



Carleton
UNIVERSITY

FINAL
EXAMINATION
APRIL 2001

CW
279

DURATION: 2 HOURS

No. of Students: 20

Department Name & Course Number: Economics 43.537* W
Course Instructor(s) Instructor: C. Worswick

AUTHORIZED MEMORANDA

NONE

Students MUST count the number of pages in this examination question paper before beginning to write, and report any discrepancy to a proctor. This question paper has 2 pages.

This examination question paper MAY be taken from the examination room.

In addition to this question paper, students require: an examination booklet yes no
a Scantron sheet yes no

Percentage of Assessment: 50 %

Students are required to answer all questions.

Each question has equal weight.

Please read all of the questions carefully before beginning. Part marks will be given for each part of each question. There are 2 pages to this examination paper.

1. State whether or not the following causes of wage differences across two workers could be explained by compensating differentials and provide an explanation for your answer:
 - a) Person A works in a job where there is a high risk of injury and person B works in a job with a low risk of injury.
 - b) Person A works in a job that requires a high skill level and person B works in a relatively unskilled job.
 - c) Person A works in a job that requires a great deal of travel and person B works in a job that does not require travel.
 - d) Person A works in a job covered by a union collective bargaining agreement and person B works in a job that is not covered by a union collective bargaining agreement.

C.Wr

2. This question deals with dual labour market models and discrimination.
 - a) Describe the intuition behind a dual labour market model.
 - b) In the shirking version of the efficiency wage model, why do firms with "good" jobs not offer to hire workers who are currently in "bad" jobs at lower wages than they employ the workers in their "good" jobs in equilibrium?
 - c) Why do firms only offer "good" jobs to men in the Bulow and Summers model?
 - d) Contrast the Francois model of discrimination with the model of Bulow and Summers.

3. This question relates to the econometric analysis of wages.
 - a) Write down a human capital wage equation and explain what variables are included to capture the effects of different levels of human capital on wages.
 - b) If ability is imperfectly measured in your data set, show mathematically and explain intuitively how this might bias the estimated coefficients of your model in a)? ↪ error might add to wage
 - c) If you wanted to test for the presence of compensating wage differentials in your model from a), how would you go about doing this?
 - d) How would you control for the effects of changing macroeconomic conditions on wages in your model in a)?

END OF EXAMINATION

CARLETON UNIVERSITY
DEPARTMENT OF ECONOMICS

Labour Economics 43.537*W

Final Examination, April, 2002

Instructor: Prof. Christopher Worswick

Examination Duration: 2 hours.

Percentage of Assessment: 50%

Students are required to answer all questions.

Each question has equal weight. No materials are authorised. Electronic calculators must not be used.

Please read all of the questions carefully before beginning. Part marks will be given for each part of each question. There are 2 pages to this examination paper.

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 - a) Write down a human capital wage equation and explain what variables are included to capture the effects of different levels of human capital on wages.
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 - c) How would you control for the effects of changing macroeconomic conditions on wages in your model in a)?

If you wanted to test for the presence of implicit contracts in wage determination, how would you go about doing this?

2. This question relates to the estimation of union non-union wage differentials.
 - a) Describe the type of data you would use to compare wages of union and non-union workers.

b) How would you control for differences in human capital between union and non-union workers? (dummy variable?)

c) Write down a selection model that allows for endogenous participation in the union versus the non-union sector. Describe the variables that you would use to explain union participation.

d) Show mathematically and describe intuitively the effect of selection into the union on the expected wage of a unionized worker.

$$E(w | \beta = 1, s_i, x_i) \text{ of 2}$$

part i region & union

$$w_i = \beta_0 + \beta_1 s_i + \beta_2 x_i + \beta_3 x_i^2 + \beta_4 + \beta_5$$

1 d) if look @ past wages and always increasing then protected agents...

Handwritten notes:
 D.
 look @ unemployment rates and look at wages
 u_{t-j}
 u_{t-j}