

# Labour

## Before you read

Discuss these questions with your partner.

- In what situation(s) do you think a worker can ask for a lot of money?
- In what situation(s) can an employer pay less money to workers?

## A Vocabulary

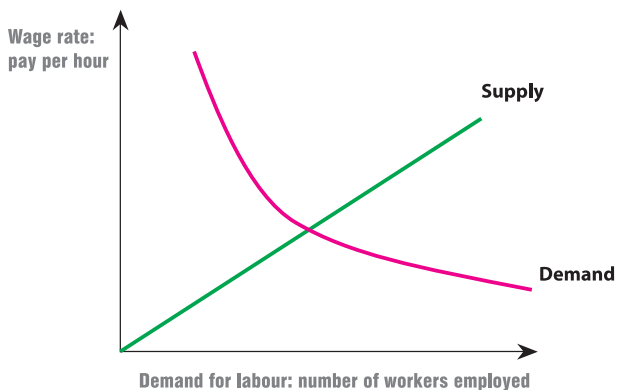
Match the words with the definitions.

- |                |  |
|----------------|--|
| 1 take on      | A employees                                      |
| 2 obey         | B satisfaction or usefulness                     |
| 3 utility      | C be able to buy                                 |
| 4 output       | D follow   |
| 5 compromise   | E amount produced in a certain time              |
| 6 productivity | F employ more staff                              |
| 7 afford       | G both sides give up something in order to agree |
| 8 staff        | H what a company produces                        |

## Reading 1

# The labour market

Figure 1: Supply and demand in the labour market



In many ways the relationship between employers and workers is similar to the relationship between consumers and producers: workers offer a service (the labour they provide), employers buy that service at a price they can afford (the wages they pay). As you can see, it's a kind of market. In economics, it's called the *labour market*.

In any market for products and services, consumers try to get the maximum utility, or satisfaction, from their purchase. This is the same in the labour market. What do companies want from their purchase of labour? What utility do they get? The answer is increased *output*. Output is how much of the product or service the company produces. If there is an increase in demand for their product, they will need to increase output. One way to do this (but not the only way) is to take on more staff. Another is to ask staff they already have to work more hours. In both cases, the company is buying more labour.

Just like any other market, the labour market obeys the laws of supply and demand. The demand is the employers' need for labour. Supply is the labour workers provide. Just like any other commodity, there is a relationship between price and demand. As the price of labour increases, the demand decreases. You can see this shown in figure 1.

The suppliers in the labour market are workers. Just like suppliers in other markets, they want a higher price for greater supply. In other words, as supply of labour increases, they want higher wages. Again, you can see this shown in figure 1. The wage that workers get for their labour is a compromise between what they want and what companies will pay. This is the point where the lines cross in figure 1.

However, there can be shifts in demand. These shifts can cause the overall demand for labour to increase or decrease at any wage rate. For example, if there is an increase in the demand for the end product or service, there will be an overall increase in demand for labour (the demand curve shifts to the right). However, if new technology can replace workers, then there will be an overall decrease in demand for labour (the demand curve shifts to the left).

One more thing which affects demand for labour is workers' productivity. The productivity of a worker is how much they produce in a certain time. For example, imagine that a worker makes ten pencils an hour one day, and only eight pencils an hour the next day. This is a fall in productivity. When worker productivity falls, companies will pay less for labour. They are also less likely to employ new workers.

### B Comprehension

Now read the text again and complete the sentences below in your own words in the space provided.

- 1 The labour market is similar to ...
- 2 Companies buy labour because they ...
- 3 Workers want higher ...
- 4 When the price of labour rises ...
- 5 Four things that cause a change in demand for labour are ...

