



Exam Papers Practice

The Influence of Trade Unions in Determining Wages and Levels of Employment



**AQA AS Level Economics
Revision Notes**

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Trade unions aim to protect workers, secure jobs, improve working conditions and try and achieve higher wages.

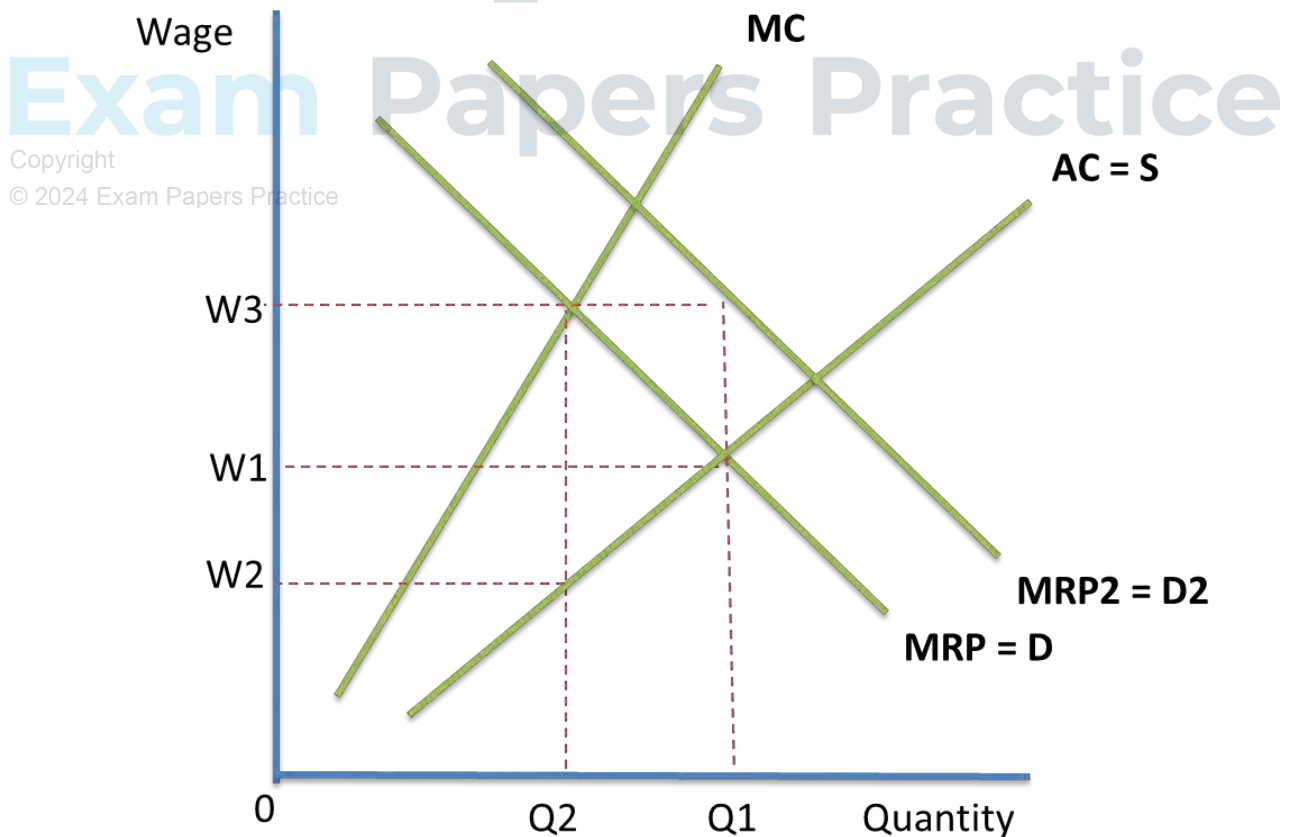
The various factors that affect the ability of trade unions to influence wages and the levels of employment in different labour markets

- If trade unions try and increase wage rates too much, firms might no longer be able to afford to employ workers. This could cause them to close down or reduce the number of workers they employ.
- Some workers might prefer a low paid job rather than be without employment.

How wages and employment are likely to be affected by the introduction of a trade union into a perfectly competitive labour market and into a monopsony labour market

- In a market where an employer has monopsony power, workers are only paid W_2 , and only Q_2 number of workers is employed. This is the profit maximising level.
- A trade union aims to increase marginal revenue product in the market, as well as increase wages to the level of MRP (W_3). This is to stop the exploitation of labour.

The perfectly competitive level of employment and wage rate is W_1, Q_1 .



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