

EXAMINATION QUESTION PAPER: Reassessment 2014

Module code:	EC6003
Module title:	Economics of Human Resources
Module leader:	Veruska Oppedisano

Date:	July/August 2014
Duration:	3 hours

Exam type:	Part Seen/Unseen, Closed
Materials supplied:	None
Materials permitted:	None
Warning:	Candidates are warned that possession of unauthorised materials in an examination is a serious assessment offence

Instructions to candidates:	<p>Candidates will be required to answer the seen question in Section A, and THREE unseen questions from Sections B and C, which must include ONE question from each section.</p> <p>All questions carry 25 marks each. A total of 100 marks are available for the whole paper.</p>
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SECTION A IS THE SEEN PART OF THE EXAMINATION

SECTION A (25%)

ANSWER THE FOLLOWING COMPULSORY QUESTION.

1. The Table below is taken from Chandra’s paper “Labour market drop-outs and the racial wage gap: 1940-1990”.
 - a. What does the table show about the evolution of the racial wage gap over time in the USA?
 - b. Explain how the decline of black labour force participation can help explaining the evolution in the racial wage gap.

TABLE 3—ESTIMATES OF THE RACIAL WAGE GAP
ACCOUNTING FOR NONEMPLOYMENT, MALES AGED 25–55

Year	Estimator	Weekly earnings (\$)		
		Whites	Blacks	Ratio
1940	Observed	308	149	0.484
	Brown	252	109	0.433
	Matching, cell minimum	275	129	0.469
	Matching, cell mean	307	148	0.482
1950	Observed	401	251	0.626
	Brown	355	213	0.600
	Matching, cell minimum	360	221	0.614
	Matching, cell mean	400	250	0.625
1960	Observed	560	346	0.618
	Brown	505	290	0.574
	Matching, cell minimum	527	310	0.588
	Matching, cell mean	558	344	0.616
1970	Observed	712	491	0.690
	Brown	659	428	0.649
	Matching, cell minimum	672	442	0.658
	Matching, cell mean	712	487	0.684
1980	Observed	769	582	0.757
	Brown	699	450	0.644
	Matching, cell minimum	726	483	0.665
	Matching, cell mean	766	572	0.747
1990	Observed	799	602	0.753
	Brown	684	430	0.629
	Matching, cell minimum	754	500	0.663
	Matching, cell mean	794	585	0.737

Source: Author’s tabulations from U.S. Census PUMS data. The Brown estimator refers to the Brown (1984) assumption that all nonworkers are drawn from below the median of the unconditional offer-wage distribution. The cell-minimum estimator assigns the minimum value of observed earnings in each (age × schooling) group to all nonworkers in that cell, and the cell-mean matching estimator assigns the cell mean to all nonworkers. All dollar figures have been deflated to 1997 dollars using the implicit GDP price deflator, and the data are weighted using person weights.