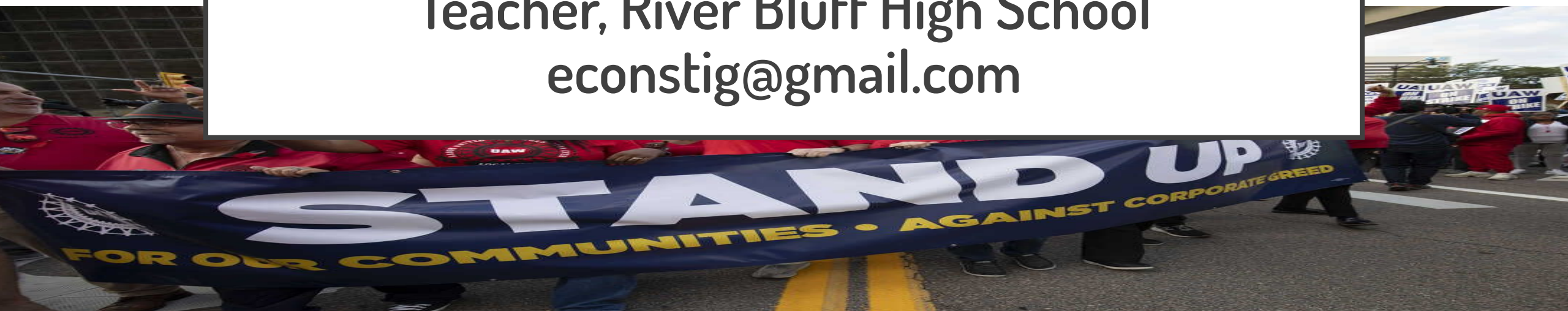


Labor Markets & the Job Jungle



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What's your dream job?



Students, write your response!

Pear Deck Interactive Slide
Do not remove this bar

Rules of the Game

Active Participation Means:

- Cameras On
- Breakout Room Participation
(Microphones on)
- Interact on PearDeck Slides
- Be present

Objectives

- I can explain how wages are determined in a market.
- I can evaluate the causes and potential consequences of current labor market trends.



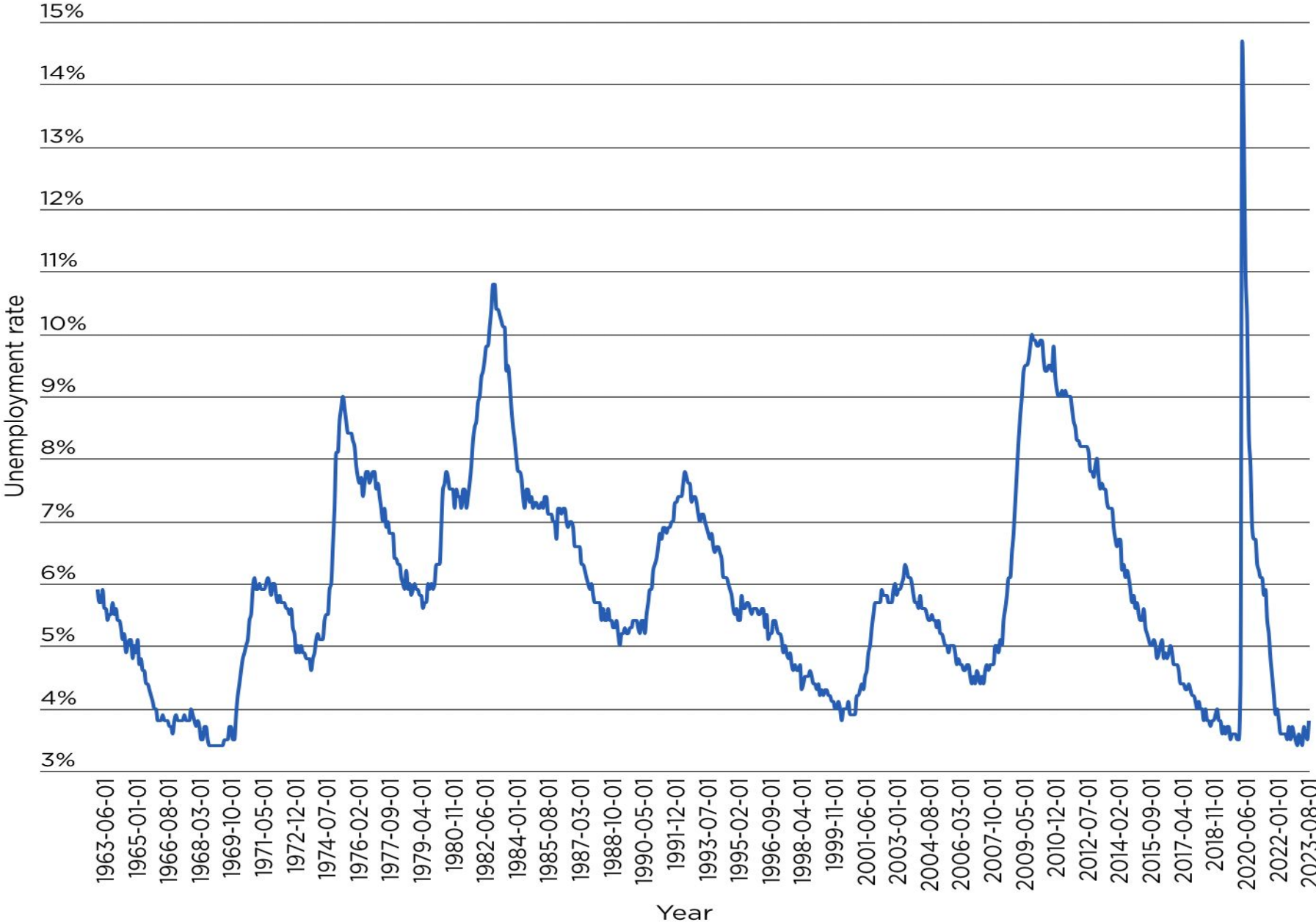
Current State of the Labor Market

August 2023

- 3.8% unemployment rate
 - Teenagers (16-19) 10.4%
 - African-Americans 6.4%
- 62.8% labor force participation rate
- As of September 11 report by U.S. Chamber of Commerce, there were 9.8 million job openings in the U.S., but only 5.9 million unemployed workers, indicating that we still cannot find enough workers to fill jobs.



