

Labour Markets — Worksheet

The demand for labour · the supply of labour · the determination of wage rates · market failure in the labour market

Name: _____

Class: _____

Date: _____

DEFINE elasticity of supply of labour · **CALCULATE** an elasticity of demand for labour and a shortage of labour · **CLASSIFY** a change by what it does to the demand for or the supply of labour · **ANALYSE** how a change in the supply of labour affects the wage and employment · **DISCUSS** what causes a shortage of labour in one region · **EVALUATE** how far a wage agreed by a trade union harms workers

Sitting 1 — Topic practice

30 marks

MULTIPLE CHOICE Task 1 — Six questions on labour markets

6 marks

Choose one answer for each question.

1. The demand for labour is described as a derived demand because it:

- A is set by the government for each occupation
- B depends on demand for the goods workers produce
- C comes from the number of people of working age
- D is calculated from the hours each worker offers

Answer:

2. The demand for labour in an occupation is likely to be most elastic when:

- A wages are a small share of total costs
- B demand for the product is price inelastic
- C capital can easily replace the workers
- D the time period is very short

Answer:

3. A cut in income tax rates can increase the supply of labour because it:

- A lowers the wage that employers must pay
- B raises the price of the product workers make
- C increases the size of the population
- D raises the pay workers keep at each wage

Answer:

4. In a competitive labour market, the wage is above the equilibrium wage. Nothing else in the market changes. The wage then falls mainly because:

- A firms compete for staff by offering more pay
- B the demand for labour shifts to the left
- C workers without a job offer to work for less
- D the supply of labour shifts to the left

Answer:

5. More trained electricians move into the country than leave it. The demand for electricians' labour does not change. What is most likely to happen in the market for electricians?

- A The wage rises and employment falls
- B The wage and employment both fall
- C The wage and employment both rise
- D The wage falls and employment rises

Answer:

6. Which of these is a cause of occupational immobility?

- A lacking the qualifications a new job requires
- B high housing costs in the growing region
- C family ties to a home town
- D not knowing where the vacancies are

Answer:

DEFINE Task 2 — The meaning of elasticity of supply of labour

2 marks

Define the term elasticity of supply of labour.

elasticity of supply of labour

Name one factor that makes the supply of labour inelastic for an occupation. (practice, not marked)

EXPLAIN Task 3 — A higher coffee price in Kafa

4 marks

Kafa has many coffee farms. Each farm is one of many, and it sells its coffee at the world price. In 2025, the world price of coffee rose by a third. The pickers' hourly wage did not change, and nothing else changed.

Explain why the higher world price of coffee is likely to raise the number of pickers that Kafa's farms employ.

CLASSIFY Task 4 — Hotel cleaners in the town of Pavo

8 marks

Pavo is a town with many hotels. The hotels employ cleaners in a competitive labour market. Each change below happens on its own, and nothing else changes.

Classify each change by what it does in Pavo's market for hotel cleaners.

Key: Demand for labour shifts · Supply of labour shifts · Movement along the curves

#	What happens in Pavo	Type
1	More tourists visit Pavo, so its hotels have more rooms to clean each day	
2	A cleaning machine that can replace three cleaners becomes cheaper to run	
3	A training course lets each cleaner clean more rooms an hour	
4	The country's income tax rate on all wages falls from 25% to 15%	
5	Many trained cleaners come from abroad to live in Pavo	
6	Each year, more people in Pavo reach working age than retire	
7	A new law says every hotel cleaner must hold a hygiene certificate that takes a year to earn	
8	Pavo's hotels raise the hourly wage they pay cleaners, and nothing else changes	

CALCULATE Task 5 — Bakers in the city of Senna

4 marks

In Senna, the bakers' union has agreed a new wage with the city's bakeries. The wage rose from \$15 to \$18 an hour. At the new wage, the bakeries employ 4,400 bakers instead of 5,000. No other change affected the market for bakers.

Calculate the elasticity of demand for bakers' labour in Senna, to one decimal place.

Elasticity of demand for bakers' labour, to one decimal place

Workings

Answer:

Write the formula first, then use the numbers from the case.

