UNIVERSITY
— OF —
JOHANNESBURG

DEPARTMENT OF ECONOMICS AND ECONOMETRICS

ECONOMICS 2F

SPECIAL ASSESSMENT: JULY 2014

APK CAMPUS

DATE: July 2014

ATTENDANCE SLIP

Surname: ....

Initials: ....

Student number: ....

Cell number:..

- This paper consists of 15 pages.

UNIVERSITY
— OF —
JOHANNESBURG

DEPARTMENT OF ECONOMICS AND ECONOMETRICS

ECONOMICS 2F

FINAL ASSESSMENT: JUNE 2014

APK CAMPUS

DATE: July 2014
MARKS: 100
TIME: 2 HOURS
ASSESSORS:, Ms JMM Viljoen & Me E Gouws
MODERATOR: Prof G van Zyl

SURNAME	
INITIALS	
STUDENT NUMBER	
CELL NUMBER	

Mark schedule

Section A	Mark	Q1	Mark	Q2	Mark	Q3		Q4	
						Section B			
MC[20]		1.1 [4]		2.1 [4]		3.1 [5]		4.1 [4]	
		1.2 [6]		2.2 [6]		3.2 [8]		4.2 [8]	
		1.3 [10]		2.3 [5]		3.3 [7]		4.3 [10]	
				2.4 [3]					

Total mark :

Answer the multiple choice questions on the attached answer sheet on page 15:

Questions 1 to 5 are based on the following diagram:
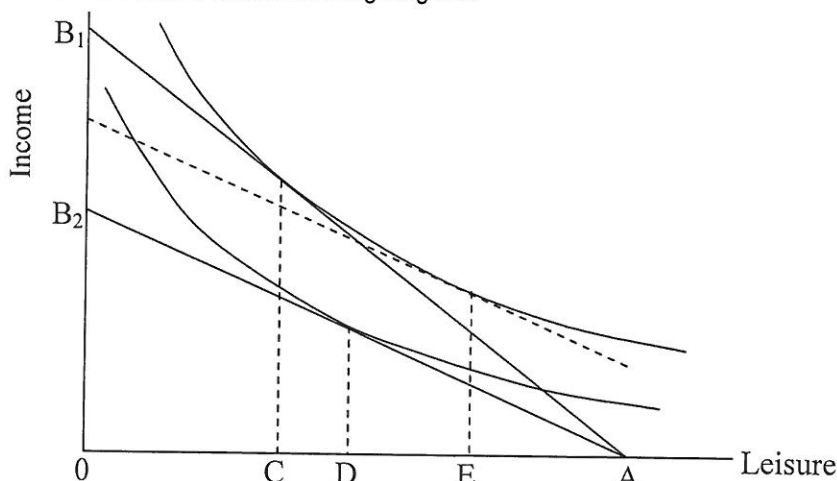
1. If the current wage rate results in a budget constraint of AB1, the individual will choose:
   a. 0C hours of work and AC hours of leisure
   b. AD hours of work and 0D hours of leisure
   c. 0D hours of work and AD hours of leisure
   d. AC hours of work and 0C hours of leisure

2. The shift from budget line AB1 to AB2 implies a(n):
   a. decrease in the wage rate
   b. decrease in non-wage income
   c. increase in the wage rate
   d. increase in non-wage income

3. The equilibrium positions shown imply that in the relevant wage range, this person is:
   a. on the upward sloping segment of the individual labour supply curve
   b. on the backward-bending segment of the individual labour supply curve
   c. at the point on the individual labour supply curve where the income and substitution effects are equal
   d. being offered a wage less than the reservation wage

4. The equilibrium positions shown in the diagram imply that for a wage increase:
   a. both the income and substitution effects increase desired work hours
   b. both the income and substitution effects reduce desired work hours
   c. the income effect increases desired work hours and the substitution effect reduces desired work hours
   d. the income effect reduces desired work hours and the substitution effect increases desired work hours

5. In the diagram, the substitution effect associated with a wage increase is shown by the distance:
   a. CD   b. DE   c. CE   d. 0C

6. "The industry mix of national output has changed from manufacturing to services." This fact is most consistent with the:
   a. managerial-opposition hypothesis
   b. union-growth hypothesis
   c. structural-change hypothesis
   d. substitution hypothesis