U.S. unemployment rate: 1963 - 2023



Fastest Growing Jobs in the U.S.?



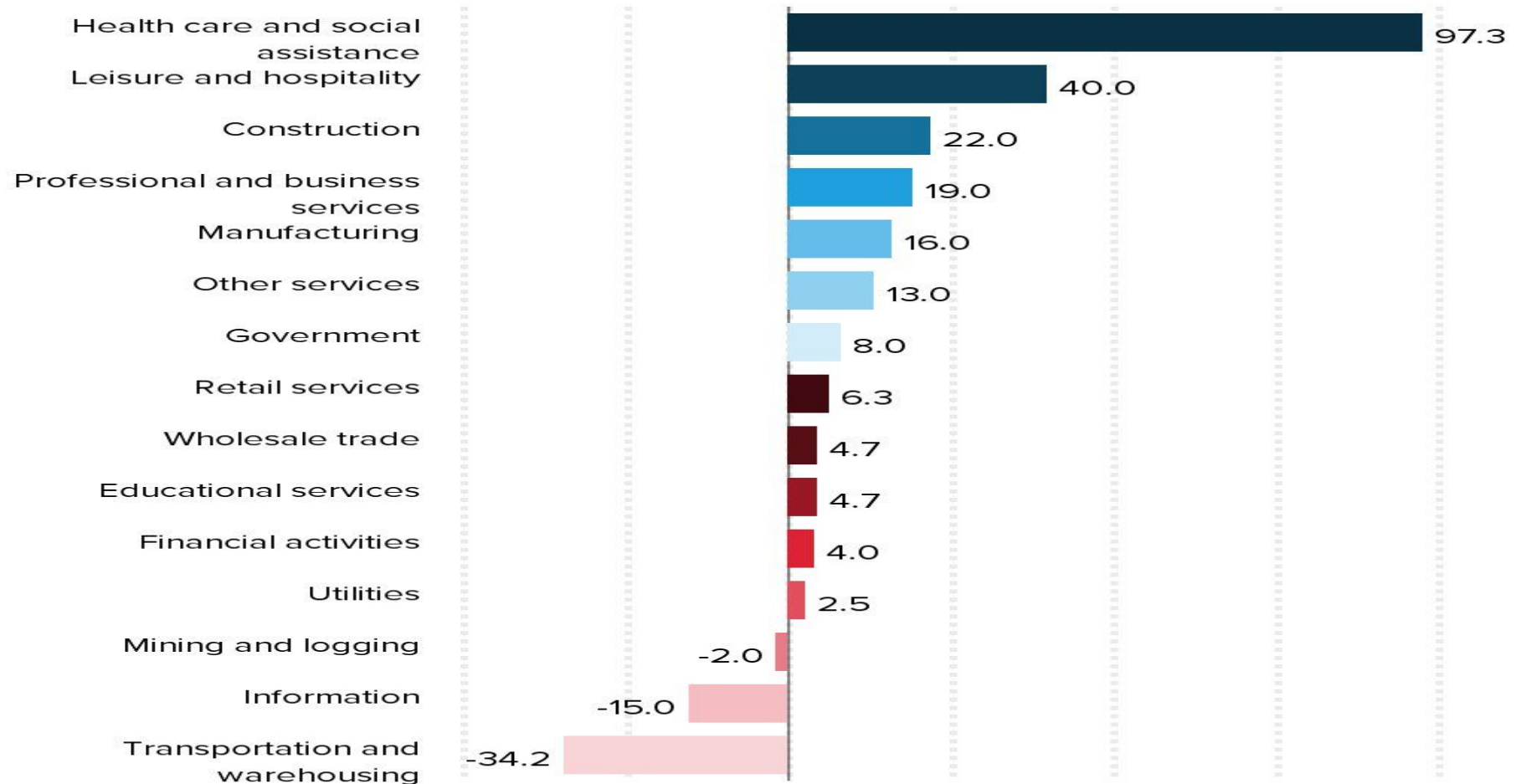
Students, write your response!

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The Fastest-growing occupations, 2021-2031

- Nurse Practitioners
- Wind turbine service technicians
- Cooks, Restaurant
- Athletes and Sports Competitors
- Information Security Analysts
- Taxi Drivers
- Umpires, Referees, Other Sports Officials
- Animal Caretakers
- Medical and Health Service Managers
- **Logisticians**
- Physician Assistants
- **Film and Video Editors**

Employment change by industry (thousands) between July 2023 and August 2023



Source: Bureau of Labor Statistics' (BLS) Current Employment Statistics, Establishment Survey (CES) public data series.





What influences how much people are paid?

What will determine how much money you make?



