Clearing labor market

Employment (N)
Labor force participation (L)

Labor supply
Labor demand
Minimum wage

- Labor supply
- Labor demand

\( \bar{w} \)
Minimum wage

Labor supply

Labor demand

Unemployment

$\bar{w}$
Reduction in minimum wage

- Labor supply
- Labor demand
- Unempl.

$\bar{w}$

$\bar{w}'$
Reduction in minimum wage and stronger labor supply incentives
Only stronger labor supply incentives
Unemployment Sweden

Born in Africa and Asia

Born in Sweden
Cumulative changes in disposable income (excl. capital gains) per household member relative to median for 10 income deciles