7. Which one of the following is an example of premarket discrimination:
   a.   wage discrimination   c.   occupational discrimination
   b.   employment discrimination   d.   human capital discrimination

8. Which of the following is a form of frictional unemployment?
   a.   Wait unemployment   c.   Cyclical unemployment
   b.   Structural unemployment   d.   Displaced workers

9. Which of the following is not a source of wait unemployment?
   a.   Temporary layoffs   c.   Efficiency wages
   b.   Union job queues   d.   Changes in the structure of the economy

10. Structural unemployment is characterized by:
    a.   a geographical or skill-based mismatch between available jobs and job seekers
    b.   deficient aggregate demand
    c.   unemployment in excess of the natural rate
    d.   wage rigidity

11. The type of unemployment commonly associated with displaced workers is:
    a.   search unemployment   c.   wait unemployment
    b.   structural unemployment   d.   demand-deficient unemployment

12. Which one of the following is a true statement?
    a.   Higher levels of education are associated with higher levels of structural unemployment
    b.   During a recession, cyclical unemployment rises but structural unemployment falls
    c.   Historically, technological change has created more jobs than it has made obsolete
    d.   During a recession, most unemployment is structural unemployment

13. Which of the following is a true statement regarding most countries' earnings distribution?
    a.   Because the distribution is skewed to the right, the mean exceeds the mode
    b.   Because the distribution is skewed to the right, the mode exceeds the mean
    c.   Because the distribution is skewed to the left, the mean exceeds the mode
    d.   Because the distribution is skewed to the left, the mode exceeds the median

14. Which of the following factors does not help explain why the earnings distribution is skewed to the right?
    a.   Family background
    b.   Discrimination
    c.   The impact of ability on human capital decisions
    d.   Churning within the distribution

15. Consider the folllowing Lorenz curve.
    The Gini coefficient is found as:
    a.   area A divided by area A + B
    b.   area A divided by area B
    c.   area A divided by area A + B + C
    d.   area B divided by area A + B

Percent of Population

4
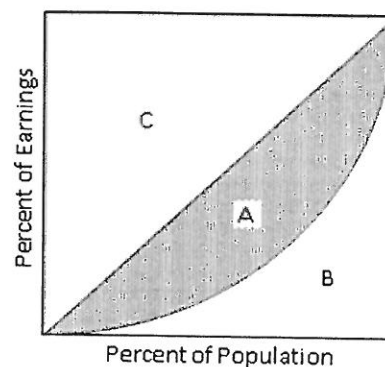
16. Discrimination in the form of access barriers to productivity-increasing opportunities is termed:
    a. wage discrimination
    b. employment discrimination
    c. occupational discrimination
    d. human capital discrimination

17. Discrimination that results in the payment of a lower wage rate to a female relative to an equally productive male is termed:
    a. wage discrimination
    b. employment discrimination
    c. occupational discrimination
    d. human capital discrimination

18. Assume that all workers are equally productive, but that male wages are R14 and female wages are R10. An employer who employs only male workers has a discrimination coefficient of:
    a. at most 0.4
    b. at least R4
    c. at most R4
    d. at least 10/14

Questions 19 and 20 refer to the following diagram, in which EC is the employer concession curve and UR is the union resistance curve.
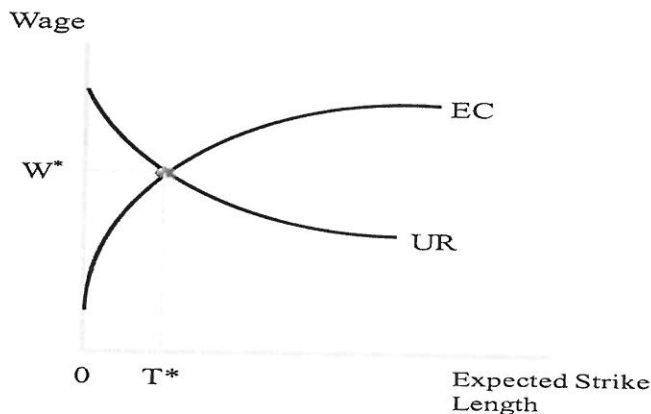