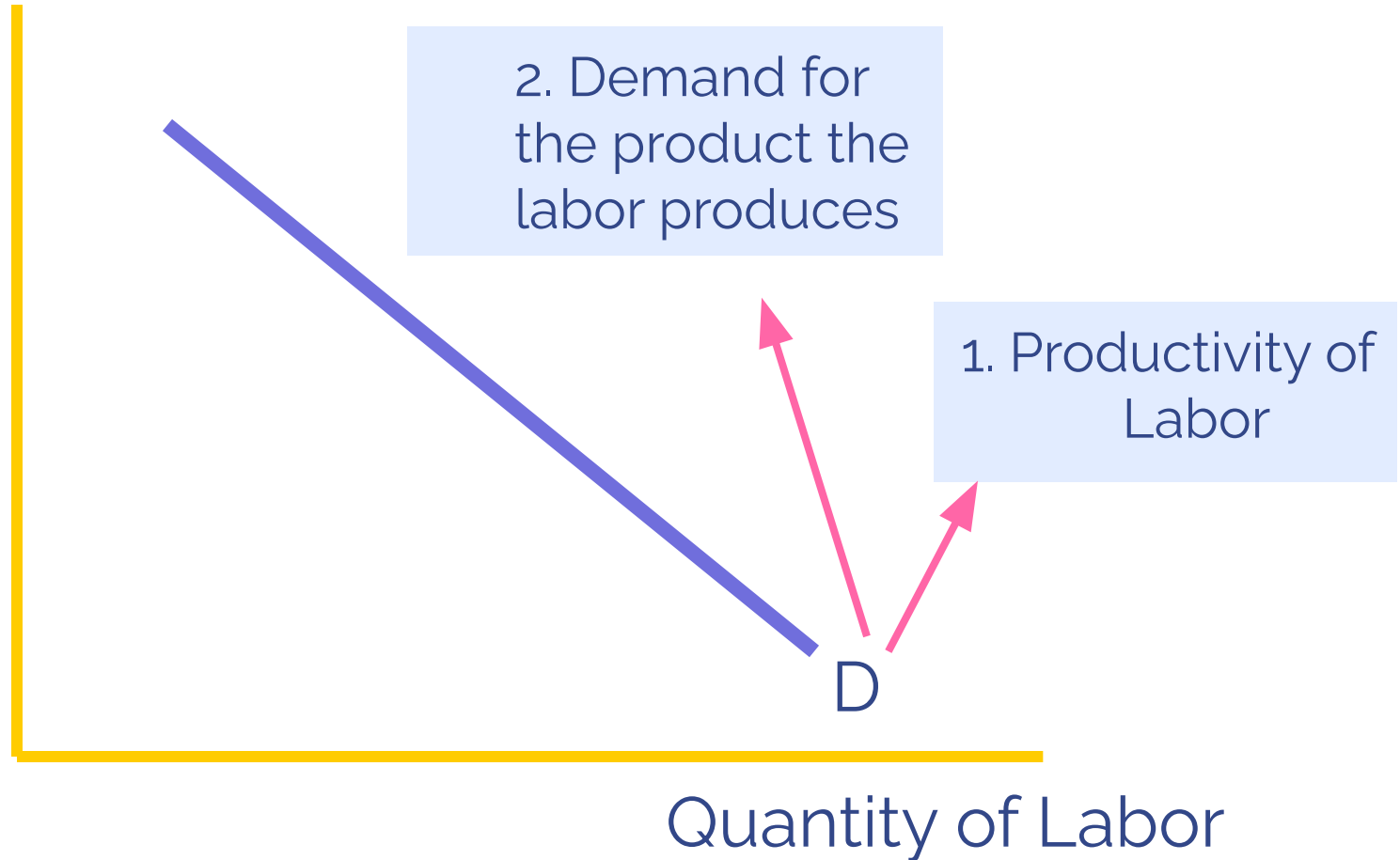
Students, write your response!

Pear Deck Interactive Slide
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Demand for Labor Depends on 2 Factors

