AQA - A Level Economics

Individuals, Firms, Markets & Market Failure

6.2 The labour market

Worked Examples

Contents

Hey there! 👋

We’re **Tutor Packs**, and our mission is simple: making learning easy, stress-free, and actually enjoyable. ✨📚

We’ve got FREE revision notes and worked examples for loads of subjects, perfect for smashing those exams. 💪

Want to see what we’re all about and show support please visit our social media pages: https://www.tutorpacks.com/links

6. Labour market

Exam Style Question 1

In September 2013, clothing workers in Bangladesh demanded an increase in the industry minimum wage from $38 to $100 a month. Such an increase in the minimum wage is likely to

[1]

A Affect the level of employment among clothing workers

B Decrease the supply of labour in the clothing industry

C Increase the demand for labour in the clothing industry

D Decrease the price of clothing in shops

Answer ☐

Explanation [3]

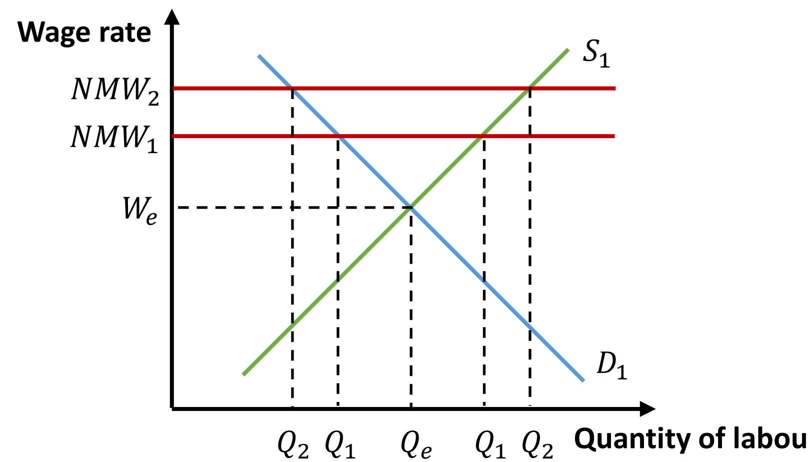
You may use a supply and demand diagram in your answer.

6. Labour market

Exam Style Question 1

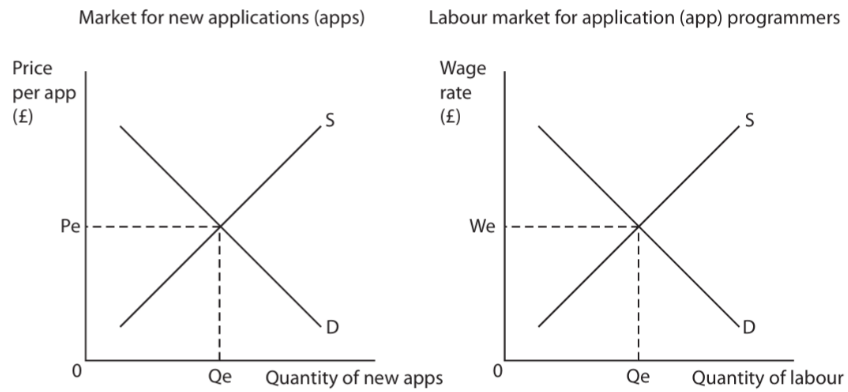
Answer:
✅ **Answer: A** – affect the level of employment among clothing workers. **[1]**

Explanation
A **minimum wage** is the lowest wage that employers are legally allowed to pay workers, it acts like a **price floor** for labour. **[1]**
When the minimum wage in the clothing industry in Bangladesh jumps from $38 to $100 a month, it increases the cost of hiring workers. Because labour has become more expensive, factories will demand fewer workers. **This means employment is likely to fall,** some workers might lose their jobs, and new hiring could slow down. **[1]** At the same time, the higher wage might **encourage more people** to want to work in the clothing industry, increasing the supply of labour. **[1]**
Diagram [2]



6. Labour market

Exam Style Question 2



The diagrams show the market for new apps (software used on mobile phones and tablet computers) and the labour market for app programmers.

