The Labour Market

Economics

How wages are determined, and what shifts them.

What moves wages.

Raises wages

- Higher productivity per worker
- Rising demand for the output
- Scarce, hard-to-acquire skills
- Strong bargaining position
- Compensating differentials for risk

Constrains them

- Abundant supply of the skill
- Weak demand for the product
- Monopsony — one dominant employer
- Low mobility between regions or roles

> Under monopsony, a minimum wage can raise both wages and employment — the outcome depends on the market's structure.