CONCEPT: SHIFTS IN LABOR DEMAND: OUTPUT PRICE

- The demand for labor can shift left or right just like the demand for goods.
  - □ A change in the ***output price*** will shift labor demand.
    - If the output price increases, labor demand shifts _____
    - If the output price decreases, labor demand shifts _____

EXAMPLE: The price of a pizza decreases

Output Price = $5 per pizza ; Wage = $80

Number of Pizza Ovens	Number of Workers	Total Quantity of Pizzas	Marginal Product of Labor	Marginal Revenue Product	Wage	Marginal Profit
2	0	0	-	-	-	-
2	1	30	30	150	80	70
2	2	80	50	250	80	170
2	3	150	70	350	80	270
2	4	180	30	150	80	170
2	5	190	10	50	80	-30

Output Price = $2 per pizza ; Wage = $80

Number of Pizza Ovens	Number of Workers	Total Quantity of Pizzas	Marginal Product of Labor	Marginal Revenue Product	Wage	Marginal Profit
2	0	0	-			
2	1	30	30			
2	2	80	50			
2	3	150	70			
2	4	180	30			
2	5	190	10			

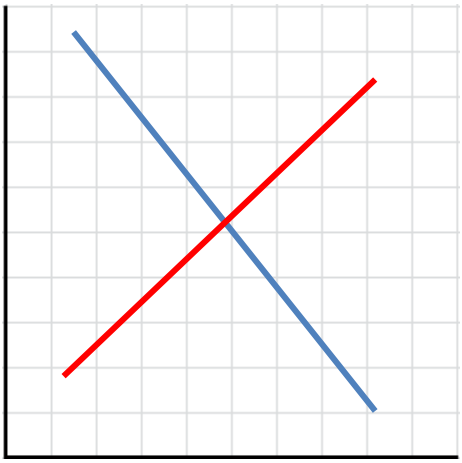
CONCEPT: SHIFTS IN LABOR DEMAND: TECHNOLOGICAL CHANGE

● A technological change can either be a _____ or _____ to labor.

□ A ***substitute technology*** (labor-_____) would shift labor demand _____

- Labor-saving technology → _____ to use tech instead of labor →_____ workers to maximize profit

EXAMPLE: The producers of really cool hats originally hired many laborers to customize their really cool hats. However, a new fashion-forward robot can produce really cool hats more efficiently than the laborers. What will happen to the demand for really cool hat laborers?



□ A ***complementary technology*** (labor-_____) would shift labor demand _____

- Labor-augmenting technology → _____ MPL of each worker →_____ workers to maximize profit

EXAMPLE: The producers of really cool hats originally hired many laborers to customize their really cool hats. The invention of a futuristic needle allows workers to produce hats twice as fast. What will happen to the demand for really cool hat laborers?