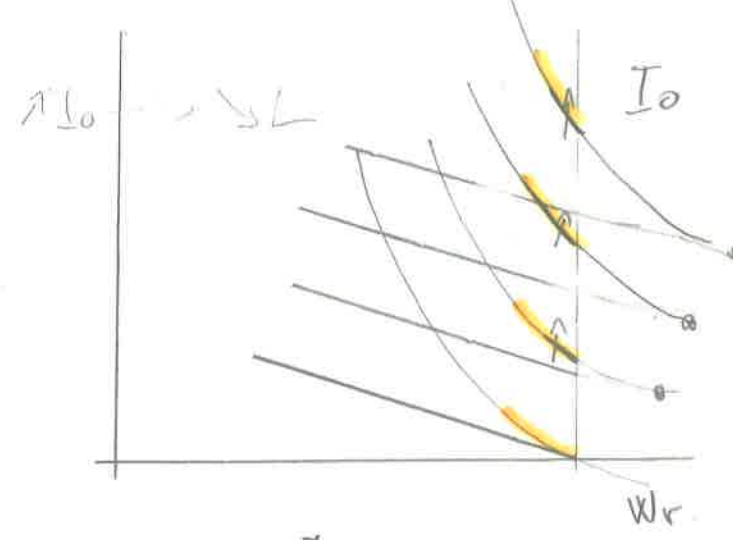
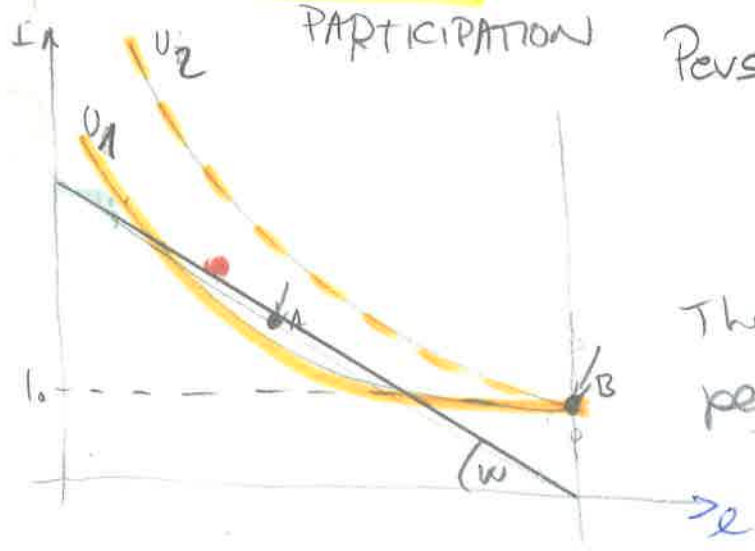


$\uparrow I_0 \rightarrow \uparrow L, \downarrow L$



$\uparrow I_0 \rightarrow \uparrow W_r$

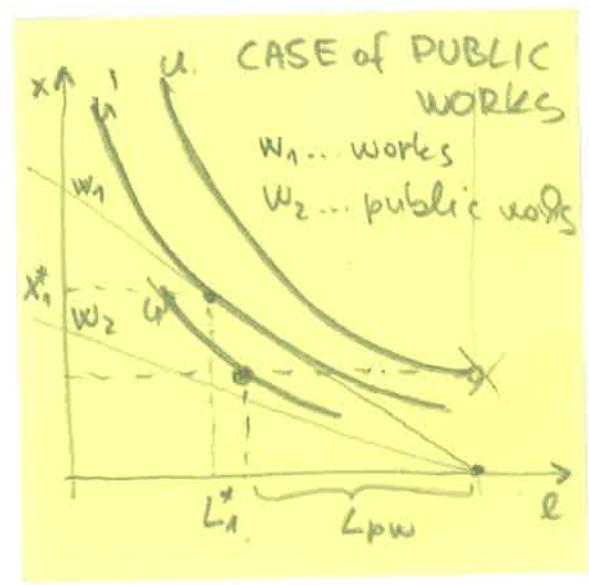
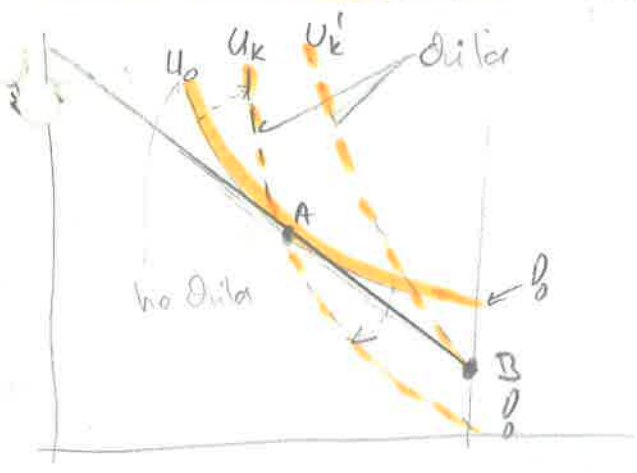
CASE OF WELFARE - I_0 if $L=0$
PARTICIPATION



