Department of Economics

Course name:	**Labour Market Economics**
Course code:	**EC2102**
Semester:	**Spring 2016**
Type of exam:	**Retake**
Examiner:	**Ann-Sofie Kolm**
Number of credits:	**7,5 credits**
Date of exam:	**18 August 2016**
Examination time:	**3 hours (9:00-12:00)**

Write your identification number on each paper and cover sheet (the number stated in the upper right hand corner on your exam cover).

Use one cover sheet per question. Explain notions/concepts and symbols. If you think that a question is vaguely formulated, specify the conditions used for solving it. Only legible exams will be marked. **No aids are allowed.**

The exam consists of 6 questions. All questions are worth 100 points in total. For the grade E 40 points are required, for D 50 points, C 60 points, B 75 points and A 90 points.

Your results will be made available on your "My Studies" account **(**www.mitt.su.se) on 8 September at the latest.

Good luck!

Q1. (20 points). Use the basic static model of individual labour supply in order to explain how an Earned Income Tax Credit (EITC) is likely to affect the individual labour supply in terms of hours and participation. Show how the budget line looks prior to the EITC, as well as how it looks ex post. Show and discuss how different individuals can be expected to change their labour supply as a consequence of an EITC introduction.

Q2. (20 points) Briefly explain the following concepts: 1) Added and discouraged worker effect, 2) Marshall's rules, 3) Elasticity of substitution, 4) Labour supply elasticity.

Q3.(10 points) Human capital theory and signalling theory are two competing theories that both can explain the observed relationship between wages and schooling. Explain the two theories and how they both can explain the observed relationship.

Q4.(20 points) Analyze the impact of minimum wages in a model of a non-discriminating monopsonist. Use the model and explain why a higher minimum wage under certain circumstances can increase employment. Also, discuss what we empirically know about the impact of minimum wages on employment.

Q5. (10 points) Define and discuss the concepts of firm-specific and general on-the-job training. Also, who pays for the education?

Q6. (20 points) Briefly explain the following concepts: 1) Gini Coefficient, 2) Intertemporal substitution hypothesis, 3) Beveridge curve, 4) Reservation wage.