Practice 8 – Introduction to Labor Economics (deadline: before next tutorial)

Answer the following questions based on what was seen during the last week.

1) The following table shows the demand for labor at a hotel:

No.ofworkers	Wage x hour ($)
2	10
3	8
4	6
5	4
6	2

a. Calculate the elasticity of the demand for labor all over the curve, assuming successive reductions in the per-hour-wage. Indicate whether it is elastic, inelastic or unit-elastic for each stretch.
b. Moving down the curve, does it become more or less elastic? What is this supposed to mean?

2) Calculate the elasticity of demand for occupations a, b, and c, knowing that DL and W are, respectively, the starting levels of employment demanded and wages, and DL' and W' are the finishing ones. Indicate whether, for each case, the demand for labor is elastic, inelastic, or unit-elastic in the assumed stretches. Interpret each one of the results (e.g. "an increase/reduction of 1% in wages will determine…").

a. $\%\Delta DL = 5$, $\%\Delta W = -10$
b. $DL = 50$, $W = 7$
   $DL' = 40$, $W' = 8$
c. $DL = 80$, $W = 8$
   $DL' = 100$, $W' = 6$

3) Represent graphically the maps of indifference curves of two individuals assuming that the first one is a young student and the second one is a married man with "plenty of mouths to feed". Compare the quantities of daily income that each one would be willing to sacrifice in exchange for an additional hour of leisure (remember that leisure refers to ALL non-remunerated activities).