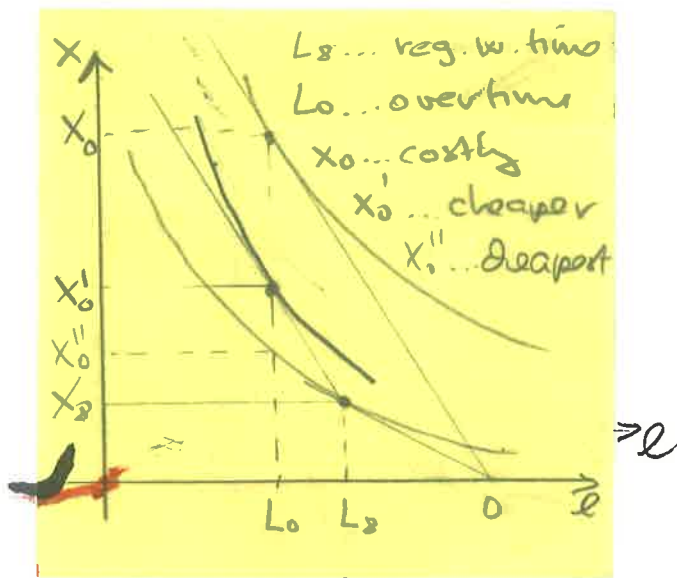
Person ① will work in both cases
 Person ② will not work if $l_0 > 0$

The higher w , the less likely people choose B

CASE OF CHILDREN - WHEN child is born, utility changes (↑ value of "leisure")
 if no child $\sim U_0 \rightarrow A$
 if child born $\sim U'_2 \rightarrow B$ - home care



