Instructions: *All questions are compulsory. Answer one question in one place only, otherwise they will not be evaluated.*

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1. Only write the answer in your answer-sheet.                                              **(10)**
   a. Which of the following might cause a spurious correlation between education and earnings?
      i.   Increased interest rates raise the cost of education.
      ii.  Higher productivity is rewarded with higher earnings.
      iii. Investments in educations raise workers' productivities.
      iv.  Differences in workers' innate abilities are the sole determinants of productivity.

   b. Under the most basic assumptions of the human capital model, ____ will pay for general training and ____ will pay for specific investments.
      i. workers, firms   ii. firms, workers   iii. workers, workers   iv. firms, firms

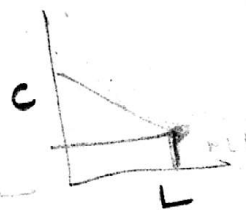   c. Compared with general training, specific training will lead to a life-cycle earnings pattern that is
      i. steeper   ii. flatter   iii. more convex   iv. more concave

   d. If workers are freely mobile in the two-industry model of competitive equilibrium, then
      i.   the demand for labor will be the same in both industries.
      ii.  the supply of labor will be the same in both industries.
      iii. the wage rate will be the same in both industries.
      iv.  the number of hours worked will be the same in both industries.

   e. In the basic competitive model, an unemployment subsidy raises
      i.   the equilibrium wage.
      ii.  the equilibrium level of employment.
      iii. the equilibrium level of unemployment.
      iv.  both a and b

   f. In the competitive incomplete-coverage model, an increase in the minimum wage will move workers from the ____ sector to the ____ sector.
      i.   Uncovered, covered   ii. covered, uncovered
      iii. extensive, intensive   iv. there will be no change in employment

   g. In the monopsonistic framework, an increase in the minimum wage can ____ the wage level and ____ the firm's optimal employment level.
      i. raise, lower   ii. lower, raise   iii. raise, raise   iv. lower, lower

   h. In a competitive labor market, the coefficient of coworker discrimination measures is
      i.  the proportion of Black workers at an employer.
      ii. the level of segregation at an employer.

iii. the utility loss of a prejudiced White worker who works alongside Black workers.

iv. the wage differential between majority and minority workers.

i. The Harris Todaro Model of rural-urban migration does NOT predict that

    i. The flood of new migrants into cities makes it increasingly difficult for these new migrants to find work.

    ii. Individual are spurred to migrate from poor rural areas to urban areas in pursuit of higher wages.

    iii. The flood of new migrants creates unemployment and migrant workers experience a costly transition phase after their move.

    iv. The migration of workers from rural to urban areas is Pareto efficient.

j. If the unemployment rate increases

    i. the employment rate must decrease.

    ii. the employment rate must increase.

    iii. the employment rate will generally decrease by the same amount.

    iv. the employment rate may either increase or decrease

$$L = L_E + L_U$$
$$\frac{(1-L_U)}{p}$$
$$\frac{L_U}{}$$

2. Explain how wage and level of employment are determined in a monopsony labour market. In this context, discuss the impact of the minimum wage. **(4)**

3. Suppose there are two types of workers, high and low ability. Describe how each type chooses the optimal level of educational attainment using a very simple human capital model. Describe how each type of person chooses the optimal level of educational attainment (1) using a matching and (2) using a signaling model. Compare and contrast the conclusions. **(10)**

4. Define "statistical discrimination" and "a taste for discrimination" and explain how these different models of employer behaviour could lead to different labor market outcomes in the long run for men and women. Be sure to discuss the role of the perfect competition. Describe the Oaxaca decomposition of the mean for measuring discrimination and give an example. **(10)**

5. Answer the following **(3+3)**

a) Labour demand for low-skilled workers in India is $w = 24 - 0.1E$, where $E$ is the number of workers (in millions) and $w$ is the hourly wage. There are 120 million domestic low-skilled workers who supply labour inelastically. If India opened it borders to immigration, 20 million low-skilled immigrants would enter India and supply labour inelastically. Compute the Immigration surplus when India opens it borders.

b) Discuss how informal employment is measured in India.

6. Critically examine Harris-Todaro model of migration with its limitations. Discuss how it is different from Lewis Model. **(10)**