



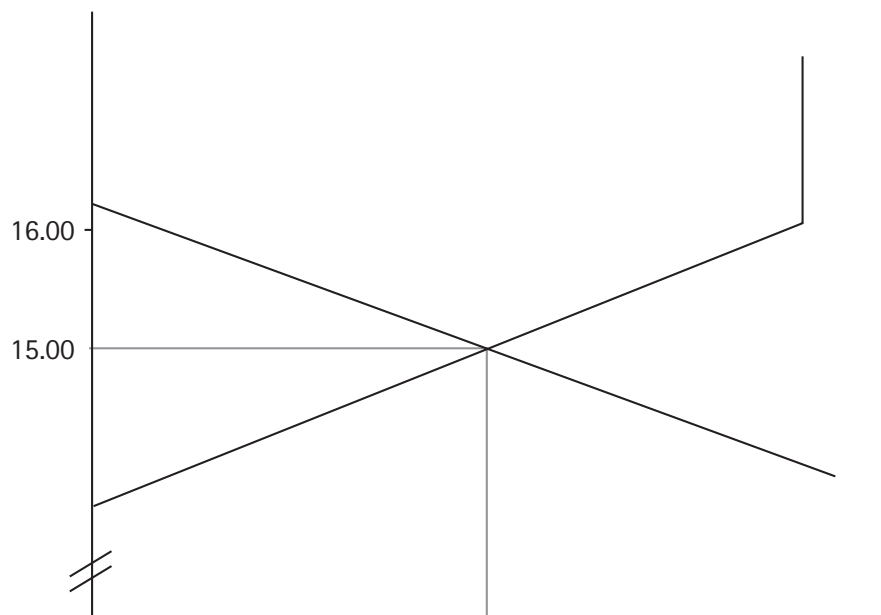
eLearneconomics: Labour market (1)

Student response _____

(a) For each statement write the economic term indicated.

Statement	Economic term or idea
(i) Individuals who are willing to work at the existing wage but unable to get work.	
(ii) Individuals not offering themselves to work at the existing wage rate.	
(iii) Government legislating to set a wage at a certain level above the poverty line.	
(iv) Return to labour measured in current dollars.	
(v) The money wage received by wage and salary earners in the workforce.	
(vi) Nominal wage divided by the price index.	
(vii) Laws passed by government to ensure that all workers receive at least a basic wage.	
(viii) Wages adjusted for changes in the level of prices.	
(ix) Lower retirement age, higher school-leaving age.	
(x) Type of demand for labour.	

(b) Label the diagram fully and then complete the diagram to show government setting a minimum wage at \$15.50.



(c) What has happened to:

- (i) actual employment? _____
- (ii) voluntary unemployment? _____
- (iii) involuntary unemployment? _____

eLearneconomics: Labour market (1a)