19. If both the union and the firm know the shape and position of the other's concession curve, then:
    a. a strike of length T* will occur
    b. the parties will agree on a wage of W*
    c. both a. and b. are correct
    d. neither a. nor b. are correct

20. The model assumes that, as the expected length of a strike increases:
    a. union wage demands fall and firm wage concessions increase
    b. union wage demands increase and firm wage concessions decrease
    c. uncertainty about the union's resistance and the employer's concessions increases
    b. uncertainty about the union's resistance and the employer's concessions decreases

Section B:

Question 1: Introduction, supply, demand and quality of labour.   **[20]**

1.1 Consider the following figure and answer the questions that follow relating to non-participation in the labour market.   (4)

Income/day
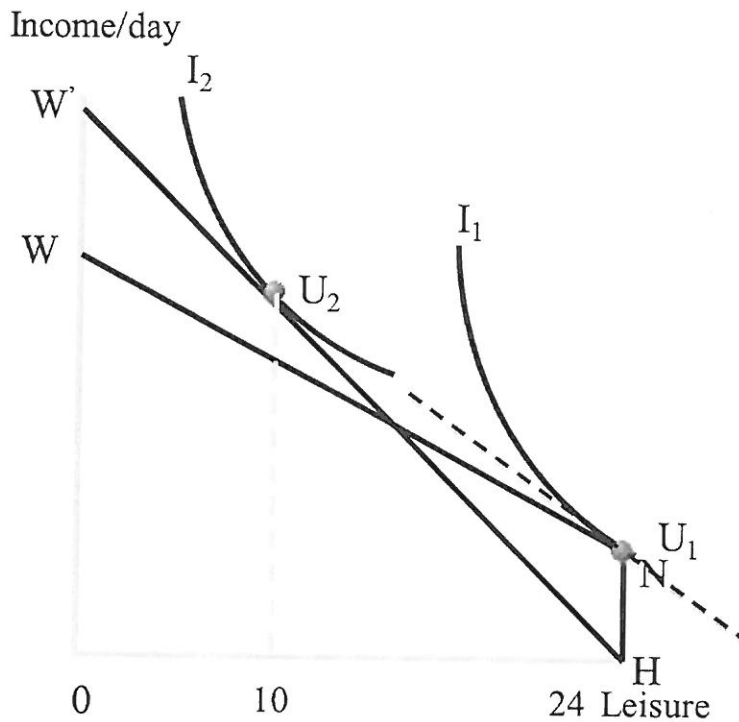
Question	Answer
1. If a person has a low wage rate, WN will be (steep or flat).	
2. What does line NH reflects?	
3. A person is more likely to participate in the labour market if he has: a (**high** or **low**) wage rate, (**high** or **low**) non-labour income, (**steep** or **flat**) indifference curves	
4. College students are (**more** or **less**) likely to participate in the labour force than other persons. Why?	
5. Define what the "reservation wage" is	

Student number_____

6

1.2. Why must the concepts of supply and demand, as they pertain to products be modified when applied to labour markets? Discuss the question under the following headings: (6)

Relative scarcity
Purposeful behavior
Adaptability

1.3 List five determinants that will cause a shift in the labour supply curve. Also indicate for each determinant what should happen to the determinant (increase or decrease) to cause the supply to increase. (10)

Student number_____

[Empty box]

