Chapter 6 MCQ

1. A soldier who is doing military service is counted as \_\_\_\_\_\_\_\_\_\_\_?

* unemployed
* **employed**
* outside the labour force

1. A worker who is looking for work and worked 2 hours during the previous week is counted as \_\_\_\_\_\_\_\_\_\_\_?

* unemployed
* **employed**
* outside the labour force

1. A worker who is on sick leave from a part-time job is counted as \_\_\_\_\_\_\_\_\_\_\_?

* unemployed
* **employed**
* outside the labour force

1. A worker on early retirement and **not** seeking work is counted as \_\_\_\_\_\_\_\_\_\_\_?

* unemployed
* employed
* **outside the labour force**

1. A student who is studying and has a summer job waiting is counted as \_\_\_\_\_\_\_\_\_\_\_?

* **unemployed**
* employed
* outside the labour force

1. A worker who spends most of his time at the beach but also contacted an employer looking for work is counted as \_\_\_\_\_\_\_\_\_\_\_?

* **unemployed**
* employed
* outside the labour force

1. A worker who says that he wants a job but has **not** recently been seeking work is counted as \_\_\_\_\_\_\_\_\_\_\_?

* unemployed
* employed
* **outside the labour force**

1. According to the specific version of efficiency wage theory presented here, unemployment cannot remain below the natural level because \_\_\_\_\_\_\_\_\_\_\_?

* with very low unemployment, more workers would enter the labour force
* with very low unemployment, workers would ask for real wage increases
* with very low unemployment, firms would be unable to find workers
* **with very low unemployment, firms would raise wages so as to retain their workers.**

1. Which of the following factors would shift the wage-setting schedule upwards?

* a decrease in hiring costs
* unemployed workers search more effectively
* **there is an increase in the fraction of workers quitting exogenously (s)**
* labour unions are weakened.

1. What is the mean duration of unemployment if the exit rate from unemployment is 25 percent?

* 1 month
* 2 months
* 3 months
* **4 months**
* 5 months
* 6 months

1. A country has a labour force of 20 million and 19 million are employed. What is the unemployment rate?
2. 1 percent
3. 4 percent
4. **5 percent**
5. 10 percent
6. Which factor will increase the chance of an employed jobseeker finding a job?
7. The labour force increases but employment remains the same
8. Fewer workers quit their jobs exogenously 
9. **Unemployed workers chose not to apply for some jobs where their chances are low**
10. Fewer workers search on the job
11. The theory of wage setting can be summarized in a wage setting equation relating the firm’s desired *relative* wage to the level of unemployment:



Using this equation and setting  we can find the natural level of unemployment.   
Which statement is correct?

1. **A higher value of *a* will increase the natural level of unemployment and a higher value of *b* will decrease it**
2. A higher value of *a* will decrease the natural level of unemployment and a higher value of *b* will increase it
3. A higher value of *a or b* will increase the natural level of unemployment
4. A higher value of *a or b* will decrease the natural level of unemployment
5. For a given capital stock, what does the theory presented here say about the effect of stronger unions?
6. Stronger unions reduce real wages and raise employment
7. **Stronger unions raise real wages and reduce employment**
8. Stronger unions raise real wages and employment
9. Stronger unions reduce real wages and employment
10. Stronger unions do not affect the real wage but employment is reduced
11. What does the theory presented here say about the long run effect of stronger unions once the capital stock has adjusted (for a given real interest rate)?
12. Stronger unions reduce real wages and raise employment
13. Stronger unions raise real wages and reduce employment
14. Stronger unions raise real wages and employment
15. Stronger unions reduce real wages and employment
16. **Stronger unions do not affect the real wage but employment is reduced**
17. According to the theory presented here, what is the long run effect on unemployment if unemployed workers apply for half as many jobs?
18. Unemployment will be unchanged
19. Unemployment will be slightly higher
20. Unemployment increases 50 percent, e.g. from 4 to 6 percent of the labour force
21. **Unemployment doubles, e.g. from 4 to 8 percent of the labour force**
22. Which of the following factors will *reduce the expected duration* of unemployment, i.e. the expected time a worker will remain unemployed?
23. Fewer unemployed workers become “discouraged workers” i.e. they leave the labour force
24. **More workers quit their jobs exogenously**
25. Unemployed workers search less effectively
26. Unemployed workers find it harder to compete for available job openings