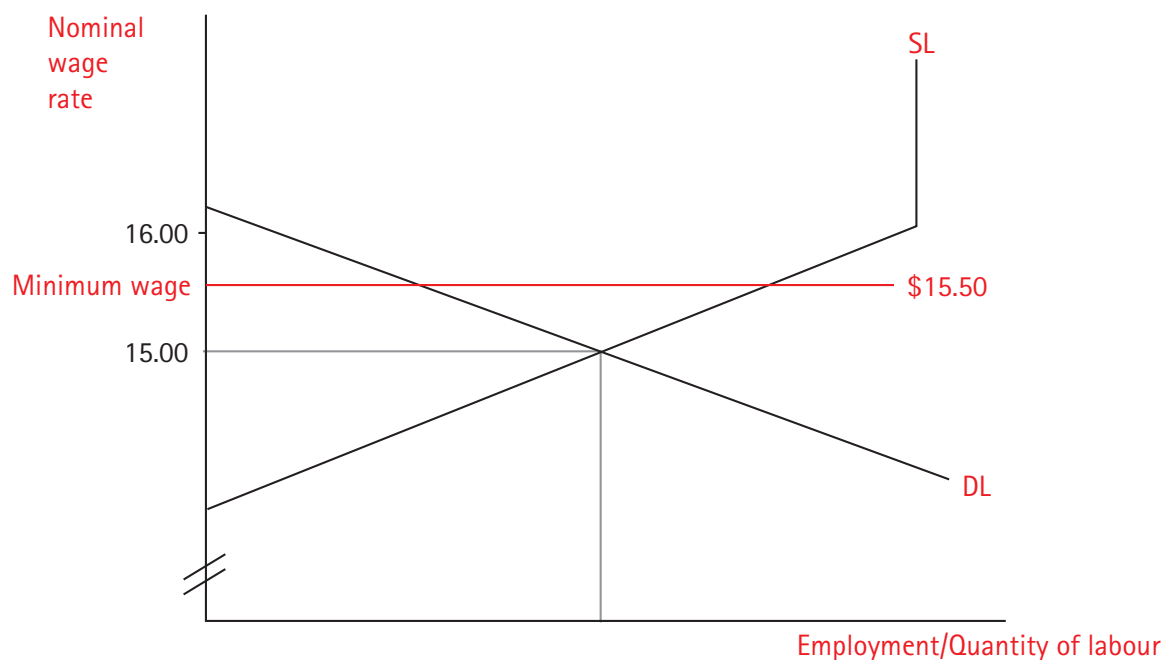


Solution

(a) For each statement write the economic term indicated.

Statement	Economic term or idea
(i) Individuals who are willing to work at the existing wage but unable to get work.	involuntary unemployment
(ii) Individuals not offering themselves to work at the existing wage rate.	voluntary unemployment
(iii) Government legislating to set a wage at a certain level above the poverty line.	minimum wage
(iv) Return to labour measured in current dollars.	nominal wage
(v) The money wage received by wage and salary earners in the workforce.	nominal wage
(vi) Nominal wage divided by the price index.	real wage
(vii) Laws passed by government to ensure that all workers receive at least a basic wage.	minimum wage
(viii) Wages adjusted for changes in the level of prices.	real wage
(ix) Lower retirement age, higher school-leaving age.	decrease the supply of labour
(x) Type of demand for labour.	derived demand

(b) Label the diagram fully and then complete the diagram to show government setting a minimum wage at \$15.50.



(c) What has happened to:

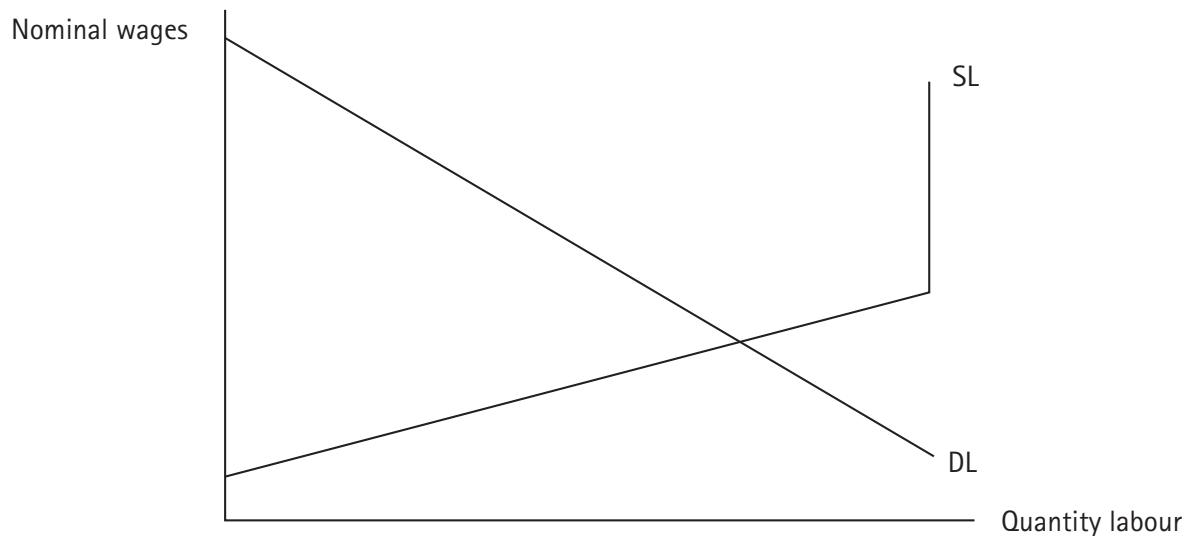
- (i) actual employment? decreased
- (ii) voluntary unemployment? decreased
- (iii) involuntary unemployment? increased



eLearneconomics: Labour market (2)

Student response _____

(a) Show a wage rate (W) on the diagram where there is no involuntary unemployment in the labour market.



(b) (i) Show the impact when business confidence and investment both decrease.

(ii) What has happened to real wages? _____

(iii) What has happened to actual employment? _____

(c) Draw the labour market and show a wage rate where there is some involuntary unemployment.



(d) Complete the table.

