

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	MC
1	3	3	✓ \$30	\$15
2	6	3	✓ \$30	\$15
3	9	3	✓ \$30	\$15
4	11	2	✓ \$20	\$15
5	12	1	✗ \$10	\$15
6	12 (oops, no more shovels!)	0	\$0	\$15

- a. Fill in the table assuming the price of shoveling a driveway is \$10.

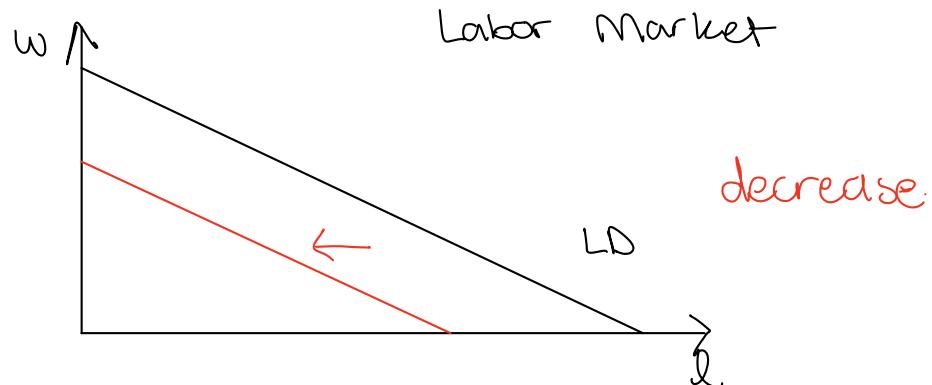
- b. If the wage is \$15, how many workers will you hire?

4 workers

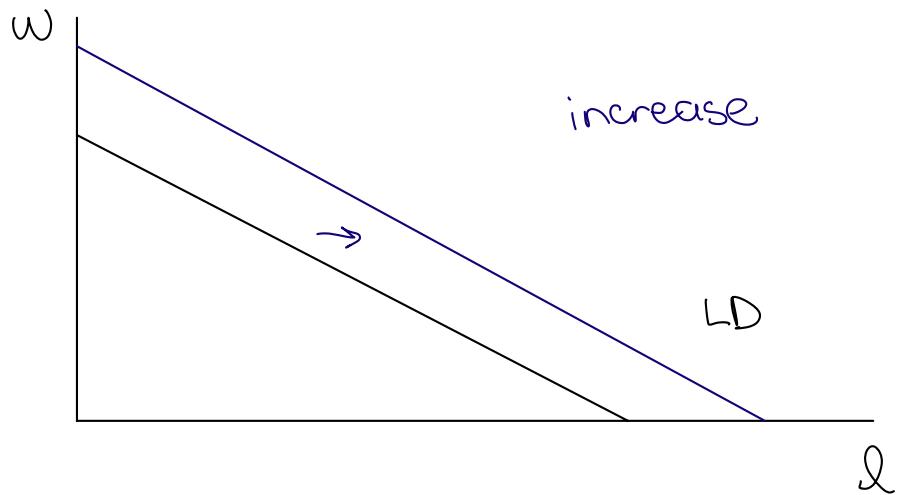
- c. If the wage rises to \$25, how many workers will you hire?

3 workers

- d. 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?

work less

income effect is dominating

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