- involuntarily unemployed

- at a given wage rate a person would like to work more hours

- the labor market is demand constrained (disequilibrium economics)

\[ N^d \text{ (at wage OA)} = AB \]
\[ N^s \text{ (at wage OC)} = AC \]

\[ \text{involuntary unemployment} \quad (AC - AB) \]
- $w$ and $p$ are closely correlated

- A decrease in $w$ would result in a decrease in $p$
Involuntary unemployment: how does it disappear?

**Answer: Micro 1st**
- Accept lower $w$, $p$ will remain constant

**Answer: Macro 1st**
- $w$ and $p$ move together; lowering of $w$ will lower $p$; $w/p$ will remain near constant
- Shift $N^D$ to the right
- Shift $N^S$ to the left

Better approach

[work-sharing, shorter hours, discouraged workers]
Employment and Wages

• Discouraged Workers
  • People who are available and willing to work but have made **not specific efforts** to find a job within the previous four weeks.

*Note the specific definition*