Notes:

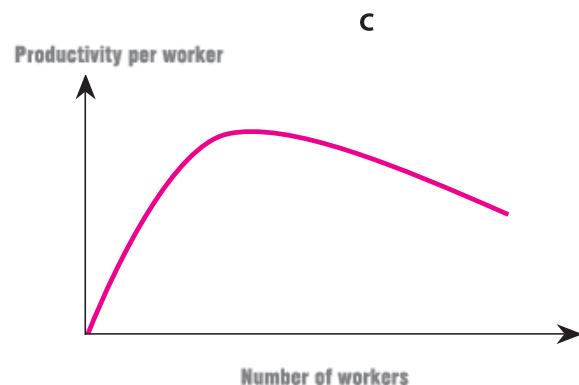
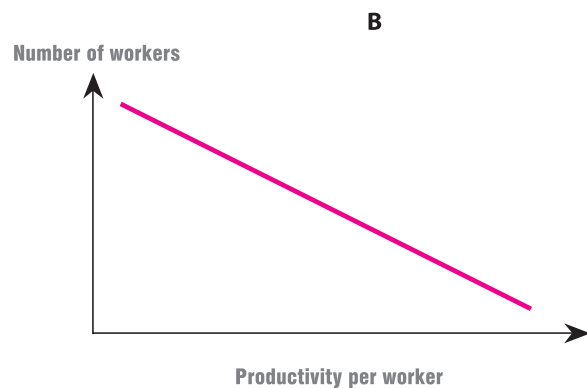
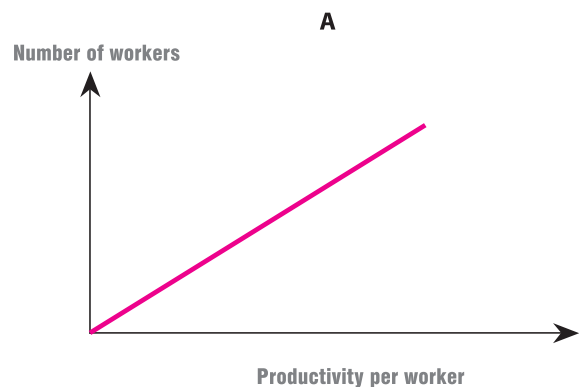
## Before you listen

Discuss this question with your partner.

→ What makes workers more or less productive?

### C Listening

Now listen to someone talking about one thing which affects productivity: the law of diminishing returns. Listen and choose the chart A, B or C which best illustrates this law.



## Before you read

Discuss this question with your partner.

What would influence whether you want to work or not? Think about:

- wages
- free time
- where job situated
- health

## D Vocabulary

Complete each sentence with a word or phrase from the box.

- balance
- compensation
- complex
- influences
- leisure
- play a/an
- rate
- role
- skills
- substitution
- switch off

- 1 At the weekend everyone needs to relax and ..... from school or work.
- 2 Employers ..... important ..... in the economy.
- 3 ..... is what you receive if you are badly affected by something.
- 4 ..... means replacing one thing with another.
- 5 Most people's ..... time is at the weekend and in the evenings.
- 6 It can be difficult to get the right ..... between work and free time.
- 7 The money you can earn ..... people's choice of job.
- 8 Some economic problems are very ..... There is no easy solution.
- 9 The hourly ..... for this job is seven pounds an hour.
- 10 The ability to speak foreign languages is one of the ..... needed for this job.



## Reading 2

# Supply of labour

Why do people work? To make money, of course. However, nothing in economics is ever that simple. The economist will ask a further question: how much are people prepared to work? The answer to this question is much more complex. Finding the right balance between work time and leisure time is one of the trade-offs we have to make in life. The balance each person chooses depends on a number of things.

First of all, there are natural limits. There are only 24 hours in a day, and we can't spend all of them working. Most people need eight hours sleep. That brings the number of hours we can spend on work or leisure down to 16. None of us are robots, so we all need some time to rest and switch off from work. This also brings down the possible number of working hours.

Then, of course, money plays a role. The way money influences working hours, though, is quite complicated. It can be separated into two effects: the *income effect* and the *substitution effect*.

The income effect works like this: People's time is a resource. If they give up that resource for work, they need compensation. This is usually in the form of a wage for hours worked. The more compensation they get for each hour worked, the less they will need to work. People with higher rates of pay (wages) can afford to have more leisure time than people on lower rates of pay.