Price = Wage

The Demand for Labor is a **Derived Demand**



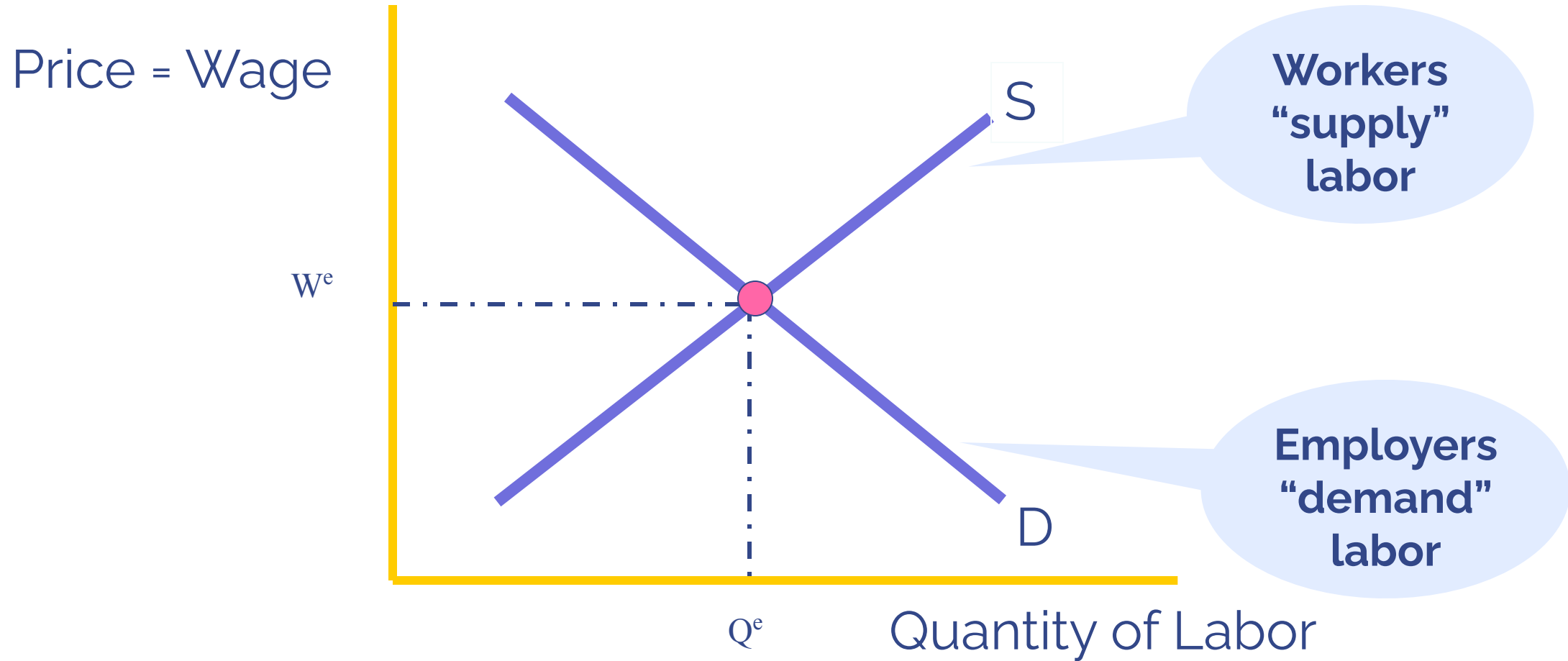
where $Q^s = Q^d$



Labor Markets

- In competitive markets, wages & benefits are determined by the supply & demand for labor
 - **Demand: Employers'** hiring decisions are based on the productivity of the work and it is compared to the opportunity cost of hiring one worker over another or hiring a worker rather than buying a machine.
 - **Supply: Workers** consider wages, work conditions, & opportunity costs like welfare or unemployment compensation, other job offers etc.

Labor Market: Equilibrium Wage



where $Q^s = Q^d$



Labor Supply and Opportunity Cost

What determines how much you are willing to work?

- Opportunity Cost: The opportunity cost of working is value of the next best alternative you are not choosing.
 - Hanging out with your friends,
 - Studying for classes,
 - Going to college,
 - Working around the house (home production),
 - Opening your own business.
- It is frequently viewed as a decision between **work** and **leisure**.
- As the wage increases, the **opportunity cost of leisure increases** and people ***consume less leisure***; that is, the labor supply curve slope up!



Labor Demand: Marginal Costs and Marginal Benefits

Firms will hire workers up to the point where the marginal benefit equals the marginal cost; that is,

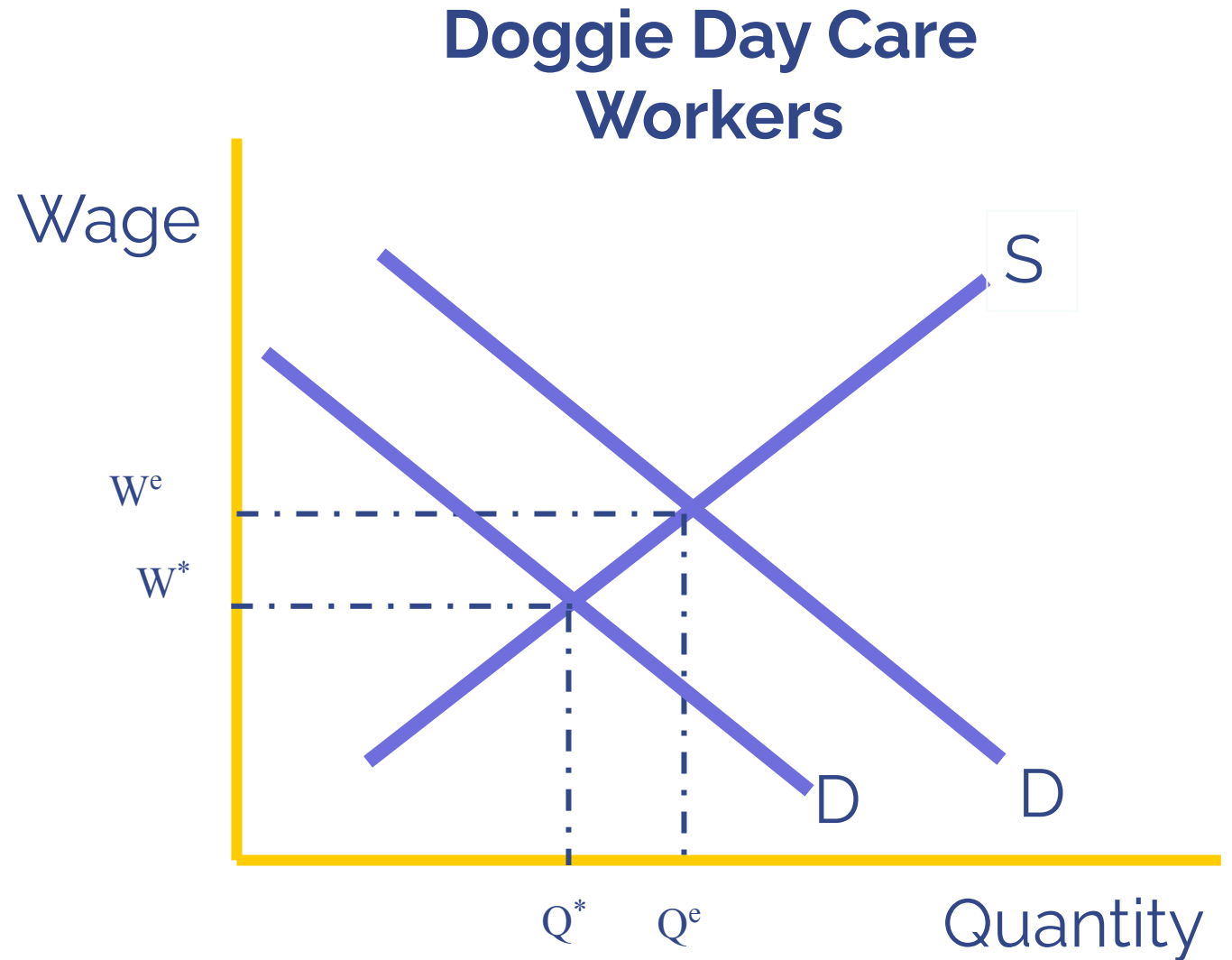
$$\mathbf{MRP = W}$$

An increase in the demand for the product which boosts its price will lead to an increase in the demand for workers.