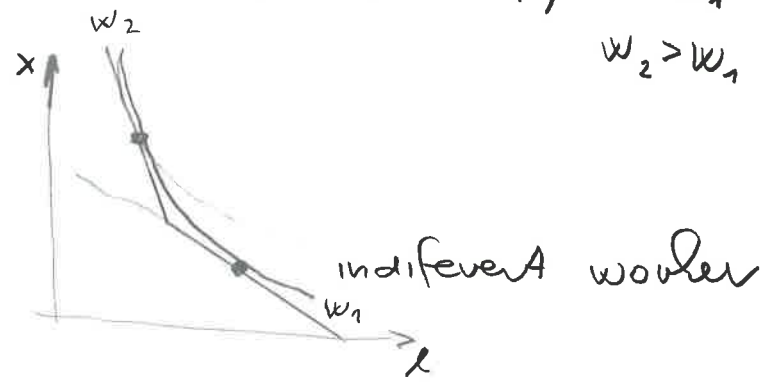
EX Overtime work



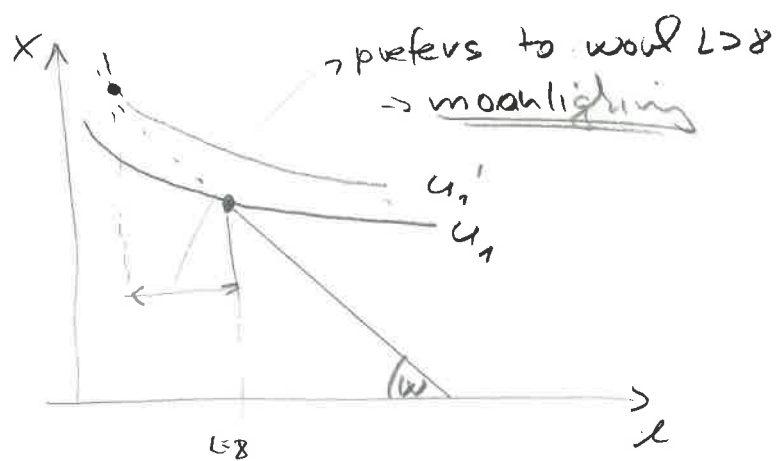
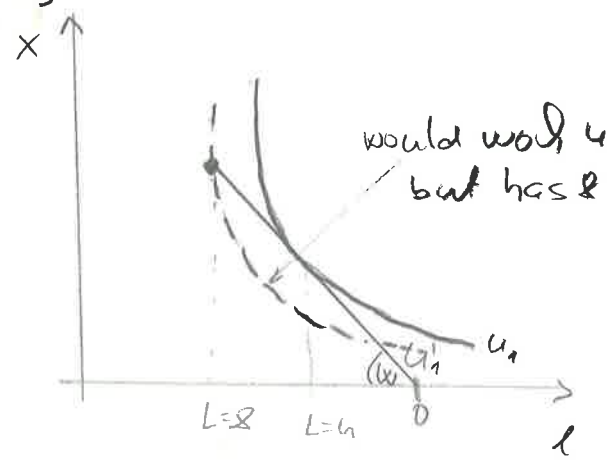
$$X = X_0 + w_1 L_1 \quad L_1 < L_0$$

$$= X_0 + w_1 L_0 + w_2 (L - L_0) \quad L > L_0$$

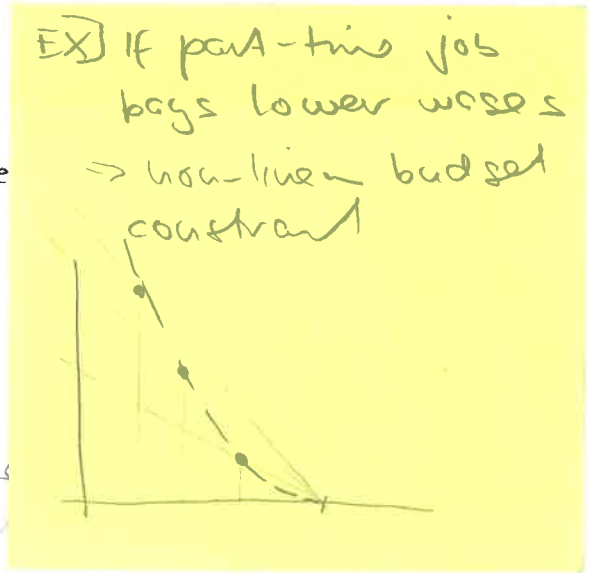
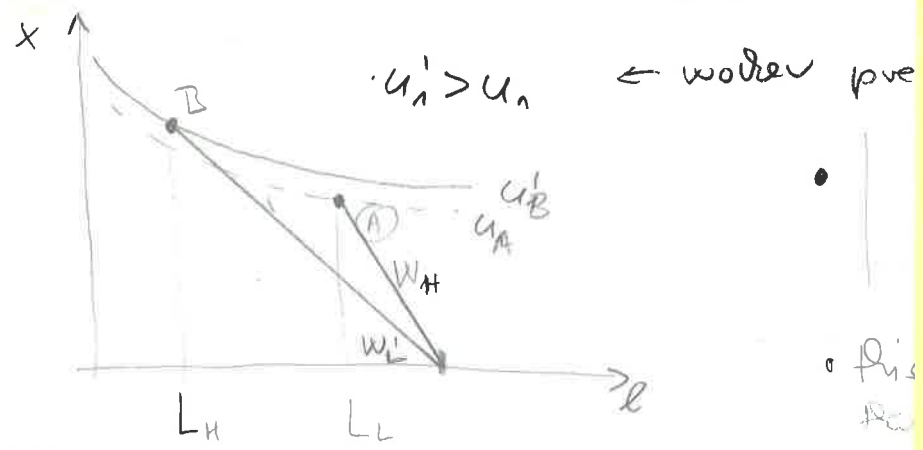
$$w_2 > w_1$$



EX If 8 hours is the only choice!



EX 2 jobs $\begin{cases} \text{high } w \text{ low } L_L \text{ (A)} \\ \text{low } w_L \text{ high } L_H \text{ (B)} \end{cases}$



EX Sleeping Time - Borjas pp. 42

Fixed costs of work-rest