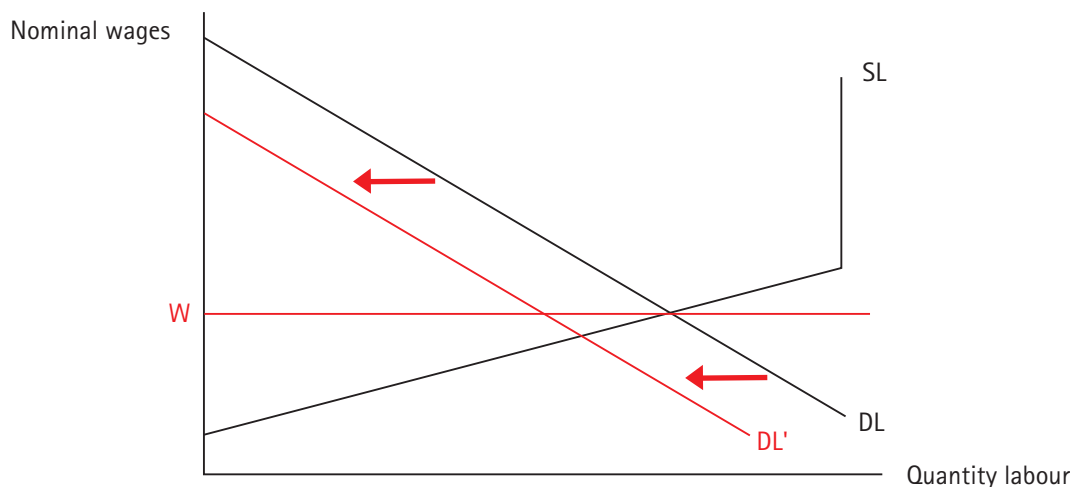
Situation	Curve which shifts: DL or SL	Impact on the wage rate
(i) Increased business confidence and investment		
(ii) Higher retirement age		
(iii) Increase in the size of the population		
(iv) Higher school-leaving age		
(v) Consumer spending decreases as a result of welfare payment cuts		

eLearneconomics: Labour market (2a)



Solution

(a) Show a wage rate (W) on the diagram where there is no involuntary unemployment in the labour market.

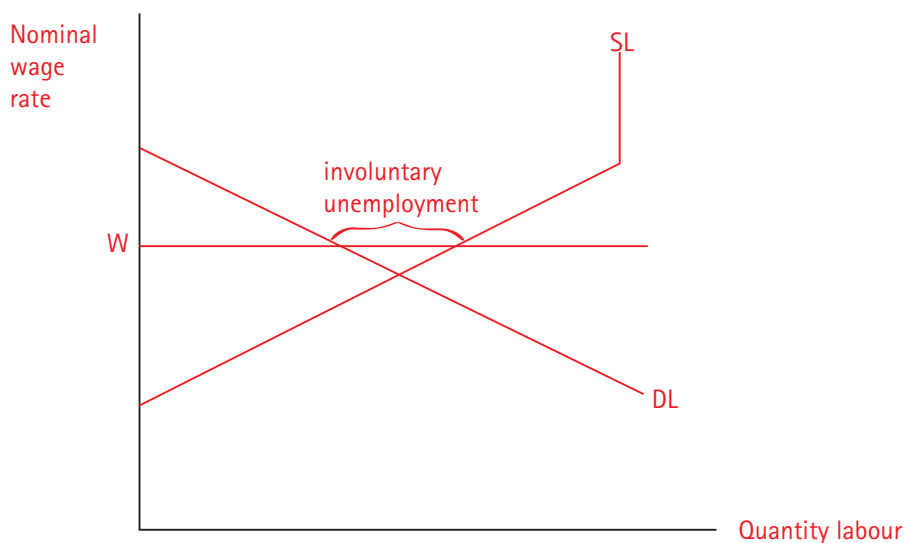


(b) (i) Show the impact when business confidence and investment both decrease.

(ii) What has happened to real wages? decrease

(iii) What has happened to actual employment? decrease

(c) Draw the labour market and show a wage rate where there is some involuntary unemployment.



(d) Complete the table.

Situation	Curve which shifts: DL or SL	Impact on the wage rate
(i) Increased business confidence and investment	DL (right)	increase
(ii) Higher retirement age	SL (right)	decrease
(iii) Increase in the size of the population	SL (right)	decrease
(iv) Higher school-leaving age	SL (left)	increase
(v) Consumer spending decreases as a result of welfare payment cuts	DL (left)	decrease