Your notes

GCSE Economics: revision notes

The labour market, wages and trade unions

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Start here: a market for workers

- The labour market is where workers (the supply of labour) meet employers (the demand for labour). The price of labour is the wage.
- The demand for labour is a **derived demand**: firms want workers because people want the goods and services those workers make. If demand for cars falls, demand for car workers falls too.
- The wage settles where the demand for labour equals the supply, like the price in any market.

Demand and supply of labour

- Demand for labour depends on the demand for the product, the **wage rate** (higher wages mean fewer workers are hired), workers' **productivity**, and the cost of machines that could replace them.
- Supply of labour depends on the wage, the size and age of the population, migration, the skills and qualifications needed, the length of training, and how pleasant or risky the job is.
- If demand for labour rises, or supply falls, the wage rises. If supply rises, for example because many people train for a job, the wage falls.

Why wages differ

- Skilled workers usually earn more, because few people can do the job and their **productivity** is high, such as surgeons. Unskilled jobs have many possible workers, so wages are lower.

- Other reasons: the strength of **trade unions**, discrimination (for example women being paid less than men for similar work), government policy such as a **national minimum wage**, the economic sector, and whether the job is in the private or public sector.
- People also choose jobs for non-wage reasons: job security, holidays, working hours, promotion chances, working conditions, pensions and how satisfying the work is.

Your notes

Trade unions and the minimum wage

- A **trade union** is an organisation of workers that bargains with employers for better pay and conditions (**collective bargaining**). It can take industrial action, such as a strike or an overtime ban.
- A union is stronger when most workers belong, the workers are hard to replace, demand for the product is high and the law allows strikes.
- A **national minimum wage** is the lowest hourly wage firms can legally pay. It raises the pay of the lowest paid and can reduce poverty, but if it is set above the market wage, firms may hire fewer workers, so some unemployment can follow.

Mobility and the division of labour (Cambridge IGCSE)

- Occupational mobility is how easily workers can change jobs; geographical mobility is how easily they can move to work in another place. Retraining raises the first; house prices and family ties lower the second.
- **Division of labour** means each worker specialises in one task. Output and skill rise and training is quicker, but the work can become boring, and production stops if one stage breaks down.

Key terms

Derived demand	Demand for a factor of production that comes from demand for the product it makes.
Wage rate	The price paid to a worker for their labour, usually per hour.
Trade union	An organisation of workers that bargains with employers for better pay and conditions.
Collective bargaining	A trade union negotiating with an employer on behalf of all its members.
National minimum wage	The lowest wage per hour that employers are legally allowed to pay.
Productivity	Output per worker in a given time.
Division of labour	Splitting production into tasks, with each worker specialising in one. (Cambridge IGCSE)

Quick questions

Cover the answers and test yourself: remembering is what makes it stick.

1. Why is the demand for labour called a derived demand?
2. What usually happens to wages when the supply of a type of worker rises?
3. Why do surgeons usually earn more than shop assistants?
4. Which is a non-wage factor in choosing a job?
5. What is collective bargaining?
6. Which makes a trade union stronger?
7. What can happen if a minimum wage is set above the market wage?
8. Which is a form of industrial action?

Answers

1. It comes from the demand for the product workers make
2. Wages fall
3. Few people have the skills, and their work is highly valued
4. Job security
5. A union negotiating pay and conditions for all its members
6. Most workers are members and are hard to replace
7. Firms may employ fewer workers
8. A strike

What to do next

Practise 10 questions on this topic

Try 3 exam questions, with mark schemes

Read the lesson, one step at a time

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