Answers to Example 3: Cafeteria manager

Rule 1: Unless the firm is quite isolated, there are probably lots of places to buy lunch. Plus people can bring their own lunch. Therefore, by Rule 1, demand for cafeteria managers is elastic.

Rule 2: The company could go to an all-vending machine method or could decide to bring in a fast food company to provide lunch. Because there are some alternatives that are not terribly difficult to implement, by Rule 2, demand for cafeteria managers is elastic.

Rule 3: The elasticity of supply of vending machines and fast food companies willing to provide food service is high. So looking just at the availability of inputs using an alternative technology, demand for cafeteria managers is elastic. In addition, although the job requires some skills and experience, it is likely that there is a good supply of people who could do the job (i.e., many perfect substitutes). Therefore by Rule 3, demand for cafeteria managers is elastic.

Rule 4: Cafeteria share of total production costs will be very low. Therefore by Rule 4, demand for cafeteria managers is in elastic.

Conclusion: Demand for cafeteria managers is elastic.