**Reading 1 Handout – Answer Key**

**The Economics Lowdown – The Labor Market**

*Answers are shown in* **red***.*

**Vocabulary Assessments**

1. **Pronunciation**

Directions: Identify the correct vowel sound of the **red** letter in each word.

1. L**a**bor (the letter “a”)
   1. **Long A**
   2. Long O
   3. Short O
   4. Short A
2. Equil**i**brium (the letter “i”)
   1. Long E
   2. Long I
   3. Short E
   4. **Short I**
3. Subst**i**tution (the first letter “i”)
   1. Long E
   2. Long I
   3. Short E
   4. **Short I**
4. Sh**i**ft (the letter “i”)
   1. Long E
   2. Long I
   3. Short E
   4. **Short I**
5. C**o**st (the letter “o”)
   1. Long A
   2. Long O
   3. **Short O**
   4. Short A
6. **Odd One Out**

Directions: Identify the word that does not belong for each set of words.

1. **Labor**: job, employee, **education**, occupation
2. **Equilibrium**: balanced, **unfair**, equal, stable
3. **Substitution**: replacement, alternative, exchange, **remain**
4. **Shift**: change, **constant**, transition, adjustment
5. **Opportunity Cost**: **demand**, alternative, trade-off, choice
6. **Complete the Sentence**

Directions: Fill in the blanks with the appropriate vocabulary words.

Word Bank: substitution, equilibrium, shift, labor market, opportunity cost

1. Have you participated in the **labor market**? If so, you've been actively looking for a job.
2. The **equilibrium** price is the point where the demand for labor meets the supply, resulting in a stable wage.
3. The **substitution** effect explains why people tend to work more when they are offered higher wages.
4. A **shift** in the job market happens when there are sudden changes in the number of jobs available.
5. When deciding between working and relaxing, it's important to consider the **opportunity cost** - the value of what you could have done instead.

**Reading 1 Comprehension Check**

Directions: Read the article and choose the correct answer for each question:

1. What is the labor market?
   1. A place to buy and sell goods
   2. **A marketplace for jobs and workers**
   3. A financial institution
   4. An educational institution
2. What is the “good” being bought and sold in the labor market?
   1. Services
   2. Goods
   3. **Labor**
   4. Tools and equipment
3. What happens in the labor market?
   1. Individuals demand goods and services
   2. Firms supply labor
   3. **Individuals supply labor**
   4. Firms demand goods and services
4. How does the supply of labor graph look?
   1. **Upward slope**
   2. Downward slope
   3. Straight line
   4. Circular pattern
5. What determines the demand for nurses?
   1. The demand for goods and services
   2. The substitution effect
   3. The opportunity cost
   4. **The demand for healthcare services**
6. What is one factor that affects the number of workers in given professions?
   1. The equilibrium price
   2. The substitution effect
   3. **The comparative attractiveness of jobs**
   4. The shift in the labor market
7. What should you do if you want to earn higher wages, according to the article?
   1. Choose jobs with low demand.
   2. **Find professions with high demand and a small supply of qualified providers.**
   3. Stick to your current profession.
   4. Avoid education and training opportunities.