Let's Practice

Young adults are choosing to spoil their dogs instead of having children.





Activity: The Job Jungle

Job Jungle, Copyright 1988 - Raymond P. H. Fishe

Lesson Available Online at www.fte.org

<https://www.fte.org/teachers/teacher-resources/lesson-plans/eflle/lessons/the-job-jungle-a-labor-market-game/>



1 Kitchen - How Many Cooks?

# cooks	#pizzas made	# additional pizzas from hiring this cook?	What happened?
0	0	0	No Cook – No Pizza !
1	10	10	Good cook – does everything himself
2	25	15	1 baker, 1 prep and waiter
3	45	20	1 baker+1 prep+1 waiter – what a system!
4	55	10	Extra guy – helps whoever is behind
5	55	0	Things aren't so hectic
6	40	-15	Get her out of the way !

Would you hire 6 cooks?

What's the most you'd be willing to pay cook #4?



Two Types of Jobs

Unskilled or low-skill jobs

Taking orders
Cutting Patterns
Sewing
Printing
Labeling
Packing
Delivery

Skilled Jobs

Bookkeeping
Marketing
Design
Advertising
Shipping & Ordering

JOB JUNGLE: Output, Marginal Product, and Marginal Revenue

Price of Kites (P) = \$ \$10

YELLOW CARD WORKERS (unskilled)				Purple Card Workers (skilled)			
# Hired	Kites Made	Added Product (MP)	$P \times MP$	# Hired	Kites Made	Added Product (MP)	$P \times MP$
1 st	5			1 st	8		
2 nd	8			2 nd	14		
3 rd	10			3 rd	19		
4 th	11			4 th	22		
5 th	12			5 th	24		
6 th	12			6 th	25		



If You Are a Worker . . .

- Your goal is to make an income – the more the better! (You'll use this income to purchase the goods and services you want and need. The more income you have, the higher your standard of living.)
- A worker earns income by finding an employer who will hire her at a mutually acceptable wage.
- All workers start with some money – as indicated on the next slide. Workers start with different amounts of money because that's the way things are.



Your Value as a Worker

First Name Begins with:

A - G: \$9

H - P: \$10

Q - V: \$7

W - Z: \$5

**Write this number down :)



If You Are a Worker . . .

- All workers begin with **YELLOW** cards and are unskilled. You may not negotiate for a **PURPLE** card job when you have a yellow card.
- A job lasts for only one round. At the beginning of each round, you are unemployed.
- The wage is for the round and you may only be hired once each round.



If You Are a Worker . . .

- If you agree to be hired by an employer, have the employer enter the wage on their employer record card. Once you make a deal, you may not back out or look for a better offer.
- **After you get a job, return to the main room and total your income.**



If You Are a Worker . . .

- At the end of a round, you may buy an education from the teacher for \$25.
- To buy an education, you must have earned at least \$25 (from your initial endowment + wages earned).
- On the PearDeck screen, enter your name, total amount you've earned, and amount on your card after your purchase of an education.



Students, write your response!

If You Are an Employer...

- The employer's goal is to make profit – the more, the better!
- To make profit, you have to produce KITES. To do that, you have to hire workers:
- You hire low-skilled (**YELLOW** card) workers to act as cutters, sewers, and printers.
- You hire high-skilled (**PURPLE** card) workers as designers, marketing specialists, accountants, etc.



If You Are an Employer...

- Refer to the "Output" charts in making your hiring decisions. Not all workers are of the same value to you.
- The output scales are independent. If you hire 2 **YELLOW** card workers and then hire a **PURPLE** card worker, the **PURPLE** card worker's wage goes on the "1st" line of the **PURPLE** card worker chart.



If You Are an Employer...

- The wage is for one round only. At the beginning of each round, you start over hiring workers.
- **When you hire a worker, write the wage on your record sheet.** You may not back out on a deal to hire a worker once you've made an agreement.
- Also record the hire in the “wage paid” column of your profit calculation sheet.
- At the end of each round, figure profit for that round.



Everyone!

- Total income and total profits are cumulative.
- Workers add their initial endowment (value on yellow card) to the income received in all rounds, and then subtract any education costs, to compute total income.
- Employers add profits generated in all rounds to compute total profits.



Incentives Matter!

\$10 Amazon Gift
Cards to the highest
employers and
employees!



Break Out Rooms!

Find a job from the employer! 7-8 minutes per round.



