

Ravi Shanker Singh
Assistant Professor
Department of Economics
Vaishali Mahila College, Hajipur

Labour supply

The **labour supply** is the number of hours people are willing and able to supply at a given wage rate.

1. It is the number of workers willing and able to work in a particular job or industry for a given wage
2. The labour supply curve for any industry or occupation will be upward sloping. This is because, as wages rise, other workers enter this industry attracted by the incentive of higher rewards. They may have moved from other industries or they may not have previously held a job, such as housewives or the unemployed
3. The extent to which a rise in the prevailing wage or salary in an occupation leads to an expansion in the supply of labour depends on the elasticity of labour supply.

Factors affecting labour supply

1. **The real wage rate on offer in the industry itself** – higher wages raise the prospect of increased factor rewards and should boost the number of people willing and able to work

2. **Overtime:** Opportunities to boost earnings come through overtime payments, productivity-related pay schemes, and share option schemes

3. **Substitute occupations:** The real wage rate on offer in competing jobs affects the wage and earnings differential that exists between two or more occupations. For example an increase in the earnings available to trained plumbers and electricians may cause some people to switch their jobs

4. **Barriers to entry:** Artificial limits to an industry's labour supply (e.g. through the introduction of minimum entry requirements) can restrict labour supply and force pay levels higher – this is the case in professions such as legal services and medicine where there are strict "entry criteria"

5. **Improvements in the occupational mobility of labour:** For example if more people are trained with the necessary skills required to work in a particular occupation.

6. **Non-monetary characteristics of specific jobs** – include factors such as the risk with different jobs, the requirement to work anti-social hours or the **non-pecuniary benefits** that certain jobs provide including **job security**, **working conditions**, opportunities for promotion and the chance to live and work overseas, employer-provided in-work training, employer-provided or subsidised health and leisure facilities and other in-work benefits including occupational pension schemes.

7. **Net migration of labour** – the UK is a member of the European Union single market that enshrines free movement of labour as one of its guiding principles. A

rising flow of people seeking work in the UK is making labour migration an important factor in determining the supply of labour available to many industries – be it to relieve shortages of skilled labour in the NHS or education, or to meet the seasonal demand for workers in agriculture and the construction industry.