Solutions Manual for Labour Market Economics 2026 Canadian Release 1st Edition by Benjamin, Foley, Gunderson, Lemieux, Schirle, Skuterud

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CHAPTER 1
Introduction to Labour Market Economics

Answers to End-of-Chapter Review Questions

1. **(LO2, LO4)** We want to analyze markets like the one outlined here — the supply and demand framework for the labour market — in order to understand the main factors driving outcomes, like employment and wages. We will learn later on that these are driven by the decisions of employers and employees. To do so, we develop a model, which is a simplified representation of the reality of the labour market. To construct a model, we begin by defining the key actors whose behaviour we want to analyze. In our model of the labour market, we will focus on three actors or participants: individual workers, firms, and governments (both as employers and as establishing rules and regulations). Models typically contain functions of some kind, which will be pretty simple for this course. The goal is not to imitate reality in all of its details, but rather to explain how the labour market functions.

2. **(LO2)** Except during economic recessions, we frequently hear employers complaining about the difficulty in finding suitable workers to fill job vacancies. Within the confines of the theoretical, neo-classical supply and demand framework, one might recommend that they offer higher wages to raise the quantity supplied of labour. In practice employers typically respond that they cannot afford to pay higher wages. We would eventually expect competitive pressure to drive up the wage towards its equilibrium level, which should clear up the labour shortage.

3. **(LO2)** If this person is able and willing to work at the going wage but is unable to find work, then it is a case of involuntary unemployment. It is possible, however, that they are unwilling to accept work at the going equilibrium wage. If they consider this wage to be too low, then it is a case of voluntary unemployment. According to the model of labour supply and demand in a competitive framework, the recommendation is that they lower their sights as far as their wage expectations are concerned.

4. **(LO1)** This is an extremely open-ended question, so answers may vary.