JOB JUNGLE: Output, Marginal Product, and Marginal Revenue

Price of Kites (P) = \$ \$10

YELLOW CARD WORKERS (unskilled)				Purple Card Workers (skilled)			
# Hired	Kites Made	Added Product (MP)	P x MP	# Hired	Kites Made	Added Product (MP)	P x MP
1 st	5			1 st	8		
2 nd	8			2 nd	14		
3 rd	10			3 rd	19		
4 th	11			4 th	22		
5 th	12			5 th	24		
6 th	12			6 th	25		



Round 1 - 7 minutes



Round #2 – Wages Paid

<i>YELLOW Card</i>		<i>Purple Card</i>	
Worker	Wage	Worker	Wage
<u>Hired</u>	<u>Paid</u>	<u>Hired</u>	<u>Paid</u>
1 st		1 st	
2 nd		2 nd	
3 rd		3 rd	
4 th		4 th	
5 th		5 th	
6 th		6 th	
Sub-total		+Sub-total	

Round #2 – Profit Calculation

Kites produced
(pink+yellow)

(from
chart)

X Price of kites

x **\$ 10**

= \$

= TOTAL REVENUE

– TOTAL COST

– \$

= PROFIT Round #2

\$

= **Total cost**



If You Are a Worker . . .

- At the end of a round, you may buy an education from the teacher for \$25.
- To buy an education, you must have earned at least \$25 (from your initial endowment + wages earned).
- On the PearDeck screen, enter your name, total amount you've earned, and amount on your card after your purchase of an education.



Students, write your response!

Round 2 - 6 minutes



JOB JUNGLE: Output, Marginal Product, and Marginal Revenue

Price of Kites (P) = \$ \$15

YELLOW CARD WORKERS (unskilled)				Purple Card Workers (skilled)			
# Hired	Kites Made	Added Product (MP)	P x MP	# Hired	Kites Made	Added Product (MP)	P x MP
1 st	5	5		1 st	8	8	
2 nd	8	3		2 nd	14	6	
3 rd	10	2		3 rd	19	5	
4 th	11	1		4 th	22	3	
5 th	12	1		5 th	24	2	
6 th	12	0		6 th	25	1	



Round 3 - 6 minutes



Debrief

- How were wages determined in this labor market?
- How did the first round differ from the second? Third?
- What happened to wages in the third round? Why?



Completing the Job Jungle with Students

Words from the wise??

- Employers - make sure they can follow directions and are decent with math :)
- Employees
- Teacher/Educator
- Time
- Embrace the chaos!
- Anomalies?

