

Chapter 2 The U.S. Labor Market

MULTIPLE CHOICE

1. Which of the following groups are *not* part of the working population?
 - a. individuals over the age of 16 who can work but currently are not looking for a job
 - b. individuals over the age of 16 and currently working
 - c. individuals over the age of 16 and are in prison
 - d. individuals over the age of 16 who are not working but are looking for a job
 - e. both A and C

ANS: C

2. The labor force is made up of
 - a. the entire working population.
 - b. the entire working population over the age of 16.
 - c. the entire working population over the age of 16 who currently have a job.
 - d. the entire working population over the age of 16 who are looking for a job or currently have a job.
 - e. the entire working population over the age of 16 and individuals in prison.

ANS: D

3. Which of the following individuals would be considered unemployed, according to the Bureau of Labor Statistics glossary?
 - a. a 15-year-old who is looking for an after school job
 - b. a mother that quits her job to take care of her children
 - c. a 22-year-old male, who is not in college, and takes a week off to go on Spring Break with his friends
 - d. a father who is laid off, is waiting to be recalled to his job, but is not looking for a new job
 - e. an individual who takes a few days off after coming down with the flu

ANS: D

4. Which of the following individuals would be considered employed, according to the Bureau of Labor Statistics glossary?
 - a. a stay-at-home dad who works 40 hours a week taking care of his family
 - b. a mother who works 20 hours a week for her husband's business, but is never paid
 - c. an individual who was recently laid off and has not found another job yet
 - d. an elderly woman who retires from her job but still volunteers
 - e. a girl who is 15 working part time at a local grocery store

ANS: B

5. Which of the following is a true statement about marginally attached workers?
 - a. The individual has looked for a job within the past year, but not within the past month.
 - b. A marginally attached worker is a subset of the group considered to be discouraged workers.
 - c. The reason marginally attached workers are not looking for work is *always*

- because they do not believe there is a job for them.
- d. The individual would like a job but has not looked for a job in the past two years.
 - e. Marginally attached workers are considered part of the labor force.

ANS: A

6. During 2008, the number of marginally attached workers, while the unemployment rate .
- a. stayed the same, increased
 - b. increased, increased
 - c. decreased, increased
 - d. stayed the same, stayed the same
 - e. stayed the same, decreased

ANS: B

Use the following information to answer questions 7–10. There are 200 million employed workers, 5 million unemployed workers, and 50 million individuals under the age of 16; and there are 20 million members of the working population who are not in the labor force.

7. What is the employment-to-population rate?
- a. 2.4%
 - b. 72.7%
 - c. 74.5%
 - d. 78.4%
 - e. 88.9%

ANS: B

8. What is the labor force participation rate?
- a. 2.4%
 - b. 72.7%
 - c. 74.5%
 - d. 78.4%
 - e. 88.9%

ANS: C

9. What is the unemployment rate?
- a. 1.8%
 - b. 2.0%
 - c. 2.2%
 - d. 2.4%
 - e. 97.6%

ANS: D

10. What is the employment rate?
- a. 1.8%
 - b. 2.0%
 - c. 2.2%
 - d. 2.4%
 - e. 97.6%

ANS: E

Use the information provided in the following table to answer questions 11–13

Year	Nominal Wage	CPI
1996	\$30,000	0.60
1999	\$35,000	1.00
2002	\$42,000	1.78
2006	\$50,000	1.88

11. Which year did the worker have the highest real wages?
- 1996
 - 1999
 - 2002
 - 2006
 - none of the above

ANS: A

12. What is the worker's nominal wage in 2002?
- \$20,488
 - \$23,590
 - \$35,000
 - \$42,000
 - \$70,000

ANS: D

13. What is the worker's real wage in 2002?
- \$20,488
 - \$23,590
 - \$35,000
 - \$42,000
 - \$70,000

ANS: B

14. Total compensation includes all of the following except
- base salary.
 - overtime.
 - opportunity cost of an alternative job.
 - health care.
 - a company car.

ANS: C

15. Which of the following best represents the gross total earnings of an employee?
- base salary.
 - base salary and overtime payments
 - base salary, production benefits, overtime, and cost of living allowances

- d. base salary, production benefits, overtime, cost of living allowances, and shift differentials
- e. base salary, production benefits, overtime, cost of living allowances, and shift differentials net of any tax deductions

ANS: D

16. The straight time hourly wage equals
- a. wages plus overtime plus holiday payments.
 - b. the hourly wage times hours worked.
 - c. the hourly wage times hours worked plus fringe benefits.
 - d. the hourly wage.
 - e. the hourly wage plus the hourly value of benefits for the worker.

ANS: D

17. Which of the following is *not* a true statement about the Consumer Price Index (CPI)?
- a. The CPI is based on a fixed bundle of goods.
 - b. The CPI is not adjusted spatially and has the same value for all urban areas.
 - c. The CPI is used to calculate cost of living adjustments.
 - d. The CPI overstates true changes in the cost of living, because it does not allow for substitution among goods.
 - e. The CPI does not allow for the inclusion of new goods.

ANS: B

18. Over the past several decades, the nominal wage has while the real wage has.
- a. increased, increased
 - b. increased, decreased
 - c. increased, remained the same
 - d. remained the same, increased
 - e. remained the same, remained the same

ANS: C

19. Suppose that the facts are as follows:

City	Nominal Wage	CPI for the Area
I	\$20	\$50
II	\$30	\$100
III	\$35	\$125
IV	\$40	\$150
V	\$45	\$155

Which city pays the highest real wage?

- a. I
- b. II
- c. III
- d. IV
- e. V

ANS: A

20. Which of the following is a true statement about trends in the U.S. labor force between 1950 and 2000?
- The male labor force participation rate has increased steadily.
 - The unemployment rate peaked during the Carter administration (1976–1980).
 - The female labor force participation rate has declined.
 - The increase in the labor force participation rate was caused by women joining the labor force.
 - The size of the labor force has not grown much over the past 50 years.

ANS: D

21. The National Compensation Survey (NCS), published by the Bureau of Labor Statistics, is problematic. Which of the following is *not* one of the reasons it is problematic?
- Rankings vary based on whether the hourly wage is used or the annual earnings.
 - The NCS is based on a sample, thus exposing it to sampling error.
 - The rankings are based on the median response, making it biased toward outliers.
 - Rankings are calculated using the mean wage, which biases the estimates.
 - The rankings vary because different occupations work a different number of hours.

ANS: C

22. The structural transformation from 1950 to 2000 has caused total employment to in the agricultural sector and in the manufacturing sector.
- decrease, increase
 - decrease, decrease
 - increase, increase
 - increase, decrease
 - decrease, remain the same

ANS: A

23. The working population is composed of two mutually exclusive groups
- over 16 and under 16.
 - in the labor force and not in the labor force.
 - employed and unemployed.
 - in the labor force and unemployed.
 - under 16 and in the labor force.

ANS: B

24. Which of the following groups are *not* considered to be out of the labor force?
- students
 - stay-at-home parents
 - discouraged workers
 - marginally attached workers
 - unemployed workers

ANS: E

25. What is the most commonly used normative criterion?
- Pareto efficiency

- b. fairness
- c. equality
- d. marginal productivity
- e. rational choice

ANS: A