Many firms in Vamo employ welders, and no single firm or worker can set the wage. The welders' union has an agreement that employers hire only union members. From 2026, the union requires every newcomer to complete a four-year apprenticeship before working alone, instead of two years. The union does not bargain over pay. The demand for welders' labour does not change.

Analyse the likely effect of the longer apprenticeship on welders' wage and employment in Vamo.

Knowledge — name and explain the economic idea (2)

Application — use the facts about Vamo's welders (2)

Analysis — your chain of reasoning (2)

Sitting 2 — Mock section

54 marks

Source: Nurses in Kesta

- 1 In Kesta, the government runs almost all the hospitals. All nurses in Kesta's public hospitals are paid on one national pay scale. In 2025, the scale paid nurses \$20 an hour in every region.
- 2 Figure 1 shows the market for nurses in Kesta at four wages. At \$20 an hour, many posts stayed empty. Most of them were in Mova, the capital, where rents are twice those in the rest of Kesta. In some rural areas (the countryside), hospitals had more applicants than posts.
- 3 Nursing training takes three years. Each year, some trained nurses leave Kesta to work in Dalvia, where hospitals pay \$32 an hour for the same work. In 2025, 3,000 trained nurses left Kesta and 500 arrived.
- 4 The government plans to raise the scale to \$22 an hour in 2026. The health ministry says that this will cost \$150 million a year. This money will then not be available for medicines. Some nurses' leaders say that the rise is too small to stop nurses leaving for Dalvia.

Figure 1: The market for nurses in Kesta, 2025

Wage an hour	Quantity of labour demanded	Quantity of labour supplied
\$18	34,000	22,000
\$20	32,000	26,000
\$22	30,000	30,000

Wage an hour	Quantity of labour demanded	Quantity of labour supplied
\$24	28,000	34,000

CALCULATE Task 7 — The shortage of nurses at \$20 an hour

2 marks

Using Figure 1, calculate the shortage of nurses in Kesta at the 2025 pay scale of \$20 an hour.

Shortage of nurses (number of nurses)

Workings

Answer:

EXPLAIN Task 8 — Nurses who leave Kesta

4 marks

With reference to the source, explain how net migration is likely to affect the supply of nurses in Kesta.

ANALYSE Task 9 — Empty posts at the 2025 pay scale

6 marks

With reference to Figure 1, analyse why setting nurses' pay at \$20 an hour leaves posts empty.

Knowledge — name and explain the economic ideas (2)

Application — use two facts from Figure 1 (2)

Analysis — your chain of reasoning (2)

EXAMINE**Task 10 — Raising the pay scale to \$22 an hour****8 marks**

With reference to the source, examine the likely effects of raising the nurses' pay scale to \$22 an hour.

Knowledge — name and explain the economic ideas (2)

Application — use two facts from the source (2)

Analysis — one chain for the empty posts and one for the government budget (2)

Evaluation — say what the effects depend on (2)

DISCUSS**Task 11 — The empty nursing posts in Mova****14 marks**

With reference to the source, discuss whether the pay scale is the main cause of Mova's empty nursing posts, illustrating your answer with a diagram.

Diagram

Knowledge — draw a diagram of Mova's market for nurses: "Wage (\$ an hour)" and "Number of workers" on the axes, D and S for labour, and the pay scale (2)

Application — use one fact from the source for the pay scale as the main cause and one against (2)

Analysis — two chains, one for the pay scale as the main cause and one against (4)

Evaluation — weigh the two chains and say what the answer depends on (6)

EVALUATE Task 12 — Wages agreed by trade unions

20 marks

In many countries, trade unions agree pay with employers for their members. Some of these agreements set a wage higher than the equilibrium wage.

Evaluate the extent to which a wage agreed by a trade union above the equilibrium wage harms workers.

Knowledge — explain how a trade union agrees a wage, and what a wage above the equilibrium does (3)

Application — apply these ideas to workers in one occupation (3)

Analysis — one chain for how the agreed wage harms workers and one for how it helps them (6)

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