

ECON 101

TA Worksheet, Module 11 (Labor and Wages)

Name: _____

TA: _____

1. Consider the data below for a snow shoveling company:

Workers	Total Output (driveways per hour)	Marginal Product	Marginal Revenue Product
1	3		
2	6		
3	9		
4	11		
5	12		
6	12 (oops, no more shovels!)		

- Fill in the table assuming the price of shoveling a driveway is \$10.
- If the wage is \$15, how many workers will you hire?
- If the wage rises to \$25, how many workers will you hire?
- DRAW (roughly – no need to be exact) what would happen to the demand for labor if the price of shoveling a drive fell (assume perfect competition).

- e. DRAW (roughly – no need to be exact) what would happen to the demand for labor if you bought snow blowers that doubled productivity?

- 2. Suppose your parents are paying for everything in college except for your \$200/month car insurance bill. You work just enough to pay that \$200 and no more. Suppose your boss gives you a raise (hourly wage rises). Do you work more or less now? What does that say about the income and substitution effects?

- 3. Ch 12 Think of an example of a compensating differential for a job.