

CONCEPT: DIFFERENCES IN WAGES

- Not all jobs are created equal! Some jobs are easy, some are hard. Some aspects of a job may be unpleasant.

☐ **Compensating differential** – a higher wage that rewards a worker for taking a less pleasant job

Nice Guy Nick's Flower Shop → Wage \$_____

Angry Andy's Flower Shop → Wage \$_____

- The worker's **human capital** will also affect her wage.

☐ **Human capital** – represents the education and training of the workforce

- Higher human capital → _____ wage

- Lower human capital → _____ wage

- Some employers pay wages above equilibrium as an _____ to their employees.

☐ A wage _____ the equilibrium wage is called an **efficiency wage**

- The opportunity cost of losing an efficiency-wage job is _____

- If you are fired, you will likely have to accept a _____ paying job (non-efficiency wage)

- Workers are motivated to perform well to avoid being fired

- How do “superstars” make so much money? The equilibrium wage depends on the _____

☐ Professional football players create football games, which can be sold at a very high price

- The supply of professional football players is _____

- The demand for professional football players is _____

☐ High school teachers create educational products, which can be sold at a very low price

- The supply of high school teachers is _____

- The demand for high school teachers is _____