

MICROECONOMICS AT WORK EXERCISE

THE PRICE OF LABOUR

REFERENCE: “‘Staggering’ wage rises in rush to hire’ (by Fleur Anderson), *The Australian Financial Review*, 9 September, 2005, p. 31.

CHAPTERS RELEVANT TO THIS EXERCISE: 3 and 13.

CONTEXT

An increase in demand for any product – or resource, such as labour – in the context of an unchanged supply situation will cause the price of the product – or resource – to increase. This describes the current situation in the Australian labour market. The article analyses this situation.

QUESTIONS

1. Analyse the term ‘rush to hire’ that is used in the article.
 2. Explain the suggestion that ‘employment strength’ in the resources sector has ‘spilled over’ into other areas, such as accounting, sales and marketing.
 3. Why might it be the case that demand for labour is outrunning supply? (Why can’t supply ‘keep up’?)
 4. Explain the phenomena being discussed in terms of the basic supply and demand model.
1. How do you interpret the experience recounted in the article of an accountant on a \$47,000 package in country NSW being offered double that by Sydney firms?