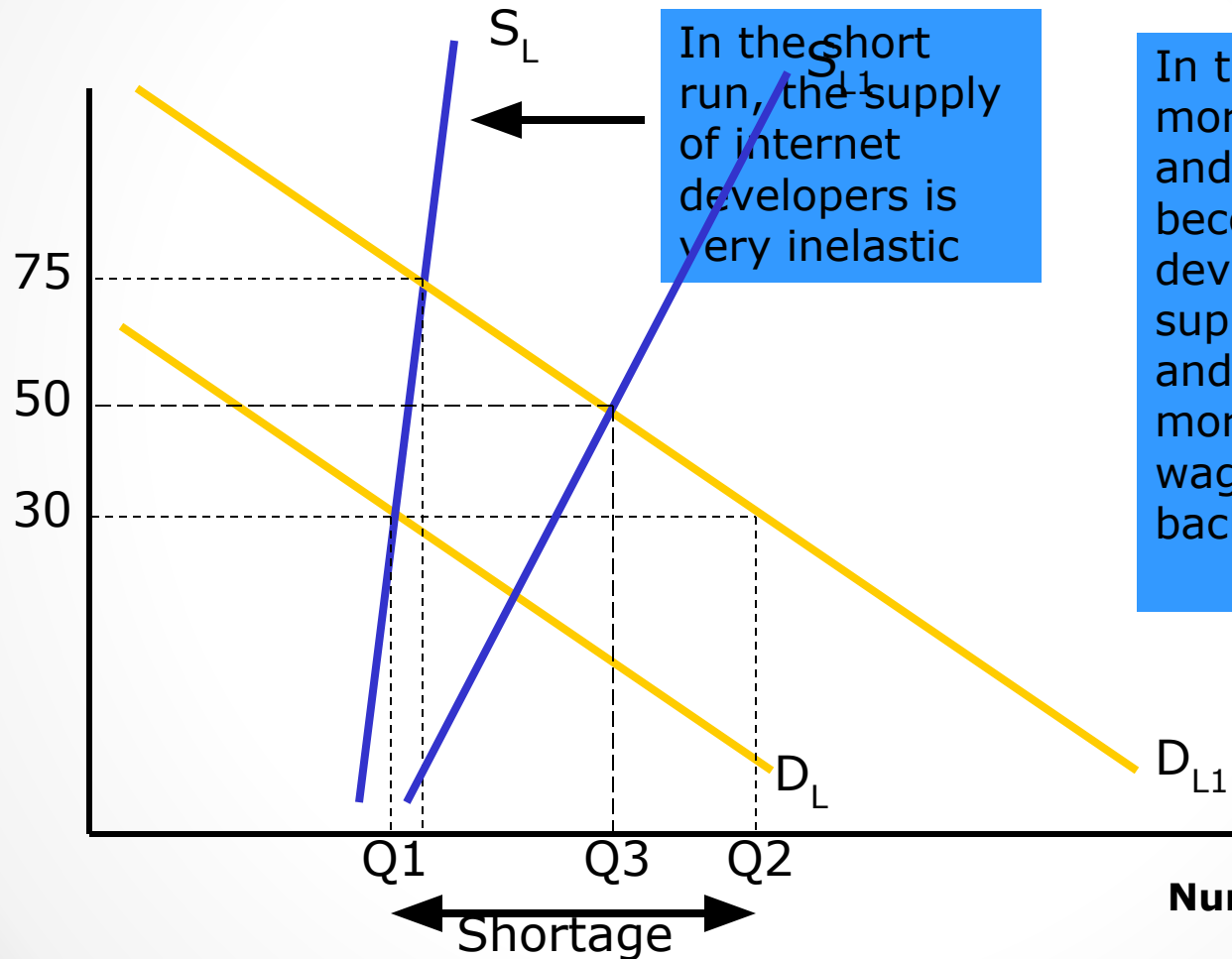


# Supply of Labour

- Size and structure of the population – age, gender, etc.
- Skill levels required
- Education and training
  - Number in higher education
  - School leaving age
  - Qualification types
- Fashion
- Time period
- Opportunity cost of work – income and substitution effects



Wage Rate (£ per hour)



In the short run, the supply of internet developers is very inelastic

In the long run, as more people train and qualify to become internet developers, the supply will increase and also become more elastic. The wage rate will fall back to a lower level.

# OTHER FACTORS INFLUENCING

## WAGE DIFFERENTIALS:



\$1,000



\$837



\$850

- Status attached to the job
- Discrimination
- Race
- Gender
- Monopsony – a dominant buyer in the market
- Sector – public or private
- Trade Union power or influence
- Risk or danger involved
- Social or unsocial hours
- Shift patterns
- Productivity



CONC **U** SIÓN



THANK YOU FOR YOUR ATTENTION

