



<b>FACULTY/COLLEGE</b>	College of Business and Economics
<b>SCHOOL</b>	School of Economics
<b>CAMPUS(ES)</b>	APK
<b>MODULE NAME</b>	Labour Market Issues
<b>MODULE CODE</b>	LMI9X01
<b>SEMESTER</b>	Second
<b>ASSESSMENT OPPORTUNITY, MONTH AND YEAR</b>	Supplementary Summative Assessment Opportunity January 2021

<b>ASSESSMENT DATE</b>	January 2021	<b>SESSION</b>	
<b>ASSESSOR(S)</b>	Prof JMM Viljoen		
<b>MODERATOR(S)</b>	Prof EPJ Kleynhans – North-West University		
<b>DURATION</b>	3 hours	<b>TOTAL MARKS</b>	100
<b>NUMBER OF PAGES OF QUESTION PAPER (Including cover page)</b>			3

**INFORMATION/INSTRUCTIONS:**

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- This is an open-book assessment.
  - There are 3 questions.
  - **Choose any 2 questions to answer**
  - Answer the questions in MSWord.
  - Number your answers clearly and correctly as per the question paper.
    - Fully utilise your acquired knowledge during the module in answering each question. The assessment will be judged on your ability to present the answers in a clear, logical and well-structured format.
    - You need to submit your electronic submission to me [kotiev@uj.ac.za](mailto:kotiev@uj.ac.za) using **your UJ email address**.
  - Please retain a copy of your answers until the results are finalised
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**QUESTION 1****[50 MARKS]**

*The human capital theory addresses the heterogeneous nature of the labour market and see wage differentials as a by-product of differences in individual's productivity. One's productivity can be improved by investing money & time on human capital development (thus, for a certain period, forego the opportunity cost of work) to gain skills. Highly trained workers have increased productivity levels and it is well documented that on average, workers with more education receives higher returns.*

- i) Discuss the basic Mincerian earnings equation that are used to estimate private returns per year of schooling. In your answer also mention the 2 distinct economic concepts that are captured by the Mincer framework.
- ii) The Mincerian earnings equation can be extended to include other variables in the standard equations. Propose an earning equation with variables you would use to estimate the returns to schooling in South Africa. Motivate why each variable is added to the standard model.
- iii) Critically evaluate the use of instrumental variables in the earnings equation (as well as the conditions for using an instrumental variable) and propose an instrumental variable that might be tested in the South African context.

**QUESTION 2****[50 MARKS]**

*'Gender gaps are one of the most pressing challenges facing the world of work today. '... the current gender earnings gap existing in the urban labour markets is due to both contributions of human capital difference and pure discrimination factor. Discrimination against females has been present in many aspects for long time due to historical and social factors. In labour economics, human capital endowments and other personal characteristics of workers are decisive in determining employment opportunities and levels of earning.'* (Wang & Cai, 2006)

- i) Briefly discuss the gender wage gap (both between and within genders) using the neoclassical explanations of discrimination.
- ii) Provide reasoning for the importance why the gender wage gap important for the society in which we live?
- iii) Propose policy measures that can be put in place to reduce the gender gaps.

**QUESTION 3****[50 MARKS]**

*The findings of a study by the National Minimum Wage Research Initiative at the University of the Witwatersrand states that 'A national minimum wage, set at an appropriate level, can achieve the central objectives of reducing working poverty and inequality in South Africa. It can also lead to increased economic growth without significant negative economic consequences.*

*In a recent study, Piek & von Fintel (2020), measured the impact of South African minimum wages on small and large firms' employment in a sector that is exposed to international competition (agriculture) and one that is not (retail). The results show that small farm employment is most vulnerable to minimum wage legislation..." while "... large farm employment was shielded from employment losses' and "...it may intensify the long-run movement towards fewer, larger, and more capital-intensive farms'. 'Retail employment experienced no changes in employment, regardless of firm size'. Thus '...firms exposed to international markets cannot easily increase prices when their employees' wages increase while non-tradable sectors can more readily shift the burden of higher labour costs onto consumers by increasing prices'. 'Implementation of a uniform national minimum wage ignores this type of heterogeneity and could lead to intra-industry changes in concentration and inequality'.*

Taking the above into consideration:

- i) Briefly outline the Keynesian Paradigm around minimum wages and specifically the effect of minimum wages on income distribution, poverty, inflation and employment.
- ii) Provide main findings on the impact of the sectoral minimum wage laws on **any two** the following sectors (retail, domestic workers, agriculture, forestry, taxi workers, and private security).
- iii) In your opinion, is it more important to have a national minimum wage for South Africa or should there rather be sectoral minimum wages? Give reasons for your answer.