

Supply of Labour

**A2 Economics Presentation
2005**

The Labour Supply

- Defining the Labour Supply
 - The labour supply refers to the total number of hours that labour is willing and able to supply at a given wage rate
 - It can also be defined as the number of workers willing and able to work in a given occupation or industry for a given wage
- The Labour Force is defined as the number of people either in work or actively seeking paid employment and available to start work.

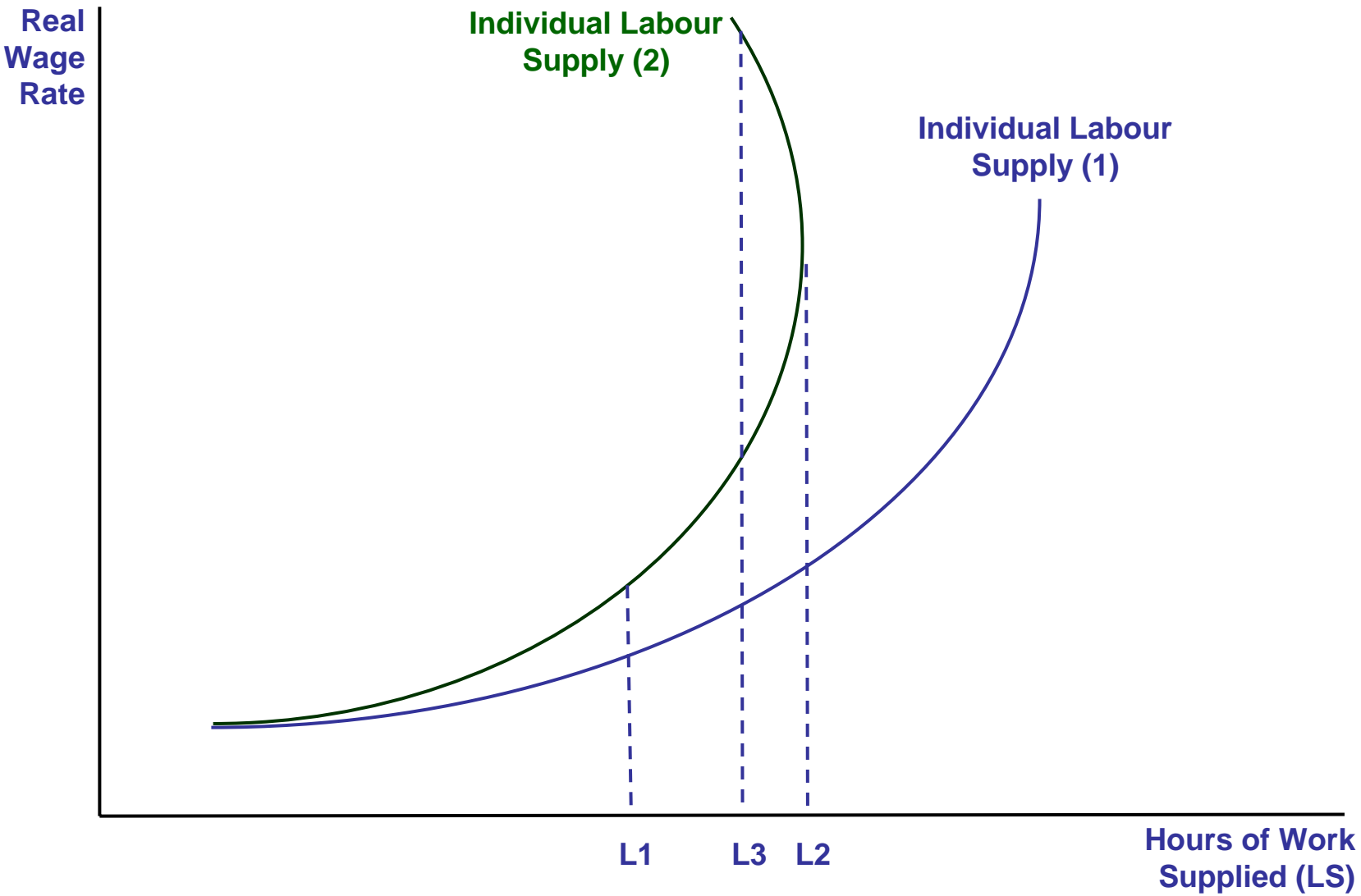
Measures to Boost the Whole-Economy Labour Supply

- Reforms to the system of direct taxation:
 - Lower direct taxes increase the post-tax reward to working and act as an incentive for more people to join the labour supply
 - Income and substitution effects
- Reforms to the benefits system:
 - Increasing reliance on tax credits (for example the Working Families Tax Credit) to give parents with children financial incentives to work.

Measures to Boost the Whole-Economy Labour Supply

- Increased investment in education and training:
 - Designed to boost the human capital of the labour force and increase the occupational mobility of the labour force
- Relaxation of controls on labour immigration:
 - E.g. to reduce the problem of shortages of workers with specific skills such as consultants and fully trained nurses in the NHS, or shortages of teachers in certain subjects.

Individual Labour Supply Curve



Labour Supply to Specific Occupations

- The real wage rate on offer in the industry itself
- Opportunities for workers to boost their total earnings through overtime, productivity related pay and other enhancements
- The real wage rate on offer in competing occupations (which affects the wage and earnings differential that exists between two or more occupations)

Labour Supply to Specific Occupations

- Artificial limits to an industry's labour supply (e.g. through the introduction of minimum entry requirements or other legal barriers to entry)
- Non-monetary characteristics of specific jobs
 - E.g. the degree of risk, the requirement to work anti-social hours or the non-pecuniary benefits that certain jobs provide (including the degree of job security)
 - Opportunities for promotion, employer-provided in-work training, health and leisure facilities and other in-work benefits)