

## A/AS-level Economics Support Material

### Factors of Production

**Factors of production are simply the resources we have available to produce goods and services. These are LAND, LABOUR, CAPITAL and ENTERPRISE.**



#### LAND

Land is the general term for the **natural resources** available for production. Some nations have a vast amount of a particular natural resource and so are able to specialise in the **extraction** and production of it – for example – the development of the North Sea Oil and Gas in Britain and Norway.

Think of two other examples of something that might be part of the factor 'Land'.



#### LABOUR

Labour is our **human input** into the production process.

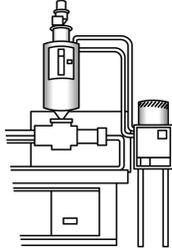
It is important to consider that not all labour is of the same quality. Some workers are more **productive** than others because of the education, training and experience they have received. An increase in both the size and the quality of the labour force is vital if a country wants to achieve sustained economic growth.

Raising productivity is one of the key long-term aims of the UK government.



## The Economics, Business & Enterprise Association

The Professional Subject Association for Teachers and Lecturers of Economics, Business Studies and Enterprise



### **CAPITAL**

The term capital means **investment in goods that are used to produce other goods in the future**. Examples include machinery, plant and equipment, new technology, factories and buildings.

New items of capital machinery, buildings or technology are generally used to enhance the **productivity** of other factors of production (e.g. improved technology in farming has increased the productivity of the UK agricultural sector and investment in information and communication technology can increase the efficiency of workers across many industries).



### **ENTERPRISE**

**Enterprise** is the idea of 'taking risks' in setting up or running a business.

An '**entrepreneur**' is someone who takes those risks, perhaps someone who puts in their money or has the ideas and the drive to set up or run the business.

Which of these people take risks that might be thought of as 'Enterprise' in a business?

- ✓ Customers
- ✓ Staff
- ✓ Shareholders (owners)
- ✓ Senior management

In which of these occupations might you find entrepreneurs? For each one, give an example of a person who you think might be called an entrepreneur.

- ✓ Plumbing
- ✓ Carpet making
- ✓ Carpet laying
- ✓ Car servicing
- ✓ Car manufacturing
- ✓ Building

In Economics, the profits that a business makes go to the risk takers i.e. the entrepreneurs.

The reward for **enterprise** (risk) is **profit**.