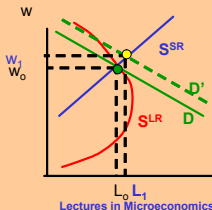


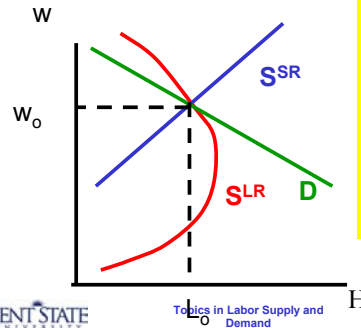
Topics in Labor Supply and Demand



Lectures in Microeconomics-Charles W. Upton



Equilibrium

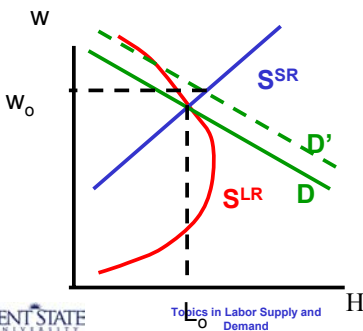


The intersection of supply and demand determines wage rates and hours worked.



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A Shift in Demand

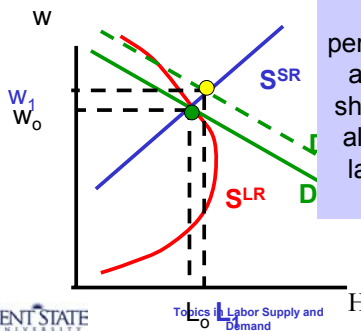


Now suppose the demand curve shifts to the right



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The Short Term Response



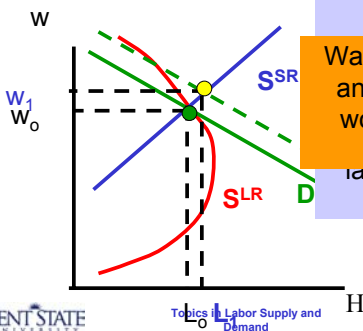
If people perceive this as a temporary shift, we move along the SR labor supply curve.

the right



Topics in Labor Supply and Demand

The Short Term Response



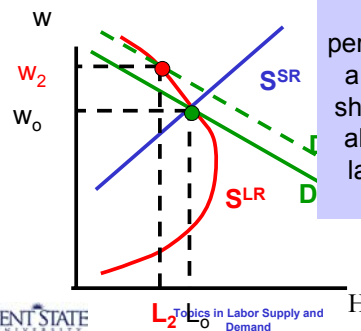
If people perceive this as a temporary shift, we move along the SR labor supply curve.

the right



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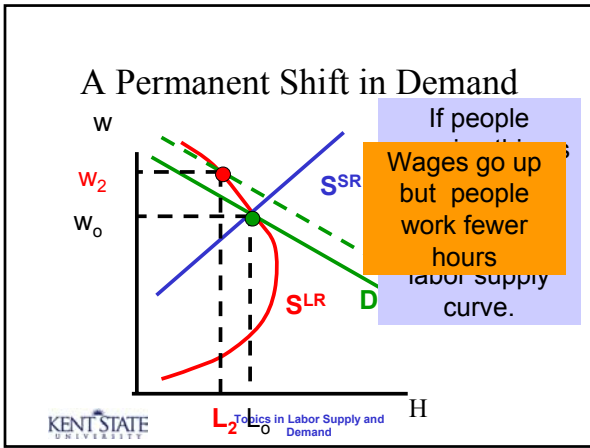
A Permanent Shift in Demand



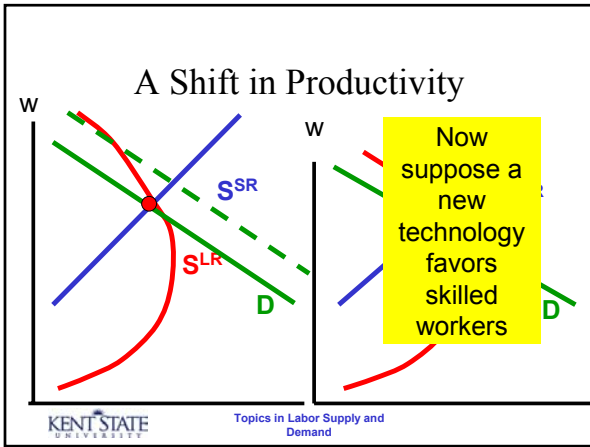
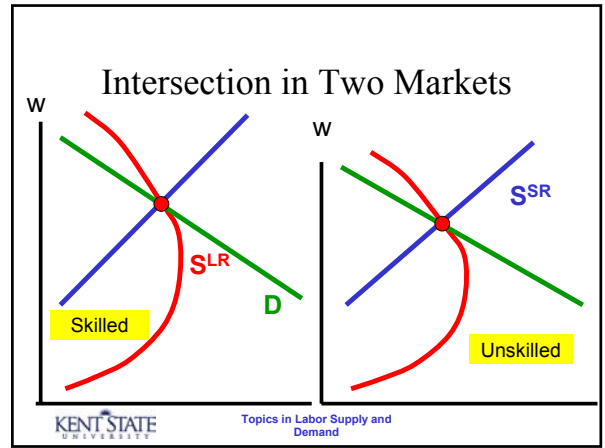
If people perceive this as a permanent shift, we move along the LR labor supply curve.



