

**PENANG SANGAM HIGH SCHOOL
P.O.BOX 44, RAKIRAKI**

LESSON NOTES

Subject: Economics

Year/Level: 13

Week 20

Strand	3	Macroeconomics
Sub Strand	3.3	Labour Market
Content Learning Outcome	Explore evolving labour markets in the Fiji economy	

Greetings to all...

In this lesson we will look at the new sub-strand which is labour market.

Achievement Indicators (Copy the achievement indicators in your note book)

1. Define labour market.
2. Illustrate demand and supply for labour using graphs.
3. Differentiate between nominal and real wage rate.
4. Describe equilibrium in labour market.
5. Explain and illustrate the unusual supply curve of labour using income and substitution concept.
6. Analyze using concept of real wages, the effects of price change, and controls in labour market.

Lesson Notes (copy notes and graphs in your note book)

Labour Market (Resource/factor market)

Labour market consists of demand for labour and supply of labour.

The demand for labour comes from the employer.

The supply of labour comes from the workforce.

Price of labour is wage rate.

Demand for labour

Definition	Factors affecting demand for labour
<ul style="list-style-type: none"> ➤ Known as derived demand as it comes from the demand for goods and services. ➤ Reveals negative relationship between demand for labour and wage rate i.e. increase in wage rate will reduce the demand for labour and vice versa. 	<ol style="list-style-type: none"> 1. Demand for goods and services. 2. Changes in productivity i.e. a productive worker is more profitable to the firm. 3. Level of total spending i.e. more expenditure leads to more production thereby more demand for labour. 4. Relative cost of labour and capital ratio. 5. Government policies influences demand for labour both directly and indirectly.
<ul style="list-style-type: none"> ➤ Shape of demand for labour: Negative relationship leads to downward sloping demand 	

Supply of labour

Definition	Factors affecting supply of labour
<ul style="list-style-type: none"> ➤ Total quantity of workers who wish to work at a given real wage rate. <p>Shape of Supply of labour: Unusual backward bending</p>	<ol style="list-style-type: none"> 1. Population size such as birth rate, death rate, migration, etc. 2. Labour force participation rate 3. Wage rate and working conditions. 4. Education and level of training. 5. Labour mobility/Occupational mobility i.e. transfer of workers from one job to another for advantage of employment opportunities and wage rate. 6. Geographical mobility i.e. the movement of workers from one location to another to gain advantage of wage differentials and employment opportunities.

Analyse the differences for demand and supply in relation to labour market and we will look at the graphical illustration in the next lesson.....

Stay safe.....