

Econ 371  
Exam 3

1. Which of the following is *not* a source of persistent compensating wage differentials?
  - a. migration from lower paying jobs to higher paying jobs
  - b. fringe benefits
  - c. job status
  - d. different skill requirements
2. All else equal, the wage paid to steelworkers in Youngstown, Ohio will be lower if:
  - a. the cost of living in Youngstown is lower than elsewhere
  - b. working in the steel industry is louder and more dangerous than similar jobs
  - c. steelworkers have less control over their work environment than in similar jobs
  - d. there are fewer prospects for promotion among steelworkers than in similar jobs
3. The concept of *noncompeting groups* suggests that workers in different groups:
  - a. are legally prevented from competing with one another
  - b. are imperfect substitutes for one another
  - c. have comparable characteristics but work for firms in different industries
  - d. have identical stocks of human capital but differing preferences for nonwage job characteristics
4. Compared to present-oriented people, individuals who are more future-oriented tend to have \_\_\_\_\_ discount rates and consequently tend to obtain \_\_\_\_\_ education and earnings:
  - a. lower; more
  - b. higher; more
  - c. lower; less
  - d. higher; less
5. A monopsonist is currently paying its 1,000 workers \$5.00 per hour. Its marginal wage cost is \$6.00 per hour, however. If the government sets a minimum wage of \$5.50, then:
  - a. employment at this firm will rise
  - b. employment at this firm will fall
  - c. employment at this firm will be unaffected
  - d. employment at this firm will rise but the firm's total wage bill will fall
6. Examining evidence on the impacts of increases in state minimum wages in New Jersey and California, Card and Krueger found:
  - a. substantial reductions in employment, particularly among teens
  - b. no increases in wages of low-wage workers, because employers flouted the law
  - c. no evidence of reductions in employment
  - d. poor quality of the data collected by Neumark and Wascher
7. Which one of the following claims concerning the minimum wage is generally supported by empirical evidence?
  - a. The minimum wage has only a minor impact on the overall degree of income inequality
  - b. The minimum wage has increased teenage employment as a result of the shock effect
  - c. Union members suffer the greatest negative impacts of the minimum wage
  - d. The reduction in teen employment due to the minimum wage is less than the increase in unemployment
8. Currently, the minimum wage law does not apply to about 12% of non-supervisory workers. Assuming that all consequently displaced workers find jobs in the uncovered sector, an increase in the minimum wage will:
  - a. make all workers better off
  - b. cause a migration of workers from the uncovered to the covered sector
  - c. create additional output in the uncovered sector of a lower value than the output lost in the covered sector
  - d. cause an increase in economic rent to original workers in the uncovered sector

9. Which of the following best describes the amount of job safety?
- Firms have no incentive to provide a safe environment, so there is too little safety
  - Only unionized firms can negotiate for a safe environment, so they have safe jobs while nonunion workers must work in unsafe environments
  - Firms have some incentive to provide safety, but imperfect information and labor immobility lead safety to be over-provided
  - Firms have some incentive to provide safety, but imperfect information and labor immobility lead safety to be under-provided

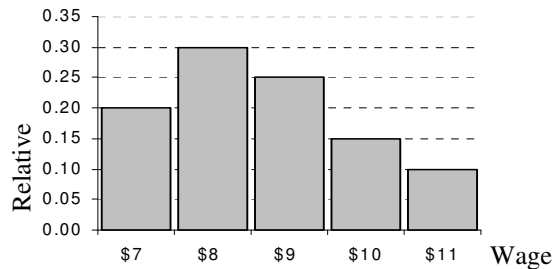
Answer questions 10 and 11 on the basis of the following table, in which  $MB_s$  and  $MC_s$  are the marginal benefit and marginal cost of safety, respectively.  $P_s$  is the probability that a worker will not suffer an injury on the job during a one year period, and is thus a measure of job safety.

$P_s$	$MB_s$	$MC_s$
.65	25	8
.70	22	10
.75	19	12
.80	16	14
.85	13	16
.90	10	18
.95	7	20

10. The profit-maximizing level of job safety is a probability level of:
- 0.65
  - 0.75
  - 0.80
  - 0.85
11. If workers underestimate the actual amount of risk associated with the job because of imperfect information, the values in the:
- $MB_s$  column will understate the true marginal benefit and the profit-maximizing level of job safety will be less than the optimal level
  - $MB_s$  column will overstate the true marginal benefit and profit-maximizing level of job safety will exceed the optimal level
  - $MC_s$  column will overstate the true marginal cost and the profit-maximizing level of job safety will exceed the optimal level
  - $MC_s$  column will understate the true marginal cost and the profit-maximizing level of job safety will exceed the optimal level
12. Empirical estimates of OSHA's effectiveness at reducing risk of injury and death on the job have:
- been mixed
  - shown no changes at all in fatal or non-fatal injuries
  - shown reductions in both fatal and non-fatal injury rates
  - shown increases in both fatal and nonfatal injury rates
13. Consider a proposed law to deregulate the hair-care industry. Barbers would be allowed to do work previously confined to stylists, and the latter would no longer be required to pass strict licensure exams. Which outcome would you expect to result from this deregulation?
- A decrease in economic rent to current stylists
  - A decrease in economic rent to current barbers
  - An increase in economic rent to beauty school operators
  - An increase in economic rent to workers in occupations in which displaced stylists find jobs
14. Which of the following would unambiguously increase the economic rent of *current* dental assistants?
- Requiring all future dental assistants to get an advanced degree
  - Requiring all current and future dental assistants to get an advanced degree
  - Requiring all current dental assistants to get an advanced degree
  - Requiring all dental assistants to work under the direct supervision of a dentist

15. The *major* cost of continued job search is:
- the cost of placing job-wanted advertisements in the newspaper
  - expenses paid to a job-placement agency
  - foregone wages of job offers not accepted
  - transportation expenses of going to job interviews

Question 16 refers to the following graph, which shows the probability distribution of wage offers for Sally, who is currently unemployed and searching for a job:



16. If Sally correctly anticipates an increase in the rate of inflation, then:
- both the acceptance wage and the entire distribution will shift to the left, thereby leaving expected search duration unchanged
  - the acceptance wage will shift to the right, thereby reducing expected search duration
  - the entire distribution will shift to the right, but the acceptance wage will not, thereby reducing expected search duration
  - both the acceptance wage and the entire distribution will shift to the right, thereby leaving expected search duration unchanged
17. Which of the following is *not* typically given as a reason for job search?
- Workers are heterogeneous
  - Information is imperfect
  - Firms' compensation packages differ from one another
  - Firms are homogeneous
18. Which of the following is *not* a characteristic of an internal labor market?
- A port of entry, at which workers gain access to the bottom of the job ladder
  - A hierarchy of jobs constituting the job ladder
  - A set of rules and procedures governing the wage structure
  - The appointment of a new company president who has little or no tenure at the firm
19. Which of the following contributes to a higher unemployment rate of African American youths compared to white youths?
- Both wage offer distributions and acceptance wages are lower for African American youths
  - The African American wage offer distribution is to the right of the white distribution
  - White youths have a higher acceptance wage than African American youths
  - African American youths have a higher acceptance wage than white youths
20. Internal labor markets benefit senior employees by:
- forcing the firm to pay all of the expenses associated with general training
  - providing them with greater freedom through the informal work rules associated with such markets
  - providing them with increased protection from job layoff
  - protecting them from pay cuts when they leave the firm for other jobs