The Status of Labor Unions

1:3 Workers

**Were in a
union in
1950s**

1:10 Workers

**Currently
belong to a
union**

**67% of
Americans**

**Are in support
of labor unions**



Figure 3: Fringe Benefits and Amenities

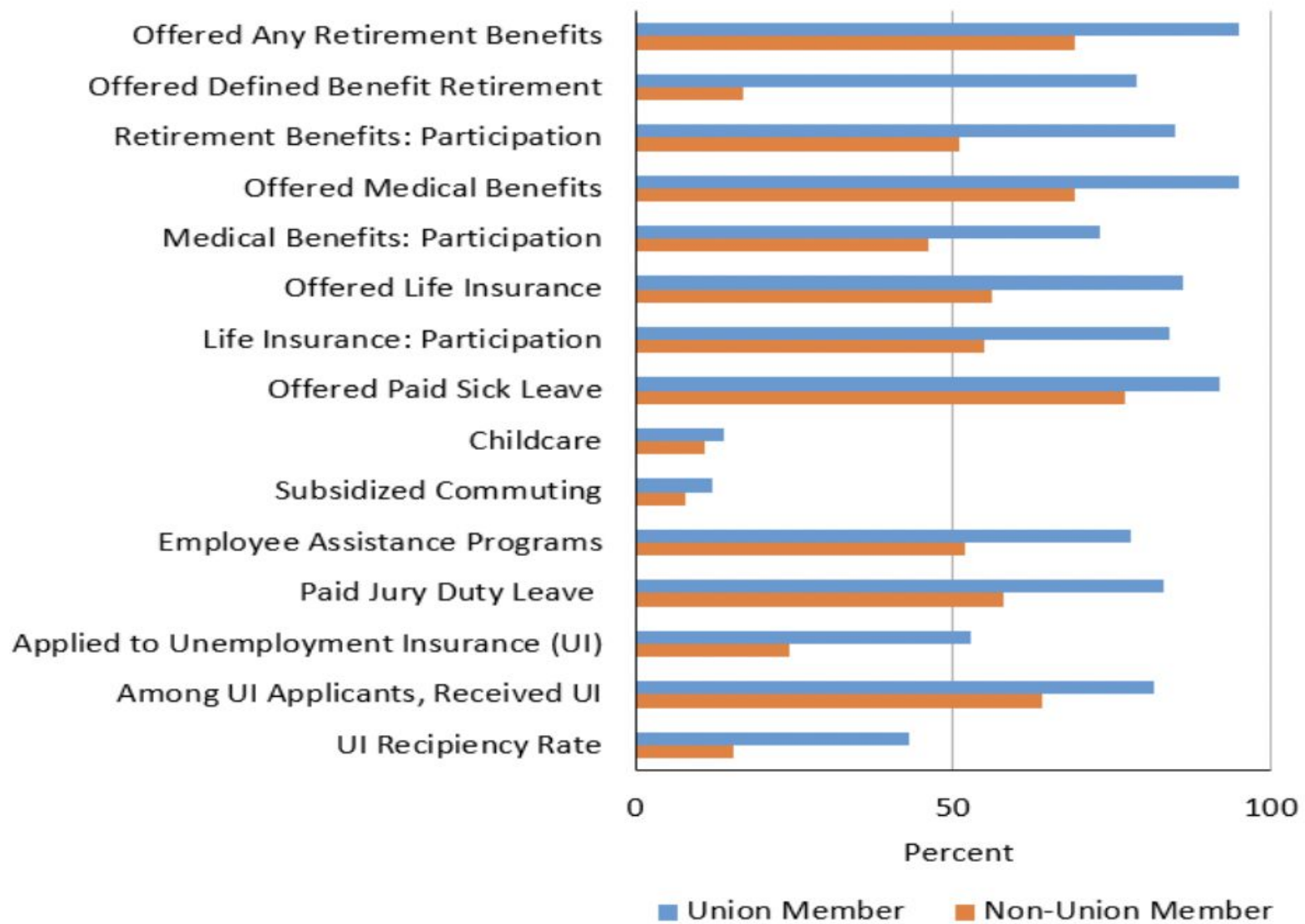
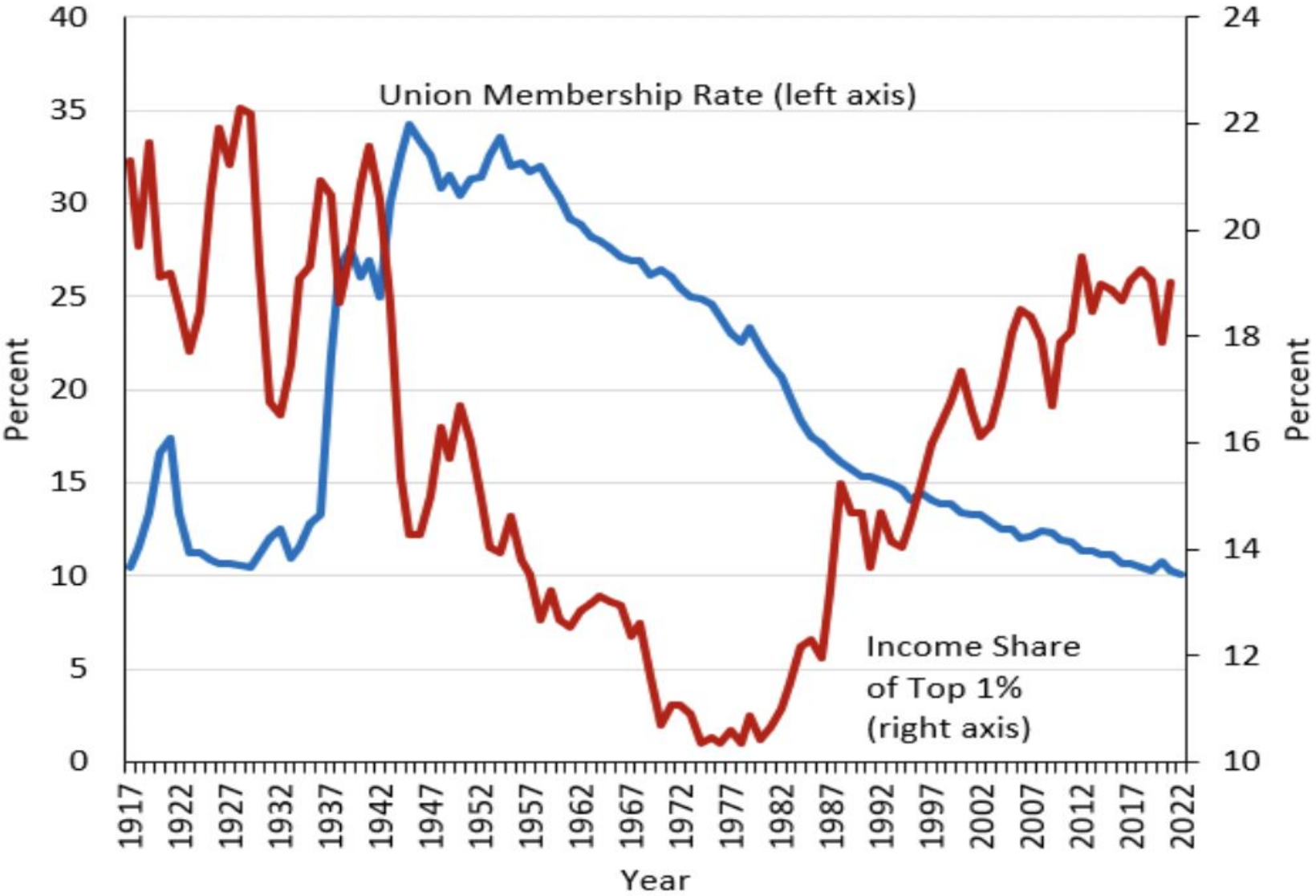


Figure 1: Union Membership and Inequality



Recent Strikes or Threats of Strike

1. United Auto Workers (UAW)
2. Writers Guild of America
3. Railroad*
4. UPS*
5. Hospitals

Labor Organizing Campaigns: Amazon, Starbucks, Trader Joe's

1- United Auto Workers (UAW)



UAW's Stand Up Strike

- First time Big Three workers have stuck together
- Gradual walk out
- Next deadline: Friday at noon
- Organizing and motivating

WHAT IS THE STAND UP STRIKE?

The Stand Up Strike is our generation's answer to the movement that built our union, the Sit-Down Strikes of 1937.

Then as now, we face massive inequality across our society. Then as now, our industry is rapidly changing and workers are being left behind. Then as now, our labor movement is redefining itself.