Other things being equal, an increase in the demand for new apps is most likely to

[1]

A Affect the wage rate of app programmers

B Decrease the demand for app programmers and mobile phones

C Decrease the supply of app programmers

D Decrease the total revenue of tablet computer manufacturers

Answer

Explanation [3]

tutorpacks.com

6. Labour market

Exam Style Question 2

Answer:

✅ **Answer: A** – affect the wage rate of app programmers. **[1]**

Explanation

When the demand for new apps goes up, app development companies need more programmers to build them. But since the number of skilled app programmers doesn't instantly increase, this extra demand for workers pushes up their **wages**. **[1]**

This happens because of something called **derived demand,** which just means that the demand for workers depends on the demand for the goods or services they produce. In this case, more people wanting apps means companies want more programmers. **[1]**

Because programmers are now more in demand, companies have to offer higher wages to attract them. This moves the labour market to a new equilibrium where both the wage rate and number of workers employed are higher. **[1]**

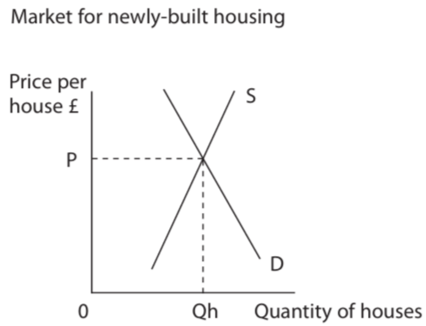
Quickly clearing up the wrong answers:

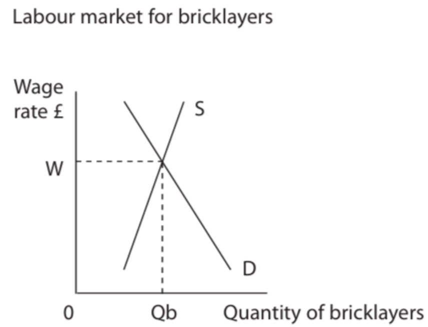
- **B** is wrong because demand for programmers would **increase**, not decrease.
- **C** is wrong because supply of programmers would not fall unless something like training time or bad working conditions changed (which isn't the case here).
- **D** is wrong because tablet manufacturers might actually **sell more**, not less, if there are more great apps available, they are complementary goods.

tutorpacks.com

6. Labour market

Exam Style Question 3





The diagrams show the market for newly-built housing and the labour market for bricklayers. New housing is a normal good. The initial price of housing is 0P and the initial wage rate for bricklayers is 0W. (You may annotate the diagrams in answering the question.)

A decrease in real incomes is likely to cause

[1]

A An increase in the price of new housing and an increase in the wage rate for bricklayers

B A decrease in the price of new housing and a decrease in the wage rate for bricklayers

C An increase in the price of new housing and a decrease in the wage rate for bricklayers

D A decrease in the price of new housing and an increase in the wage rate for bricklayers.

Answer ☐

Explanation [3]

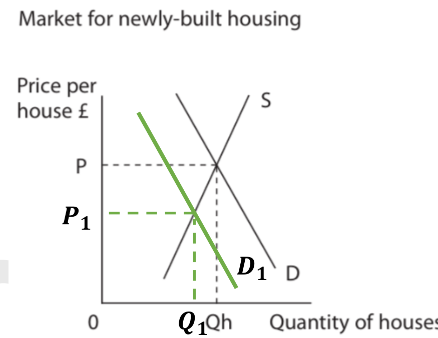
6. Labour market

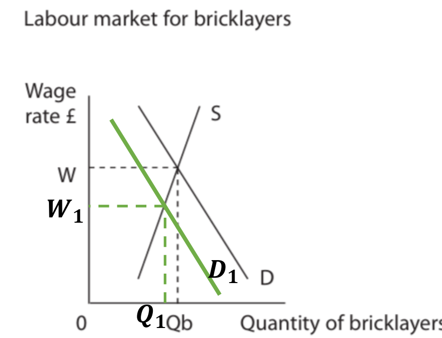
Exam Style Question 3

Answer:

✅ **Answer: B** – A decrease in the price of new housing and a decrease in the wage rate for bricklayers. **[1]**

Explanation:





A **normal good** is something that people buy more of when their income goes up, and less of when their income falls. Houses are a normal good which means people tend to buy fewer houses if they have less money. **[1]**

If people's real incomes fall, they won't be buying as many new houses. This causes a **fall in demand** for newly-built housing.
When demand falls, prices usually fall too and so the price of new housing will drop. **[1]**

Now, if fewer houses are being built, builders and bricklayers are needed less. Since the demand for their labour falls, **wages for bricklayers** will also fall. Firms won't want to pay high wages when there's less work to do. **[1]**

Please see the ‘6.1 The labour market Revision Notes’ pack for detailed notes.

For more revision notes, tutorials, worked examples and more help visit www.tutorpacks.com