

Labour and unemployment

The labour market is where businesses hire workers. A business needs people to help the day to day running of the operation. The amount of labour needed depends on whether the business is a labour intensive or capital intensive.

A business that needs more people and less machinery is known a **labour-intensive** business. Hairdressing, house building, teaching and the fashion industry are examples of labour intensive industries.

A **capital-intensive** industry is where a business relies heavily on **machinery and technology** in its transformation of inputs into outputs. Good examples include the car industry, steel production and the rail industry.

Unemployment is where there are people you are willing and able to work but cannot find employment at the going wage rate. For example a machine worker who cannot get a job because there are no jobs for machine workers in the area. High unemployment, though it can be bad for local sales, can provide a business with a good source of cheap labour.

On the other hand a shortage of labour might cause difficulties for a business:

- ▶ It may be more difficult to recruit new people - which might prevent the business from growing as fast as it wishes
- ▶ Existing workers may demand higher wages because they know that the business will be reluctant to release them.
- ▶ Competitors may try harder to poach the best staff.
- ▶ The business may have to invest further in staff training and development rather than rely on "recruiting" new skills into the business.

Recruitment of personnel can also depend on the mobility of labour in the labour market.

Mobility of labour means the speed with which a person can move into a different job. There are two main types:

- ▶ **Geographical mobility**

Can they physically move to that place of work? This depends on the transport links as well as people's desire to move house to get a job.

- ▶ **Occupational mobility**

Do they have the skills to do the new job? This depends on the education and training that people have. Even with GCSEs and A levels students will need more training to do many jobs.

The state of the regional labour market will be a major influence on location decisions for businesses. In the South East, especially near London, there is low unemployment, so it will be difficult to find cheap labour, though there is good pool of skilled labour. This is because a business may be able to attract good workers from other businesses, at higher wages though. In the North East there are pockets of high unemployment, with skilled workers without jobs, because some of the more traditional industries have declined.

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