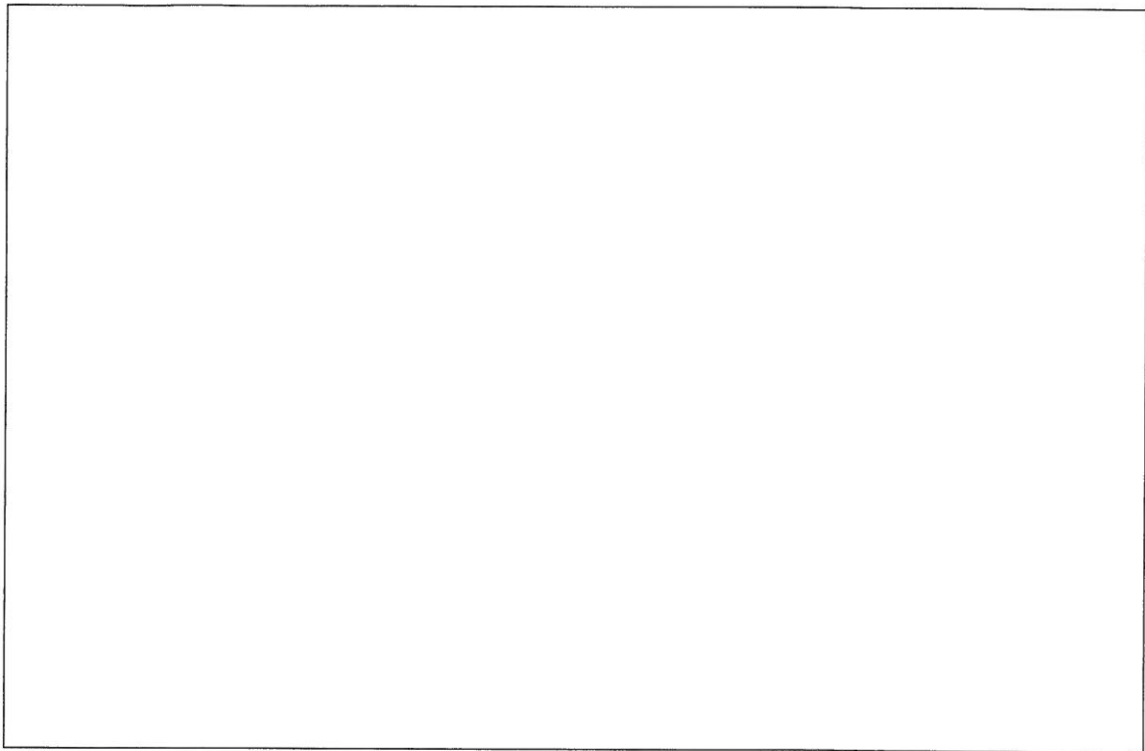## Question 2: Wage Determination and the Allocation of Resources [18]

2.1 Describe the meaning of the following concepts (listed below), used in terms of the earnings distribution. (4)

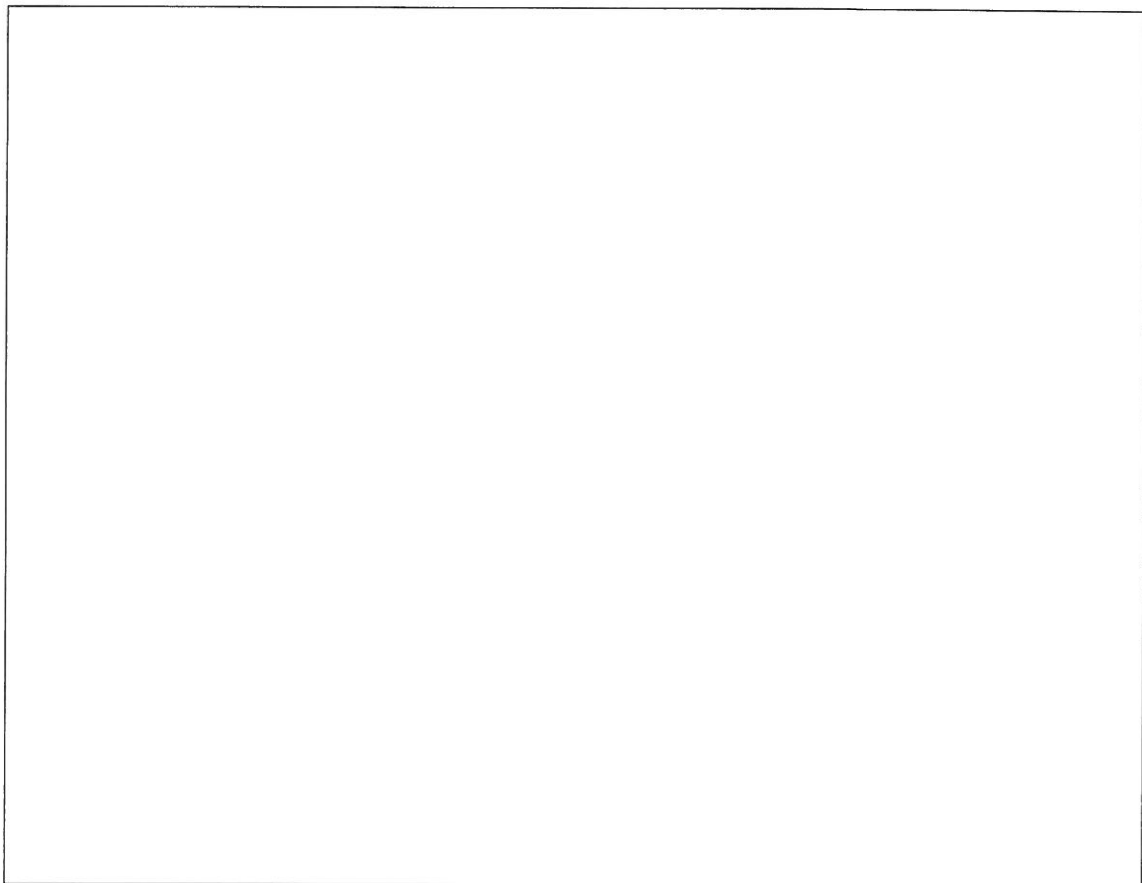| Concept	Description
deciles or quintiles	
median earnings	
mode	
churning	