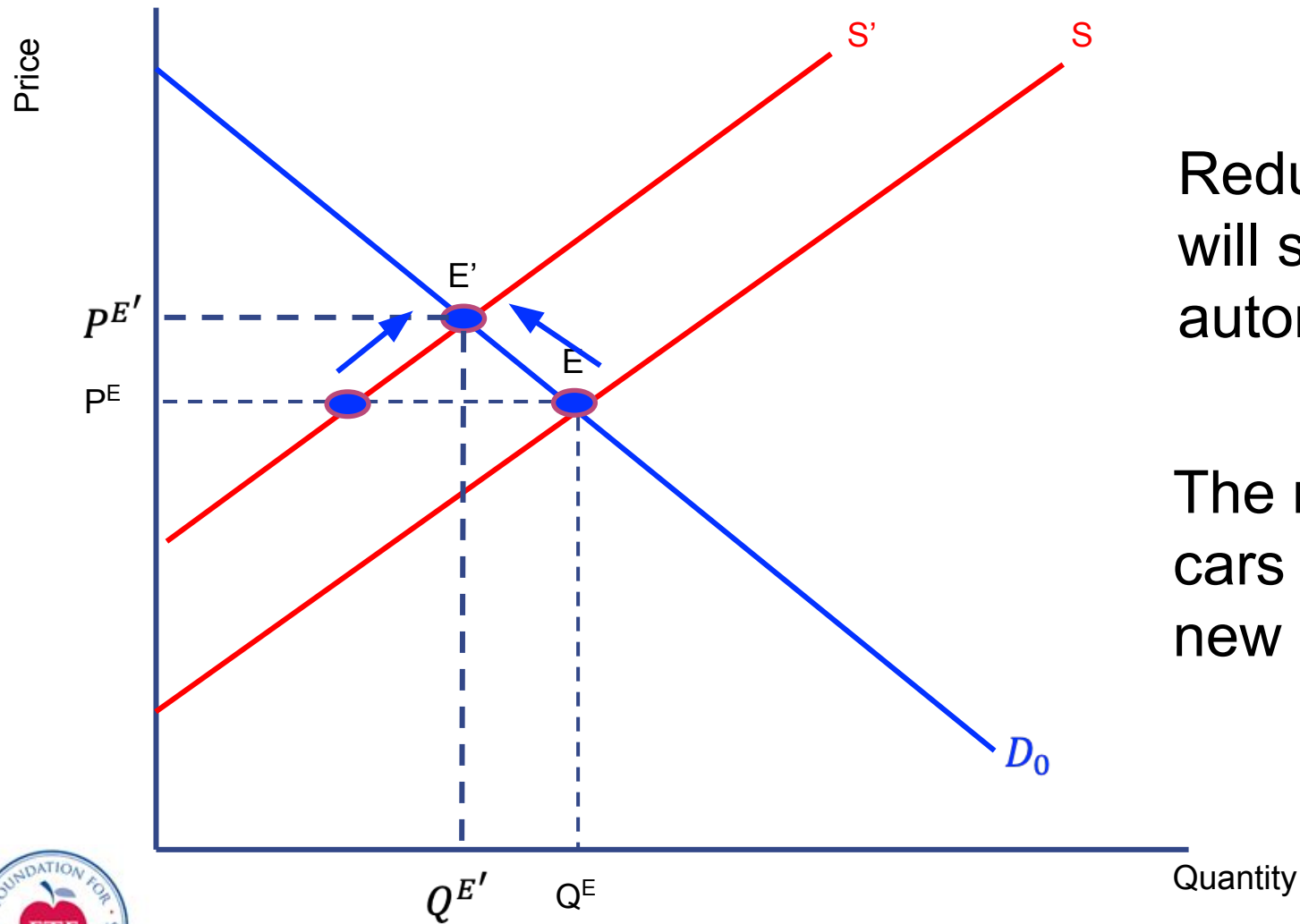
This is a strike that grows over time, giving our national negotiators maximum leverage and maximum flexibility to win a record contract.



Why is UAW striking?

- 40-46% pay raise
- CEOs and higher ups have seen between 21 - 77% pay bump over the last four years
- Shorter work week
- Pension packages
- Companies have been extremely profitable
 - Price of new cars rose from \$39,000 to \$49,000 in just three years
- Autoworkers feel it's their time after sacrificing during the Great Recession

The Economics Behind Strikes



Reduction in availability of workers will serve to decrease the supply of automobiles.

The reduction in the supply of new cars will lead to higher new car prices.

What's your favorite "binge worthy" show?



Students, write your response!

What Amanda
will binge after
this workshop!



Economics for Leaders

2 - Writers Guild of America



Why are they striking?

1. AI has posed a threat to actors' digital images, likenesses, talent and writers' talent
 - a. regulations, but how?
2. Streaming services have eroded pay, while streaming services enjoy increased profits.
3. Changes since cable TV era



What does it mean for you?

1. Upcoming movies with A and B list actors/actresses will be put on hold
2. Favorite TV shows won't be back anytime soon
3. Promotional appearances and awards shows like the Emmy's and other premieres will be halted



Shows Impacted



Economics for Leaders

Potential Consequences

Pro

- can result in higher wages
- improved work environment
- higher productivity
- reduction in wage disparities
- improved civic engagement

Cons

- may discourage FDI in the US and/or outsourcing
- may make U.S. companies uncompetitive with foreign rivals
- shift to automation
- disillusioned workers
- rise in prices of products

Questions?





FOUNDATION FOR TEACHING ECONOMICS

FALL 2023 TEACHER PROGRAMS



www.fte.org

ONE DAYS: Virtual*

Saturday, October 14 - *Economics of Disasters*

Saturday, November 4 - *Economic Forces in American History*

Saturday, December 9 - *Making Sense of the Federal Budget, Debt & Deficits*

WORKSHOP: Virtual

Wednesday, October 18, 7pm EST/4 pm PST - *What is Socialism? Part 1*

Wednesday, November 15, 7pm EST/4 pm PST - *What is Socialism? Part 2*

WEBINARS: Virtual

Wednesday, October 25, 7pm EST/4pm PST - *A Hard, Soft, or No Landing? Examining the American Economy with Economist Scott Baier*

RESIDENTIAL PROGRAM*

November 10-12 - **Economic Issues for Teachers - Alexandria, VA**

*Optional graduate credit available for an additional fee.



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