

# [Labor supply and demand scenario custom research](https://assignbuster.com/labor-supply-and-demand-scenario-custom-research/)

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Area of Employment

The area of employment that will be used for this analysis is the real estate industry; more precisely, the specific job function that will be the basis for the analysis is the real estate agent.  The hypothetical shift that will shape the subsequent sections of this scenario is a high job growth rate.

Why Has the Shift Occurred?

The shift has occurred due to an increased demand for real estate, which has led to an increased demand for real estate agents to serve the needs of potential buyers.  It should be noted, however, that this shift has emerged in the real estate industry due to the fact that real estate presents anenvironmentof perfect competition, whereby there are many competitors who can freely pursue opportunities in a free market setting (Mankiw, 2004).

Direction of Shift in Labor Supply and Demand

In a scenario that represents increased numbers of real estate agents due to additional potential buyers of real estate, there are several economic factors at work.  First, as demand for the product of real estate increases, so will the price of real estate, given a limited supply.  Likewise, the demand for agents to sell the real estate will increase, and the cost of those agents (real wages) will increase while at the same time, the supply of agents will likely decrease. This is a demonstration of the neoclassical theory of distribution (Mankiw, 2004).

Effect of the Scenario on Labor Market Equilibrium

The effect that this scenario will have on labor market equilibrium is that as the supply of available real estate agents decreases, the price of those agents (wages) will increase. This in turn may slow the demand for agents overall if lower priced alternatives are sought, such as less employees taking on moreresponsibility.  This is a classic example of equilibrium in labor demand (Mankiw, 2004).   
References

(Mankiw N G 2004 Principles of Economics)Mankiw, N. G. (2004). Principles of Economics (3rd ed.). Chicago: Thomson South-Western.