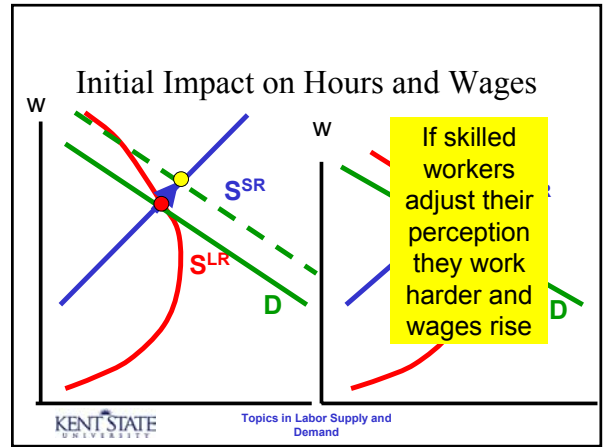
Topics in Labor Supply and Demand



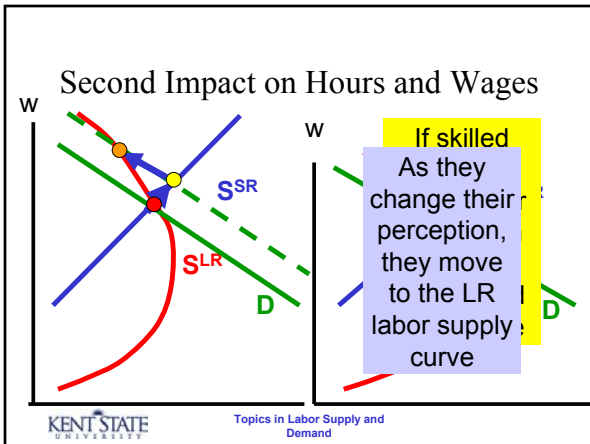
If people
Wages go up
but people
work fewer
hours
labor supply
curve.



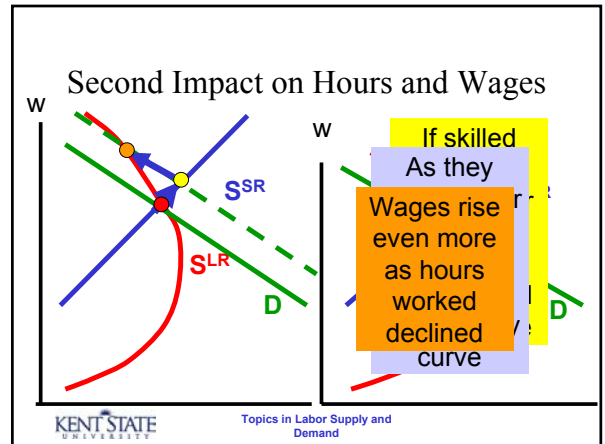
Now
suppose a
new
technology
favors
skilled
workers



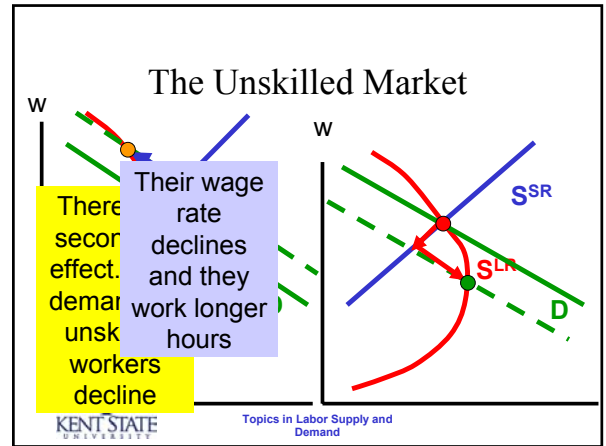
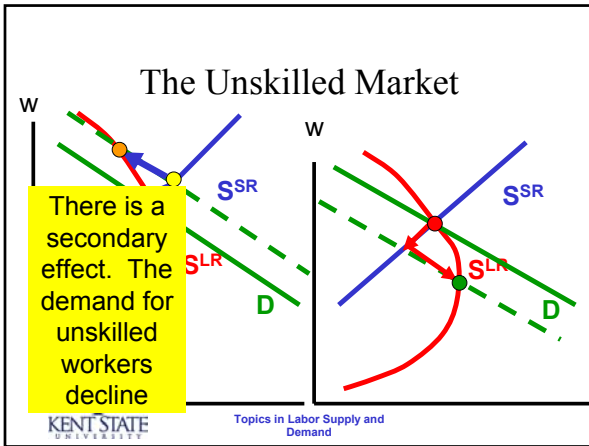
If skilled
workers
adjust their
perception
they work
harder and
wages rise



If skilled
As they
change their
perception,
they move
to the LR
labor supply
curve



If skilled
As they
Wages rise
even more
as hours
worked
declined
curve



Compensating Differentials

- **Day and Night Differentials.**

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Compensating Differentials

- **Day and Night Differentials.**
 - One study estimates that, in 1984, the average shift differential for night manufacturing work was 30¢ an hour, when the average wage rate in manufacturing was \$9.18

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Compensating Differentials

- **Day and Night Differentials.**
- **High Risk versus Low Risk Jobs**

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Compensating Differentials

- **Day and Night Differentials.**
- **High Risk versus Low Risk Jobs**
 - There are estimates that workers receive between \$20 and \$300 more per year for every one in ten thousand increase in the risk of being killed on the job.

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Compensating Differentials

- **Day and Night Differentials.**
- **High Risk versus Low Risk Jobs**
 - There are estimates that workers receive between \$20 and \$300 more per year for every one in ten thousand increase in the risk of being killed on the job.
 - A firm employing 10,000 workers where the expected number of deaths is two per year, could save \$200,000 - \$3,000,000 per year in wages by cutting the number of fatalities in half.

End

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W. Upton