2.2 Discuss the different types of mobility within the earnings distribution. (6)

[Empty box]

Student number_____

2.3 Illustrate and explain the difference between the short-run labour demand for a perfectly competitive and for an imperfectly competitive firm. (5)

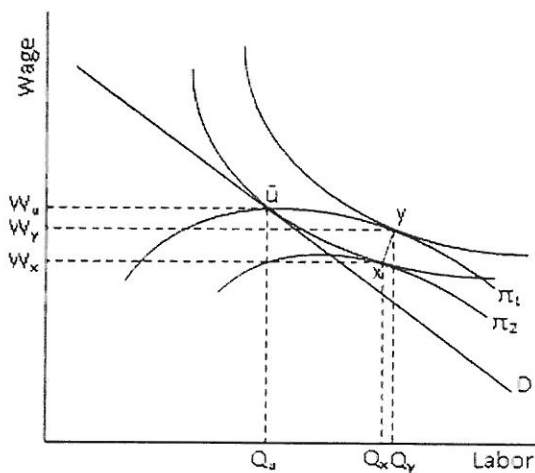2.4 Name three reasons why education and training is important. (3)

Question 3: Trade Unions: Collective Bargaining and Economic Impacts [20]

3.1 Consider the following figure below. In the paragraph that follows, circle the correct answers in the brackets relating to the efficient contracts model. (5)
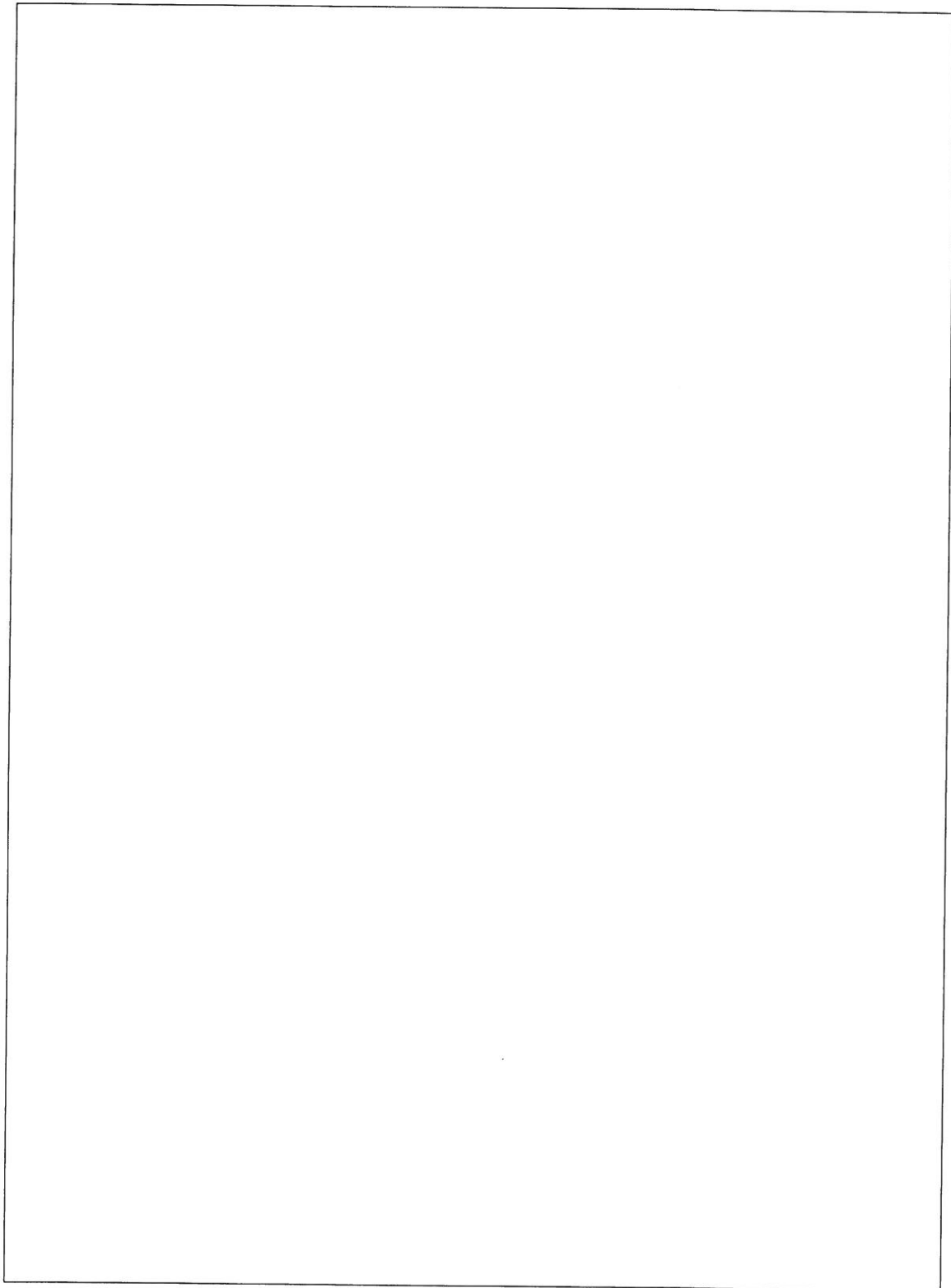

Statement	Correct	Incorrect
1. The monopoly union outcome is given by point ū.		
2. If the firm pays Wy and employs Qy workers, its profit will be lower than at ū		
3. The union is indifferent between outcomes ū and x		
4. An efficient labor contract entails wage and employment levels along the line xy		
5. Compared to the monopoly union outcome, wage and employment contracts along the bargaining curve between x and y entail higher utility to the union but lower profits to the firm		

Student number_____

3.2   Illustrate and explain delayed supply responses (Cobweb Model) in wage determination. (8)

Student number_____

3.3. Suppose that (a) employers must pay higher wages to attract workers from wider geographic areas and hence higher wages are associated with longer commuting distances (less of the amenity "closeness of job to home") and (b) females have greater tastes for having jobs close to their homes than males. Use the hedonic wage model to show graphically why a male-female wage differential might emerge, independently of skill differences or gender discrimination. (7)

Student number_____

Question 4: Labour Market discrimination, employment and unemployment [24]

4.1 Explain the difference between the official and expanded definition of unemployment and provide the latest available official unemployment rate. (4)

4.2 Compare gender differences in the following key economic variables in South Africa: earnings, unemployment rates, occupational distribution and educational attainment (8)

	Gender differences
earnings	
unemployment rates	
occupational distribution	
educational attainment	

Student number_____

4.3 Discuss the three measures that unions can use to increase the wages of their members

(10)

Demand for union labour
Supply of labour
Bargaining

SECTION A - Answer Sheet

Indicate the correct option with an **X (in pen)**
(Remember to write your student number on the bottom of this sheet as well)

Question	[a]	[b]	[c]	[d]
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

---oOo---

Student number_____