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Family Name					
Given Name/s					
Student Number					
Teaching Period	Semester 1, 2018				

ECO207 – Labour Market Issues	DURATION	
	Reading Time:	10 minutes
	Writing Time:	180 minutes

INSTRUCTIONS TO CANDIDATES

Section A: Suggested Time: 20 mins	Multiple Choice Questions: Answer ALL 10 questions. Marks as indicated on paper
Section B: Suggested Time: 80 mins	Short Answer Questions: Answer ALL 4 out of 5 questions Marks as indicated on paper.
Section C: Suggested Time: 80 mins	Short Essay Question: Answer ALL 2 questions. Marks as indicated on paper.

EXAM CONDITIONS

You may begin writing from the commencement of the examination session. The reading time indicated above is provided as a guide only.

This is a RESTRICTED OPEN BOOK examination

Any calculator is permitted

No handwritten notes are permitted

Any hard copy, unannotated English dictionary is permitted

ADDITIONAL AUTHORISED MATERIALS	EXAMINATION MATERIALS TO BE SUPPLIED
No additional printed material is permitted	1 x 16 Page Book

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DOUBLE-SIDED.**

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Section A

Multiple Choice Questions

Section B

Short Answer Questions

Total no. of marks for this section: 40

Answer **any four** questions out of five questions

This section should be answered in the Answer Booklet provided. Each question is worth 10 marks.
Suggested time allocation for Section B: 80 minutes.

Q1. Explain why a lump sum government transfer can entice some workers to stop working (and entices no one to start working). Use diagrams to explain your answer.

Q2. What is the effect of an increase in the price of market goods on a worker's reservation wage, probability of entering the labour force, and hours of work? Use diagrams to explain your answer.

Q3. Suppose people with 15 years of schooling average earnings of \$60,000 while people with 16 years of education average \$66,000.

(a) What is the annual rate of return associated with the 16th year of education?

(b) It is typically thought that this type of calculation of the returns to schooling is biased, because it doesn't take into account innate ability or innate motivation. If this criticism is true, is the actual return to the 16th year of schooling more than or less than your answer in part (a)?

Q4. Show using a diagram how discrimination on the basis gender impacts equilibrium wages. What impact does this have on profits?

Q5. A bank has \$5 million in capital that it can invest at a 5 percent annual interest rate. A group of 50 workers comes to the bank wishing to borrow the \$5 million. Each worker in the group has an outside job available to him or her paying \$50,000 per year. If the group of workers borrows the \$5 million from the bank, however, they can set up a business (in place of working their outside jobs) that returns \$3 million in addition to maintaining the original investment.

(a) If the bank has all of the bargaining power (that is, the bank can make a take-it or leave-it offer), what annual interest rate will be associated with the repayment of the loan? What will be each worker's income for the year?

(b) If the workers have all of the bargaining power (that is, the workers can make a take-it or leave-it offer), what annual interest rate will be associated with the repayment of the loan? What will be each worker's income for the year?

Section C
Short Essay Questions

Total No of Marks for this section: 50 marks

Answer **all** questions

This section should be answered in the Answer Booklet provided. Each question is worth 25 marks.
Suggested time allocation for Section C: 80 minutes

Q1. Discuss human capital theory. Outline the shortcoming of human capital theory.

Q2. Discuss the short term and long term costs and benefits of immigration. How does migration impact inequality? What are the shortcoming and merits of having a skilled migration program in Australia?