

## **Exam V22**

Exam SØK3522 May 2022

Answer 3 out of 4 questions (your choice). All questions of equal value.

### Question 1 Labour Supply

Demonstrate the effect of a wage increase on labour supply. What is the effect of an increase in non-labour benefits on labour force participation and labour supply, and why is this important for the design of unemployment benefits? Demonstrate how schemes like Earned Income Tax Credits (EITC) attempt to address these problems.

### Question 2 Contracts

Show how individual performance pay schemes such as piece rate schemes can lead to higher worker effort and attract higher ability workers. If worker output cannot be measured, how can deferred compensation schemes (where individual pay increases with time at the job) lead to higher effort levels?

### Question 3 Discrimination

How can employer taste-based discrimination lead to wage differences between groups of workers (for instance, men and women)? How can the Oaxaca-Blinder approach be used to measure wage discrimination?

### Question 4 Wages

Why would we expect risky jobs to pay more?

Contrast the effect of a minimum wage on employment under a competitive labour market and a labour market characterized by monopsony