So far, so good. However, are people happy just sitting at home and enjoying themselves? It depends on what they'll lose. In other words, it depends on the *opportunity cost* of not working. As the hourly rate for work increases, the cost of not working also increases. This means that as the wage rate increases, people want to work more hours. This is called the substitution effect. But the substitution effect also has a limit. Eventually, people will not work more hours, no matter how good the compensation is.

A good wage rate clearly attracts more workers, and encourages them to work longer hours. However, the strength of this relationship depends on how *elastic* the labour supply is. Sometimes it is difficult for companies to find a certain kind of worker. Perhaps there are not many people with the necessary skills. Or perhaps the company is in a place where there are not many available workers. In these situations, even if employers double the wage rate, they will only attract a small number of extra workers. The labour supply is *inelastic*. In the opposite situation, when it is easy for companies to find workers, the labour supply becomes elastic.

### E Comprehension

Now read the text again and choose the sentence which best summarises each paragraph.

#### PARAGRAPH 1

- A People generally spend equal amounts of time on work and leisure.
- B People have to make compromises.
- C People work in order to have leisure time.

#### PARAGRAPH 2

- A There are only a limited number of hours available for working.
- B Everyone works about 16 hours.
- C People can only work up to 24 hours a day.

#### PARAGRAPH 3

- A You have to work more hours to make more money.
- B Earning a good wage allows you to spend less time working.
- C Some people get paid in their leisure time.

#### PARAGRAPH 4

- A If you work more, you earn more.
- B If your wage is bad, you will want to work more.
- C If your wage is good, you will want to work more.

#### PARAGRAPH 5

- A Sometimes it's hard to attract workers.
- B Sometimes workers don't want more money.
- C Elastic labour markets are more common than inelastic labour markets.

## Before you listen

Discuss these questions with your partner.

- Why are some jobs paid better than others?
- Why do some people get paid more than others for doing the same job?

### F Listening

Now listen to someone answering these questions. You will hear four reasons for differences in pay. What are they?

- 1 .....
- 2 .....
- 3 .....
- 4 .....

## G Speaking

Discuss these questions with your partner.

- Do people only work for money?
- What other motivation is there to work?

### Task

Give a two-minute talk on how supply and demand work in the labour market.

First, read the texts again and make notes below on the following.

- How is the labour market just like any other market?
- What affects demand for labour?
- What affects the supply of labour?
- What motivates people to work?

Notes:

## H Writing

You have seen this job advertised in a newspaper. Write a letter of application for the job.

### Required: Summer Camp Team Leader

We are looking for suitably qualified and experienced team leaders for our summer camps for young children (aged seven to twelve). Children come from all over Europe to our camps and take part in a variety of outdoor activities (camping, canoeing, climbing, trekking, etc).

Suitable candidates should have proven experience of working with this age group and have the necessary skills and qualifications.

Send letters of application to:

Ms Gibson  
 Summer Fun Camps  
 Wayfield  
 Norfolk  
 England

## Letter of application

Use these notes to help you.

### PARAGRAPH 1

Say why you're writing and where you saw the advertisement.

#### Useful words and phrases:

Dear Sir/Madam, I am writing in response to your advertisement in... I would like to apply for the post of ...

### PARAGRAPH 2

Summarise the suitable qualification you have for the job.

#### Useful words and phrases:

As you can see from my CV ... I am a qualified ... instructor.

In addition, I hold certificates in ...

I am a fluent / good speaker of ...

### PARAGRAPH 3

Summarise the relevant experience you have.

#### Useful words and phrases:

Furthermore, I have the relevant experience you are looking for. For the last five years I have ...

Two years ago I was ...

### PARAGRAPH 4

Say why you would like the job.

#### Useful words and phrases:

There are a number of reasons why I would like to ...

firstly, secondly, thirdly, furthermore, what is more, I hope to gain, I enjoy working with ...

This will be an opportunity to ...

Say thank you and sign off:

I look forward to hearing from you soon.

Yours faithfully,

(your full name)

Write 100-150 words