



Answer all questions

Time : 03 Hours

Discrimination can affect women (or any other group that is discriminated against) in at least two ways. They may earn less than men when doing the same job, or they may be forced into jobs that typically pay lower wages than the jobs from which they excluded. Non discriminatory wage differentials arise when men and women differ on average in relevant labour market characteristics. For example, men and women differ significantly in their educational qualification and in their labour market experience, with women, typically, spending somewhere between five and ten years out of their labour market raising children .

Across the whole economy, the average pay of women is less than that of men. This has been known since at least in 1980s, when reliable records started. Indeed, at the trade union congress of 1888, a motion was passed stating where men and women do the same jobs they should get the same pay. However it was 1970 before the equal pay act finally legislated that pay must be same 'for the same or broadly similar work'. This suggests that some previously existing discrimination has been eliminated.

Further research has looked at the remaining differentials. Correcting for different lengths of labour-market experience would increase female pay to almost 80 per cent of male. Other differences between sexes, such as years of schooling, accounted for another 8 percentage points leaving 12 percentage points (or about one third of the differential) unexplained. This could be due to discrimination.

On a narrow interpretation, the pay differential according to different labour-market experiences is a reflection of the resulting lower marginal products. On a wide view of discrimination, however, these different experiences for paying women less. This wider

view is given some plausibility by the fact that in Sweden, the most egalitarian country in Europe, female earnings average fully 90 per cent of male earnings.

The effect of discrimination in crowding women into acceptable jobs is harder to estimate. Studies suggest, however, that, if the discrimination in the type of employment were eliminated, wages in currently female-dominated occupations would rise significantly (up to 50 per cent!) while wages in currently male dominated jobs would fall by only a few percentage points.

These estimates put *upper bounds* on the effects of discrimination. To some extent, the crowding of women into certain types of jobs may reflect their preferences for the type of jobs, and the amount of human capital that they are willing to acquire. To the extent that this is true, the crowding into certain occupations and the resulting lower female earnings represent the outcome of female preferences. However, to the extent that the crowding is due to the discriminatory practices on the part of employers, the wage differentials are not an efficient market outcome.

All of the research results reported here are tentative, since this type of estimation is not an easy matter. However, the evidence does suggest two things. First, there is almost certainly some discrimination against women remaining in labour markets today. Second, we have to be very careful in interpreting the raw data. The measured average differentials have to be adjusted for labour-force characteristics in order to identify a residual that is due to discrimination.

### Questions

- i. According to the studies explained above, give reasons for why women are paid less than men?  
(8 Marks)
- ii. Do you agree or not that the human capital they (women or men) are willing to acquire makes a wage difference in the labour market? Explain with evidence.  
(10 Marks)
- iii. As you are a human resource manager, justify whether there should be a wage difference or not in a labour market?  
(10 Marks)

(Total 28 Marks)

2. i. What is meant by “Derived Labour Demand”, explain the factors which determine the demand for labour? (6 Marks)
- ii. Explain the effect of increase in wage rate on supply of labour by an individual in terms of income effect and substitution effect? (6 Marks)
- iii. Suppose a firm is a monopsonist in the market for labour, the firm can hire the quantity of labour at  $W = 10 + 4L$ . if MRP of labour =  $100 - L$ , how many number of workers the firm will hire and what rate will it pay? (6 Marks)
3. i. In a competitive labour market, Marginal Revenue product curve is the firm’s demand curve for labour. Explain (4 Marks)
- ii. What are the factors that determine the power of trade union? (6 Marks)
- iii. How wages are determined in a perfectly competitive labour market? If in such a market trade unions succeed in getting wage rate higher than the competitive equilibrium wage rate, what will be its consequences? (8 Marks)
4. i. Define different types of unemployment. (4 Marks)
- ii. “Education may provide a signal to employers of an individual productivity, when that productivity is difficult to observe” Explain with suitable diagram. (6 Marks)
- iii. Unemployment is a crucial issue in an economy. Discuss this with Sri Lankan economy. (8 Marks)
5. i. What are the socio-economic impacts of women migration in Sri Lanka? (8 Marks)
- ii. Explain the challenges which are faced by the Sri Lankan labour market? (10 Marks)