5 The labour market – Part 1

Name: ______ Class: ______ Date: ______

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	**中文**	**Write it 3 times** (English)		
factor market	要素市场			
derived demand	派生需求			
marginal revenue product	边际收益产品			

Recall

Firms don't only sell goods – they also buy workers and resources:

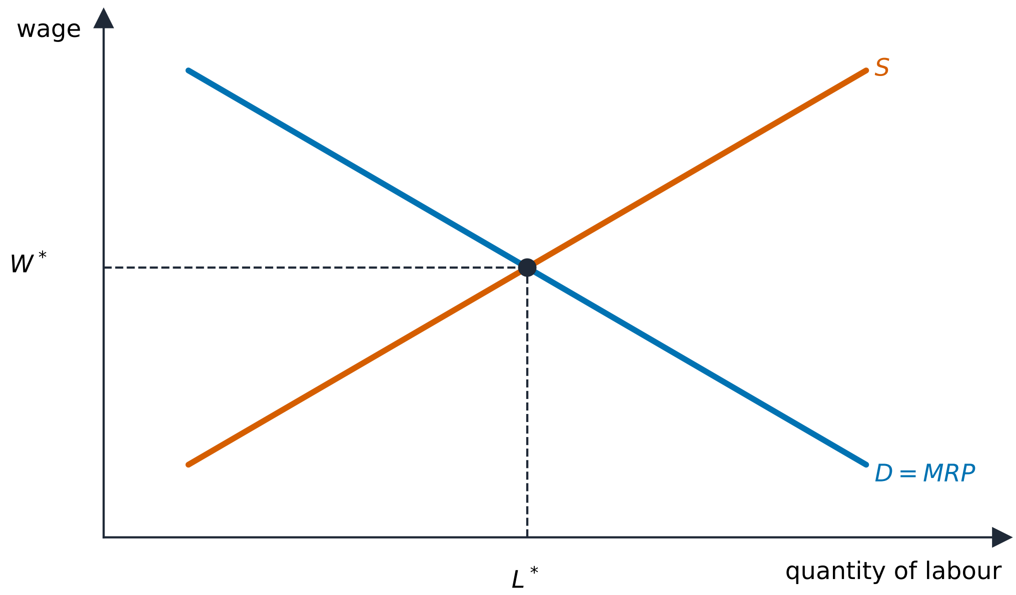
- Businesses hire workers and pay wages.
- A worker is worth hiring if they bring in more than they cost.
- Demand for workers depends on demand for what they make.

This sheet lines up the labour market. Each idea has a worked example.

New ideas

■ 1 Factor markets

A **factor market** 要素市场 is where firms buy the factors of production – labour, land, capital. The roles reverse: firms **demand** and households **supply**.



2 Derived demand

Demand for workers is a **derived demand** 派生需求 – firms want workers not for themselves but for the output they produce. So more demand for a product means more demand for its workers.

3 Marginal revenue product

A worker's value to the firm is the **marginal revenue product** 边际收益产品 (MRP): the extra revenue from hiring one more worker, $MRP =$ marginal product $\times$ price.

Worked example. A worker makes 8 units, each sold for \$5, so $MRP = 8 \times \$5 = \$40$.

4 The hiring rule

A firm hires workers up to where the MRP equals the **wage**. If a worker's MRP is above the wage, hire them; if below, do not.

Watch out: as a firm hires more workers, each new worker usually adds **less** output (diminishing returns), so MRP falls. The firm keeps hiring only until MRP drops to the wage.

Practice

Try these in order. The methods are all above.

2.1 State who demands and who supplies in a labour market. [2]

2.2 Explain what "derived demand" means for workers. [2]

2.3 A worker makes 6 units, each sold for $4. Find the marginal revenue product. [2]

2.4 The wage is $30. State whether the firm should hire the worker in 2.3, and why. [2]

2.5 State the rule a firm uses to decide how many workers to hire. [1]