



The Tug-o-War of Labor Markets | Lesson Plan

How do businesses and workers decide what a job is worth?

Students will understand that in a market economy, wages are determined by the interaction of supply and demand for labor and that both businesses and workers make decisions based on costs, benefits, and individual preferences.

Learning Objectives:

- Explain how supply and demand determine wages in a competitive labor market.
- Analyze how the interests of employers and workers interact to influence wage levels and employment.
- Apply the concepts of marginal product of labor, substitution effect, and income effect to real-world labor decisions.
- Compare the substitution and income effects to determine how workers might respond differently to wage changes.
- Summarize how free markets help workers and employers make individual decisions that affect the overall economy.

Key Vocabulary:

- **Labor Market:** The availability of employment and labor, in terms of supply and demand.
- **Labor Demand:** The total number of workers that businesses are willing to hire at different wage levels.
- **Labor Supply:** The number of hours workers are willing to work at different wage levels.
- **Equilibrium Wage:** The wage at which the number of workers employers want to hire equals the number of workers willing to work.
- **Marginal Product of Labor (MPL):** The extra output a business gets by hiring one more worker, with everything else staying the same.
- **Substitution Effect:** The idea that when wages go up, working becomes more attractive than leisure, so people may work more.
- **Income Effect:** The idea that when people earn more income, they may choose to work less and enjoy more free time.

Educational Standards: CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6

Academic Subject Areas: Economics, Government & Civics, Business & Personal Finance

What You'll Need

- Video: *Ca\$h Cour\$e: The Tug-o-War of Labor Markets* (Watch [Here](#))
- Worksheet: *Ca\$h Cour\$e: The Tug-o-War of Labor Markets* (Click [Here](#))
- Classroom whiteboard and dry-erase markers (or use a technology solution if available).

Scan to watch episode:



Lesson Plan (50 mins.)

Warm-Up: (10 mins.)

1. Begin with a quick sports analogy: Imagine the school basketball team only has 10 spots, but 30 students show up to try out. The coach can't take everyone.
2. Ask the class: How does the coach decide who makes the team? (Pause and let the students reflect or turn and talk briefly.) Follow up with one more question: What would you do to increase your chances of being picked? What traits or skills would a coach be looking for?
3. Explain that students will learn about labor markets and how they work today. Introduce the following terms on the board and ask students to take notes on each term. Examples are provided for each; definitions can be found in the **Key Vocabulary** section above. Define each term and go over examples for each, making sure students have a good grasp of the terms before moving on.

Examples:

- **Labor market:** A job fair where companies set up booths, and students apply for summer jobs is part of the labor market.
 - **Labor demand:** If a restaurant is really busy, it might want to hire five more servers, but only if it can afford to pay them \$12/hour.
 - **Labor supply:** A student might be willing to work weekends for \$18/hour but not for \$8/hour.
 - **Equilibrium wage:** A coffee shop finds that offering \$14/hour fills all its open barista positions; that's the equilibrium wage.
 - **Marginal Product of Labor (MPL):** A pizza shop hires a third cook, and now they can make 20 more pizzas per day; that's the cook's MPL.
 - **Substitution effect:** A teenager starts working more shifts at a car wash after the pay jumps from \$10 to \$20/hour.
 - **Income effect:** After getting a raise, a graphic designer decides to take Fridays off – she still earns enough to live comfortably.
4. Have students come up with a few examples of their own to test understanding.
 5. Transition to today's enduring question and explain that this question will help guide their understanding of today's lesson: *How do businesses and workers decide what a job is worth?*
 6. Once students are familiar with the basic terms and ideas, explain that they'll now watch a short video that brings these concepts to life. The video uses real-world examples and visual storytelling to show how labor markets work, what affects wages, and how workers and businesses make decisions.
 7. Let students know they'll be expected to discuss and apply what they see, so they should watch carefully for moments that connect to the vocabulary they just reviewed.

Watch and Discuss: (20 mins.)

1. Show the *Ca\$h Cour\$e: The Tug-o-War of Labor Markets* video to the class.

2. Note to teachers: watch straight through or pause at key moments if you want to clarify MPL or substitution/income effects.
3. After the video, ask the following discussion and comprehension questions:
 - Which part of the video helped you best understand how wages are set, and why?
 - What does the video say about how businesses decide to hire someone?
 - Explain the income effect and how it differs from the substitution effect.
 - What is the MPL, and how does it help a business decide whether to hire someone?
 - How is an equilibrium wage reached in a labor market?
4. Give each student the “Cash Course: The Tug-o-War of Labor Markets” Worksheet and allow them to complete it independently or in pairs.

Wrap-Up: (20 mins.)

1. If students haven't already, allow them to finish the worksheets. Use this time to circulate, answer questions, and check for understanding.
2. Review and Reflect (Optional): Go over selected questions together, especially:
 - Multiple choice items tied to real-world reasoning
 - The application question
3. Wrap-Up Prompt (Board or Exit Ticket)
 - What's one thing you now understand about how wages are set that you didn't before?
 - Students can write a quick response on an index card or notebook, or submit it at the bottom of their worksheet.
4. Collect Worksheets: Use the completed worksheet as a way to assess comprehension and mastery of the lesson objectives.

Don't have time for the full lesson? Quick Activity (10-15 mins.)

Distribute the worksheet and allow students to complete it while they follow along with the video. Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.