5 The labour market – Part 1 — Answers

Answers

Work through these after you have tried the questions yourself.

2.1 firms demand the workers; households supply them.
2.2 demand for workers comes from demand for the product they make – more demand for the product means more demand for the workers.
2.3 $MRP = 6 \times \$4 = \$24$.
2.4 no – the MRP (\$24) is below the wage (\$30), so the worker costs more than they bring in.
2.5 hire workers up to the point where marginal revenue product equals the wage.